

Talking Points June 15, 2016

Who We Are – STA

Chairman of the Board
JOHN RUSSELL
Franklin Templeton Investments
San Mateo, CA

President & CEO
JAMES TOES
Security Traders Association
New York, NY

Vice Chairman
JON SCHNEIDER
ITG, Inc.
Kansas City, MO

Treasurer
DOUG CLARK
ITG Canada Corp
Toronto, Ontario CAN

Secretary
MIKE RASK
Hodges Capital
Dallas, TX

Past Chairman
RORY O'KANE
KCG
Chicago, IL

GOVERNORS

PAT ARMSTRONG
Prime Executions, Inc.
San Francisco, CA

NATALIE CARPENTER
Longbow Research
San Francisco, CA

TIM CASEY
Cabrera Capital
Boston, MA

ANDREW D'AMORE
KCG
Chicago, IL

KNUT GREVLE
B. Riley
Los Angeles, CA

JODIE MROTEK
Henderson Geneva Capital
Management
Milwaukee, WI

ANDY NYBO
Tabb Group
New York, NY

NICK OTTE
Scotttrade
St. Louis, MO

ALEX PEREL
TD Securities
Toronto, Ontario CAN

BILL VANCE
Imperial Capital
New York, NY

CHRISTOPHER WILSON
Capital International Investors
Los Angeles, CA

STA is a grass roots organization comprised of 24 affiliate organizations in the US and Canada. Our membership represents INDIVIDUALS who trade financial products from varying business models – buy-side, sell-side, hedge funds, exchange traders and market makers- dealing in equity and derivative trading.

STA Issues:

- Recommendations made by SEC Equity Market Structure Advisory Committee (“EMSAC”) Subcommittees at April 26, 2016 meeting:
 - Regulation NMS Subcommittee; *Access Fee/Liquidity Rebates Pilot*
 - Trading Venues Regulation Subcommittee; *Changes to Regulation NMS Plan governance structure*

Specific Comments:

* *Access Fee/Corresponding Liquidity Rebates Pilot:*

-In a letter to the Commission dated, April 16, 2013 the STA requested that the SEC reconsider its position regarding “*the ability of Electronic Communication Networks (“ECNs”) to charge non-subscribers access fees and abolish the practice.*” Among the reasons cited were distortion and lack of transparency in prices.

-Access fees and corresponding liquidity rebates, or “maker/taker” models, have evolved and are now deeply engrained in the current market structure. The STA would be in favor of a pilot designed with a limited number of securities with varying access fee caps and no other variables. STA will comment formally upon a recommendation by the full EMSAC.

* *Changes to the NMS Plan governance structure:*

- In testimony before the House Financial Services Committee’s Capital Markets and GSE Subcommittee on June 2012, one of three (3) areas of reform STA recommended policy makers should consider to increase stability and foster investor confidence was “*the rule making process for both Self-Regulatory Organizations (SROs) and the SEC.*” While we acknowledged “*there are efficiencies within both processes that when applied properly serve the competitive nature of our markets and investor confidence*” we expressed concern as to whether investors are being well served with certain types of rules introduced through SRO rulemaking.

-Since testifying, several NMS Plans have been implemented to assist the Commission in the development of a National Market System. STA has become increasingly concerned with the timeliness and efficacies of these Plans and their impact on investors. STA believes conflicts which exist between SRO and non-SRO participants, who are essential for a successful NMS Plan outcome, play a role in the shortfalls of these Plans. We believe reforms are needed that address these conflicts and are guided by improving investors’ interests.

* *SEC EMSAC expiration on two-year charter.*

-STA understands that the charter under which EMSAC operates expires two years from the date it was filed, or February 2015, and that it may be renewed in early 2017. STA recommends that the Commission consider this renewal event as opportunity to add representatives from retail brokerage firms and exchanges with listings while still maintaining the composition of “no more than 17 members” included in the charter.