

March 30, 2023

By Email

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 205499-1090
rule-comments@sec.gov

**Re: Rule Proposal No. 34-96495; File No. S7-31-22 Order
Competition Rule**

Dear Ms. Countryman,

Markets function best when there is open, transparent and fair competition for order flow. In all rulemaking efforts, regulators should ask themselves how the rule in question furthers these goals. It is clear beyond a reasonable doubt that our current market structure is anything but open, transparent and fair.

U.S. markets are held up as an example to be avoided by other countries. This is especially true regarding the level of off-exchange trading and intermediation in U.S. markets. U.S. markets are certainly the biggest in the world, but does that mean they are the best? We need to be more transparent and fair to retail investors and stop giving the advantages to the market makers, and larger players in the system.

It is unfortunate that in the face of potential revenue loss, supporters of the status quo have resorted to ad hominem attacks, scaremongering and FUD. Industry firms fear

change, especially when such change could threaten revenue and annual bonuses. However, for too long the Commission has promulgated regulation that picks winners and losers, instead of creating a fair, level, transparent playing field where open competition for order flow can determine winners and losers in markets.

Large parts of the industry have supported the reduction of excessive off-exchange trading for many years, including many current opponents of change who, in the face of regulatory stagnation and inaction, determined that they could not beat the rent seekers, and therefore resolved to join them. For example, Ken Griffin, the CEO of Citadel explained in 2004 that he believed “that the potential long-term impact of internalization is so corrosive to our national market system that the Commission should take every possible step to curtail this business practice. Indeed, the dramatic fall in processing costs in recent years almost completely eviscerates the arguments in favor of internalization.”

I applaud the Commission for seeing through these motives, and pushing to increase competition, reduce intermediation and improve market quality. We support the Commission’s efforts, although we believe that a simple Trade-At rule will be more effective at accomplishing those goals than the mandated retail auction mechanism specified in the OCR Proposal.

Sincerely,

Anand Rao