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May 15, 2018

**VIA EMAIL**

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

Re: Transaction Fee Pilot for NMS Stocks (File No. S7-05-18)

Dear Mr. Fields:

BIDS Trading L.P. (“BIDS”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (“SEC” or the “Commission”) proposed Transaction Fee Pilot for NMS Stocks.<sup>1</sup>

BIDS supports the Proposed Pilot and the Commission’s objective of studying the impact of transaction fees and rebates, and proposed changes to those fees and rebates, on routing behavior, execution quality, and market quality in connection with registered securities exchanges that benefit from protected quotations under Rule 611 of Regulation NMS. Consistent with the recommendations of the Equity Markets Advisory Committee,<sup>2</sup> the Commission has framed the Proposed Pilot around the existing fee cap to access protected quotes prescribed by Rule 610 of Regulation NMS under the Securities Exchange Act of 1934 and the associated rebates offered by exchanges in conjunction with those caps.

In particular, BIDS agrees with the Commission’s determination to exclude ATSS from the Proposed Pilot. BIDS believes that excluding ATSS is consistent with the Commission’s stated objective. The Commission has framed the Proposed Pilot to study the role of exchange access fees in broker-dealer routing decisions and to produce data “to facilitate an informed and data-driven discussion about potential alternative approaches to prevailing fee structures.”<sup>3</sup> In support of excluding ATSS, the Commission states that:

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<sup>1</sup> Transaction Fee Pilot for NMS Stocks, Securities Exchange Act Release No. 82873, 83 Fed. Reg. 13,008 (March 26, 2018) (“Proposing Release”).

<sup>2</sup> Proposing Release at 13015.

<sup>3</sup> Proposing Release at 13009.

expanding the proposed Pilot to non-exchange trading centers, such as ATSS, whose fees currently are not subject to Rule 610(c) would have the effect of imposing, in the terms of a pilot, an entirely new regulatory regime on entities whose fees are not currently subject to the substantive and process requirements applicable to exchanges, and that are currently not subject to access fee caps in any respect.<sup>4</sup>

The Commission further states that it believes that including ATSS in the Proposed Pilot “would introduce a number of complexities that it preliminarily does not believe are warranted for the purposes of this proposed Pilot.”<sup>5</sup>

BIDS concurs that including ATS fees in the Proposed Pilot would expand the pilot in a manner that would be inconsistent with the core objective of the pilot. ATSS vary widely in their technologies, fee structures, and types of participants. Over time, ATSS have evolved progressively with market driven innovations in technology and, similarly, with different fee structures. As a result, BIDS believes that a participant’s decision to use a particular ATS relates to the unique aspects of that ATS. A study of whether certain features of an ATS, including its fees, influence routing decisions would be highly nuanced and would not directly correlate to the objective of the Proposed Pilot. BIDS notes that the Commission has undertaken certain rule changes through its proposed Regulation ATS-N that are designed to provide both the Commission and ATS participants with greater transparency around the operation ATSS. If adopted, this information should provide the Commission with greater insight to the variety of commercial and trading models offered by the ATS and the relevant features that may contribute to order routing decisions.

BIDS appreciates the Commission’s consideration of its comments and welcomes the opportunity to discuss these comments in further detail with the Commission or the staff.

Sincerely,



Timothy J. Mahoney  
Chief Executive Officer

cc: The Honorable Jay Clayton, Chairman  
The Honorable Michael S. Piwowar, Commissioner  
The Honorable Kara M. Stein, Commissioner  
The Honorable Robert J. Jackson, Jr., Commissioner  
The Honorable Hester M. Peirce, Commissioner

Brett Redfearn, Director, Division of Trading and Markets

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<sup>4</sup> Proposing Release at 13016.

<sup>5</sup> Proposing Release at 13016.