Jane Street
1 New York Plaza
New York, NY 10004

August 25, 2015

Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Request for Comment on Exchange-Traded Products – Release No. 34-75165; File No. S7-11-15

Dear Mr. Fields:

Jane Street Group, LLC and its affiliated companies (collectively, "Jane Street") appreciate the opportunity to comment on the Securities and Exchange Commission's release titled "Request for Comment on Exchange-Traded Products"[1] (the "Request"). We thank the Securities and Exchange Commission (the "Commission") for highlighting the importance of Exchange-Traded Products ("ETPs") in today's equity markets.

Jane Street is well known as a market maker in virtually every U.S.-listed ETP. As the Commission recognizes in the Request, market makers in ETPs play a critical role in keeping intraday prices of ETPs in line with the value of their respective underlying portfolios or reference assets. Accordingly, Jane Street's comments are largely derived from our perspective as a market maker.

Jane Street believes that arbitrage mechanisms are critical to ensuring efficient market pricing of ETPs, and that this mechanism generally does an excellent job of keeping intraday prices closely aligned with the value of an ETP's underlying portfolio or its reference assets. However, an effective arbitrage function, to best ensure efficient market alignment, is dependent upon several key components. Accordingly, we respectfully ask the Commission, in deliberating the ETP market further, to consider the following factors:

- The Potential Effect of Enhanced Bank Capital Requirements on the Creation and Redemption Process. The ability of market makers to effectively keep prices within different markets aligned is crucially dependent on the ETP creation and redemption process. However, we are increasingly concerned that the advent of enhanced bank capital rules (such as Basel III) may significantly limit the ability to effect such transactions, especially during times of market turmoil. Currently, a key component of the ETP redemption process requires a market maker, either directly as an authorized participant ("AP") or in connection with an AP, to post an often significant amount of cash collateral with the ETP issuer prior to the release of the ETP's underlying components. In times of market turmoil, when available capital becomes tight, APs may curtail the amount of redemption transactions they are willing to effect which, in turn, will limit the amount of ETP liquidity provided at

[1] Securities Exchange Act Release No. 34-75165, 80 FR 116 (June 17, 2015).

Jane Street

a time when it is likely needed to satisfy outsized demand and dampen market volatility. While we believe this phenomenon is most prevalent in the ETP redemption process, it also exists in the creation process. Accordingly, we would ask that the Commission and other regulatory bodies consider the possibility of providing APs and ETP market makers with certain capital relief solely in connection with their facilitation of creation and redemption transactions.

- The Central Role Played by APs in Ensuring an Efficient ETP Trading Market. In order for the creation and redemption mechanisms to lead to fair and orderly pricing of an ETP, those mechanisms must be available to market participants. APs, as the only institutions able to directly participate in those mechanisms, form a crucial link in the valuation process. Where there are fewer APs than is optimal, as can happen with respect to new products in particular, most market makers may find themselves unable to create or redeem the ETP. The resulting reduction in price competition is reflected in reduced liquidity and reduced price efficiency. We would ask the Commission to recognize the central role played by APs in the ETP marketplace and encourage issuers to ensure that they have sufficient coverage by APs to enable access to creations and redemptions by the market making community.

- The Importance of Clear and Broad Dissemination of Information Regarding Creation or Redemption Halts. Jane Street agrees with the Commission's suggestion (found in Question 32 of the Request) that an ETP issuer should be required to notify its listing exchange of any halt in creations or redemptions and, in turn, the listing exchange should then promptly alert its members, other market participants and the broader investing public of such halt. Additionally, the Commission might also wish to consider whether the occurrence of such an event should also prompt a temporary halt in trading of the particular ETP to allow time for the broad dissemination, and market digestion, of that information.

- Potential Challenges Posed by SEC Regulation SHO, Rule 204 ("Rule 204"). Like other market makers, Jane Street often is dependent on the creation process to make timely delivery in connection with sale transactions, as required by Rule 204. However, the combination of Rule 204 obligations and an unexpected creation halt places significant potential risk on ETP market makers when providing outsize liquidity to buyers. Accordingly, we would ask the Commission to consider the possibility of providing ETP market makers with certain additional relief under Rule 204 in instances when an ETP incurs a creation halt.

Jane Street

Once again, we thank the Commission for allowing us to comment on this important issue. We welcome the opportunity to work with the Commission on this matter and, accordingly, invite you to contact the undersigned should you wish to discuss our comments.

Sincerely,

Michael A. Jenkins
Managing Director

cc: The Honorable Mary Jo White, Chair
The Honorable Luis A. Aguilar, Commissioner
The Honorable Daniel M. Gallagher, Commissioner
The Honorable Michael S. Piwowar, Commissioner
The Honorable Kara M. Stein, Commissioner
Stephen Luparello, Director, Division of Trading and Markets