

MEMORANDUM

TO: File No. S7-14-16

FROM: Andrew Sherman
Attorney-Adviser
Office of Market Supervision, Division of Trading and Markets
U.S. Securities and Exchange Commission

DATE: June 28, 2018

SUBJECT: Meeting with Representatives of Security Traders Association

On June 28, 2018, David Shillman, John Roeser, Richard Holley, Theodore Venuti, and Erika Berg, from the Division of Trading and Markets, met with the following individuals.

James Toes
Doug Clark

The discussion concerned, among other things, the proposed rulemaking relating to disclosure of order handling information [Release No. 34-78309], including the attached document.

Attachment



Talking Points – June 28, 2018

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Hodges Capital
Dallas, TX

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Security Traders Association
New York, NY

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J.P. Morgan Asset Management
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ANDY NYBO

Burton-Taylor
Charleston, SC

Who We Are - STA is comprised of 24 affiliate organizations covering the US and Canada. The STA national board of governors is comprised of past presidents and industry specific leaders. Our membership represents INDIVIDUALS from varying business models – buy-side, sell-side, hedge funds, exchange traders and market makers- dealing in equity and derivative trading.

Regulation of NMS Stock Alternative Trading Systems; File No. S7- 23-15 (“Reg ATS-N”)

STA wants to assist the Commission in the implementation of Reg ATS-N and we are seeking an update on recommendations made in STA Comments letters which included:

- Questions in the enhanced filing requirements are reframed into yes/no questions where possible.
- The enhanced filing requirement pertaining to fee schedules be made voluntary in order to provide higher quality data to market participants and to do no harm to a subset of NMS Stock ATS operators.
- STA believes the Commission should take into account the impact Form ATS-N has on firms described in the Proposal as “multi-service broker-dealers” to ensure that the enhanced filing requirements do not conflict with the Commission’s directives for assuring fair competition between and among market participants.
- Amendments to effective Form ATS-N not be made public until they are effective.

Disclosure of Order Handling Information; File No. S7-14-16.

STA wants to assist the Commission in the implementation of Disclosure of Order Handling Information and we are seeking an update on recommendations made in STA [letter](#) to the Commission which included:

- The enhanced disclosures on payments and fees on retail customer orders should be provided in a more general disclosure format for retail customers to consume.
- The determination of retail customer and institutional customer should be based on a format other than order size.
- The Commission should provide clarity on the level of obligation a broker-dealer who provides algorithm trading services will have to a broker-dealer who is using these services in the course of executing orders on behalf of their institutional customers.
- The categorization of algorithms should not be included in the final rulemaking.
- Proposed amendments to Rule 606, which require the public availability of reports, should be limited to non-directed orders.
- Reporting exemptions for brokers and dealers with de minimis amounts of institutional orders or customers should be allowed. STA recommends that a 5% threshold, or measure of executed shares as a percentage of all executed shares, be used in determining if a broker dealer executes a de minimis amount of institutional orders, and therefore be exempt from reporting these orders.
- We now do not believe options contracts should be included in the definition of “institutional order”

Access Fee Pilot – Exchange Traded Funds and Products (“ETPs”)

*ETPs are unique vehicles which offer investors exposure to the performance of indices or desired exposures. While the equity market structure generally works well for ETPs, unique characteristics of ETPs merit consideration in equity trading rules.

*STA believes that when the liquidity provision is encumbered, ETPs become less efficient, therefore special consideration, perhaps even exemptions, should be considered for them.

*As it pertains to the Access Fee Pilot, the majority of industry feedback expresses concern on competitive dynamics of ETPs, which offer similar exposure with recommendations falling into two categories: ETPs should not be included in the Pilot and ETPs should only be included if an elegant solution to the competitive dynamics of similar ETPs can be devised.

*It would help the interested parties build a consensus opinion if they understood the compelling need to have ETPs in the Pilot.

