June 21, 2018

Via E-mail (rule-comments@sec.gov)
& FedEx

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


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. Given that the rebates that

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, 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.

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
(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
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