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May 25, 2018

Via Electronic Mail (rule-comments@sec.gov)

Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Transaction Fee Pilot (File No: S7-05-18)

Dear Mr. Fields,

OppenheimerFunds, Inc., and its subsidiaries[1] (collectively, "OppenheimerFunds") appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") proposed Transaction Fee Pilot for NMS Stocks (the "Proposal"). We commend the Commission for undertaking this effort to study the impact of transactions fees and rebates and believe it represents another step in furtherance of promoting transparency, fairness and competition in the national market system. We urge the Commission to adopt the Proposal, with minor changes, and commence the pilot without delay. We also offer a few suggestions which we think will allow the Commission to better analyze the impact of transaction fees and rebates on order routing.

I. Introduction

Over the last twenty years the U.S. equity markets have undergone an extensive transformation from an ecosystem of manual trading centers to one driven by automation, as well as the use of new technologies to facilitate securities trading. The Commission has taken thoughtful steps over the past two decades to address these structural changes by way of meaningful rules and

[1] OFI Global Asset Management, Inc. is a direct, wholly owned subsidiary of OppenheimerFunds, Inc. ("OFI"). OFI, a registered investment adviser, along with its subsidiaries offer a broad array of products and services to clients, who range from pensions and endowments to financial advisors and individual investors. OFI's investment management teams specialize in equity, fixed income, alternative, multi-asset, and factor and revenue-weighted ETF strategies. OFI has been in the investment advisory business since 1960, and with its subsidiaries, has more than $250 billion in assets under management.

regulation designed to promote transparency, fairness and competition in the national market system. Despite these advances, we have observed increased complexity and fragmentation – specifically, single exchange groups operating multiple exchanges with little difference other than their respective fee structures – have led to inefficiencies and potential conflicts of interest that erode investor confidence in the U.S. equity markets.

The "maker-taker" pricing model, whereby an exchange pays broker-dealer participants a per share rebate to provide liquidity in securities and concomitantly assesses participants a fee to remove liquidity, creates the potential for there to be a conflict between a broker's obligation to achieve best execution for a client by providing an incentive for such broker to route orders so as to maximize rebates earned and minimize fees paid. Relatedly, to the extent that transaction fees and rebates obfuscate the actual price bid or offered for a security, the "maker-taker" pricing model has the potential to undermine price transparency particularly in light of the fact that transaction fees and rebates vary across exchanges. Given the impact of transaction fees and rebates on order routing, transparency, execution quality and overall market quality, we strongly support the Proposal to study how changes to existing regulation may affect equity markets.

II. Scope and Design of Proposal

Overall, we think the Proposal is well conceived and as constructed, should provide the Commission and equity market participants with meaningful data on the impact of "maker-taker" pricing on order routing behavior and execution quality.

No-Rebate Bucket: We believe that the inclusion of the "zero rebate" bucket is integral to the Proposal. In prohibiting rebates, the Proposal will be able to generate data around how market quality changes in the absence of rebate-driven pricing and routing strategies.

Inclusion of all NMS Exchanges: Given that rebates (whether paid to makers or takers of liquidity) create distortions, it is critical that all NMS exchanges be included in the Proposal in order to identify and eliminate any undesired effects.

Stock Selection: Including a wide universe of NMS stocks will yield a meaningful dataset. Including 1000 names in each Test Group is critical because it allows for a cross section of stocks with varied characteristics.

Duration of Proposal: A maximum of 2 years, while not being less than 1 year, should provide adequate time to collect meaningful data.

Prohibition of "Linked Pricing": Given that exchanges could have lowered access fees for broker-dealers that met certain posting requirements – effectively an end-run around the rebate exclusion – we applaud the Commission for including this well thought-out provision.

Notice and Comment Rulemaking: We support the use of a notice, comment and rulemaking process as opposed to an NMS plan. We believe this affords opportunity for a wide swath of stakeholders to play a role in shaping the final format of the Proposal and mitigates the potential for certain market participants to have undue influence.

III. Recommendations for Commission to Consider

Inclusion of ATSs and Liquidity Providers: We believe that a more holistic view could be taken with respect to the trading venues included in the Proposal. While we are cognizant of the challenges presented by expanding the scope of the Proposal beyond Rule 610, given the significant amount of equity trading volume that occurs off-exchange, coupled with the fact that the Proposal may incentivize broker-dealers to route orders to ATSs, we are concerned that in not analyzing execution quality of ATSs, the Commission will not be in a position to fully measure the overall impact of the Proposal on market quality. At a minimum, we would advocate extending the "zero rebate" bucket to ATSs and liquidity providers. To the extent that ATSs and liquidity providers are not included in the Proposal, we think it would be beneficial for the Commission to take a close look at off-exchange order routing in securities assigned to Test Group 3.

Treatment of Exchange Traded Products (ETPs) in the Pilot: There is concern amongst market participants that due to the competitive nature of ETPs, some ETPs could be positively impacted by the pilot at the expense of others. We share that concern, however we also recognize the importance of observing the impact of the pilot across a large universe of issuances that vary in structure and liquidity. In that vein, we would be supportive of rotating the pilot securities through the four Test Groups throughout the tenure of the pilot. Analysis of individual security characteristics before and after a rotation to a new group, could yield relevant and important results.

Consideration of ADRs in the Pilot: OppenheimerFunds maintains significant investment outside the United States, both directly and indirectly via ADRs. We would point out that analysis of those ADRs could provide additional insight into the effect rebates and fees have on liquidity, spreads and the overall trade experience.

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OppenheimerFunds appreciates the opportunity to provide its views on the Proposal. We would welcome the opportunity to discuss our comments with the Commission or its Staff, as we all continually seek a more conducive environment for achieving best execution on behalf of investors.

Respectfully submitted,

Cynthia Lo Bessette
General Counsel &
Executive Vice President
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Keith Spencer
Head of Equity Trading &
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John Boydell
Manager of Equity Trading &
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cc: The Honorable Jay Clayton
The Honorable Kara M. Stein
The Honorable Michael S. Piwowar
The Honorable Robert J. Jackson Jr.
The Honorable Hester M. Peirce

Brett Redfearn, Director, Division of Trading and Markets