



April 24, 2017

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: **File No. SR-CTA/CQ-2017-02**

Dear Mr. Fields,

R2G Services, LLC (“R2G”) appreciates the opportunity to comment on the above referenced item. R2G is a colocation, connectivity, and content provider that offers low latency technology solutions to a myriad of financial institutions. We are a large distributor of U.S. based equity, equity option, and futures market data products. We consider ourselves experts in market data policy and feel we can meaningfully contribute to the conversation.

R2G has been a longtime advocate for consumers of market data. We have a significant interest in ensuring that the fees exchanges charge for access, connectivity services, and market data are fair and equitable. It is our strong opinion that the current level of market data fees is unreasonable and unsustainable. We blame the exchange participants for being greedy and for abusing their oligopoly powers. Thus, it may come as quite a surprise to many that know us that we fully support this Amendment.

Despite our support for the Amendment, we feel an obligation to voice our concerns and hopefully provide much needed clarity to the discourse. We will comment more generally on the current state of market data fees and policies. We will once again direct many comments toward the laissez-faire approach of the Commission that allows these policies and fee levels to exist. We appreciate the Commission's willingness to critically examine these issues. As always, we encourage the Commission to turn its gaze inward to critically examine its own gross negligence in having cultivated the current environment.

In the interest of providing much needed clarity to CTA market data fees and policies, we offer the following layman’s overview of the various market data players and the fees they incur:

1. **External Distributors:** There are three main types of external distributors:
 - a. ***Native Data Feed Vendors:*** Some exchanges may call these vendors “Extranets” or “Extranet Providers.” Native Data Feed Vendors take in a native (“raw”) feed direct from an exchange provider, or indirectly from another vendor; and distribute them in the same native format. R2G is an external market data distributor of native data feeds.
 - b. ***Normalized Data Feed Vendors:*** These vendors are data feed providers that take in the raw exchange data feeds and process (“cook”) that data into a proprietary data format. This is an extremely valuable service for firms subscribing to multiple market data feeds that all come in different formats. The normalized data vendors provide a single format



or API across all market data feeds. R2G's Esperanto Ticker Plant is an example of such a normalized solution.

- c. ***Front-End Providers:*** A Front-End Provider takes in an exchange data feed and presents the data in a display device. The important distinction of a Front-End Provider solution relative to that of a Data Feed Vendor is that the front-end interface is a finite ending point of the data. The only way to interact with the data is with your eyes or your computer mouse. A computer developer cannot read the data and electronically manipulate the data as he or she can easily do with a native or normalized data feed. Interactive Broker's Trader Workstation, Sterling Trader, and a Bloomberg terminal are all examples of Front-End Provider external distributor solutions.
2. ***Internal Distributors:*** The aforementioned external data feed vendors take in CTA market data and distribute the data via a datafeed to external clients. These Internal Distributor clients are "data feed recipients" that keep the data in-house.
3. ***Subscribers/Users:*** An Internal Distributor that had 5 employees looking at the data would have to report those 5 employees as "Users" of CTA market data. Though each exchange uses a slightly different term, a Bloomberg terminal (Front-End) client looking at CTA data would be considered a "Subscriber" of CTA market data.
4. ***Non-Display Users:*** An Internal Distributor that uses the data in a non-display manner would also qualify as a Non-Display user which is just a special (i.e. much more expensive) type of User.

The various fees for distributors and recipients of CTA data are as follows:

1. External Distributors of CTA market data like R2G, Interactive Brokers, Sterling, and Bloomberg all pay \$5000/month in Direct Access Fees plus \$2000/month in Redistribution Fees for a total of \$7000/month.
2. Internal Distributors of the R2G native solution would pay the same \$5000/month in *Direct* Access Fees. If they were to receive the R2G Esperanto normalized solution, they would pay \$3000/month in *Indirect* Access Fees.
3. The professional Users of an Internal Distributor would pay \$45/month for Network A and \$23/month for Network B for a total of \$68/month for each of the first two users. The pricing gradually scales down as more users are added. These fees are the exact same that a professional Subscriber would pay if viewing the data on a Trader Workstation, Sterling, or Bloomberg front-end device.
4. If the Internal Distributor used the data in a non-display manner, that firm would be charged a whopping \$6000/month in Non-Display fees.

The above numbers are just for CTA. Most consumers of CTA also subscribe to UTP. An internal distributor of CTA and UTP can expect to pay over \$15,000/month to receive these feeds. (Spoiler Alert: We fully expect that UTP and every single exchange will file a similar amendment once this one is approved). We feel that these numbers are ridiculous and the Commission should be admonished for not realizing just how ridiculous they are. Despite our strong opinion, the Commission approved these fees so we are bound by them if we wish to remain in the market data business.



Herein lies the crux of the problem that CTA is trying to address with this Amendment. Not everybody is playing by the rules. R2G is an external market data redistributor. We do not offer a front-end solution. Each of our CTA clients pay CTA \$9000 or more per month to be data feed recipients. Our clients can go to certain Front-End Providers and get a front-end device that also contains an embedded, hidden, non-reported API that allows these front-end clients to also be undocumented illegal data feed recipients. This creates an unfair competitive advantage to these firms relative to external market data feed distributors like R2G.

Section 11A(c)(1)(D) and Section 11A(c)(1)(F) of the Securities and Exchange Act of 1934 reference that “...all other persons may obtain on terms which are **not unreasonably discriminatory** such information with respect to quotations...” and “**assure equal regulation** on all markets...” All CTA participants have known about these illegal data feeds well before this Amendment. They had no choice but to offer this policy clarification because they were in violation of the Act for forcing R2G data feed clients to be subject to Access and Non-Display fees of \$9000 or more per month whilst allowing the data feed clients of other firms to receive the exact same data feeds without these fees. By this very same argument, the Commission has no choice but to approve the Amendment or it will be in violation of its own rules for allowing this unequal regulation to continue.

Despite our support of the Amendment to create a level playing field, we realize the devastating affect it will have on the number of smaller traders using these illegal data feeds. Our issue is not with these hardworking traders but rather with the greed of the CTA participants, the inaction on the part of the Commission, and the illegal data feed vendors. The CTA participants acknowledge in the Amendment that “*The Participants believe that amending the language of the fee schedule will create a clear understanding of when the non-display fee is applicable and therefore effectuate the change originally contemplated by the October 2014 Non-Display Filing.*” They further go on to write that “*...Participants believe that all vendors will be subjected to and subject their customers to the similar fees for similar uses of data.*” The inconsistent and illegal lack of rule enforcement cannot continue. We humbly submit the following suggestions for the CTA participants and the Commission to consider:

1. Since R2G customers have been paying Access fees and Non-Display fees while other data feed recipients have not, the CTA participants should refund these fees dating back to October 2014. This is one way to retroactively level the playing field.
2. Since some Front-End Providers have been disseminating illegal data feeds, they should be obligated to pay the full data feed fees for every illegal data feed recipient dating back to October 2014 or as far back as the CTA policy allows. This is a second way to retroactively level the playing field.
3. R2G believes a more palatable solution would be to adjust the fees so that all data feed recipients could be treated fairly without breaking the bank. The following numbers are for illustrative purposes only. Let’s assume that there are 300 legitimate data feed recipients out there paying \$9000/month. Let’s also assume that there are 3,000 illegal data feed recipients paying \$0. This makes the CTA monthly revenue \$2,700,000 in this hypothetical scenario. If the CTA participants would lower the total fees to \$750/month for all data feed recipients; they would collect \$2,475,000/month. Though the example uses hypothetical numbers, we feel that this approach is worth exploring.



We hope that the Commission, the CTA participants, our fellow market data distributors, their clients getting free milk, and our clients paying a lot for their milk; appreciate the honest feedback. We encourage the Commission to be proactive and accept the CTA Amendment subject to the condition that the total Access Fees and Non-Display Fees for all CTA market data recipients be lowered significantly. With an anticipated UTP filing right around the corner, we hope the Commission takes this opportunity to set a new precedence.

On behalf of R2G, I am happy to answer any questions you may have or provide any additional information you may need.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stefano Durdic'. The signature is written in a cursive, flowing style.

Stefano Durdic
Managing Director
R2G