[Release No. 34-96496; File No. S7-32-22]
RIN 3235-AN24
Regulation Best Execution

COMMENTER: LARRY DOUGLAS

SUMMARY: Large firms have a number of large material advantages when complying with this rule. Essentially they can decide what best execution is. I support passing the rules and further rules to try and get the best execution for investors, and to try to foster competition between firms, and provide opportunity for smaller firms to add value to the market without facing restriction as harsh as are needed to reign in large high speed firms.

Dear Vanessa Countryman,

Thank you for the opportunity to comment on File Numbers S7-32-22 Regulation Best Execution. I support the changes to Best Execution. The Best Execution Rule unfortunately has been subverted away from its intentions somewhat. It provides a broker put their clients interest above broker incentives. Yet we have high speed firms paying for orders, and able to seemingly provide the most liquidity at the fastest speeds and lowest prices. Because the prevailing market conditions are built around their benefit, from entry transaction to exit. So even though a public exchange with lively trading would no doubt be better market access, we have a market maker paying the broker to provide "for the clients interests instead of broker incentives"?

For the largest firms, the benefit to execution quality for the individual should not harm them unduly. Care should be taken that smaller firms, and smaller broker dealers are not completely shut out by lacking access and infrastructure to compete with larger firms. While there is potentially great benefit to investors in receiving better execution quality, the great amount of advanced infrastructure available to the largest firms will no doubt allow them to improve on prices in small marginal increments just outside of the best price made available by the smaller firms, and in some sense that is their deserved advantage, but ideally there would be some avenue by which a smaller firm can both comply with the Best Execution standard and provide a needed competing option to our extremely centralized market. Competition would be ideal in creating execution efficiency, but with the speed and scale of modern trading only those already with the massive amount of infrastructure and capital required can participate.

In my opinion accurate price discovery should be of absolutely paramount importance to the SEC. Where accurate pricing of individual orders will save individual investors perhaps pennies on every trade (which will add up), allowing their assets to be mispriced and the price of their assets to be manipulated costs them sums untold, but could very well be in the billions or trillions.

A system of fair pricing based around something like the NBBO has two essential conditions. The first condition is that client orders take place within the NBBO at their time of order. One could think of this as the Order Price Condition. The other essential component of such a fair pricing system would be the condition that the NBBO itself represents a range approximating fair value of supply relative to demand at the time of the order. One could think of this second condition as the Market Price Condition. This second condition, while no less essential, is a difficult condition to address from a regulatory perspective. None the less, regulating to allow for more natural market forces to affect the Market Price Condition has the greatest benefit. Things freely traded in the open market trend towards fairly priced, as that's the price that people will pay. By shutting out all of the actual people from the public exchange, and by allowing the large part of our market to be driven by algorithm exposes us all to extraordinary potentially catastrophic risk, as advanced as AI trading has become it still lacks an ability to understand human context.

The default should be orders of individual investors go to public exchange, instead of the opposite. The fair risks of the market are a much easier burden to bear for individual investors, as opposed to risks they are exposed to by not quite thinking machines and to benefit corrupt conflicted actors. Risks like failure of delivery, having their order handled by the person trading against them, having their order obstructed, mispriced, or sabotaged.

I hope you will pass these rules, and immediately begin reimagining a proposal focused on the ethic of fair and equal access to the market. Comission free trading isn't worth having the market simulated for me by a bunch of people betting against me. That's a casino, not a market.