

October 31, 2013

Via Overnight and Electronic Mail (rule-comments@sec.gov)

The Honorable Mary Jo White
Chair
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: *Tick Size Pilot Program (Roundtable on Decimalization – File No. 4-657)*

Dear Chair White:

TD Ameritrade¹ appreciates the opportunity to provide additional comment² on the Decimalization Roundtable hosted by the U.S. Securities and Exchange Commission (“Commission”). TD Ameritrade strongly supports the careful thought and commitment you bring to basing reviews of market structure on the right empirical data, as you described in your October remarks on market structure. We concur with these remarks, in which you emphasized the importance of any review of market structure issues to be grounded in empirical data. We agree that the “right data can be used to test hypotheses, identify and eliminate potential problems, and narrow and focus the debate to the real issues.”³ A properly constructed tick size pilot program will achieve that goal, while an improperly designed pilot program may yield data that has noise or is otherwise unusable.

As a brokerage firm with the responsibility for obtaining best execution of trades for almost six million retail accounts that produce approximately 380,000 trades a day, market structure issues are very important for our clients. Even what appears to be a minor change to a pilot program can affect an enormous number of investors and the execution of their trades. As we examine the proposals of other market participants we are compelled to comment on behalf of our clients.

If there is going to be a tick size pilot program, we recommend that it is controlled, limited in scope and time, and one that does not compromise the benefits retail customers receive from Regulation NMS. Arguably, there may be aggregation points for greater liquidity in the least liquid stocks; however, testing this hypothesis requires a pilot to be carefully and correctly

¹ TD Ameritrade is a wholly owned broker-dealer subsidiary of TD Ameritrade Holding Corporation (“TD Ameritrade Holding”). TD Ameritrade Holding has a 38-year history of providing financial services to self-directed investors. TD Ameritrade serves an investor base comprised of approximately 6 million funded client accounts with approximately \$556 billion in assets.

² TD Ameritrade’s prior comment letter appears at <http://www.sec.gov/comments/4-657/4657-12.pdf>.

³ <http://www.sec.gov/News/Speech/Detail/Speech/1370539857459>.

designed to provide statistically valid results. Only one variable change should be introduced in the pilot group. The clean data retrieved from the pilot can then be analyzed to determine if there is a measurable benefit of larger tick sizes to liquidity and competition so as to improve the environment for capital formation.

TD Ameritrade suggests that an effective pilot include the following elements:

- No change to market structure except for tick size;
- No issuer opt in or out – there must be blind selection into the program;
- Minimum program of one year and maximum of two;
- Only one tick size program running at a time; and
- Nickels and dime spreads.

To introduce any other element into a pilot designed to measure the effect of tick size on liquidity and capital formation ignores the many other factors that have contributed to the reduction in trading volumes, adds confusion to the discourse around the issue and almost certainly will taint the results.

This presents a rare opportunity to operate a relatively simple pilot program that can provide the SEC quality data used to make well-informed policy decisions. Simplicity in an otherwise confusing environment should not be overlooked.

Sincerely,



Paul Jiganti
Managing Director, Market Structure and
Client Advocacy

cc: The Honorable Luis A. Aguilar, Commissioner
The Honorable Daniel M. Gallagher, Commissioner
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner
John Ramsay, Acting Director, Trading and Markets
James R. Burns, Deputy Director, Trading and Markets