

17 Dec 2023 By Email



Vanessa A. Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 205499-1090  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Comment Letter for File Number S7-18-23 Volume-Based Exchange Transaction Pricing for NMS Stocks**

Dear Ms. Countryman,

As the Director of Hanshaws Research Ltd, a firm deeply invested in the ethical and efficient operation of financial markets, I am writing to provide comments on the SEC's Proposed Rule concerning Volume-Based Exchange Transaction Pricing for NMS Stocks.

My perspective is rooted in the ethos that governs our operations at Hanshaws Research Ltd: transparency, fairness, and efficiency are paramount. These principles align closely with the Investors' Bill of Rights, particularly in areas of Transparency; Simplicity and Fairness; and Best Execution.

The current system of volume-based rebate tiers, in my view, undermines these principles. It creates a playing field skewed in favour of larger brokers, thereby stifling competition and innovation. The rebate system, as it stands, incentivizes brokers to prioritize rebates over their duty of best execution to clients. This is not just inefficient; it's ethically questionable and detrimental to the overall health of the market.

I commend the SEC for considering the elimination of rebate tiers. This move would represent a significant step towards a more equitable and transparent market structure. By levelling the playing field, we can expect an influx of smaller brokers, enhancing competition and innovation. It's a progressive move that aligns with the long-term interests of the market and its participants.

In support of my views, I refer to the study conducted by RBC in 2018 and the testimony of Steven Quirk, highlighting the profound impact rebates have on order routing decisions. Furthermore, the observations made by Citi in their March 31, 2023 comment underscore the anti-competitive nature of the current tier system.

I urge the SEC to consider the broader implications of these rebate tiers. Their existence not only distorts the market but also hinders the entry and competitiveness of smaller brokers. This is a concern that transcends partisan lines, as evidenced by the bipartisan attention it has received.

In closing, while the elimination of rebates and off-exchange PFOF may not be the immediate goal of the current reform, it is a necessary step towards a market that truly embodies the principles of fairness and transparency. The reforms under consideration are a commendable start, and I fully support their implementation.

Sincerely,

A handwritten signature in black ink that reads 'Keith Hanshaw'. The signature is fluid and cursive, with a long, sweeping underline.

Keith Hanshaw  
Company Director

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