Rule S7-30-22 § 242.612

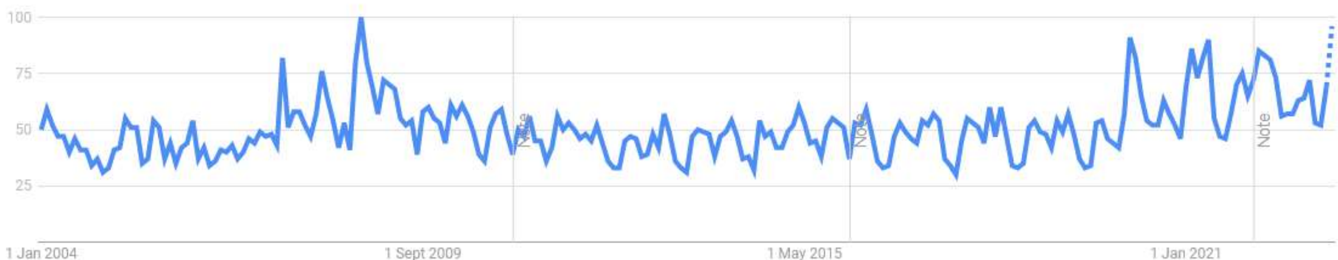
Dear Sirs and Madams,

Commission, thank you for your time and the chance you've provided the public to comment on your proposal(s).

Before I get into specifics of the proposal, I'd just like to say it's beyond disconcerting to read a proposed rule which talks about liquidity, liquidity providers, efficiency and competition so much while household investors get placed in the trojan horse of "price improvement" pushed by said liquidity providers. Please reconsider the proposal with the price improvement pitch to the side since it's nowhere close to being valid in the actualized stock market due to:

- One of the basic market mechanisms—limit-orders—alleviate price improvement concerns by design.
- Brokers providing price improvement are, often by default, lending those positions. This lending *removes value* from the price improved position by diluting supply with any subsequent short-selling of the borrowed position.
- Brokers providing price improvement can, thus will, put the price improved position into Position-Close-Only due to the asset rising too high in price, causing the position to *lose value* and to have an inherent cap. This, in actuality, serves as a trap and deters potential demand for any and all tickers as one must consider the potential their investment will experience such a trap and the extent to which it will be trapped (number of brokers, length of restrictions, etc.), therefore *removing value* from all positions without a short payoff profile by reducing demand and increasing selling, resulting in decreasing asset prices, thus price improvement is made moot.

Price improvement is a sales tactic, and it's troubling the Commission seems to have bought so much of what's being sold that you now need to sell it even when it's wrong. Aside from that, why are you being cheerleaders for "liquidity"? Look at Google Trends 'Interest Over Time' chart below for searching the term "liquidity" (currently 96/100). It is



obvious "liquidity" isn't the best for human, specifically household investors', prosperity and you shouldn't be looking to install policies pushed by liquidity providers (2008 crash, covid crash, $GME crash, war, banks currently crashing are the spikes seen).

Rule S7-30-22 § 242.612 is a foolish idea. Not only because you decided to low-ball the public by proposing $0.001 increments, where Citadel's and MEMX's suggested $0.005 increment is the default middleground, but because you both inadvertantly highlight why you shouldn't and very purposefully point out valid reasons as to why you shouldn't, all within the proposed section.

On page 27, in the footnotes, you inadvertantly highlight a very troubling aspect of the proposal but it relies on knowing information not within the proposal: "[a]ccording to NYSE, most order handling processes ignore retail interest that is available in the RLPs because resting interest in RLPs does not display price or size". That's the *exact* feature of the liquidity providing order-types used by liquidity providers on dark pools (said order-types usually being created by the dark pool operators at the request of liquidity providers). That's discrimination, and the Commission's proposal is rewarding those acting unfairly. To be clear, it's unfair because these liquidity providers are fine with accepting blind midpoint executions so long as they know the entity on the other side of the trade is an institution (which is assured by trading on a dark pool). IntelligentCross, the AI dark pool, is almost exclusively this. Send a chunk of shares to their matching engine and they handle getting midpoint execution until the shares are exhausted.

Stop letting retail be the product, these folks have more than enough 'tools' to provide liquidity. Just looking at $GME and $XRT January 22, 2021-January 29, 2021, we see:

Rule S7-30-22 § 242.612

a) chaining provided exemptions to settlement periods for ETFs and stocks to create "liquidity" and trading more than the available float, for both ETF and stock, multiple days in a row, seemingly bypassing the rules against 'matched orders' (resulting in $XRT's Total Realized Gains to Total Net Assets ratio of 0.403, the 3rd highest reported ratio out of the nearly 10,000 months an ETF reported holding $GME per N-PORT filings)
b) liquidity providers bailing-out on their responsibility because the price of an asset rose, which is when they could actually provide a useful service to the market using their exemptions and make the most money due to increased spreads brought on by the volatility (this is covered in the SEC "Staff Report on Equity and Options Market Structure Conditions in Early 2021")
c) $XRT failing-to-deliver 2.22 million shares January 29th when they only had 6.1 million outstanding shares (they only had 2 million outstanding shares January 28th, failing-to-deliver 386k of them, meaning even with the 4.1 million created in 24hr, they managed failing-to-deliver on 1.83 million of those newly created shares)
d) coordinated (for lack of a better term) selling/shorting, resulting in halts, January 28th to crash $GME's price whilst buying/redeeming $XRT during said halts (which is why $XRT's price rose during the halts but crashed alongside $GME before/after halts)

The proposed section only helps to keep retail as the product even if some of the other proposals hinder their abilities to keep this as the status quo.

Another way the Commission inadvertantly highlight why this shouldn't be implimented: the hesitency thus far to impliment further decimation. A rejected idea suddenly is a solution to these different intended goals? Awfully coincidental that is. It reminds me of the similar flip-flopping seen by market participants and their thoughts on PFOF and Internalization (e.g. the CEO of Citadel, Ken Griffin, used to understand these as being threats to the market in the 2000s, until he gave in and started employing the tactics himself, profitting off the effective deregulation, now he defends the ideas and thinks they're good for the market). Here's the truth: you're giving in to a bad idea due to repeated thumbing rather than speaking up for yourself and the country, throwing the public and the future of US business under the bus, then tagging goals onto the cowardice act in the hopes people won't see it for what it is. Detrimental mechanics continue getting added due to this folding under the pressures of greed. The Commission should rethink this; realize the mosquito is able to continue coming back because it's eating just fine the way things already are.

Yet another way the Commission highlighted the egregousness of Rule S7-30-22 § 242.612, is acknowledging "in low-priced stocks, the one cent per share minimum pricing increment is much larger on a percentage basis than it is in higher-priced stocks" then proposing a minimum pricing increment of $0.001. Not only that, the 2018 DERA report, which the Commission uses to support the argument that larger minimum increments "deteriorat[e] market quality", studied $0.05 pricing increments. That's 4900% larger than the proposed minimum pricing increment of $0.001. For a bit of perspective, that's more than the difference between the price of $GME starting January 22nd 2021 and the peak it reached days later.

The Commission rightfully pointed out why this shouldn't be accepted: it creates more opporturnities for bad behavior like front-running, spreading order books thinly and flashing. One aspect of this you don't mention, it provides 10x the ability to contain prices from running, which it doesn't take a genius to figure out will be exploited in order for the liquidity providers to not have to bail-out in the face of rising prices. We saw tactics like this time and again to contain prices, even way past January 2021 (e.g. from March 2022: https://www.youtube.com/watch?v=QNex2X118Fk, https://www.youtube.com/watch?v=jIKfwg_Zx3c). You are giving these self-regulated liquidity providers 10x as much power by allowing this all while not even capturing the level of decimation they can achieve off-exchange thus already failing the most important inteded goal of bringing volume back to lit exchanges.

Now, some things the Commission didn't consider.

1. The market already has fractional shares so the further decimation isn't needed and if the liquidity providers didn't create a competitive system of outbidding each other with fractionals, it means they aren't looking to compete with each other (also, recently proposed exchange 24X proposed quoting fractional shares, so the market will see fractional shares quoted at $0.001 increments in the near future should this proposal go through even if 24X's was retracted, others will instantly push for this if the Commission proves it'll allow itself to be pushed into accepting bad mechinisms into the market).

Rule S7-30-22 § 242.612

2. The argument about decimating the minimum price increment to create more competition is not valid when these big market players all share seats at the central clearing house and clearly don't compete with one another; it's a clique, not a competition (this is how $GME could sit at an average of 100% short interest for the entire year of 2020, again per the SEC Staff report; the fact there's a rule against causing a short squeeze but not one against crashing a stock price may have something to do with it as well)
3. The goals the Commission is attempting to achieve with this proposed section could be done with a single page of text where you dictate what percent of each tickers daily volume must hit lit exchanges (though I'd argue the over-abuse of the allowed leniancy thus far is more than enough reason to reverse privledged exemptions and in general all niceties they're afforded when it comes to benefit of the doubt, forcing all but midpoints to execute at whole penny increments and on lit exchanges where the necessary required oversight can be applied since the SROs have proven untrustworthy)
4. The long-term, well-documented predatory abuse of penny stocks may cause genuine panic in any market which starts quoting $0.001 increments
5. The very real risk of having markets being seen as illegitmate, not only because the previous point, but because quoting stocks in non-real increments gives the very real sense of something being phony (after all, you can't cash out $0.001; people's brain will realize this and it will have a negative effect)
6. No way do the risks of implementing this section (especially in terms of people's existing investments in markets which may see $0.001 increments applied) justify the hoped-for change in behavior (again, the fact they still have levels of decimation off-exchange more granular than the proposed, the Commission has completely nullified the attempt at achieving the stated goals).
7. The Commission is providing liquidity providers more granular control over asset prices, which means more control over the value of various collateral prices, which means more collateralized derivatives/swaps, which means more use of the US stock market as a piece in a shell game, which means more disconnection from reality for every single person in the US, and global (until we're cut off due to being seen as nothing but degenerates), market; of course until they blow-up which causes bad times no matter what and usually felt most by innocents.

Draw a clear line in the sand by not giving in, have the public's back. There's no better time than now to be a symbol of strength by truly standing up for the public and not letting this rider to go through. Be remembered for doing what was right when your country needed you most. Your work is greatly appreciated, and thanks again for your time and considerations.