# U.S. EQUITY MARKET STRUCTURE

Managed Funds Association
The Voice of the Global
Alternative Investment Industry

## *A Year in Review and the Push for Continued Vigilance*

September 2015

## Executive Summary:

### *Investor Engagement in Market Structure Reforms*

In September 2014, Managed Funds Association (MFA) published policy recommendations focused on strengthening the U.S. equity market structure by reducing operational risk while improving the overall quality of the U.S. equity markets; and strengthening investor confidence through greater disclosure and transparency. Maintaining a resilient, efficient and fair market is of paramount interest to MFA members and investors in private funds, which include pension plans, university endowments, charitable organizations, qualified individuals and other institutions. We commend the progress that has been made to various aspects of market structure since last year's recommendations, including improvement in the performance of the Securities Information Processors (SIPs), enhanced disclosures by exchanges on their use of market data feeds to match trades and on descriptions of order types, and the consideration by regulators to expand public reporting of off-exchange equity volume. Nevertheless, much important work remains to be done. MFA and its members urge the U.S. Securities and Exchange Commission (SEC) and other self-regulatory organizations (SROs) to continue to focus on reviewing and adopting key market structure reforms that will facilitate the capital raising function of markets and protect investors who provide that capital. Specifically, MFA makes the following recommendations, discussed further below.

(1) Enhancing the resilience of critical infrastructure and robustness of market framework by:

- Improving the reliability and oversight of consolidated market data;
- Developing contingency plans and interim processes to address unexpected trading halts and other events; and
- Reexamining at least every two years the parameters used to set circuit breakers and price collars for addressing market volatility, and amending such parameters as appropriate.

(2) Increasing disclosure and transparency to investors by:

- Requiring greater disclosures with respect to order handling; and
- Amending regulation to increase trading reporting and order information accuracy.

(3) Ensuring that any changes to market structure will ultimately benefit investors and issuers.

***Please see the attached summary of equity market structure proposals for more details on MFA recommendations and regulatory actions, initiatives and industry proposals to date.***

## I. A Better Foundation:

### *Strengthening Resilience and Serving Investors*

In September 2014, MFA recommended that regulators primary focus should be to improve market resilience and risk management, and we made several very specific recommendations. MFA also recommended that regulators increase disclosure and transparency both about basic price information that is available to all investors (the SIP) as well as about how their orders are handled. Finally, MFA recommended that the SEC engage in market structure changes only after careful and deliberate study through pilot programs with a clear focus on the impact on investors.

MFA is encouraged by the regulatory standards that the SEC has implemented to enhance the robustness of our technological infrastructure, and the steps SIP plan participants have taken to reduce latency reductions and upgrade technology with respect to the SIPs. Finally, we commend efforts by the SROs to provide greater clarity and transparency on order types. Many SROs have engaged in various market structure initiatives with respect to their own marketplaces. Still, MFA is concerned with the level of progress towards investor concerns with respect to market structure. In this vein, MFA continues to urge regulators to prioritize their focus on strengthening the resilience of critical market infrastructure, on increasing disclosure and transparency to investors, and fostering market structure reforms that benefit investors through careful and deliberate pilot studies. MFA believes that there are a number of important outstanding initiatives that regulators should undertake to strengthen U.S. equity market structure and investor confidence, and thereby, the U.S. capital markets. Accordingly, MFA supplements its 2014 U.S. equity market structure policy recommendations with the following recommendations below.

## II. MFA Equity Market Structure Policy Recommendations

### *A. Enhancing Resilience of Critical Infrastructure and Market Framework*

The SEC's Regulation SCI is a step in the right direction for strengthening the technology infrastructure of our markets, especially as the majority of equities are traded electronically. However, this year's market disruptions continued to remind us that regulators must continue to prioritize enhancing the resilience and robustness of critical market infrastructure, while also ensuring that markets have mechanisms in place to address unexpected volatility or technical outages. We believe additional steps should be taken to enhance the resilience of critical market infrastructure and of market framework.

#### *1. Market Data*

MFA believes that market data has become critical to today's markets and part of the critical market infrastructure. As we have experienced, technical glitches or even data latency have the ability to disrupt and even halt trading in markets. While MFA and its members are pleased that the SIPs have upgraded their systems, we remain concerned with the timeliness and the cost of market data. MFA believes that the SEC and the SEC Equity Market Structure Advisory Committee should consider whether more substantial changes to the governance of the SIPs are needed to ensure that the SIPs provide the fastest commercially available services for data aggregation and distribution at reasonable prices. Accordingly, MFA recommends that the SEC and the SEC Equity

Market Structure Advisory Committee conduct a more in-depth examination of SIPs and market data, including the governance of the SIPs.

*2. Closing Auctions and Contingency Plans*

The July 8, 2015, New York Stock Exchange (NYSE) trading halt highlighted, on the one hand, the robustness of the equity market structure, and, on the other hand, the need for better contingency plans in the event that the NYSE or any other marketplace would not have been able to reopen for trading after a technical outage. MFA was surprised to learn that exchanges did not already have contingency plans with respect to an auction process in the event that their marketplace would not be able to (re)open for unexpected but not unforeseeable reasons. As investors often rely on the closing price of a primary listing market for establishing a reliable closing price for investment fund valuation purposes and for facilitating liquidity, MFA recommends that exchanges develop contingency plans and interim processes to address unexpected trading halts and other unexpected but foreseeable events.[1]

*3. Addressing Market Volatility*

MFA has supported the use of market-wide circuit breakers and price collars, such as the limit up-limit down mechanism, to address extreme market volatility. As markets continue to evolve and experience periodic episodes of volatility, we believe it's important to periodically review and reexamine whether circuit breakers and price collars are set at optimal market parameters to limit market disruption, particularly in light of recent volatility at the open and close of markets and the rapid growth in volume of exchange-traded funds. MFA recommends that regulators conduct, at least every two years, a data-driven review of the parameters used to set circuit breakers and price collars, including back-tests of these parameters against real-world market experience and, to amend the parameters, as appropriate.

## B. Increasing Disclosure and Transparency to Investors

MFA continues to support regulatory initiatives to increase disclosure and transparency to investors. With better information, investors will be more equipped to determine if a venue and/or order routing product meets their trading needs, and compare disparate broker offerings.

*1. Transparency in Order Handling*

On October 24, 2014, the Investment Company Institute, the Securities Industry and Financial Markets Association and MFA, jointly submitted to the SEC recommendations for increasing the minimum-level order routing disclosure and execution quality information broker-dealers could provide, upon request by, institutional investors.[2] MFA continues to support greater transparency to investors of broker routing practices, as well as regulatory initiatives by SEC and FINRA to ensure more accurate trade and order reporting by trading venues.

*2. Accurate Trading Data*

In addition to FINRA's ATS transparency initiative,[3] MFA believes that FINRA should amend its trade reporting and Order Audit Trail System (OATS) rules to require investment firms that are alternative trading systems to report execution and order times to FINRA facilities and to OATS in terms of hours, minutes, seconds and milliseconds.[4] Currently, a firm may report trades and order information in terms of seconds rather than milliseconds to the FINRA facilities and OATS, if the firm's system only captures trades and order information in seconds. We believe that while this exception may be appropriate for a small broker-dealer, it is not appropriate for an electronic trading venue. There should be uniformity in reporting by trading venues. We recommend that FINRA require alternative trading systems to report execution and order times to the closest millisecond.

## C. Market Structure Reform Pilot Studies

Since MFA published its 2014 equity market structure recommendations, other market participants, including SROs and other associations, have issued recommendations for market structure reforms. Some interesting industry proposals include recommendations on restructuring market access fees, mechanisms to enhance trading for less-liquid securities, and amendments to the order protection rule and the locked or crossed markets rule, among many others. Changes to the market structure will result in trade-offs and will need to be considered in tandem, since there will be some net winners and losers in some of these changes. Various market participants have advocated positions that benefit their particular business model. Regulators should be vigilant in ensuring that any changes will ultimately benefit investors and issuers, and not a particular business's bottom line. MFA members have differing opinions with respect to some of the equity market structure recommendations, but welcome the public discourse and the generation of new ideas. As regulators consider equity market structure reform, MFA recommends the following principles:

- As expressed by SEC Chair Mary Jo White, the SEC must stay focused on its goal to "adopt regulatory approaches that ensure intermediaries harness the forces of technology and competition to better serve the needs of investors." [5]
- Changes to market structure should be made deliberately and only after a disciplined, data-driven study to ensure that rulemaking is driven, less by competitive interests among market intermediaries, and more by measurable benefits to investors and issuers in terms of liquidity, efficiency, competition and capital formation.
- Equity market structure reform should balance the goal of reducing unnecessary market complexity and costs with the benefits of fostering competition in the investor's favor.

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1 *See, e.g.,* NYSE and Nasdaq to Increase Resilience of Closing Auction Process for U.S. Equities, available at: http://ir.theice.com/press-and-publications/press-releases/all-categories/2015/07-22-2015.aspx.

2 *See* letter to Mary Jo White, Chair, SEC, from ICI, SIFMA and MFA, dated October 23, 2014, regarding "Customer-Specific Order Routing Disclosures for Institutional Investors," available at: https://www.managedfunds.org/wp-content/uploads/2014/10/Cover-Letter-for-Execution-Venue-Template1.pdf.

3 *See*, FINRA Makes Dark Pool Data Available Free to the Investing Public, June 2, 2014, available at: https://www.finra.org/newsroom/2014/finra-makes-dark-pool-data-available-free-investing-public. *See also,* FINRA Requests Comment on a Proposal to Publish OTC Equity Volume Executed Outside Alternative Trading Systems, FINRA Regulatory Notice 14-48 (November 2014), available at: http://www.finra.org/industry/notices/14-48.

4 *See* FINRA Notice-to-Members 14-21, May 2014, available at: https://www.finra.org/sites/default/files/NoticeDocument/p506337.pdf

5 Mary Jo White, Chair, SEC, Intermediation in the Modern Securities Markets: Putting Technology and Competition to Work for Investors, June 20, 2014, available at: http://www.sec.gov/News/Speech/Detail/Speech/1370542122012#.VBiOIVJMuM9

# U.S. EQUITY MARKET STRUCTURE & MFA RECOMMENDATIONS:
A Year in Review

***Improving Market Resilience and Risk Management***

## *Pre-Trade Controls*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| MFA recommended that the SEC or FINRA provide more specific guidance on pre-trade risk controls to increase transparency to investors, encourage greater uniformity of controls among broker-dealers, and reduce concerns with respect to discrepancies in latency. | **SEC,** Chair White has asked staff to submit a rulemaking recommendation to improve firms' risk management of trading algorithms and enhance regulatory oversight of their use. http://www.sec.gov/news/statement/optimizing-our-equity-market-structure.html<br><br>**FINRA** in March 2015 issued to its members: Regulatory Notice 15-09, Guidance on Effective Supervision and Control Practices for Firms Engaging in Algorithmic Trading Strategies. http://www.finra.org/industry/notices/15-09 | MFA believes that FINRA's guidance is a helpful step towards greater uniformity of controls among broker-dealers, but urges regulators to take greater steps in encouraging greater uniformity of pre-trade risk controls among broker-dealers. |

## *Standardized Kill Switches*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| MFA recommended that the SEC direct exchanges to work together to develop a standardized mandatory kill switch protocol, methodology, and rules. Standardizing a kill switch protocol will simplify implementation and use by exchange members, as well as create a level playing field with respect to discrepancies in latency. | Many SROs have their own optional kill switch functionality.<br>**NYSE:** https://www.sec.gov/rules/sro/nyse/2013/34-71164.pdf<br>**Nasdaq:** https://www.sec.gov/rules/sro/nyse/2013/34-71164.pdf<br>**BATS:** http://cdn.batstrading.com/resources/press_releases/BATS_Risk_Controls_112612_FINAL.pdf | MFA believes that standardization across exchanges is needed as it will simplify implementation and use by exchange members. |

## *Enhancing Critical Technology Infrastructure*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| | SEC adopted Regulation Systems Compliance and Integrity on November 19, 2014, designed to strengthen the technology infrastructure of the U.S. securities markets. http://www.sec.gov/rules/final/2014/34-73639.pdf | MFA applauds the SEC for enhancing the robustness of critical technological infrastructure. https://www.managedfunds.org/wp-content/uploads/2013/07/MFA-Reg-SCI-final-7-17-13.pdf |

## *Closing Auctions and Contingency Plans*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| | The July 8, 2015 New York Stock Exchange (NYSE) trading halt highlighted, on the one hand, the robustness of the equity market structure, and, on the other hand, the need for better contingency plans in the event that the NYSE or any other marketplace are not able to reopen for trading after a technical outage.<br><br>On July 22, 2015, NYSE and Nasdaq announced an agreement to back up each other's closing auctions in the event of a trading outage, such as the July 8, 2015 incident. http://www.nasdaq.com/article/nyse-nasdaq-plan-closingauction-cooperation-20150722-01346 | As investors often rely on the closing auction for establishing fair and reliable closing prices and facilitating liquidity, MFA recommends that exchanges develop contingency plans and interim processes to address unexpected trading halts and other unexpected but foreseeable events. |

## *Addressing Market Volatility*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| MFA has supported the use of market-wide circuit breakers and price collars, such as the limit up-limit down mechanism, to address extreme market volatility. | On August 24, 2015, exchange-traded funds experienced significant volatility during morning trading hours. | MFA believes it is important to periodically review and reexamine whether circuit breakers and price collars are set at optimal market parameters to limit market disruption. MFA recommends that regulators conduct, at least every two years, a data-driven review of the parameters used to set circuit breakers and price collars, including back-tests of these parameters against real-world market experiences; and to amend the parameters, as appropriate. |

# U.S. EQUITY MARKET STRUCTURE & MFA RECOMMENDATIONS:
## A Year in Review

***Increasing Disclosure and Transparency***

### *Trading Venue Transparency*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
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| MFA recommended that FINRA expand its ATS transparency initiative to include weekly volume and trade information on a stock-by-stock basis for equity securities traded over-the-counter by each FINRA member.<br><br>MFA recommended that the SEC require an ATS to make publicly available on its website its Form ATS, and information on how it operates and how orders interact on the ATS. The SEC should also make available on its website a list of ATSs and links to each ATS's Form ATS. This would facilitate disclosure to investors and enhance their ability to compare venues. | **SEC,** Chair White has asked Staff to submit a rulemaking recommendation to enhance transparency of ATS operations. http://www.sec.gov/news/statement/optimizing-our-equity-market-structure.html<br><br>**FINRA** in November 2014 issued Regulatory Notice 14-48, a proposal to expand its ATS transparency initiative to publish the remaining equity volume executed OTC, including non-ATS electronic trading systems and internalized trades. http://www.finra.org/industry/notices/14-48 | MFA is encouraged by FINRA's proposal to further expand ATS transparency. Nevertheless, MFA continues to urge regulators to require ATSs to provide, in addition to volume information, information on operations and how orders interact on an ATS. |

### *Timely Market Data*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| MFA recommended that the SEC request Plan Participants of SIPs to improve the reliability, resilience, connectivity and latency of the SIPs. MFA believes that market data has become critical to today's markets and part of the critical market infrastructure. As we have experienced, technical glitches or even data latency have the ability to disrupt and even halt trading in markets.<br><br>Each market providing data to the consolidated data feeds should include a time stamp, synchronized with a synchronized time server, to indicate when a trading venue processed the display of an order or executed a trade. Timestamps on third-market trades should be taken at the time the trading center executes the trade. In this way, market participants would be able to monitor the latency of each feed and assess its sufficiency. | **SEC,** Chair White, in 2014, requested that exchanges submit filings to the SEC that describe their use of data feeds for handling and executing orders and that clarify the operation of the order types available on their exchanges. The SROs in the consolidated market data plans have incorporated a new timestamp on their data feeds that greatly expands the ability of the public to assess data latency. http://www.sec.gov/news/statement/optimizing-our-equity-market-structure.html<br><br>**FINRA** in November 2014 issued Regulatory Notice 14-47, a proposal to tighten business clock synchronization requirements. Tolerance for computer clocks would be reduced to 50 milliseconds; tolerance for mechanical time-stamping devices would remain at one second. http://www.finra.org/industry/notices/14-47<br><br>**SIFMA** recommends establishing and enforcing minimum levels of market data quality that must be maintained by a market | While MFA and its members are pleased that upgrades have been made with respect to the SIPs, we remain concerned with the timeliness and the cost of market data. MFA believes that the SEC and the SEC Equity Market Structure Advisory Committee should consider whether more substantial changes to the governance of the SIPs are needed to ensure that the SIPs provide the fastest commercially available services for data aggregation and distribution at reasonable prices. Accordingly, MFA recommends that the SEC and the SEC Equity Market Structure Advisory Committee conduct a more in-depth examination of SIPs and market data, including the governance of the SIPs.<br><br>In addition to FINRA's ATS transparency initiative, MFA believes that FINRA should amend its trade reporting and Order Audit Trail System (OATS) rules to require investment firms that are alternative trading systems to report execution and order times to FINRA facilities and to OATS in terms of hours, minutes, seconds *and* milliseconds. |

## *Timely Market Data (Cont'd)*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| | reporting to the SIPs; and to require market centers to use consistent sources of data to update their order books to minimize the ability of market users to calculate order book updates faster than the NBBO can be updated in that market center. SIFMA also recommends reforming the governance and transparency of market data operations, and to include industry and public representation in the corporate governance of the SIPs. | |

## *Order Routing Disclosure*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
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| MFA recommended that the SEC require broker-dealers to provide more detailed disclosures of order routing and execution practices. Providing more detailed information on price improvement and order execution to investors, in a uniform manner, would allow investors to compare routing and execution across broker-dealers. The SEC should consider amending Rules 605 and 606, not with a one-size-fits-all approach, but to require disclosure reports that provide more granular information and are designed specifically for the use of either the retail or institutional investor in mind. These reports should serve as a minimum level of disclosure by broker-dealers, as investors should have the ability to seek greater information.<br><br>Exchanges should provide clearer disclosure on order routing, order type interaction, and execution volume from displayed orders, partially displayed/undisplayed orders, and fully undisplayed orders. | **SEC, Chair White** has asked the staff to propose rulemaking recommendations that would enhance transparency of broker routing practices for institutional orders. http://www.sec.gov/news/statement/optimizing-our-equity-market-structure.html<br><br>**MFA/ICI/SIFMA,** on October 23, 2014, submitted to the SEC an order routing disclosure template for the minimum-level of disclosure of order routing and execution quality information broker-dealers could provide, upon request by, institutional investors. https://www.managedfunds.org/wp-content/uploads/2014/10/Cover-Letter-for-Execution-Venue-Template1.pdf<br><br>**BATS,** on January 21, 2015, petitioned the SEC to require all ATSs to provide customers with their rules of operation, and to amend Rules 605 and 605 of Regulation NMS to require additional disclosure of achieved execution quality on a broker by broker basis. http://www.sec.gov/rules/petitions/2015/petn4-680.pdf | MFA continues to support greater transparency to investors of broker routing practices and recommends that the SEC propose and adopt amendments to require broker-dealers to provide more granular information to investors on order routing and execution practices, per MFA, ICI and SIFMA's October 23, 2014 recommendations. Without more information from broker-dealers, investors cannot meaningfully evaluate execution quality. |

## *Exchange Order Types*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| MFA recommended that the SEC, in addition to its heightened review of the function of order types, continue to ensure that order types "promote just and equitable principles of trade" and, in general, "protect investors and the public interest". Exchanges should ensure that order type information is readily accessible to market participants, including clear descriptions on function, use and benefits, as well as data on use and fill rates. | In response to Chair White's request that each SRO conduct a comprehensive review of the operation of each of the order types that it offers to members, each SRO has filed with the SEC rule amendments that provide additional clarity and specificity on order types and their functionality.<br><br>See the SEC website for the following SRO rulemaking:<br>Securities Exchange Act Release Nos. 74796 (April 23, 2015), (SR-NYSEArca-2015-08); 74738 (April 16, 2015), (SR-BATS-2015-09); 74739 (April 16, 2015), (SR-BYX-2015-07); 74558 (March 20, 2015), (SR-NASDAQ-2015-024); 74618 (March 31, 2015), (SR-Phlx-2015-29); 74617 (March 31, 2015), (SR-BX-2015-015); 74439 (March 4, 2015), (SR-EDGX-2015-08); 74435 (March 4, 2015), (SR-EDGA-2015-10); 73468 (October 29, 2014), (SR-EDGX-2014-18); 73592 (November 13, 2014), (SR-EDGA-2014-20); 73572 (November 10, 2014), (SR-CHX-2014-18); 74678 (April 8, 2015), (SR-NYSE-2015-15); and 74682 (April 8, 2015), (SR-NYSEMKT-2015-22). | MFA commends Chair White's leadership with respect to seeking greater transparency on SRO order types for investors; and SROs for amending their rules to provide more detailed descriptions on order type functionality and for eliminating unnecessary order types. MFA appreciates that the amended SRO rules provide investors with more information and understanding for the different exchange order type, their uses and functionalities. |

## *Implementing Careful and Controlled Pilot Programs*

### *Tick Size Pilot Program*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| MFA recommended that for purposes of testing market quality for small cap stocks, the SEC should limit its Tick Size Pilot Program to truly small cap stocks—*i.e.,* stocks with gross revenue of $750 million or less.<br><br>The Trade-At provision would complicate the Tick Size Pilot by adding variables that could meaningfully impact the data of the Tick Size Pilot by drastically changing market participant behavior. The SEC should exclude a Trade-At provision from a Tick Size Pilot, as it would likely frustrate the SEC's intent to assess the impact of increased tick sizes on liquidity for small cap stocks.<br><br>If the SEC proceeds to experiment with tick sizes, it should consider a pilot program to reduce the tick increment to a half-penny for stocks with the highest trading volumes. MFA believes this change in tick size could improve market quality for investors and reduce trading costs. | **SEC** on May 6, 2015 issued an Order approving the NMS Plan to implement a Tick Size Pilot Program. The Pilot will run for two years; apply to selected NMS securities with a market cap of $3 billion or less; and will include a Control Group and three Test Groups. One of the Control Groups will be subject to a Trade-At Rule.<br>http://www.sec.gov/rules/sro/nms/2015/34-74892.pdf | MFA is disappointed with the breadth of the Tick Size Pilot Program and concerned that it will harm investors by resulting in higher execution costs across a significantly large scope of securities. MFA does, however, appreciate the analytical design and measurability of the Tick Size Pilot Program.<br><br>With respect to pilot studies in general, MFA recommends the following principles:<br>• As expressed by SEC Chair Mary Jo White, the SEC must stay focused on its goal to "adopt regulatory approaches that ensure intermediaries harness the forces of technology and competition to better serve the needs of investors."[1]<br><br>• Changes to market structure should be made deliberately and only after a disciplined, data-driven study to ensure that rulemaking is driven, less by competitive interests among market intermediaries, and more by measurable benefits to investors and issuers in terms of liquidity, efficiency, competition and capital formation.<br><br>• Equity market structure reform should balance the goal of reducing unnecessary market complexity and costs with the benefits of fostering competition in the investor's favor. |

[1] Mary Jo White, Chair, SEC, Intermediation in the Modern Securities Markets: Putting Technology and Competition to Work for Investors, June 20, 2014, available at: http://www.sec.gov/News/Speech/Detail/Speech/1370542122012#.VBiOIVJMuM9.

## *Other Industry Regulatory Proposals & Initiatives*

### *Restructuring and reduction of market access fees*

| MFA Recommendation from September 2014 | Regulatory Action, Initiatives & Industry Proposals | MFA Comments & Further Recommendations |
|---|---|---|
| | **BATS** recommends tiered access fees, beginning at $0.0005 per share for the most liquid stocks; and higher rebates for less liquid securities. http://cdn.batstrading.com/resources/MarketStructureSummary.pdf<br><br>**SIFMA** also recommended that the SEC reduce access fees (Rule 610) to a level that better reflects today's markets. https://www.sec.gov/comments/s7-02-10/s70210-422.pdf<br><br>**Nasdaq Access Fee Pilot**. Nasdaq lowered the access fees in select symbols for four months to monitor the impact on liquidity, price discovery and spreads. Nasdaq lost market share in the symbols. http://www.nasdaqomx.com/transactions/trading/access-fee-experiment | MFA continues to discuss with members different perspectives on market access fees. Given the evolution of our equity markets since the access fee cap was set, MFA supports revisiting whether the current level remains appropriate and continues to promote competition among market centers. As regulators and members of the public consider and discuss market access fees, however, MFA continues to urge that such analysis consider the likely impact for investors with respect to market liquidity, order routing and execution transparency, transaction costs, and competition among market centers. |