

**S&P Dow Jones Indices**  
**55 Water Street**  
**New York, NY 10041**

**Alexander J. Maturri, Jr.**  
*Chief Executive Officer*  
*S&P Dow Jones Indices*  
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July 18, 2017

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F. Street N.E.  
Washington, D.C. 20549-1090

Dear Mr. Fields:

S&P Dow Jones Indices (“SPDJI”), a joint venture between S&P Global and the CME Group, appreciates the opportunity to submit comment with respect to SR-BatsBZX-2017-34, a notice of filing of a proposed rule change to introduce Bats Market Close, a closing match process for non-BZX listed securities under new Exchange Rule 11.28. The proposal would create an order matching facility to compete with closing auctions that occur on primary exchanges (“the Proposal”). As an important consumer of primary market closing auction prices for purposes of calculating certain derived information, SPDJI hereby respectfully seeks that you consider the potential impact of such a facility.

For background, SPDJI creates and calculates over 1 million indices covering a wide range of asset classes, themes, and geographies. Among our family of benchmarks are the S&P 500 Index® and the Dow Jones Industrial Average®, both of which rank among the most recognizable and widely-followed market measures.

Indices such as these are used to gauge market performance, to inform investment research and analysis and, increasingly, as the basis of varied financial products including index funds, ETPs, exchange traded derivatives, OTC swaps, indexed and variable annuities and structured products. It has been argued that this passive investment trend, of which indices are an integral component, has been one of the most positive and transformative changes in investment management in recent decades as it has lowered costs and increased transparency for investors and traders.

SPDJI is solely engaged in the development and licensing of indices. We do not take part in the pricing of index components, issue investment products or are involved in any trading activity. Rather, we source component prices from relevant providers such as exchanges for use in our index calculations. Accordingly, the integrity and reliability of those data sources is imperative to both our functions and the ultimate benefit of index users.

For US-focused equity indexes, since volume is typically dispersed across many venues during continuous trading, our intra-day calculations include all prints for relevant securities posted to the Consolidated Tape. However, we rely solely on primary market auction prices to calculate our official closing index values. These index values are used to conduct portfolio analysis, performance comparison and risk attribution for both active and passive portfolio managers and are widely used as the settlement price for OTC derivatives and structured products.

**S&P Dow Jones**  
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The primary market close has gained in parallel importance with the growth of passive investment. These auctions, which attract and aggregate the overwhelming proportion of share volume, function as the central liquidity pool and price discovery mechanism for listed securities. Equity fund managers – both active and passive in nature - seek to transact at prices at or as close as possible to the auction marks to ensure that their funds are accurately measured against appropriate benchmarks. The smooth functioning of auctions is critical as market participants expect and rely on a price that is: 1) a comprehensive representation of market interest, 2) accurately reflective of pricing sentiment and, 3) readily accessible. In short, the close is a critical daily price point.

SPDJI has taken note of commentary that the proposal would create an alternate execution venue that has the potential to negatively impact these closing prices. Concerns have been expressed that seem to coalesce around the following themes:

- Fragmentation - the dispersion of order flow amongst competing closing mechanisms could degrade the aggregation of liquidity, information disclosure and thus the entire price discovery process; multiple venues could decrease the potential for pairing of natural buyers and sellers; official close prices may be determined by a less-than-complete picture of available investor interest; the potential adverse effects on price discovery could be greater than any explicit transaction fee savings sought by traders and investors.
- Complexity – managing multiple execution venues for the close could be problematic for portfolio managers; orders of size, not uncommon among index managers, not paired during the proposed pre-close session might not have the benefit of sufficient time to re-route before the close.
- Potential Manipulation – a pre-close match could result in information asymmetry that could be used to the advantage of select traders; information about imbalances, ostensibly available to all participants via the BATS feed but that practically may not be widely accounted for, could result in an uneven playing field for investors rebalancing portfolios during the all-important close.
- Impact on Index Ecosystem – more complex calculation methodologies and systems could be necessary depending on the degree of volume fragmentation; a balkanized close could create uncertainty or disagreement amongst participants about the which price should be leveraged (e.g. primary listing venue, most liquid, variable selections, etc.)

In keeping with the overall ethos of passive investing, SPDJI applauds any measures that decrease costs, increase transparency and generally result in greater utility for investors. However, given the increasing importance of the closing auction to those same investors, and the apparent concerns that a competing facility could have unintended negative consequences, we respectfully advise great caution in approaching any changes to this aspect of our market structure.

The indexing world is built upon the confidence of market participants that closing prices truly, and fairly,

represent supply and demand equilibrium points for each security. Confidence in closing prices is a prerequisite for confidence in the benchmarks that we, and others, produce. Recent scandals involving interest rate and foreign exchange fixings reinforce the need for investors to have benchmarks that are truly representative of markets, but measures of the markets can only be as robust as the inputs upon which they rely.

Sincerely,

A handwritten signature in blue ink, appearing to read "Alex Maturri". The signature is fluid and cursive, with a long horizontal stroke at the end.

Alex Maturri  
Chief Executive Officer