March 30, 2023

Via Electronic Mail rule-comments@sec.gov

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE Washington, DC 20549

Re: Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders, Release No. 34-96494; File No. S7-30-22 ("Minimum Ticks Rule")

Dear Ms. Countryman,

XTX Markets appreciates the opportunity to comment on the Securities and Exchange Commission's ("Commission") Minimum Ticks Rule proposal. By way of background, XTX Markets LLC is a U.S. broker-dealer and an affiliate of XTX Markets Ltd. (collectively "XTX Markets"), a London-based proprietary trading firm. XTX Markets is a regulated quantitative-driven electronic trading firm with global operations. We trade equities, FX, futures, commodities, options, and U.S. Treasuries. XTX Markets executes daily notional volume of approximately $300 billion across all asset classes and geographies.

XTX Markets is a strong advocate globally for fair and transparent markets and is committed to making markets more efficient and competitive, in part by advocating for policies that reduce barriers to entry and level competitive playing fields between market participants. XTX Markets believes the Commission's proposed Minimum Ticks Rule proposal, with some modifications noted herein, will have the effect of materially narrowing spreads in currently tick constrained securities, leading to substantial savings for investors.

I. Summary of Rule Proposal

As proposed, the Minimum Ticks Rule would set a new tick regime for currently tick constrained symbols and would harmonize the minimum quoting and trading increment across exchanges and off-exchange trading centers. In particular, the proposal would implement the following minimum tick schedule:

Minimum Pricing Increment	If the Time Weighted Average Quoted Spread for the NMS stock during the Evaluation Period was:
$0.001	Equal to or less than $0.008
$0.002	Greater than $0.008 but less than or equal to $0.016
$0.005	Greater than $0.016 but less than or equal to $0.04
$0.01	Greater than $0.04

In addition to reducing the minimum tick size to below $0.01 for certain securities, the Minimum Ticks Rule proposal would reduce the current access fee cap from $0.0030 per share to $0.0010 for securities with minimum ticks of $0.002, $0.005, $0.01. And the proposal would reduce the access fee cap to $0.0005 for securities with a minimum tick of $0.001.

Moreover, the Minimum Ticks Rule proposal would accelerate the implementation of previously adopted changes to round lot sizes and off-lot transparency. In this regard, the size of a round lot would be determined by reference to the price of the security, with a round lot being 100 shares for securities priced at $250 or less per share, 40 shares for securities priced between $250.01 and $1,000.00 per share, 10 shares for securities priced between $1,000.01 and $10,000.00 per share, and 1 share for securities priced greater than $10,0000.00. These new round lot sizes will be published to the SIP and will be protected quotes. In addition, the proposal would require the publication on the SIP of odd lots priced better than the NBBO.

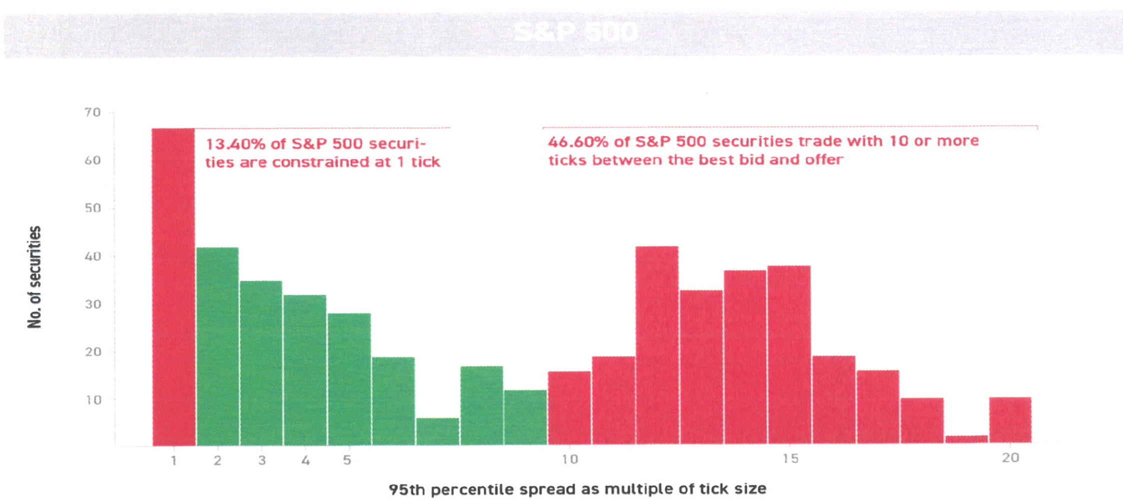
II. Discussion

XTX Markets has long opposed a one size fits all approach to tick sizes and has advocated for a more dynamic tick regime where the minimum tick size is a function of a security's price and liquidity profile. In this vein, in 2019 XTX Markets participated in an informal working group on tick sizes organized by Nasdaq that resulted in broad agreement on a tick regime with dynamic tick sizes of $0.005, $0.01, $0.02, $0.05, $0.10, and $0.25 depending on the duration weighted average quoted spread of each symbol over a defined measurement period. Nasdaq subsequently filed this "Intelligent Tick" proposal as a petition for rulemaking with the Commission.[1]

XTX Markets supports Nasdaq's Intelligent Tick proposal as an effective way to address the two primary negative consequences of the current one size fits all tick regime. First, as the Commission recognizes in its Minimum Ticks proposal, many low-priced securities are tick-constrained, often trading one tick wide when there is widespread interest to trade at a smaller tick increment. Such tick constraints create long quotation queues, diminish price discovery, and reward only the fastest traders with queue position when quotes are changing, thereby contributing to a costly and wasteful arms race for speed.

Second, many high-priced stocks, conversely, trade at spreads that are multiples of the current one-penny minimum tick increment. This increases investor costs and inhibits price discovery because the cost of outbidding a resting limit order is so insignificant that time priority becomes virtually non-existent. This in turn disincentivizes the posting of displayed limit orders in the market.

For these reasons, Europe has already advanced to a dynamic tick regime with both smaller and larger ticks than the local minimum unit of fiat currency with great success,[2] which can be demonstrated by the following comparison of spreads in S&P 500 securities and EuroStoxx 600 securities over the previous three months:



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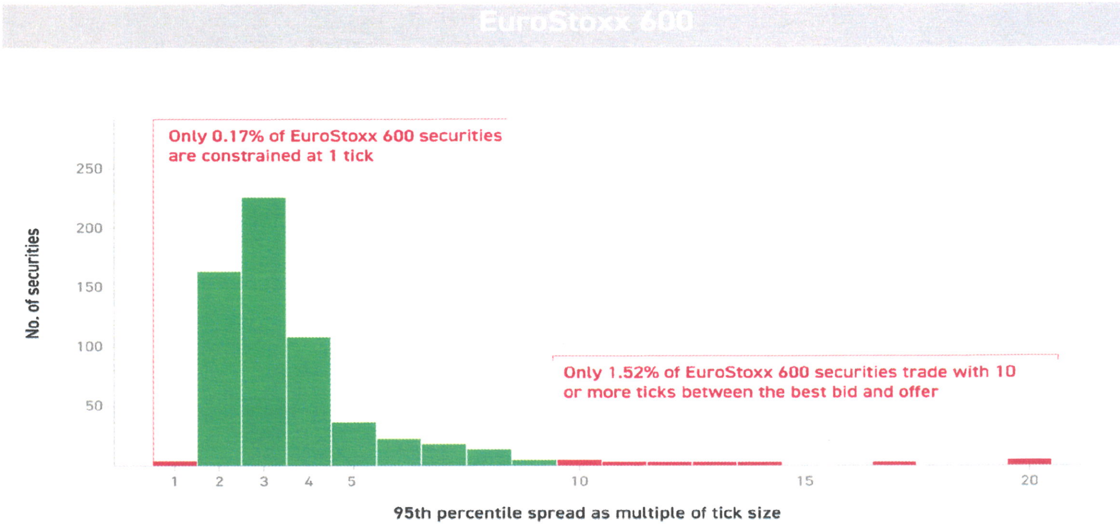
1 File No. 4-756, *Request to amend Rule 612 of Regulation NMS to adopt intelligent tick-size regime*, John A. Zecca, Executive Vice President, Chief Legal Officer and Chief Regulatory Office, Nasdaq, Dec. 16, 2019. (https://www.sec.gov/rules/petitions/2019/petn4-756.pd).

2 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.087.01.0411.01.ENG&toc=OJ:L:2017:087:TOC.



These charts show that in the S&P 500, 13.40% of the securities are constrained at one tick between the best bid and offer 95% of the time, and 46.60% of S&P 500 securities trade with 10 or more ticks between the best bid and offer. In comparison, in the EuroStoxx 600, only 0.17% of the securities are constrained at 1 tick 95% of the time, and only 1.52% of securities trade with 10 or more ticks between the best bid and offer.

XTX Markets would prefer the Commission address tick size on both ends of the liquidity spectrum as Europe has done and as Nasdaq's Intelligent Tick proposal would do. That said, XTX Markets recognizes that the Commission's Minimum Ticks Rule proposal is a material step in the right direction, addressing inefficiencies affecting trading in the majority of shares traded any given day. As such, with a couple of modifications noted below, XTX Markets supports the Commission's proposal.

With respect to modifications, XTX Markets would change the tick bands proposed by the Commission. In particular, XTX Markets believes that the minimum tick in a security should result in average quoted spreads of between 2-4 ticks, not the 8 or more suggested by the Commission. The goal should be to enhance price discovery by creating price improvement opportunities but ensuring those opportunities are in an increment that is a material notional dollar amount so as to prevent quote flickering and disincentivizing the display of limit orders. We believe that goal is most often met when the market gravitates to a quoted spread of 2-4 ticks. As such, XTX Markets strongly opposes adoption of a minimum tick for any securities as small as $0.001, which we believe to be too small for any NMS security.

Instead, XTX Markets proposes a minimum tick increment of $0.005 for securities currently trading with a time weighted average quoted spread of $0.02 or less. We believe this will result in a vast improvement in price discovery through competitive quoting while requiring that competition to be in increments that are a material notional dollar amount, which will avoid creating disincentives to display orders in the market. Should the Commission nevertheless believe it is necessary to create a minimum tick of less than $0.005, we would urge the

Commission to not go below $0.0025 and then only for a few of the most liquid, tick constrained securities.

XTX Markets further supports harmonization of the displayed minimum tick size with the minimum trading increment, with an exception for midpoint trading, regardless of market center, and with an exception for executions occurring in qualifying retail auctions as proposed by the Commission in its Order Competition Rule proposal.[3]

With respect to access fees, XTX Markets supports the Commission's proposal to reduce the access fee cap in Rule 610 of Regulation NMS. As modified to conform to XTX Markets' proposed modified minimum tick regime, we support reducing the access fee cap for all securities to $0.001.

Finally, XTX Markets fully supports the Commission's proposal to accelerate the implementation of previously adopted changes to round lot sizes and odd-lot transparency. XTX Markets believes, in fact, that the concept of round lot and protected quotes are anachronisms and would fully support the display of lit orders of all sizes on the SIP and the adoption of rational best execution policies and procedures and enforcement of same. However, in the absence of taking such measures, XTX Markets believes the Commission's proposal to determine the size of a protected round lot by reference to the price of a security and to require the publication on the SIP of odd lots priced better than the NBBO will materially enhance transparency and price discovery, leading to reduced trading costs for investors.

III. Conclusion

XTX Markets strongly supports the Commission taking the important step of reducing tick sizes for tick-constrained securities. We believe there is broad industry support for making these changes although likely reasonable debate about what the minimum tick should be and the thresholds for when it should change. XTX Markets has proposed some small modifications intended to allow for spreads to naturally occur with 2-4 minimum ticks between the bid and offer, which we think provides the right balance of allowing market participants to improve best price while ensuring that any such improvement is meaningful and doesn't harm incentives to post displayed limit orders in the market. While we would prefer the Commission similarly recognize the liquidity problems of more expensive securities trading with very wide spreads by widening the minimum tick as contemplated by Nasdaq's Intelligent Tick proposal, we support the Commission's efforts here as a material step in the right direction of enhancing transparency, promoting competition, and reducing costs to investors. We similarly agree with the Commission's decision to reduce access fees and display more orders on the SIP. Taken

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3 Exchange Act Release No. 96495, December 14, 2022 (https://www.sec.gov/rules/proposed/2022/34-96495.pdf)

together the changes the Commission has proposed in the Minimum Ticks Rule reflect a well-considered approach to enhancing our capital markets.

Thank you for the opportunity to provide XTX Markets' views on the Minimum Ticks Rule proposal. If I can be of any further assistance, please do not hesitate to call me at 917-932-0766.

Sincerely,

Eric Swanson
CEO, XTX Markets LLC

cc: The Honorable Gary Gensler, Chair
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Mark T. Uyeda, Commissioner
The Honorable Jaime E. Lizarraga, Commissioner
Dr. Haoxiang Zhu, Director, Division of Trading and Markets