mastercard

June 21, 2018

<u>Via E-mail (rule-comments@sec.gov)</u>
<u>& FedEx</u>

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street NE Washington, D.C. 20549

Re: File No. S7-05-18 Transaction Fee Pilot for NMS Stocks, Securities Exchange Act Release No.82873 (March 14, 2018), 83 FR 13008 (March 26, 2018)

Dear Mr. Fields:

Mastercard, Inc. ("Mastercard") appreciates the opportunity to submit this comment letter to the Securities and Exchange Commission ("SEC") in connection with the SEC's proposal to adopt a Transaction Fee Pilot for NMS Securities (the "Pilot"). Mastercard is a technology company in the global payments industry that connects consumers, financial institutions, merchants, governments, digital partners, businesses and other organizations worldwide, enabling them to use electronic forms of payment instead of cash and checks. Through our global payments processing network, we facilitate the switching (authorization, clearing and settlement) of payment transactions and deliver related products and services. We make payments easier and more efficient by creating a wide range of payment solutions and services using our family of well-known brands, including Mastercard®, Maestro®, Cirrus® and Masterpass®. Mastercard's Class A common stock is listed on the New York Stock Exchange and currently has over a billion shares outstanding with a market capitalization of approximately $208 billion as of June 19, 2018.

Mastercard commends the SEC and its staff for their thoughtful examination of broker conflicts and their potential impact on the quality of our equity markets. We agree that the SEC and its staff must remain attentive to the potential impact of conflicts on U.S. investors, and we acknowledge the SEC's longstanding and extensive expertise in this area. We are concerned, however, (i) that the Pilot has the potential to increase transaction costs for our shareholders, (ii) that the currently proposed scope of the Pilot may be excessive, and (iii) that the Pilot could complicate peer group metrics commonly used to evaluate Mastercard's financial performance.

First, Mastercard shares the SEC's longstanding belief that the competition for displayed liquidity is vital to the fairness and efficiency of the U.S. equity market.[1] Given that the rebates that

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[1] *See* Securities Exchange Act Release No. 60997 (Nov. 13, 2009), 74 FR 61208, 61233-34 (Nov. 23, 2009) ("The proposal thereby could promote competition for the displayed liquidity that is vital to the fairness and efficiency of the

would be limited by the Pilot appear to be woven into the current competitive environment for displayed liquidity, Mastercard is concerned about the potential of the Pilot to negatively affect that framework. In particular, we worry that, because the Pilot would not apply to non-exchange venues, liquidity could migrate away from displayed markets, potentially undermining the competition for displayed liquidity. We respectfully urge that the SEC, before proceeding, carefully consider the potential impact of the Pilot on incentives to compete for displayed liquidity and the potential that a disparate treatment of displayed and non-displayed markets could increase investors' transaction costs.

Second, we are concerned that the potential for increased transaction costs would be compounded by test groups that may be substantially larger than needed. While previous proposals would have included 300 stocks,[2] the Pilot proposes to include 3,000 stocks. While in theory, more stocks and more data would facilitate a broader analysis, it is not clear to us that this ten-fold expansion is warranted given the potential costs and collateral effects of the Pilot. If the SEC proceeds with the Pilot, Mastercard respectfully requests that the SEC consider reducing the size of the Pilot from the currently proposed 3,000 to a size that better aligns with the potential costs and collateral effects.

Third, we are concerned about the impact of the Pilot on peer group metrics. The SEC has stated that stocks would be grouped into the control group and test groups based on stratified sampling by market capitalization, share price, and liquidity. This makes it likely that Mastercard, if included in the Pilot, would be separated from a peer group of companies that market participants and investors compare to assess Mastercard's financial performance. This separation could distort peer group metrics and complicate the comparison of peers by investors. This potential complication of proceeding with the Pilot should be considered as the SEC determines the desirability and scope of the Pilot.

To be clear, Mastercard remains fully supportive of the SEC's efforts to consider the impact of broker conflicts on U.S. equity market quality. Moreover, Mastercard would be open to an appropriately-sized pilot that had the potential to identify and quantify the impact of particular broker conflicts.

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market for NMS stocks. Encouraging the use of displayed limit orders could help improve the price discovery process, and in turn, contribute to increased liquidity and depth in the market.").

[2] *See* Recommendation for an Access Fee Pilot (July 8, 2016), available at https://www.sec.gov/spotlight/emsac/recommendation-access-fee-pilot.pdf ("EMSAC Pilot Recommendation") (recommending 100 stocks in each test group only after a more limited three-month measurement period on 10 stocks in each test group).

Thank you again for your consideration of these comments.

Respectfully submitted,

Janet McGinness

Janet McGinness
Corporate Secretary

cc: Honorable Jay Clayton, Chairman
Honorable Michael S. Piwowar, Commissioner
Honorable Kara M. Stein, Commissioner
Honorable Robert J. Jackson, Jr., Commissioner
Honorable Hester M. Peirce, Commissioner
Brett Redfearn, Director, Division of Trading and Markets