ACS EXECUTION SERVICES LLC powered by GLOBAL LIQUIDITY PARTNERS

October 21, 2019

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File No. SR-CboeEDGA-2019-012

Dear Ms. Countryman:

ACS Execution Services, LLC ("ACS")[1] is pleased to have the opportunity to comment on the order instituting proceedings to approve or disapprove the Cboe EDGA Exchange ("Exchange") proposed rule change to adopt the Liquidity Provider Protection ("LP2") delay mechanism.

We agree with the Commission's order that the proposed rule change raises important legal and policy issues and to that end, we believe issues of importance to ACS and other market participants. As discussed further below, we have significant concerns regarding several aspects of the proposed rule change and do not support Commission approval of the proposal. In particular, we believe the proposal would negatively impact trading and overall market quality and raises issues regarding broker-dealers' responsibilities surrounding best execution. Our specific comments follow.

The Proposal Would Negatively Impact Overall Market Quality

ACS supports the purpose of the delay mechanism, *i.e.*, to enhance available liquidity and optimize price discovery by deemphasizing speed as a key factor in trading. We do not believe, however, that the proposed rule change will accomplish these goals and we share commenters' concerns regarding the impact of the proposed rule change on market quality.

[1] ACS Execution Services, LLC is a registered broker-dealer and FINRA member that provides execution services to other broker-dealers through a platform designed by its affiliate Global Liquidity Partners. Global Liquidity Partners is a technology company providing Electronic Execution Technology driven by a highly efficient proprietary architecture. GLP's trading platform is built on a low latency chassis and combines speed and a state-of-the-art decision engine designed to source liquidity while minimizing information leakage. For further information on GLP, visit https://globalliquiditypartners.com.

ACS does not believe that speed bumps in general have been beneficial for the markets and, in the case of the proposed rule change, the asymmetrical nature of the delay mechanism raises distinct issues. Significantly, we are concerned that the proposed rule change would lead to quote fading and that EDGA liquidity would be "illusory" given the ability of market participants to interact with resting orders and update their quotations while incoming orders are delayed. We also are concerned about the impact of the delay mechanism on other trading venues, and therefore the markets overall. We believe the proposal may increase the risk of adverse selection for liquidity takers and market participants that are unable to react to market signals and adjust their quotes within the four milliseconds delay period, thereby providing advantages to liquidity providers who can use trading information from other venues to fade away when the markets become unfavorable to them.

We also share commenter's concerns regarding the impact of an asymmetric speed bump on liquidity and transaction costs. As several commenters on the proposed rule change noted, these concerns were demonstrated by the academic study evaluating the impact of the TSX Alpha exchange speed bump that found that liquidity in that market was negatively impacted, with increased market-wide costs for liquidity takers. In addition, we have concerns about how a displayed exchange quote on the SIP, which would be considered a manual quotation under Regulation NMS, would impact the NBBO and therefore the variety of other purposes in the trading process that the NBBO is used for, such as benchmarks and for determining trade reference points.

Finally, the Commission's order requests comment on the impact on the national market system if other national securities exchanges, with a larger percentage of overall trading volume, adopted a similar proposal. We believe Commission approval of the Exchange's delay mechanism would only serve to encourage other exchanges to implement similar delay mechanisms, resulting in exchanges competing to execute orders slower and increasing the chances that the negative impacts of such a delay mechanism spread throughout the markets.

The Proposal Raises Concerns Regarding Best Execution Obligations

The Commission requested further comment on how the dissemination of the Exchange's unprotected, manual quote would impact a broker-dealer's obligation to obtain best execution. ACS believes the inclusion of the LP^2 quotes in the NBBO would adversely impact the way in which broker-dealers evaluate best execution. Broker-dealers such as ACS will be compelled to take into account the manual LP^2 quote to provide effective trading services to their clients and to meet best execution obligations. We believe issues such as determining whether to route an order to an unprotected exchange disseminating a manual quotation is unique and one that, at the very least, requires Commission clarification before any approval of the proposed rule change.

Conclusion

The Exchange delay mechanism proposal raises important issues for investors, market participants, and the markets overall. We offer our assistance to the Commission as it examines these issues. If you have any questions on our comment letter, please feel free to contact me directly at [redacted] or at [redacted].

Sincerely,

Tim Lang

Tim Lang
Chief Executive Officer

cc: The Honorable Jay Clayton, Chair
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner
The Honorable Allison Herren Lee, Commissioner

Brett Redfearn, Director, Division of Trading and Markets
David Shillman, Associate Director, Division of Trading & Markets