

January 5, 2024

By electronic mail to rule-comments@sec.gov

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Volume-Based Exchange Transaction Pricing for NMS Stocks (Release No. 34- 98766; File No. S7-18-23)

Dear Ms. Countryman:

I am writing to express my strong support for the proposed rule (S7-18-23) to regulate volume-based exchange transaction pricing for NMS stocks and end the practice of Payment for Order Flow (PFOF). The current market structure, characterized by dark pools, opaque order routing, and a web of financial incentives, raises serious concerns about fairness, transparency, and the efficient allocation of capital.

The current market structure is opaque and open to abuse including the proliferation of dark pools. These private marketplaces siphon away order flow, obscuring price discovery and reducing the effectiveness of lit exchanges. As Costanzo (2022) notes, "the rise of dark pools has led to fragmentation, making it difficult for investors to see the full picture of the market and get the best execution for their trades."

Due to the lack of transparency in order routing, retail investors often have no say in how their orders are routed, entrusting brokers to prioritize their own profit margins over best execution. This incentivizes brokers to route orders to exchanges with the highest PFOF rebates, not necessarily those offering the best price or liquidity.

The proliferation of High-Frequency Trading (HTF) and dominance of high-frequency trading algorithms can lead to rapid price fluctuations and predatory behavior, exacerbating market volatility and disproportionately impacting retail investors.

Rampant market manipulation and the current system creates fertile ground for manipulative practices, such as spoofing and layering, where orders are placed with no intention of execution to artificially influence prices.

The excessive rehypothecation of securities and rampant stock lending practices can create an unstable web of interconnectedness, amplifying risks and potentially leading to market crashes, as seen in the Madoff scandal and the 2008 financial crisis.

Under regulated and unregulated short selling can be used to drive down stock prices and destabilize markets, particularly when combined with high-frequency trading and dark pool activity.

This Proposed Rule is a step towards a fairer and more transparent market by prohibiting Volume-Based Pricing and eliminating exchange rebates based on trade volume disincentivizes the routing of orders to exchanges offering the highest rebates, encouraging brokers to prioritize best execution for their clients.

Ending PFOF by banning brokers from receiving payments for routing orders, investors can be assured that their orders are being routed based on their best interests, not broker profitability.

By increased transparency the proposed rule's disclosure requirements will shed light on order routing practices, allowing investors to make informed decisions about their brokers and the execution of their trades.

Benefits of the proposed rule include a fairer market: All investors, regardless of their size or sophistication, will have a level playing field, ensuring that prices are determined by genuine supply and demand, not hidden incentives. With improved price discovery increased transparency in order routing will lead to more efficient price discovery, reflecting the true value of securities. Reduced market volatility by curbing predatory trading practices and enhancing market stability, the proposed rule can mitigate excessive price swings and protect investors from manipulation. Enhanced investor confidence through a fairer and more transparent market will restore investor confidence in the integrity of the financial system, encouraging greater participation and capital allocation.

The current market structure, rife with hidden fees, opaque practices, and potential for abuse, is detrimental to the long-term health of our financial system and unfair to individual investors. The proposed rule (S7-18-23) represents a critical step towards a fairer, more transparent, and more efficient market, benefiting all participants. I urge the Commission to adopt this rule without delay and continue working to ensure that our financial markets serve the needs of all investors, not just a select few.

Thank you for your time and consideration.

Sincerely,

Teresa Huffman

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Portland, Oregon