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January 12, 2018

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: File Nos. SR-BatsBYX-2017-11; SR-BatsBZX-2017-38; SR-BatsEDGA-2017-13; SR-BatsEDGX-2017-22; SR-BOX-2017-16; SR-BX-2017-023; SR-C2-2017-017; SR-CBOE-2017-040; SR-CHX-2017-08; SR-FINRA-2017-011; SR-GEMX-2017-17; SR-IEX-2017-16; SR-ISE-2017-45; SR-MIAX-2017-18; SR-MRX-2017-04; SR-NASDAQ-2017-046; SR-NYSE-2017-22; SR-NYSEArca-2017-52; SR-NYSEMKT-2017-26; SR-PEARL-2017-20; or SR-PHLX-2017-37 Self-Regulatory Organizations; Amendments to the Fee Schedule for Industry Members Related to the National Market System Plan Governing the Consolidated Audit Trail

Dear Mr. Fields:

The FIA Principal Traders Group ("FIA PTG")[1] appreciates the opportunity to comment on the above-captioned amendments to the previously proposed fee schedule rule changes (the "Amended Proposals") filed by the Self-Regulatory Organizations ("SROs") that are the Plan Participants to the Consolidated Audit Trail ("CAT") National Market System ("NMS") Plan. In our previous two comment letters[2] on the proposed funding model, in addition to our general concern with the lack of collaboration with the impacted industry participants, we raised concerns including: the cost allocation methodology, the use of inconsistent metrics, the disproportionate impact on

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[1] FIA PTG is an association of more than 20 firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy and has previously made recommendations about a variety of equity market structure issues, including Regulation NMS (See https://ptg.fia.org/keywords/equity-market-structure).

[2] https://www.sec.gov/comments/sr-cboe-2017-040/cboe2017040-1819670-154195.pdf. "First Letter"; and https://www.sec.gov/comments/sr-batsbyx-2017-11/batsbyx201711-2151228-157745.pdf "Second Letter". Except as may be modified in this letter, we reaffirm and incorporate herein by reference our previous comments on the proposed funding model.

options market-makers, the lack of transparency, conflicts of interest, and the governance of the CAT NMS, LLC ("the Company"). We appreciate that in the Amended Proposals the Plan Participants have made changes to the funding model for market-makers, however, most of our concerns have not been addressed. The remainder of this letter reiterates some of these concerns.

The Plan Participants have a Conflict of Interest

FIA PTG continues to believe that the Plan Participants have a conflict of interest when it comes to determining how much of the cost of this endeavor they should bear. In the Amended Proposals the Plan Participants state, "…the Plan, as approved by the SEC, adopts various measures to protect against the potential conflicts issues raised by the Plan Participants' fee-setting authority. Such measures include the operation of the Company as a not for profit business league and on a break-even basis, and the requirement that the Plan Participants file all CAT Fees under Section 19(b) of the Exchange Act. The Operating Committee continues to believe that these measures adequately protect against concerns regarding conflicts of interest in setting fees, and that additional measures, such as an independent third party to evaluate an appropriate CAT Fee, are unnecessary."[3] While the Plan Participants have explained that the Company will not generate any profits, we remain unconvinced that the break-even basis of the venture addresses the potential conflicts. Complete control of the source of the costs remains with the Plan Participants, while 75%+ of the burden of maintaining the "break-even" construct is placed on market participants.

Proposed Cost Allocation Methodology is Fundamentally Flawed

As we said in our previous letters, there are existing electronic audit trails in place, the most predominant being FINRA's Order Audit Trail System ("OATS"). Under the OATS cost allocation model, the costs of managing the SRO portion of the system are incurred by the SRO and then allocated out to market participants as they see fit. One way to address the inherent conflicts of interest in the Proposals, would be to apply the OATS cost allocation model to the CAT. The use of this model would allow the Company the flexibility to divvy up 100% of the costs across its ownership (the Plan Participants) in whatever manner it deems appropriate. In turn each Plan Participant could determine how those costs would be passed on to market participants trading on their venue. Not only would this type of methodology obviate the need to resolve the current 75/25 debate, but it would incentivize the Plan Participants to manage the costs of the CAT. In addition, it would encourage each Plan Participant to look for efficient and creative ways to manage their individual cost allocation and might even facilitate Plan Participants competing with each other on how these costs are passed on to market participants.

The Use of Inconsistent Metrics is Discriminatory

The Plan Participants state that the biggest driver of the cost of the CAT is the processing and storing of messages, yet message volume is only used to allocate CAT costs to market participants and not to trading venues. The Amended Proposals address cost allocation, not size of market participant or exchange, and if message traffic is what generates the costs, then all participants – both Plan Participants and market participants – should be assessed based on the same metric. This inconsistent approach is inherently discriminatory.

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[3] Amended Proposals at 79.

Plan Governance does not Incentivize Aggressive Cost Management

In addition to our concerns with the lack of inclusiveness in the development of the funding model, we continue to be concerned with the lack of industry participation in the oversight of the Company. Based on our understanding of the structure of the Company, the majority of CAT fee payers – the group to which 75%+ of the costs have been allocated – have no role in its governance. Again here we raise the same two questions we posed in our previous letter, what incentive do the Plan Participants have to manage the costs aggressively when by some estimates only 12% of those costs will be borne by the Plan Participants themselves? We fear the answer to that question is – none. Absent exiting the business, what recourse do market participants have? Again, we fear the answer is – none.

For the aforementioned reasons, FIA PTG respectfully urges the Commission not to approve the Amended Proposals. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact Joanna Mallers [redacted]).

Respectfully,

FIA Principal Traders Group

Joanna Mallers

Joanna Mallers
Secretary

cc: Walter J. Clayton, Chairman
Michael S. Piwowar, Commissioner
Kara M. Stein, Commissioner
Robert J. Jackson, Jr., Commissioner
Hester M. Peirce, Commissioner