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March 28, 2023

Vanessa A. Countryman, Secretary

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-31-22, Order Competition Rule

Dear Ms. Countryman,

We write on behalf of Troop Inc. (“Troop”) regarding the U.S. Securities and Exchange Commission’s (the “SEC”) proposed rule to enhance order competition for the execution of marketable orders of individual investors (the “Order Competition Rule”). We are grateful for the opportunity to provide comment.

Troop has created a community app for shareholder activism. Our platform allows retail shareholders to coalesce around issues that are important to them and seek corporate change by harnessing their shareholder rights.

At Troop, we support measures that promote competition and transparency in financial markets. As proposed, we believe that the Order Competition Rule could result in more favorable pricing to retail investors and enhanced accessibility of retail market orders to other market participants, bolstering competition. It also has the potential to instill greater confidence in financial markets and the execution capabilities made available to retail investors, which can lead to greater retail investor participation and subsequent activism.

While payment for order flow (“PFOF”) has helped to usher in a new era of retail investing, it is blemished by virtue of subsisting on a system purposely designed to facilitate kickbacks. Under the PFOF system, retail brokers are paid kickbacks by wholesalers in exchange for sending orders to them for execution. Retail investors deserve a system that is designed to facilitate best execution, not kickbacks.

Concerned about trading incentives and the distortion of competition, several jurisdictions have banned the practice of PFOF for domestic shares, including the United Kingdom,¹ Australia,² and Canada.³

The prevalence and magnitude of PFOF in the retail brokerage industry in the United States is extraordinary: PFOF monopolizes the retail brokerage industry, capturing more than 90% of retail marketable orders.⁴ When faced with the prospect of massive kickback payments, retail brokers have shown too often that they are unable to satisfy their duty to seek best execution for retail investors.⁵

The Order Competition Rule has the potential to disrupt this inherently conflicted system and usher in a new era of improved market accessibility to retail investors by requiring retail brokers to expose orders first to competition in qualified auctions at open competition trading centers. We applaud the SEC for its concerned focus on the PFOF system and this related effort to make financial markets more transparent and equitable to retail investors.

Sincerely,
Troop Inc.

¹ <https://www.taylorwessing.com/en/insights-and-events/insights/2021/12/payment-for-order-flow-ban> and <https://www.fca.org.uk/publication/multi-firm-reviews/payment-for-order-flow-pfof.pdf>

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<https://www.afr.com/companies/financial-services/aussie-trading-platforms-selling-customer-orders-to-wall-street-20220908-p5bgmj>

³

<https://www.iiroc.ca/news-and-publications/notices-and-guidance/guidance-best-execution-0#toc-does-payment-for-order-flow-pfof-contravene-a-dealer-s-best-execution-obligation->

⁴ <https://www.sec.gov/news/speech/gensler-remarks-piper-sandler-global-exchange-conference-060822> and <https://www.sec.gov/rules/proposed/2022/34-96495.pdf>

⁵ See <https://www.sec.gov/news/press-release/2020-321> and https://www.finra.org/sites/default/files/fda_documents/2014041812501%20TradeStation%20Securities%2C%20Inc.%20CRD%2039473%20AWC%20jlg%20%282021-1617409198567%29.pdf