October 1, 2018

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Re: Release No. 34-82873; File No. S7-05-18

Dear Mr. Fields,

We appreciate the opportunity to comment on the Commission's proposed rule concerning a transaction fee pilot for NMS stocks (U.S. Pilot).

We are a group of three academics working in Canadian universities. Our research mainly focuses on securities market structure. All three of us have worked on studies that examine the effects of rebates on liquidity and overall market quality, using both Canadian and U.S. data.

We have been recently retained by the Canadian Securities Administrators (CSA) to assist with planning, conducting, and analysing the Canadian transaction fee pilot (Canadian Pilot). We are writing to you to request that the Securities and Exchange Commission (SEC) consider a uniform set of conditions when it comes to Canadian securities that are inter-listed on the U.S. exchanges for purposes of the transaction fee pilots. There are several hundred such firms, and we propose that they are treated similarly by both pilots. We note that this is not a request to exclude Canadian inter-listed securities from the U.S. Pilot. Rather, we ask that one half of Canadian inter-listed securities be treated similarly to securities in the U.S. Pilot Group 3, and the other half be treated as a control.

The SEC and CSA are both interested in learning as much as possible from the proposed transaction fee pilots. For the purposes of the Canadian Pilot, we face the following two challenges:

(i) the number of liquid Canadian securities suitable for the analysis is relatively small, and

(ii) most of such securities are inter-listed in the United States.

The small number of securities restricts our ability to form a sample for a meaningful statistical analysis when it comes to the Canadian Pilot design. We expect that only about 180 securities will be sufficiently liquid to be included in the sample. Our proposal is to treat 90 of these similarly to Group 3 in the SEC sample and to use the remaining 90 as the control group.

Spreading these securities into additional buckets (such as those represented by Groups 1 and 2 in the proposed U.S. Pilot) will likely result in low power of statistical tests. We are concerned that without the 90/90 design, the results of the Canadian Pilot may be statistically and economically inconclusive. We also recognize that implementing different transaction fees for the inter-listed securities on each side of the border may confound the analyses for both the Canadian and U.S.

transaction fee pilots in respect of inter-listed securities because differences in fees may incentivize cross-border routing.

As such, to successfully design, conduct and analyze the Canadian Pilot, we would like to coordinate with the SEC to have a uniform set of conditions for the inter-listed securities.

We therefore propose that the SEC considers including/adding 90 Canadian inter-listed stocks into Group 3 and a matched sample of 90 Canadian inter-listed stocks into the control group of the U.S. transaction fee pilot.

Respectfully submitted,

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