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Filed electronically

March 31, 2023

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: -File No. S7-29-22; Release No. 34-96493; Disclosure of Order Execution Information
-File No. S7-30-22; Release No. 34-96494; Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders
-File No. S7-31-22; Release No. 34-96495; Order Competition Rule
-File No. S7-32-22; Release No. 34-96496; Regulation Best Execution

Dear Ms. Countryman:

T. Rowe Price is a global investment management organization with $1.31 trillion in assets under management.[1] We serve a wide a range of clients, from individual savers to large institutions and funds. We value the opportunity to comment on the above-referenced proposals (the “Proposals”), which would expand trading data disclosures under Rule 605; change minimum pricing increments, access fees and certain related rules; institute a new order competition rule; and establish an SEC-mandated best execution standard for broker-dealers.

As a fiduciary investment manager to the client portfolios and funds we manage, we are continuously in the market trading a wide range of securities and other financial instruments across a breadth of investment strategies. We do not act as a market maker, trading venue, or liquidity provider, nor do we earn revenue or other compensation from executing trades for these portfolios and funds. T. Rowe Price portfolios are generally actively-managed, and we typically employ a long-term investment horizon to help our clients and customers achieve their financial goals and manage investment risks. Many of the portfolios we manage are owned directly by individuals. The underlying investors in other portfolios T. Rowe Price manages are often individuals as well, such as in the case of mutual funds, other commingled vehicles, pensions, and retirement plans. As an investment manager, commissions and spreads are transaction costs charged by third-parties when we execute trades and these costs are borne by our portfolios and funds. Accordingly, we have a vital interest in fair, competitive, and well-functioning markets. The ability to trade efficiently and incur lower transaction costs directly enhances the returns earned by our clients and funds.

The Proposals are individually significant, and when viewed as an overall package, represent the biggest changes to market structure for U.S. equities since the adoption of Reg NMS. In this letter, we have three primary sets of comments and recommendations. First, we focus on how the overlap between retail and institutional trading should influence assessment of the Proposals. The SEC must recognize that protection of retail investors often means protecting

[1] As of February 28, 2023 (based on preliminary data).

T. Rowe Price Associates, Inc.
T: 410-345-2000
F: 410-345-6575

100 East Pratt Street
Baltimore, MD 21202

the institutional investors trading on their behalf. Second, we are concerned with the process the SEC followed with respect to these proposals, and we offer important process improvements to help ensure market structure changes are justified and effective. And third, we have a number of specific recommendations for a more tailored approach to potential tick size and access fee changes.

I. The Bulk of Retail Investor Assets are Managed by Institutions – Avoiding Harmful Effects on Institutional Trading Serves the Interests of Retail Investors

When assessing market structure changes, one of the important items to recognize is that retail investors access the markets through multiple channels. For example, they can buy stocks directly or choose to invest in funds. Based on the most recent Survey of Consumer Finances conducted by the Federal Reserve, approximately 15% of households had an allocation to stocks (aggregate median value of approximately $25,000) and over 50% of households owned retirement accounts (aggregate median value of around $65,000).[2] The bulk of assets in retirement plans consist of portfolios managed by institutions at over 90%.[3] This illustrates that individual investors' assets are deployed predominantly through institutionally-managed vehicles.

Given institutional vehicles' significantly greater share of individuals' "wallets" and the high likelihood the Proposals would hurt institutional trading, the Proposals' unproven ideas for making markets better for self-directed individuals are likely to produce more harm than good for the same individual investor base.

II. A More Careful and Methodical Approach is Needed to Avoid Significant Unknown and Harmful Effects

Recognizing the critical role of U.S. securities markets domestically and globally, it is imperative the SEC revisit its process for developing these rulemakings. Fortunately, it is not too late to pause these initiatives and consider these issues in a more deliberate and well-designed way. To that end, we offer several recommendations below.

The SEC should revert to its prior practice of proactively soliciting input and information on market structure issues and challenges from industry prior to proposing rule changes. This type of process occurred before adopting decimal pricing in 2001 and Reg NMS in 2005. Issuing the 2010 concept release seeking public comment and data to facilitate a review of equity market structure was also a worthwhile exercise. Special committees such as the SEC's Equity Market Structure Advisory Committee ("EMSAC") and public forums like the 2018 Roundtable on Market Data and Market Access also promote healthy dialogue between the SEC and industry and help identify areas for improvement and whether they warrant a regulatory response. In the case of the Proposals, we believe it is essential to undertake this type of "pre-work" given the material impact to all market participants, and in particular to investors. Otherwise, the SEC is effectively cutting out at least one round of feedback regarding potential changes that could upend our markets.

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[2] See page 16 of Federal Reserve Bulletin dated September 2020 available at: https://www.federalreserve.gov/publications/files/scf20.pdf.

[3] Percentage is based on the various categories of funds shown in figure 6 of ICI Research Perspective edition dated November 2022 and titled "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2020." Available at: https://www.ici.org/system/files/2022-11/per28-11.pdf.

Data and measurement of impacts should also play a much greater role in determining the path forward. We support SIFMA's request that the SEC provide its data serving as the basis for the Proposals. Visibility into the specific data and analysis utilized by the SEC to justify the proposed changes would enhance industry's ability to give feedback on the merits of any perceived problems and appraise how the proposed changes would impact markets. Modernized Rule 605 reporting would also create a more robust data set that would inform whether additional market structure changes should be pursued. Like many other commentators, we believe updating the data in Rule 605 reports is a natural first step. The updated reports should be in place for a meaningful period of time so that sufficient data is available for both assessing what types of additional market structure changes may be warranted and establishing a baseline data set for measuring the impact of future market structure changes.

It is also critical that any proposed changes occur incrementally, with ample time between implementation dates, and only after careful consideration of expected outcomes. If the SEC were to implement the suite of Proposals at or around the same time, it would be immensely challenging for regulators and market participants to attribute any changes in market quality to a particular market structure change. For each proposed change, the SEC should articulate the intended outcome and how the SEC would define success as to whether that outcome is achieved.

An incremental approach is also appropriate due to the significant nature of the changes related to tick sizes, access fees, round and odd lots, quote and trade harmonization, and auctions. Individually, these changes are very substantial and could have material impacts to how markets behave. Collectively, they could have seismic impacts to investors and issuers. These changes are also inter-related in complex ways, so potentially introducing them simultaneously could have compounding effects. Additionally, if tick sizes are addressed appropriately and access fees are significantly lower, why would there be need for an auction requirement? Conversely, if there is ultimately a need for auctions and as proposed, the execution fees charged by their operators are significantly lower than existing access fees, why would exchanges' access fees for all stocks need to be lowered? The SEC has not assessed how the Proposals affect each other and we think doing so is a critical part of the process.

Given the essential role and complex nature of the U.S. equity markets as well as the fundamental changes being proposed, we strongly encourage the SEC to have a mechanism in place that efficiently course-corrects its actions should its hypotheses or intended outcomes not be validated, or if significant negative impacts arise. For example, what happens if the Proposals cause significant declines in displayed liquidity for small cap stocks, their trading costs increase, and they become less attractive to invest in? These are negative outcomes for issuers as well as investors and neither should suffer through a lengthy rulemaking cycle for changes to be unwound. The SEC needs a plan to nimbly revert in these types of situations.

III. Substantive Feedback on Proposed Changes to Tick Sizes and Access Fees

In addition to the process-oriented recommendations discussed above to create a solid foundation for the identification of market structure issues and potential regulatory solutions, we share below our high-level views on the tick size and access fee aspects of the Proposals.

Our earlier comments about collecting enhanced Rule 605 data and establishing a baseline before implementation of any market structure changes are especially relevant for these aspects of the SEC's proposed package. At present, there is a lack of existing data and analysis for market participants and the SEC to opine on the optimal tick size, access fee, or round lot for any stock. Past experience has, however, demonstrated broad themes of which we should remain mindful. For example, decimalization led to a roughly two-thirds decline in displayed liquidity[4] and we have seen overly narrow ticks contribute to behaviors that are not in the best interests of long-term institutional investors such as sub-penny jumping of trading queues, less incentive to quote, and more flickering and fading of quotes. And while we do not know what each stock's optimal pricing increment and access fee should be, we are confident the pricing increment should not be too narrow and arbitrary fee caps should not be mandated for all stocks by a regulator.[5]

We also have several broad-based recommendations regarding steps we encourage the SEC to take if it proceeds with modifying tick sizes and access fees. In both of these areas, we encourage the SEC to use a tailored, as opposed to "one-size fits all" approach. For many years we have advocated that not all stocks are the same and they should have different ticks, access fees, round lots, unlisted trading privileges, etc., depending on the particular security. While we recognize the SEC proposed a granular set of ticks based on various quoted spread categories, the one-size fits all problem persists as the proposal only addresses narrower ticks without addressing the need for wider ticks in certain cases. Similarly, the one-size fits all lens emerges again for access fees by proposing the cap be reset from 30 to 10 mils for all stocks priced greater than $1/share as a practical matter.[6]

Tick sizes. While we've stated we do not know the correct size for varying securities, we encourage the SEC to use more factors when defining a "tick-constrained" stock. Metrics beyond the proposed time weighted average spread should be used. Other factors that could be considered include queue length and quoted size at the top of the order book, turnover, and whether the stock is quoted on multiple exchanges. This multi-factor approach would allow the SEC to measure whether the tick size is properly calibrated, or whether a stock's tick size should be narrowed further or restored to its current increment. A multi-factor approach would also allow the SEC to determine whether tick increments should be larger for securities that trade at very wide spreads. In our view, one of the flaws in the current proposal is that it only contemplates a narrowing of tick sizes.

We also recommend the SEC modify its proposed schedule for when tick sizes become effective. As proposed, the evaluation period for whether an adjustment is needed would be the last month of a calendar quarter. Once a stock's tick size is determined, the stock would retain that tick size for the following quarter. This leaves little to no time for industry to communicate the change and update systems to reflect the new tick sizes. We recommend a month lag between the determination that a tick size should be adjusted and implementation in order to give the industry adequate time to process changes and minimize errors.

Access fees. T. Rowe has been very vocal about reducing access fees and related conflicts in order routing. We are supportive of an access fee reduction as long as it is done in a thoughtful

[4] See the reports cited in the Investment Company Institute's comment letter on the SEC's 2001 concept release regarding decimal trading in subpennies available at: https://www.sec.gov/rules/concept/s71401/tyle1.htm#P48_8044.
[5] The EMSAC came to similar conclusions and as the originator of the Access Fee Pilot, settled on a range of fees.
[6] The only exception to the 10 mils cap would be a 5 mils cap if the time weighted quoted spread is ≤ $.008.

and incremental way, and in a manner that differentiates very liquid versus illiquid securities. We would be supportive of access fees being reduced commensurately for securities where the tick sizes are being narrowed, but as noted above we are opposed to a blanket access fee for all stocks.

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We would welcome the opportunity to further discuss our views on the Proposals and greatly appreciate the SEC considering our feedback.

Sincerely,

/s/
Mehmet Kinak
Vice President and Global Head of Equity Trading

/s/
Jonathan Siegel
Vice President and Managing Legal Counsel (Legislative & Regulatory Affairs)