

March 31, 2023

Vanessa Countryman  
Secretary  
U.S. Securities Exchange Commission  
101 F Street N. E.  
Washington, DC 20549

Re:

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. S7-29-22; Release No. 34-96493; Disclosure of Order Execution Information

File No. S7-32-22; Release No. 34-96496; Regulation Best Execution

Dear Ms. Countryman:

B. Riley Securities, Inc.<sup>1</sup> (“B. Riley” or the “Firm”) appreciates this opportunity to comment on the U.S. Securities and Exchange Commission’s (“Commission’s”) equity market structure proposals. While the Firm applauds the Commission’s efforts to modernize and improve the structure of the equity markets, we are nevertheless concerned about the unintended consequences that can result from the implementation of so many, wide-ranging structural reforms being implemented simultaneously.

The volume of rules emanating from the Commission’s rule making staff makes it difficult for mid-sized broker-dealers like B. Riley to evaluate the effect such proposals would have on our business. The Firm would prefer, instead, a phased in approach whereby the Commission analyzes each rule’s effect on the equity markets, individually, before implementing the next rule in the series.

With respect to the individual rule proposals, the Firm respectfully offers its comments on some of the Commission’s proposals below.

#### Regulation NMS Proposal (Rule 612)

While the Firm agrees that market quality can be improved by adjusting quoting and trading increments and harmonizing these across trading venues, we believe that this can be accomplished through a simpler, more incremental approach.

We believe that that the Commission should limit changes in quoting increments to tick-constrained securities by utilizing the straight-forward approach offered by the NYSE.<sup>2</sup> Similarly, changes in quoting increments should be limited until the full effect on displayed liquidity, volatility, message traffic and other

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<sup>1</sup> B. Riley Securities Inc. is an institutional broker-dealer and a wholly owned subsidiary of B. Riley Financial, Inc. (NASDAQ: RILY) a diversified financial services company.

<sup>2</sup> The NYSE suggestion involves utilizing a time-weighted average spread and adjusting the number securities identified by assessing the quote stability of each security to narrow the scope of the application of the rule.  
<https://www.sec.gov/comments/s7-31-22/s73122-20159561-327567.pdf>

market attributes can be assessed. If warranted, quoting increments could be reduced further, but the Commission should have robust data supporting each additional reduction in quoting increments before proceeding to the next reduction, if any.

#### Order Competition Rule (proposed Rule 615 of Reg NMS)

The Firm is not in support of the proposed Order Competition Rule as we believe it replaces the broker-dealers knowledge of where best to route an order for execution with a prescriptive approach requiring broker-dealers to route orders to an auction platform which may or may not provide better execution. Further, no data offered to support how the Auction Proposal would benefit investors in light of the changes already proposed to Regulation NMS. Once again, the Firm would urge the Commission to take an incremental approach to these changes and conduct a thorough analysis of the trade data subject to these rule changes before adding another new rule to a changing regulatory regime. For these reasons and others, the Firm urges the Commission to delay implementation of the Auction Proposal until the full effects of the proposed changes to Regulation NMS can be assessed.

#### Disclosure of Order Execution Information (Rule 605)

As with some of the Commission's other proposed rule changes, the Firm believes it would be disruptive and counterproductive to modify Rule 605 until the data is analyzed from each rule independently. Even then, the multiple order-type categories proposed in the updated rule 605 would impose a layer of complexity that the Commission has yet to demonstrate a need for.

#### Regulation Best Execution Proposal

While the Firm supports the principle of Best Execution, the Commission has failed to provide data supporting the need for *another* new Best Execution rule beyond the rules already in effect with FINRA and the MSRB. The Firm has adhered to FINRA's and the MSRB's best execution rules for over twenty years. If, after thorough analysis, the Commission can demonstrate that FINRA's and the MSRB's Best Execution rules are inadequate, then the Commission should urge those SROs to update their rules. If the Commission proceeds with the FINRA and the MSRB update their rules, the Firm would still not support some of vague categories proposed in the Commission's rule such as language requiring a review of "conflicted transactions" in any our Best Ex review..

As stated above, we believe these rules should be phased-in over time, if at all, after a thorough review of the data supporting such changes. Each rule on its own should also be subject to a pilot period of one to two years during which the markets can provide an information feedback loopback to the rule-making staff which would result in more effective and efficient rule making process. Only after each rule is fully vetted should the Commission proceed with the next rule in this series.

Thank you for your consideration.

Sincerely,



Michael Markunas  
Deputy General Counsel  
Chief Compliance Officer