300 Vesey Street
New York, NY 10282
Tel: 1 212 418 0100
Fax: 1 212 418 0123

VIRTU FINANCIAL

April 20, 2018

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Market Structure for Thinly-Traded Securities
File Number 265-31

Dear Chairman Clayton:

Virtu Financial Inc. (together with its affiliates, "Virtu" or "we") applauds the Securities and Exchange Commission (the "SEC" or the "Commission") for analyzing liquidity demographics and for hosting the Roundtable on Market Quality for Thinly-Traded Securities on April 23, 2018. We are pleased to participate in the Roundtable and we appreciate the Commission's efforts in seeking information on whether our current market structure is optimal for trading thinly traded securities.

Virtu believes that the U.S. equity markets are the most robust, transparent and fair markets in the world and that our current market structure functions exceedingly well, including for thinly-traded stocks. The attributes that enhance the quality of our capital markets include, among others, central clearing, transparency and investor choice provided through competition between venues and market participants. Competition in the market has resulted in significant benefits to investors, which has been well reported and recognized, such as lower trading costs, price improvement opportunities, execution speed and enhanced service.

Liquidity in thinly-traded securities can be accessed on multiple national securities exchanges, alternative trading systems and through market makers like Virtu who commit significant amounts of capital and take substantial risk in providing liquidity in thinly-traded securities both on and off-exchange. With multiple competing market centers, investors have choices where they seek liquidity in these securities. Regulation NMS has resulted in a market structure where competing market centers are woven together and connected through electronic linkages such that market centers can all be accessed virtually instantaneously by market participants using brokers' and exchanges' smart order routers.

VIRTU FINANCIAL

Illiquidity in thinly-traded securities is not rooted in perceived market structure defects such as fragmentation. Market structure changes will not alter the desirability of owning a particular stock, the float of a security, whether and how much research coverage exists for a security or cause a security to be included in an index. Ultimately, it is investor interest that drives the natural forces of supply and demand and determines how actively a security trades. We believe that suggested artificial "solutions" that impact the marketplace and reduce competition will not change this fact.

Regulations that would force liquidity concentration in thinly-traded securities on the primary listing exchange through revisions to Regulation NMS and the elimination of Unlisted Trading Privileges (UTP) are not the answer and are not needed. Displayed market depth for smaller stocks roughly doubled in the period after Regulation NMS was implemented as compared to the period before when there were substantially fewer market centers and the primary exchanges had considerably more market share than today.[1] If one compares displayed liquidity at the NBBO in thinly-traded securities versus actively-traded securities, liquidity is actually much higher in thinly-traded securities relative to the average daily volume and average daily notional value traded. Currently, there is already significant concentration at single exchanges. For example, quoting is already concentrated at one single exchange at both the National Best Bid and National Best Offer for twenty-three percent of the time for common stocks with an ADV of less than or equal to fifty thousand shares a day and at either the National Best Bid or the National Best Offer for forty-one percent of the time.[2] This is not a result of regulation but rather due market participants' exercise of choice in where they display liquidity.

Calls for a pilot program that would couple a single listing exchange together with "Trade At" or similar requirements are similarly not the right solution and are rather thinly-veiled attempts to reduce or eliminate off-exchange trading. As noted in the U.S. Department of the Treasury's October 2017 report, off-exchange trading enables investors to effect large transactions without market impact while lowering transaction costs and

[1] See "Equity Trading in the 21st Century: An Update", June 21, 2013, at Page 9.

[2] See U.S. Security and Exchange Commission "Empirical Analysis of Liquidity Demographics and Market Quality for Thinly Traded NMS Stocks", April 10, 2018 at Page 7, Table 9.

VIRTU FINANCIAL

spreads.[3] Moreover, the current UTP structure provides for enhanced resiliency and eliminates risk created through a single point of failure.

Virtu believes that in every instance where competition is limited, investor costs go up while choice and market forces driving innovation go down. In other words, limiting the trading of a security to one exchange will eliminate the competitive forces that drive innovation, improve performance and provide investors with choice. Currently, there are a variety of innovative liquidity offerings in the form of periodic auctions, alternative trading system offerings and exchange opening and closing auctions. Investors have different trading horizons and liquidity needs. Every investor has the ability today to route their orders to any venue that makes sense for them, including the primary. Limiting this choice by reducing the number of market centers available for trading these securities will not increase trading in thinly-traded securities.

Much of the liquidity in thinly-traded securities is provided off-exchange through trading on alternative trading systems and with market makers like Virtu. Virtu's 2018 year-to-date market share is approximately twelve percent of the ADV in NMS securities with an ADV of 100,000 shares or less.

During the period from September 2017 to February 2018, Virtu estimates that retail investors comprised eighteen percent of the trading activity in thinly-traded securities.[4] In 2017, Virtu provided in excess of $300 million of price improvement to the retail investor customers of our clients and a meaningful portion of those price improvement dollars were in thousands of small cap U.S. companies. So far in 2018, the aggregate amount of price improvement we have provided has increased more than 40% as compared to last year. For securities with an ADV of 50,000 shares or less and 100,000 shares or less Virtu provided price improvement on average of two cents per share and two and one half cents per share, respectively, to orders it internalizes.

Our ability to commit capital in size and provide price improvement in these securities is a function of the non-displayed and bilateral nature of our activities as a market maker. If trading of these securities was artificially concentrated at an exchange, Virtu would not increase the amount of liquidity it adds on that exchange because (i) we do not know the counterparty to the transactions; and (ii) displaying a quote for the full size of our

[3] See U. S. Department of the Treasury "A Financial System That Creates Economic Opportunities-Capital Markets", October 2017 at Page 54.

[4] Estimates are based upon a comparison of Regulation NMS Rule 605 data to total trading volumes.

VIRTU FINANCIAL

capacity could significantly move the market harming investors and exposing us to increased risk. Investors benefit directly from Virtu's provision of liquidity in the form of lower costs to trade thinly-traded securities. Market structure changes that would impair our ability to provide this liquidity would only serve to increase costs for investors.

As a significant provider of liquidity, Virtu sees no benefit in concentrating liquidity in these securities on a single listing exchange and would not expect that concentrating liquidity on one exchange would allow it to provide more liquidity for these securities.

Once again, we appreciate the opportunity to share our thoughts on this important issue. If you have any questions, please do not hesitate to contact Stephen Cavoli at [redacted].

Sincerely yours,

Douglas A. Cifu
Chief Executive Officer

cc: Brett Redfearn, Director, Division of Trading and Markets