



November 11, 2013

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. SR-FINRA-2013-042

Dear Ms. Murphy:

IEX Services LLC (“**IEX**”) appreciates the opportunity to comment on the proposal by the Financial Industry Regulatory Authority (“**FINRA**”) to require each alternative trading system (“**ATS**”) to report volume information to FINRA and to use a unique market participation identifier (“**MPID**”).¹ IEX Services LLC is an ATS that commenced its operations on October 25th of this year. IEX is funded exclusively by the buy-side community, including mutual funds, hedge funds, family offices and individuals. IEX is generally supportive of any efforts by FINRA, as well as the Securities and Exchange Commission (“**SEC**”), to bring further transparency to the marketplace and to empower investors by providing them with the information necessary to understand and evaluate how their orders are interacting in the marketplace.

I. Requirement to Establish a Separate MPID for Each ATS

The Rule Filing proposes to amend to FINRA Rules 6160, 6170, and Rule 6480 to require Members obtain a single, unique MPID for the purpose of discretely reporting *each* ATS’s transactions.² This requirement would provide significant additional data to market participants. While clearly necessary to effect the regulatory objectives of Rule 4552, IEX also notes that requiring separate MPID’s for each ATS is an important step towards providing greater quantitative transparency to investors and other market participants for not only ATS executions, but for ATS orders, filled and unfilled, and actionable indications of interest transmitted by ATS’s.³ IEX encourages both the SEC and FINRA to use separate MPID’s for ATS’s to provide more information respecting the interactions of investor orders and order information with the marketplace.

¹ See Notice of Filing of Proposal Rule Change To Require Alternative Trading Systems To Report Volume Information to FINRA and Use Unique Market Participant Identifiers No. 34-70676 (October 11, 2013) 78 F.R. 62862 (October 22, 2013) (the “**Rule Filing Notice**”).

² Rule Filing Notice, 78 F.R. at 62864.

³ IEX generally supports the SEC’s rule proposal: Regulation of Non-Public Trading Interest No. 34-60997 (November 13, 2009) 74 F.R. 61208 (November 23, 2009)(the “**Non-Public Trading Interest Proposal**”).



II. Provision of Volume Data and Rule 605

FINRA Rule 4552 is intended to address gaps in FINRA's ability to determine compliance with Regulation ATS reporting requirements. The rule proposal, however, also provides an opportunity to provide more transparency into the operation of ATS's. This should be of even greater interest to the investor community in light of a recent white paper published by the SEC's Division of Economic and Risk Analysis which revealed that almost 70% of ATS executions are in lot sizes of 100 shares, a number remarkably similar to the percentage of 100 share executions in lit market venues.⁴ Given the debate on the relative merits between light and dark venues, the additional transparency into the individual ATS's that this rule facilitates will be welcomed by the investor community. While this information will not address how information from an investor's order is being shared once sent to a dark pool, it will provide more information on the composition of liquidity with which that the order may be interacting.

While IEX supports FINRA Rule 4552, it may be preferable to consider amending Rule 605⁵ under the Securities and Exchange Act of 1934 to include such data for all market centers as part of the order information already required to be disclosed pursuant to that rule. Amending Rule 605 to include this requirement to be consistent with FINRA can occur at a later time, rather than delay the benefits of this proposal. IEX also recommends aligning the FINRA Rule 4552 reporting and dissemination timeframes with those of Rule 605 to permit greater reporting efficiency for firms. We further believe that amendments to Rule 605 must enhance and update the data required to be reported, both in light of the SEC's enhanced ability to compile and evaluate market data as well as the needs of the investment community to evaluate for additional execution quality data points, such as average execution size, and may best be considered as in context of a holistic review of Rule 605's intent and requirements.

Irrespective of whether the ATS volume data is required to be provided pursuant to FINRA Rule 4552 or Rule 605, IEX believes that the public disclosure of the data gathered will enable (or should enable without additional cost) investors ability to assess the average execution size within any ATS, which will be an important consideration for investors trading larger block sizes.

III. Monetization of the Rule 4552 Data Collected

IEX does not intend to comment on FINRA's reservation of its ability to charge for data respecting the average execution size by security for a specific ATS. IEX does, however, believe that summary information by ATS venue, including total executed volume on a consolidated basis, and possibly

⁴ See U.S. Securities and Exchange Commission – Division of Economic and Risk Analysis, "Alternative Trading Systems: Description of ATS Trading in National Market System Stocks." October, 2013 http://www.sec.gov/marketstructure/research/ats_data_paper_october_2013.pdf (the "Division of Economic and Risk Analysis White Paper").

⁵ 17 CFR Section 242.605.



organized by market capitalization or tiered execution volumes, should be made publicly available free of charge as it provides greater transparency to those participants who might not have the need or ability to access the more complete market data product that FINRA suggests that it may produce.

It would be helpful if FINRA could clarify its intention with regards to the summary data given its value to the broader investor community.

IV. Conclusion

IEX encourages initiatives to provide greater transparency into the operation of market venues to facilitate better investor understanding of best execution. We encourage the SEC and FINRA to pursue other initiatives, such as the Non-Public Trading Interest Proposal, and a holistic review of Rule 605 and Rule 606 reporting, to require greater disclosure with respect to reporting filled and unfilled orders, fill rates, usage and other statistics similar to those compiled by the Division of Economic and Risk Analysis in their white paper.

IEX appreciates the opportunity to present this comment and thanks the Staff for consideration of the points raised in this letter. We look forward to continuing to engage with the Staff on these matters in the future and encourage the Staff to contact IEX to discuss any aspect of our comments.

Very Truly Yours,

A handwritten signature in black ink that reads "Donald Bollerman".

Donald Bollerman
Head of Market Operations
IEX Services LLC

cc: The Hon. Mary Jo White, Chairman
The Hon. Luis A. Aguilar, Commissioner
The Hon. Daniel J. Gallagher, Commissioner
The Hon. Michael S. Piwowar, Commissioner
The Hon. Kara M. Stein, Commissioner
John Ramsay, Acting Director, Division of Trading and Markets
James R. Burns, Deputy Director, Division of Trading and Markets
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