

Dear Mr. Fields,

Thank you for directing this letter the appropriate Commission staff. I meant to comment on the Tick Size Pilot Program, but clearly sent it to the wrong proposed rule.

I realized too, in re-reading what I wrote, that the letter wasn't as clear as I would like it to be. I've rewritten it as the below letter and hope that you might forward this one to the appropriate Commission Staff?

Thank you again for taking the time to contact me and for coordinating the letter's submission to the correct Staff member.

With kindest regards,

Jared Albert

Dear Sirs/Madams:

Thank you for the opportunity to comment on the Tick Size Pilot program.

I believe that the single biggest cause of illiquidity in smaller capitalized stocks, is because of the adverse selection to resting limit orders on lit exchanges created by internalized order flow.

I am a retail investor who primarily buys and sells dividend paying stocks for yield and capital gains. I place my limit orders on the New York Stock Exchange through my broker, Interactive Brokers.

Many times during the course of a day, there are trades at my bid or offer price for which I am the only quote on the time and sales, and yet I do not get the execution. When I've spoken to Interactive Brokers Customer Support about this, I'm told that the trades were 'internalized'; even when there is no price improvement at all.

I am much more likely to be filled on my resting limit order, if the price then moves through my previous quoted level to print at a new price, than I am if my quote turns out to be the low or high price for the moment; even when my order is alone in the order book-- the trade didn't go to someone else quoted at the same price, as my quote was the only one at that price.

This forces me to quote wider. I am less willing to quote 'competitive' prices in a market in which my 'stale' resting limit order is picked off by internalizers, who can choose to provide liquidity at my price or not without ever quoting on a lit venue. If I only get filled when the internalizers want, I quote wider bid/ask spreads hoping to receive somewhat better pricing, even if this often means that I do not get fills.

I imagine that all the market maker kind of quoting on the lit exchanges feels as I do, as we see the trend towards wider bid/ask spreads and lower trading volumes in the smaller stocks. The problem is the 'line cutting' that internalized order flow allows for.

It seems both unfair and also counterproductive to a liquid and efficient market to allow internalizers to provide liquidity at the NBBO without taking the risk that would be involved in quoting. It seems that if published orders are simply ignored by the internalizers, then the spread will continue to widen and customers who enter their bids and offers into a public exchange will continue to receive fills only when it suits the internalizers.

My suggestion is to require internalized order flow to improve on the NBBO by some increment greater than a penny, or to have to fill lit prices at the sizes quoted before filling the order internally. If the idea behind Reg NMS was to protect the NBBO price levels from trade throughs, it seems in the same spirit to also protect the NBBO by time stamp and not allow the 'line cutting' that internalized flow creates.

Again, I appreciate very much the opportunity to share my view on the Tick Size Pilot Program.

Thank you for your time and interest in this,

Respectfully yours,

Jared Albert