CITADEL

September 12, 2014

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

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Plan to Implement a Tick Size Pilot Program

Dear Mr. Fields,

Citadel LLC[1] ("Citadel") appreciates the opportunity to comment on the tick size pilot plan recently filed by FINRA and the exchanges (the "Plan").[2] We look forward to submitting detailed comments on the design of the pilot once the Commission publishes the Plan for comment. We are writing now because we believe the Plan raises an extraordinary number of complex implementation and policy issues that require a thorough review and comment process. We urge the Commission to provide a comment period that is longer than the proposed 21 calendar days, and recommend a minimum of 60 calendar days to facilitate a robust comment process.

The proposed "trade at" provisions of the Plan raise particularly significant concerns that warrant careful review and analysis. These provisions would be very challenging and expensive for trading centers and other market participants to implement, and are unnecessary to the core goal of studying different tick sizes. In addition, these provisions risk undermining the market's operational stability, and producing data that is not useful. The Plan would, in effect, require trading centers and other market participants to develop and maintain trading systems for four different market structures (current market, Group 1, Group 2, and Group 3). This undertaking would drastically increase market complexity and thus introduce substantial technological risks. It is also likely that many market participants will conclude that it is not cost-effective to expend the significant resources that would be necessary to fully implement all aspects of the Plan. That development would, in turn, reduce liquidity. Moreover, the proposed trade at component could meaningfully impact the data produced by the pilot, and frustrate the intent of Congress to study and assess the impact of increased tick sizes on liquidity for the stocks of smaller issuers.

[1] Established in 1990, Citadel is a leading global financial institution that provides asset management and capital markets services. With over 1,200 employees globally, Citadel serves a diversified client base through its offices in the world's major financial centers including Chicago, New York, London, Hong Kong, San Francisco, Dallas, and Boston. Citadel Securities operates an industry leading market making franchise and an institutional markets platform. On an average day, Citadel accounts for over 14 percent of U.S. listed equity volume and over 20 percent of U.S. listed equity option volume.

[2] Plan to Implement a Tick Size Pilot Program Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934 (Aug. 25, 2014), *available at* http://www.sec.gov/divisions/marketreg/tick-size-pilot-plan-final.pdf.

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Finally, the Plan departs in certain key respects from the SEC order that required the creation of the Plan, and each material difference warrants careful consideration.[3]

The market structure changes reflected in the Plan would be the most significant change to equity market structure rules since the adoption of Regulation NMS, and will result in a substantial number of implementation and interpretive questions. A longer comment period would enable these issues to be sufficiently identified and considered. It is worth remembering that when the Commission adopted Regulation NMS, it provided for a lengthy implementation period, extended the compliance date several times, and issued numerous responses to FAQs. Notably, many of the FAQs were focused on the trade-through rule. That process would need to be repeated here with respect to the trade at rule, just for a one year pilot program. To the extent the comment period is abbreviated, the implementation period (which will need to be lengthy for operational reasons alone) will likely need to be further extended to address issues that were not fully explored before adoption. The Commission must carefully consider these costs and risks as part of its responsibility to consider the promotion of efficiency, competition and capital formation regarding the Plan.[4]

Given the inherent complexities and seriousness of the issues raised, the 21 day comment period that the Commission announced it intends to establish is far too short. For the foregoing reasons, we strongly believe a minimum of 60 calendar days for public comment is appropriate.

[3] For example, with respect to the trade at provisions, the Plan added a size requirement to the NBBO quoting exception, extended trade at protection to protected quotes that are worse than the NBBO, and narrowed the NBBO quoting exception to ensure that an exchange member quoting at the NBBO on an exchange cannot trade at the NBBO anywhere other than on that exchange. Because exchanges were the primary drafters of the Plan, it is not surprising that each of these material differences from the SEC order is highly favorable to exchange business models. It is particularly important that the Commission receive input on these issues from other market participants that do business on exchanges and compete with exchanges. *Compare* the Plan *with* Order Directing the Exchanges and the Financial Industry Regulatory Authority to Submit a Tick Size Pilot Plan, Exchange Act Release No. 72460 (June 24, 2014), available at http://www.sec.gov/rules/other/2014/34-72460.pdf .

[4] 15 U.S.C. 78c(f).

CITADEL

Please call me at (312) 395-2100 with any questions regarding these comments.

Respectfully,

John C. Nagel
Managing Director & Sr. Deputy General Counsel

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