

Comment on Proposal to Rescind Regulation NMS Rule 611 (File Number 4-862)

To the Securities and Exchange Commission:

I am writing as a retail investor to express my absolute opposition to the proposed rescission of Rule 611 (the Order Protection Rule). The regulatory assumption that a deregulated free-market structure or a broker's principles-based "Best Execution" framework can safely replace a hard intermarket rule is a dangerous gamble.

The proposal fundamentally diagnoses a technical cost symptom that does not exist for major market players while entirely misinterpreting the actual root causes driving this policy push. Dismantling this universal safety net will severely fracture the U.S. equity markets, directly penalising retail investors in the following ways:

1. Structural Chaos: Stock Price Divergence into "Multiple Avatars"

Without a centralized, legally binding trade-through ban, a single stock will no longer maintain a unified national price. Instead, a single security will effectively diverge into multiple disconnected "avatars" across different trading venues. A stock could simultaneously trade at \$40.00 on a primary public exchange, \$40.15 on a slower venue, and \$39.85 inside a wholesaler's dark network. This entirely destroys the foundational purpose of a public limit order; a retail investor's quote will no longer interact with the true national market but will instead be trapped within whatever localized price "avatar" their specific broker chooses to route to.

2. The Risk of Localised "Flash Distortions"

During volatile market events, corporate earnings, or macroeconomic news data, spreads naturally widen. Under the current rule, intermarket price checking prevents single-venue anomalies. Without Rule 611, high-frequency algorithms could easily trigger severe, localized "mini-flash crashes" on smaller, isolated exchanges while leaving major exchanges untouched. These flash distortions will trigger automated retail stop-losses and erroneously wipe out positions based entirely on phantom pricing on peripheral venues the retail investor never intended to interact with.

3. Shifting Fragmentation Hazards Onto Retail Investors

Currently, structural market fragmentation is safely walled off from the everyday consumer; retail platforms utilize the National Best Bid and Offer (NBBO) to provide a clean, predictable transaction experience. Eliminating the rule shifts the chaos of fragmentation directly onto the retail trader. Retail apps will be forced to engineer complex data-aggregation code to handle diverging prices, or pass the slippage costs directly onto users.

4. Enforcing Rules, Not Tolerating Bad Code

Proponents claim connecting to 16+ exchanges is a costly tech burden. Real-world trading experiences show that robust, enterprise-grade legacy brokerages handle multi-venue routing seamlessly. It is newer, under-engineered apps that suffer database synchronization failures and "stuck" orders. The SEC should not lower national market standards to accommodate under-engineered routing engines. Doing so will only cause retail investors to abandon smaller applications and flock exclusively to a few massive institutional brokerages that have the capital to replicate Rule 611 protections internally, decimating market competition.

5. Exposing the Real Root Causes ("Following the Money")

The push to rescind Rule 611 is not a response to modern technological burdens; rather, it is driven by distinct anti-competitive financial incentives:

- **The Market Data Monopoly War:** Under Rule 611, every exchange—regardless of size—is legally guaranteed to have its quotes protected if it displays the best price. This has allowed smaller exchanges to charge data feed fees. Major market makers detest paying these data costs to 16 different exchanges just to comply with the law. They are lobbying to kill the rule so they can legally ignore small exchanges and starve them out of business.
- **The "Zero Commission" Illusion:** Corporate brokerages generate substantial revenue by selling order flow to wholesalers (Payment for Order Flow, or PFOF). Wholesalers profit from the bid-ask spread. Rule 611 strictly caps how much profit wholesalers can skim because they are legally forced to match the best public exchange prices. If this rule is scrapped, wholesalers can keep a larger portion of the spread for themselves, vastly increasing their corporate profit margins at the direct expense of retail price improvement.
- **Circumventing "Speed Bump" Protection:** Innovative exchanges like IEX utilize physical delay mechanisms to prevent high-frequency trading (HFT) algorithms from front-running retail investors. Rule 611 legally forces predatory HFT firms to route orders to these protective exchanges if they hold the best price. Scrapping the rule allows major trading firms to legally bypass these "speed bump" safety mechanisms entirely.

The universal price protections of Rule 611 are the bedrock of retail investor confidence. The Commission must preserve the unified nature of the U.S. equity markets rather than allowing individual stocks to fracture across a deregulated network of competing, self-interested venues.