

By Email
March 31, 2023

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
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M.S. Vanessa A. Countryman:

I am writing to express my support for the proposed rule by the U.S. Securities and Exchange Commission (SEC) regarding the disclosure of order execution information. The new rule, File No. S7-29-22; Release No. 34-96493, aims to enforce legal requirements that should have already been in place and mandate more transparent disclosure of practices by firms such as Citadel and Virtu.

Citadel and Virtu utilize a "price improvement scheme" to attract order flow by claiming to offer the best trades in the market. However, there is a suspicion that they selectively apply the price improvement to benefit themselves. The new rule will help to expose any unethical behaviour and prevent them from taking advantage of the market.

Best execution is crucial in trade execution, especially for individual investors who may not understand the complexities involved in choosing how to execute a trade. The proposed rule would provide clear guidance on how to read and interpret the data in Regulation NMS Rule 605 reports, especially for retail investors who may not have a deep understanding of the markets.

Brokers owe their customers a duty of best execution derived from common law agency principles and fiduciary obligations. However, it needs to become a rule that the SEC can enforce. Conflicted orders should not be part of a best execution rule.

Without the best execution rule, customers may not be aware of revenue arrangements between brokers and subpar trading firms or that they may be paying higher transaction prices. Different trading venues may offer different prices, slower execution can lead to missed opportunities, and less reliable settlement processes can delay receipt of proceeds.

In recent years, Robinhood, Citadel, and other brokers have faced best execution charges from the SEC for not fulfilling their best execution obligations. Quarterly reviews of execution quality would provide transparency and accountability for the broker-dealers' practices.

The proposed rule would provide a more detailed and comprehensive standard for broker-dealers to follow, resulting in consistently robust best execution practices. It is a necessary step in protecting household investors and promoting fair and efficient markets by ensuring that household investors are receiving the best possible execution for their trades.

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In conclusion, I strongly support the proposed Regulation Best Execution by the SEC, which will help to promote transparency, fairness, and efficiency in the markets.

Sincerely,

Yiannis Philippou

Senior Process Engineer