Dear Chair Gensler,

I write to express my concerns regarding the Securities and Exchange Commission's (SEC) recent set of rule proposals to alter the structure of the U.S. stock market and the way retail investors' trades are executed. In the past, when major changes have been proposed, a series of conversations, roundtable discussions, seminars and a flurry of academic work from economists has been conducted to ensure the integrity of the proposed change and to evaluate the benefit to capital market participants. I believe that the SEC should meaningfully engage with the academic community, industry and investors to develop proposals and to test the efficacy of the proposals on a sub-sector of the market before wide-scale implementation. Rigorous, data-driven economic analysis sufficient to justify the proposed changes should be the driver behind these changes. As this has not been done in a comprehensive fashion, I fear that the proposals could, if adopted as constructed, cause serious harm to our capital markets and many retail investors.

I currently serve as Dean of the Virginia Commonwealth University School of Business. Prior to joining VCU, I spent 13 years at West Virginia University as associate dean for innovation, outreach and engagement and as department chair of finance and the Fred T. Tattersall Chair of Finance in the John Chambers College of Business and Economics Department of Finance. My research has included significant work on various market structure matters, including market making and price discovery. I also served as a Financial Analyst and Consultant to the Office of the Chief Economist at the Commodity Futures Trading Commission (CFTC), where I gained extensive experience with the Administrative Procedure Act rulemaking process.

With my background in academia, government and industry, I am passionate about building programs that connect these worlds and create meaningful, synergistic relationships between them. I have spent almost two decades teaching and promoting financial literacy, and I believe that finding ways to bring more retail investors into the stock market with appropriate guardrails and quality financial education should be a shared goal among the private sector, regulators and the academic community.

Since 1975, the stock market has evolved from a slower, more concentrated, higher-cost market to become highly efficient, competitive, accessible and low-cost. Data around the low costs of investing, high availability of quality investment options and increases in retail investor participation support the notion that our markets have never worked better for individual Americans. As Chair Gensler has noted, "retail investors have greater access to markets than any time in the past."[1] In addition, because our stock market is made up of a

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[1] SEC Chair Gary Gensler, Market Structure and the Retail Investor Remarks Before the Piper Sandler Global Exchange Conference (June 2022), https //www.sec.gov/news/speech/gensler remarks piper sandler global exchange conference 060822

number of different trading venues that work within a highly interconnected system, changing one aspect of market structure is likely to have many unpredictable effects on other aspects, including the prices investors pay when they buy and sell stocks.

Given this environment, I believe the SEC should exercise caution before attempting to address market structure issues. This includes collecting and analyzing data to identify evidenced-based problems with our current market structure, reviewing existing academic studies addressing the same or similar market structure issues, studying how certain potential changes may impact the markets and retail investors and soliciting feedback from a diverse group of stakeholders all *before* any new rules are proposed.

Unlike prior SEC and CFTC rulemaking efforts addressing market structure issues (e.g., Regulation NMS), the SEC's current rule proposals do not appear to have been informed by advance data collection and analysis or meaningful engagement with academics, market participants and investors. Instead, the SEC appears to have moved precipitously to propose a set of expansive, highly prescriptive and complicated rule proposals.

Although the SEC estimates that its order competition rule proposal may provide retail investors with as much as [$1.5-$2.5 billion], the SEC also concedes in its proposal that some orders will receive worse executions.[2] For example, the SEC's economic analysis appears to significantly understate the impacts of slippage, meaning that prices are likely to move against retail investors' orders during the pendency of the auctions, which have a built-in delay. Slippage may be compounded to the extent there are no counterparties willing to take the other side of certain retail investors' trades, including for thinly traded stocks that already suffer from limited investor interest and liquidity.[3] Moreover, the SEC's cost-savings estimate does not take into account the very real costs that would be imposed by the proposed rule, which could turn the SEC's speculative benefit into a net cost for retail investors. Finally, the SEC uses (1) existing Rule 605 data, which it believes is flawed and is simultaneously proposing to improve; and (2) Consolidated Audit Trail (CAT) data to calculate these supposed savings to retail investors, which also may be flawed and is not available for the public to review and test.

I am concerned that the analysis the SEC has provided to support such broad and complex rule changes ignores fundamental data on market quality and avoids addressing the many negative and unintended yet inevitable consequences for our markets and retail investors. Any regulatory overhaul of this size, scale and complexity risks unnecessarily

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[2] *See* SEC Proposed Order Competition Rule Proposal, Release No. 34 96495, at 187 ("Through segmentation, wholesalers typically internalize marketable orders with lower adverse selection risk and generally execute them at prices better than the current NBBO, i.e., because of segmentation, wholesalers are typically able to execute the marketable orders of individual investors at better prices than these orders would receive if they were routed to an exchange.") at 287 ("However, in cases where there was insufficient competition from liquidity providers, then the majority of individual investor orders could simply be internalized by wholesalers, similar to the current market, though perhaps at inferior prices compared to what they might have received under the current market structure.") at 312 ("More specifically, if liquidity is diverted to qualified auctions, there is the risk that the NBBO could widen because some market participants might reduce the frequency or the size of the orders they submit to the LOB, including orders that set the NBBO prices.").

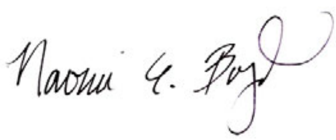
[3] *See* SEC Proposed Order Competition Rule Proposal, Release No. 34 96495, at 288 ("A related concern regarding the functioning of qualified auctions is the possibility of slippage costs. More specifically, there is the potential that the NBBO could change while the qualified auction was in process.").

disrupting well-functioning markets and harming many retail investors at a time when we can least afford it.

In order to avoid this result, I encourage the SEC to conduct a comprehensive study of U.S. equity market structure. This effort should address in a data-driven manner the actual impacts of off-exchange trading vs. on-exchange trading, including the effects of associated fee and rebate models on retail investors' order execution quality. The SEC should make its analysis available to the public so that various stakeholders, including academics, can help test and improve the SEC's analysis of these market structure issues. Finally, the SEC should engage meaningfully with market participants and investors regarding the need for reform and what such measures would entail. This would place the SEC in a strong position to re-propose any rule changes it may deem necessary to further improve the quality of our capital markets for retail investors.

Thank you for your time and consideration.

Warmest Regards,



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