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December 22, 2014

By e-mail (rule-comments@sec.gov)

U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
Attention: Brent J. Fields, Secretary

Re: Notice of Filing of Proposed National Market System Plan to Implement a Tick Size Pilot Program On a One-Year Pilot Basis (File Number 4-657)

Dear Mr. Fields,

Liquidnet, Inc. appreciates the opportunity to comment on the proposed tick size pilot program ("Tick Pilot"). The intention of the Tick Pilot and its history, starting with the Jumpstart Our Business Startups (JOBS) Act and the subsequent report from the SEC on the impact of decimalization on small cap companies, is laudable. There has been a growing concern that a tick of one penny may not be suitable for all stocks, particularly small caps, and as a result issuers are not realizing the full benefits of our capital markets. Furthermore, the implementation of the Tick Pilot contains several provisions that are intended to encourage more displayed liquidity on the Exchanges, another noble goal.

Aid for Issuers

Encouraging participation in our equity capital markets among small cap companies is an underlying tenet of the Tick Pilot. As such we propose that the Commission consider updating Rule 10b-18. The current form of Rule 10b-18, which requires that issuer repurchases occur at or below a stock's last sale price, could negatively impact corporate issuers of common stock included in the Tick Pilot. If corporate issuers continue to be limited by current price restrictions, while the minimum tick remains a nickel, the transaction costs associated with a buy back could increase. We suggest that the SEC pass the 2010 Rule Proposal[1] in regards to buy backs at or ahead of the implementation of the Tick Pilot.

Extending the Length of the Pilot

The current proposal follows the SEC's guidance automatically ending the Tick Pilot after one year. While it is a good idea to put an end date in place for any pilot, it will take time and cost money for the industry to adapt to these rules and thus for investors and issuers to accrue any potential benefits. In fact, it would be tempting to intermediaries to do the least amount of work possible to accommodate the rule changes. Thus, the shorter Tick Pilot could have the unintended consequence of discouraging investment in execution services for the impacted stocks. We suggest that the Tick Pilot be extended to three years with an annual data-driven assessment that includes the ability to terminate the Tick Pilot early.

[1] http://www.sec.gov/rules/proposed/2010/34-61414.pdf

Block Exemptions
In the proposal, most block orders would have to occur at the midpoint or the National Best Bid or Offer. Meanwhile, Retail Investor Orders are allowed to execute at half-penny increments. In a stock with a nickel spread, Retail Investor Orders are given eight more increments than an institutional order. Executing blocks in small caps is of particular importance to institutional investors, which is why Block Crossing Networks have more ATS market share among Tick Pilot eligible securities than the entire market. In order to insure that institutional investors continue to be able to efficiently execute large orders in stocks included in the Tick Pilot, we recommend that block trades are given at least the same flexibility as Retail Investor Orders with respect to execution increments.

ICE Letter and Trade-At
While we are supportive of the effort to test a Trade-At rule that has already been in place in Canada and Australia for quite some time, it is debatable whether we will be able to measure the impact of Trade-At only within securities that are also experiencing a wider tick size. The Trade-At component of the Tick Pilot alone includes a technical description as well as a description of thirteen different exceptions that apply in limited instances. We believe the goal of a Trade-At rule should be to simplify market structure, rather than build on the existing complexity of Reg NMS, and are concerned that the inclusion of a Trade-At requirement in the Tick Pilot may create too much complexity.

The Wall Street Journal recently published a letter being circulated by the Intercontinental Exchange that contains six recommendations for market structure reform.[2] Liquidnet supports the spirit of this letter. To that end, the SEC may want to consider removing Group Three from the Tick Pilot and look to propose a broader rule which could include: (a) reducing the access fee cap, (b) simplifying the Trade-At rule and including appropriate exceptions for block orders; and(c) eliminating maker-taker pricing.

Implementation Issues
Liquidnet operates neither a traditional displayed order book nor a traditional dark pool. For systems like Liquidnet, it will be important for the SEC to provide interpretive guidance as to how certain of the reporting requirements are intended to apply. Examples of terms used in the proposal that will require clarification include special handling instructions, hidden status and midpoint passive liquidity order.

Liquidnet appreciates the opportunity to comment on the Tick Pilot proposal. Please contact me if you would like further clarification regarding any of the items discussed in this letter.

Very truly yours,

Adam Sussman
Head of Market Structure
Liquidnet, Inc.

[2] http://www.wsj.com/articles/intercontinental-exchange-proposing-major-stock-market-overhaul-1418844900