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

Date: 21.06.2018

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

Dear Mr. Fields,

Norges Bank Investment Management ("NBIM") appreciates the opportunity to express our support for the Transaction Fee Pilot for NMS Stocks proposed by the Securities and Exchange Commission.

NBIM is the investment management division of the Norwegian Central Bank ("Norges Bank") and is responsible for investing the Norwegian Government Pension Fund Global (the "fund"). We are a large, long term investor in global financial instruments. The fund is invested in assets in excess of NOK 8,400 billion (USD 1,034 billion) of which approximately USD 249 billion is invested in US listed equities as of December 31, 2017.

Exchanges facilitate two of the key functions of asset markets – price discovery and capital formation. As an active market participant, we have a vested interest in supporting exchanges, so they can provide those functions. Exchanges have been in competition with each other in the US and many other markets. This has produced many innovations leading to diversity in exchange protocols – such as the role and obligations of designated market makers on the NYSE, inverse pricing models introduced by the BYX, the IEX 'speed bump', and NASDAQ's Midpoint Extended Life Order, amongst many others. These innovations enable asset managers and their agents to fine-tune their liquidity-seeking strategies, allowing a better match between order urgency and execution strategy.

In addition to this vigorous competition in product specifications, exchanges also compete through the transaction fees they charge. This has led to a remarkable complexity in exchanges' access fee and rebate models. We believe that this complexity has the potential to be a net detriment to the well-functioning of markets overall. It can introduce an additional wedge between the incentives of asset owners and managers on the one hand and broker-dealers on the other, particularly if their relationship is not based on a 'cost-plus' commission model.

While rebates may have initially been intended to reward dedicated liquidity providers, they have since come to influence the routing decisions of broker-dealers acting as agents for asset managers. In many cases, the benefits are passed on to asset owners only indirectly through lower commissions, if at all. This can lead to a potential conflict of interest where routing decisions are driven by rebate considerations to the detriment of the execution quality of the trade program, particularly if rebates are tiered via volume discounts.

From this perspective, we strongly support the Transaction Fee Pilot for NMS stocks, in particular the inclusion of a ‘no-rebate’ test group. We would respectfully suggest clarifying the restrictions on Linked Pricing imposed by the Pilot. In many cases, access fee tiers are based on volume transacted. The restrictions in the Pilot should specify that any volume discounts for Test Groups 1 and 2 as well as the Control groups are not affected by volume transacted in Test Group 3.

Exchanges play a critical role in price discovery and capital formation. They need to be rewarded adequately for providing this service, and need to be incentivized to compete vigorously. We would suggest that the results from this Transaction Fee Pilot can serve to initiate a broader discussion on the appropriate reward model for exchanges. In particular, we believe that the split between volume-based ‘variable’ compensation through access fees, and ‘fixed’ compensation through data feed fees and listing fees, should be revisited.

Yours sincerely

Geir Øivind Nygård
Chief Investment Officer Asset Strategies, NBIM

Simon Emrich
Head of Market Structure Strategies, NBIM