Ms. Vanessa A. Countryman

Secretary Securities and Exchange Commission

100 F Street NE

Washington, DC 20549-1090

Re: Order Competition Rule (File Number S7-31-22)

My name is Kent Haeffner and I am a retail investor based out of Evanston, IL. I have no ownership stake in any broker-dealer, I have no family members who are broker-dealers, nor have I ever worked for a broker-dealer. I am simply speaking today as an acolyte of Jack Bogle, Warren Buffett, and Benjamin Graham who wants what's best for myself and the other "little guys" out there that too often are left out of these conversations.

While I may not have personal exposure to the securities industry, what I do possess is significant experience in analyzing economic policy, facilitating private sector competition, and understanding the intricacies of financial markets. As an undergraduate at Harvard University, I wrote my senior honors thesis on the White House Council of Economic Advisers and its impact on policymaking in the Bush 43, Obama, and Trump administrations. For 3 years, I worked as a management consultant at Boston Consulting Group (BCG), a global strategy consulting firm, on a variety of projects that included pricing architecture, promotional strategy, and software innovation. Over the last 2 years, I have been majoring in finance in the MBA program at the Kellogg School of Management at Northwestern University, one of the world's leading business schools. I believe my credentials give me ample perspective to share my thoughts on this proposed SEC rule. (Please note that all views expressed in this letter are my own and do not represent the views of any of the institutions that I mentioned in the preceding paragraph).

In short, I am here to share with the Commissioners that this proposed rule will cause significant harm to retail investors like me in three main ways. First, it will eliminate retail investor choice when it comes to how they want their trades to be executed, removing their ability to trade off between execution quality and price. Second, the proposed rule will almost certainly have the unintended consequence of the reintroduction of trading commissions, one of the worst enemies of the retail investor. Finally, the technological implementation of this rule is filled with countless potential landmines that could cause significant market disruptions and lead to the inability of retail investors like me to trade.

First, I will address how this rule will harm investor choice. The goal of this rule, as stated in its namesake, is presumably to enhance competition among venues seeking to execute orders. In fact, this rule does quite the opposite. By funneling customers' orders through auctions prior to any other venue, the proposed rule takes away the opportunity for customers' brokers to route orders to other types of venues where they might find better execution, which is the broker's fiduciary duty. It is curious to me that the Commission now believes that it is in the best position to judge where best execution (a term not specifically defined in the regulations) may be found, rather than leaving that to industry experts with decades of experience. Competition among brokers will be generated by the public retail customer who will vote with their pocketbooks and migrate to wherever they find the best service provided by the best brokers finding the best venues for their orders.

Let’s take an example from outside the stock market to illustrate this point. If I wanted to buy an apple, I would have a wide variety of ways to buy said apple. I might buy it in-person at a large supermarket chain for the cheapest price. I might buy it online for maximum convenience. Or I might buy it from the organic farmstand off the dirt road in the countryside where I would likely pay a premium in both time and price for the most delicious apple. Additionally, there are plenty of options within each of the above categories of store, online, farmstand from which I can additionally choose while purchasing my apple, which allows vendors to compete against one another to win my apple buying business by lowering prices, creating better products, and experiences. None of these venues are determined by the FDA as the universal “best” way to purchase an apple, nor are these venues required to source their produce from any particular wholesaler, auction or farm. It is up to the consumer of the apple to determine what is best for their needs.

Why should buying a stock be any different from buying an apple or anything else in the US economy? Currently, the US equity market structure allows for customers to sign up for a wide variety of different trading platforms, a structure allowing the consumer to choose how their orders are ultimately routed, with full transparency, to a variety of different routes (exchanges, market makers, smart order routers, dark pools, etc.). Why should these options be removed in favor of an auction venue which will create delay, information leakage, credit and technology risk and cost? If the Commission is steadfast in its desire to create an auction marketplace (and roll back the clock to a time where there was only the NYSE and the AMEX) then by all means do so, but why not allow the retail customer to decide whether they want their orders routed to the auctions versus other routes/venues that they might prefer? If the auctions are better, then they will win the business via a competitive process. If not, they will die a quiet and unceremonious death. Who is it for the SEC to determine retail customers’ preference for them?

Second, I will address how this rule will almost certainly have the unintended consequence of the reintroduction of trading commissions. In its proposal, the Commission focuses on how execution price will improve when orders are sent to the proposed auctions rather than directly to wholesalers. One aspect that the Commission fails to mention in its Fact Sheet is how the proposed changes would affect the current zero-commission fee structure which benefits customers of many retail trading platforms. As stated in the Fact Sheet, retail platforms prefer to route certain orders to wholesalers from which they receive better economics than they would from routing orders straight to the exchanges (some of which is in the form of PFOF). By receiving better economics from these wholesalers, retail platforms are able to charge zero commissions to their customers. If this proposed rule were to pass, there will still be a cost to trading, meaning these retailers would undoubtedly be forced to roll back their zero commission offerings and once again start charging customers to trade. The Commission would be forcing upfront costs onto the retail investors like me it is claiming it wants to protect.

Why is it that upfront commissions are so bad for retail investors? Say that retail brokers went back to charging a $5 commission per trade, a typical fee about 10 years ago. While a $5 commission might not seem like much to an institutional investor, for a retail investor like me who is putting $500 per month into my IRA, that commision would represent 1% of my investment out the door. This is a considerable sum considering that if I were investing in a low cost ETF like VOO, my expenses for that fund would still be less than the commission even after holding the fund for over 30 years.

Finally, I wish to address the potential technological issues associated with the implementation of a new auction system. As we have seen with the recent collapse of Silicon Valley Bank, there are significant risks when there is concentration at a single locus in the financial system rather than diversification. If this auction platform were to go down for any period of time, the market would come to a standstill with no backup of any kind. We can see the benefits of having a diversified market of brokers just this past January when the NYSE had technical issues with a variety of high volume stocks. During that crisis, a diverse network of broker-dealers served as a backstop so that investors could still trade.

We also need to keep in mind that this new platform would be the brainchild of a government entity with no experience in the construction of digital trading platforms. In my role as a management consultant, I worked with a $100B+ revenue automaker to help them push forward their efforts for software-defined vehicles. As deep as their technical expertise was in mechanical engineering and as much as they wanted to generate profits, even they struggled to stand up the digital platforms they needed. Look no further as to the Healthcare.gov fiasco in 2013 as to the challenges that government entities face in creating digital platforms, even when outsourcing to private companies.

In summary, the Commission should leave it up to the retail investor, who is far savvier than the Commission appreciates, to determine which broker they want to use. The system we have in place today creates more choice, lower up-front costs, and fewer technical risks than the rule proposed today by the SEC. I urge the Commission to reconsider this rule and to take into consideration the retail investor like me in making this decision.

Regards,

Kent Haeffner