



June 26, 2018

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

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

Dear Mr. Fields,

We are writing to share our views on The Securities and Exchange Commission (the "Commission") recently proposed "Transaction Fee Pilot" experiment intended to examine the inner workings of broker routing behavior and to request that Leaf Group Ltd. (Leaf Group) (LFGR:NYSE) be excluded from the pilot test group.

Leaf Group is specially situated to consider the impacts of the proposed Transaction Fee Pilot experiment, as our company (when our name was Demand Media) was included in Group 2 of the SEC's Tick Size Pilot that was rolled out on October 10, 2016. During the course of the Tick Size Pilot, Demand Media's average daily trading declined by 33% in the subsequent 3-month period vs. the prior 3 months and 39% from the 12 month average daily volume. Accordingly, we are particularly reluctant to be included in another pilot experiment that could further degrade our trading volume, which is a particular concern for a small cap company.

Leaf Group has received a copy of the comment letter provided to you by Elizabeth K. King, General Counsel and Corporate Secretary, NYSE Group, Inc., dated May 31, 2018. We encourage the Commission to thoughtfully consider the arguments raised by the NYSE, specifically:

- (1) the potential for bid-ask spreads to widen, resulting in higher costs for issuers conducting a share repurchase program,
- (2) the potential for wider spreads to disadvantage one security versus another due to differing investor transaction costs,
- (3) the pilot would unfairly place transaction-pricing restrictions on national securities exchanges while allowing other market participants to compete free of any such restrictions, and
- (4) the concern that the pilot, as currently designed to include only national securities exchanges, would not provide the Commission with usable data to inform the

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Commission's policymaking on the trading impact of transaction-based fees and rebates.

We also encourage the Commission to consider the specific impacts to small businesses such as Leaf Group when evaluating the impacts of the Transaction Fee Pilot. The Commission's proposal does not appear to address the impacts on small business other than to state that the Commission does not believe small capitalization stocks would be disproportionately harmed.

For these reasons and the others detailed by the NYSE, Leaf Group urges the Commission not to adopt the Transaction Fee Pilot.

However, should the Commission decide to continue with the pilot, for the reasons above, Leaf Group requests to be excluded from the proposed test groups (effectively placed in the "control group").

Respectfully submitted,
Leaf Group Ltd.

By 

Name: Adam F. Wergeles
Title: EVP, General Counsel

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
Mr. Brett Redfearn, Director, Division of Trading and Markets