



Virtu Financial

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Robert W. Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Rule Change to Adopt the CHX Liquidity Taking Access Delay

Dear Mr. Errett:

Virtu Financial LLC (together with its affiliates, “Virtu” or “we”) is submitting this letter to share our views about the Proposed Rule Change to Adopt the CHX Liquidity Enhancing Access Delay (“LEAD Proposal”).

By way of background, Virtu is a leading technology-enabled market-maker and liquidity provider to the global financial markets, operating from offices in New York, Austin, Singapore and Dublin. Our affiliate, Virtu Financial BD LLC, (“VFBD”) operates as a market-maker across numerous exchanges in the U.S., is a member of all U.S. registered stock exchanges including the CHX. As such, CHX is the designated examining authority for VFBD. Another Virtu affiliate, Virtu Financial Capital Markets LLC, is a Designated Market Maker on the floor of the New York Stock Exchange.

Virtu provides liquidity in more than 12,000 instruments on more than 235 venues and market places, and seeks to provide liquidity across all liquid instruments traded on transparent electronic markets globally. As such, Virtu does not favor any particular exchange or market structure but broadly supports innovation and enhancements to transparency and fairness which benefit all marketplace participants.

We believe that while the U.S. equity markets continue to be among the most robust, transparent and fair markets in the world, they can be further improved for

all stakeholders with measures that enhance investor confidence, facilitate price discovery and encourage healthy marketplace competition.


In July 2010, we submitted a joint letter¹ advocating for stronger obligations for market makers. We noted in the letter that market maker obligations have not kept pace with the market structure changes. In a separate letter² to the Commission in December 2014, we reemphasized the need to contemplate specific obligations for market makers. The situation has not changed in the years since, and market maker obligations continue to vary significantly across market centers. We also expressed our belief that market maker incentives, such as market structure benefits or financial incentives, should be consistent with the risk inherent with truly affirmative quoting and trading obligations.

For the same reasons, we ask the Commission to consider the LEAD proposal favorably. The LEAD Proposal creates a new class of CHX Market Makers (“LEAD MMs”) who are required to meet enhanced quoting and trading obligations when compared to the other CHX market makers. The LEAD program effectively couples heightened quoting and trading requirements with the ability to adequately manage the risks associated with the heightened requirements. Specifically, the LEAD Proposal provides LEAD MMs undelayed access to the CHX book when submitting liquidity providing orders and cancelling resting orders in securities assigned to the LEAD MM.

As a result, LEAD MMs will be more inclined to post larger displayed orders at better prices in assigned securities on CHX with confidence that their orders will not be “picked off” by speed arbitrageurs. This will improve displayed liquidity available to institutional investors, in fact, all investors, without limiting the ability of natural buyers (or sellers) to access liquidity.

In conclusion, we urge the SEC to approve the LEAD Proposal and believe that it is a positive marketplace innovation that enhances liquidity provision. We appreciate this opportunity to share our views on these important issues and would be pleased to discuss in further detail as and when appropriate.

Sincerely,


Douglas A. Cifu
Chief Executive Officer
Virtu Financial

¹ See letter dated July 9, 2010, to the SEC from Getco, KCG and Virtu – <https://www.sec.gov/comments/s7-02-10/s70210-255.pdf>

² See letter dated December 19, 2014 – <https://www.sec.gov/comments/4-657/4657-63.pdf>