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January 4th, 2024

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE.,
Washing, DC 20549

RE: Volume-Based Exchange Transaction Pricing for NMS Stocks, *File No. S7-18-23, Release No. 34-9876*

Dear Ms. Countryman:

DASH Financial Technologies ("DASH") is writing to the U.S. Securities and Exchange Commission (the "Commission") to respectfully highlight our concerns with the above-referenced proposal (the "Proposal"). As a firm, we appreciate the Commission's continued efforts to further increase transparency and competition throughout the industry. We fundamentally do not agree with the assertions made in the Proposal regarding industry competition and market efficiency, as it pertains both to Reg NMS securities as well as listed options. We applaud SIFMA and other participants for producing thorough analysis highlighting the misconceptions and potential shortcomings of this Proposal. In summary, DASH believes this Proposal, if adopted, could have the adverse impacts of widening quoted spreads and reducing displayed liquidity while incentivizing participants to match more liquidity off-screen. Also, we do not believe there would be any material benefit to small or mid-sized Broker-Dealers if volume-based pricing was eliminated; on the contrary, we believe it would increase the transaction costs borne by these firms.

Market Efficiency

The potential impact on market efficiency, notably spread width, cannot be understated for the US options market. The displayed liquidity in US listed options today is comprised of a diverse mix of participants and customers. Exchange-registered market makers may represent much of the displayed liquidity in the options market; however, quotes from these firms are supplemented considerably by many other market participants with varying investment strategies. The elimination of volume-based pricing, especially for those who contribute to the depth of market at scale, will act to disincentivize those participants from taking incremental risk (i.e. being on the NBBO). Therefore, we would expect NBBO's to widen, leading to a worse experience for the Institutional and Retail client base. Furthermore, widening of markets has knock-on effects above and beyond execution quality.

As with NMS Stocks, eliminating volume-based pricing on options exchanges may increase the overall desire to match orders more often in non-exchange RFQ platforms and could lead to the proliferation of these mechanisms. To be clear, we feel RFQ mechanisms are additive to the ecosystem; RFQ mechanisms allow for additional opportunities for price discovery and supplement an already competitive (i.e. narrow NBBO spread) environment. It is worth considering the impact of this potential behavioral shift, specifically in the context of a wider spread environment. Orders that are matched within

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the RFQ platform would then transact on an options exchange in a paired order mechanism rather than interacting with quotes provided by the industry's diverse liquidity providers. Our main concern, in a less efficient and artificially wide-spread environment, is that the NBBO becomes less competitive and more volume is paired in auction mechanisms. Inherently, this will limit the number of market participants that may be able to interact with liquidity seeking orderflow. We fear this cycle could further perpetuate wider spreads and lead to a worse experience for the Institutional and Retail client base.

Competition Amongst Broker-Dealers

As a large US options Broker-Dealer, we provide routing services to a diverse mix of clientele. In our opinion, Broker-Dealers are best positioned to service their clients when they focus on their respective core competencies. DASH's Broker-Dealer clients range in size and service offerings: from highly specialized and bespoke to all-encompassing offerings by large multinational firms. These firms use DASH (and our direct competitors) because of our focus on routing technology and the execution quality that technology can deliver. In addition, our Broker-Dealer clients are in business because of the unique value they can provide to their upstream clients.

Both firms provide value to the ecosystem and both firms are arguably best served through continued investment in their respective specialties. There are considerable costs associated with building and maintaining the infrastructure needed to offer routing technologies. We do not agree with the assertion that this "leveling" of the playing field will induce small/mid-sized Broker-Dealers to begin offering routing technologies and start acting as exchange members. Instead, it may prohibit innovation and further investment in advancing routing technologies and infrastructure. This would be inherently negative for the industry, especially at a time when option volumes are setting new records and the number of US option exchanges has almost doubled since 2010.

In conclusion, we do not believe that the elimination of volume-based pricing will result in an economic good for the industry, in either Reg NMS securities or listed options. Executing Broker-Dealers have an obligation today to provide Best Execution to their customers; economies of scale do not preclude Broker-Dealers from adhering to this practice. Furthermore, this Proposal could also reduce market efficiency and increase overall costs to participants. We welcome the opportunity to provide additional context regarding our position to the Commission.

Sincerely,

Timothy Miller
Chief Operating Officer
DASH Financial Technologies LLC