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April 9, 2015

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

Mr. Stephen Luparello
Director
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE Washington, D.C. 20549-1090

Re: **SEC Rule 13h-1 Large Trader Implementation Issues for Broker-Dealers Request for Phase III Extension**

Dear Mr. Luparello:

The Securities Industry and Financial Markets Association ("SIFMA")[1] submits this letter to the Securities and Exchange Commission ("Commission") to request an extension the exemptive relief that the Commission has granted in connection with Rule 13h-1 under the Securities Exchange Act of 1934 ("Exchange Act"). The Commission issued an order on August 8, 2013 ("August Order") to exempt broker-dealers from certain recordkeeping and reporting requirements of Rule 13h-1 until November 1, 2015. The compliance phase currently scheduled to take effect on November 1st is referred to in the August Order as "Phase III".

As the Commission noted in the August Order, SIFMA has previously described the significant implementation challenges that would have to be resolved to meet the compliance requirements of Phase III. In particular, SIFMA stated in its February 13, 2013 letter to the Commission that "it would require a massive restructuring of most of the current execution and clearing flows and systems at considerable cost to aggregate all of [the relevant reporting] information at one broker-dealer" and that "individual broker-dealers must make significant internal changes to their systems, the fundamental restructuring of certain industry standard clearing processes may be required, and concerted and coordinated development activities will be required throughout the broker-

[1] SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving retail clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

dealer industry."[2] SIFMA also noted that the reporting structure that would be ultimately developed and implemented under Phase III would become redundant when the Consolidated Audit Trail (CAT) is instituted.[3]

At that time, SIFMA stated that broker-dealers would need an extended amount of advance notice to develop implementation solutions for Phase III. SIFMA also stated in its February 13 letter that certain aspects of that implementation were infeasible except at a prohibitive cost and involving significant industry coordination for the development of new operational flows and processing standards that is disproportionate to the anticipated relatively short-lived corresponding benefit.

Developments since the August Order argue strongly in favor of eliminating Phase III altogether or, in the alternative, materially postponing Phase III. Most notably, the SROs have filed a comprehensive CAT plan, which will be published for public comment.[4] In the plan, the SROs have identified Rule 13h-1 as a reporting requirement that could reasonably be eliminated because it will be superseded by the CAT. At this point, developing a costly and time consuming Phase III solution would require significant time and resources that would distract industry resources and focus from developing and implementing the CAT. Further, Phase III implementation would require significant additional interpretive guidance we have requested from the Commission.

With significant progress having been made on the development of the CAT, and with only several months remaining before the current Phase III compliance deadline, we believe that the Phase III compliance deadline should be eliminated or materially extended. The principal goals of Rule 13h-1 have been accomplished in Phases I & II, as the execution detail of broker dealer proprietary, direct market access, and sponsored access trading activity is now available to the SEC and other regulators via Electronic Blue Sheets. The Commission seemed to acknowledge this in the August Order when it indicated that it was providing "exemptive relief limiting short-term compliance costs of [Rule 13h-1] to focus near-term compliance on the large trader information that is likely to be most useful to the Commission."

Based on the foregoing, we request that the Phase III be eliminated or materially extended to a date no sooner than the earlier of the date of the full implementation of the CAT or November 1, 2020. It is not necessary to build a compliance solution for Phase III when the work will be carried out separately through the development of the CAT. If Phase III is not eliminated, once the CAT is implemented the Commission should reassess the utility of Phase III and any remaining potential value Phase III may have. In any event, the

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[2] SIFMA Request for Exemptive Relief from certain aspects of Rule 13h-1 (Large Trader Reporting), February 13, 2013 (available at http://www.sec.gov/comments/s7-10-10/s71010-102.pdf).

[3] SIFMA also raised a number of critical interpretive questions that we believe the Commission should address before broker-dealers can develop a compliance solution for Phase III.

[4] Amended and Restated Consolidated Audit Trail National Market System Plan (CAT NMS Plan) Submission, Submitted February 27, 2015 (available at http://catnmsplan.com/web/groups/catnms/@catnms/documents/appsupportdocs/p602500.pdf).

November 1, 2015 compliance date is not feasible at this point given the remaining need for interpretive guidance, plus the significant systems issues that would have to be resolved for Phase III compliance.[5] It is critical that broker-dealers know the Commission's view on Phase III as soon as possible, and in any event well before the November 1st deadline. We urge the Commission to act as soon as possible on this request.

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SIFMA appreciates the Commission's consideration of this request. If you have any comments or questions, please do not hesitate to contact me at [redacted].

Sincerely,

Theodore R. Lazo
Managing Director and
Associate General Counsel

cc: The Honorable Mary Jo White, Chair
The Honorable Luis A. Aguilar, Commissioner
The Honorable Daniel M. Gallagher, Commissioner
The Honorable Michael S. Piwowar, Commissioner
The Honorable Kara M. Stein, Commissioner

Gary Goldsholle, Deputy Director, Division of Trading and Markets
David S. Shillman, Associate Director, Division of Trading and Markets
Richard Holley, Associate Director, Division of Trading and Markets

[5] In its February 13, 2013 letter, SIFMA had pointed out that a prime broker or other carrying broker that is not acting as a self-clearing executing broker or clearing broker for the executing broker for a particular transaction (which can occur, for example, in Prime Brokerage, DTC ID, CMTA, and other bulk clearance flows) (an "indirect clearing carrying broker") generally does not receive underlying disaggregated execution fill details in the ordinary course of performing its clearing activities. Accordingly, SIFMA requests that in connection with any relief issued by the Commission, the Commission also clarify that an indirect clearing carrying broker is not required during Phase II to keep records of, or report, Transaction Data with respect to disaggregated execution trade details (including disaggregated execution times, quantities, venues, and prices). SIFMA believes this clarification would be consistent with the logic behind the August Order's exclusion of recordkeeping and reporting requirements for "execution time" by indirect clearing carrying brokers.