



RBC Capital Markets, LLC
Global Equities
Three World Financial Center
200 Vesey Street, 8th Floor
New York, NY 10281

February 4, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: S7-24-89, SR-CTA/CQ-2019-01-CTA/UTP Conflicts of Interest Policy

Dear Ms. Countryman:

On behalf of RBC Capital Markets, we appreciate the opportunity to comment on the above-referenced notice (hereinafter "the Notice").

RBC Capital Markets, LLC, (RBCCM) is the investment banking platform of Royal Bank of Canada.¹ RBCCM is a U.S.-registered broker-dealer that, among other activities, provides equities trading and execution services to retail and institutional investors. These investors include large investment managers with trillions of dollars in assets under management. Those assets reside in employee pension funds, mutual funds, and other vehicles that hold the savings of individual investors.

RBCCM has supported recent Commission efforts to strengthen the fairness, transparency, and efficiency of U.S. equity markets, and we believe that the Notice incrementally advances those efforts as an interim measure.² NMS plans and self-regulatory organizations (SROs)

¹ Royal Bank of Canada (RBC), headquartered in Toronto, Ontario, is a global provider of financial services, including personal and commercial banking, wealth management services, corporate and investment banking, and life insurance and transaction process services. RBC's approximately 85,000 employees serve more than 16 million personal, business, public sector, and institutional clients worldwide through offices in Canada, the United States, and 36 other countries. In the United States, RBC's approximately 12,300 employees primarily provide corporate and investment banking, wealth management, asset management, and retail banking services to customers and clients in more than 40 states.

² See, e.g., letter dated December 10, 2019, from Rich Steiner, RBC Head of Client Advocacy, to SEC in support of the SEC Proposal to Rescind the Effective-Upon-Filing Procedure for NMS Plan Fee Amendments, <https://www.sec.gov/comments/s7-15-19/s71519-6526196-200406.pdf>. October 25, 2019, from Rich Steiner, RBC Head of Client Advocacy, to SEC providing analysis related to market data and access, <https://www.sec.gov/comments/4-729/4729-6353203-195588.pdf>; Brief of Amicus Curiae RBC Capital Markets, LLC, In Support of Respondent and Denial of the Petitions for Review, New York Stock Exchange LLC, Et Al. v

play a critical role in compiling and disseminating important market information via registered securities information processors (SIPs) and the consolidated audit trail (CAT). It is for this reason that the SEC has proposed substantial governance changes to the Operating Committees that oversee the NMS Plans that govern the SIPs.

RBC believes that significant changes to the governance of these NMS Plans should be made, and we intend to comment on the SEC's related proposal in the coming weeks.³ In the interim, we support this step taken by the SROs, which should, incrementally, improve transparency around decision-making by the Operating Committees and, if restructured consistent with our comments, could help mitigate some conflicts of interest.

We commend the SROs for proposing that the conflicts of interest disclosures be made mandatory, and be publicly disclosed. We think these are vital steps that will bring a welcome measure of transparency. However, unless and until Advisory Committee members are provided voting rights, we see no reason to make disclosures by them mandatory. Advisory members would be permitted, of course, to voluntarily disclose such information; but because the advice is just that – advice – there is no opportunity for an actual conflict to directly influence an outcome. Accordingly, the disclosures should be made mandatory only for voting participants of the Operating Committees.

We also believe that, in addition to the disclosure questions that Operating Committee participants would be required to answer under the Notice, the policy should call for further information. First, in addition to disclosing whether a participant's firm charges a fee for the provision of data, the participant should reveal the percentage of revenues derived from the sale of proprietary data and, separately, core SIP data, as a percentage of total revenue. This would not, in our view, cause the revelation of proprietary trade secret information and would aid in clarifying the extent of any potential conflict. Alternatively, a participant could reveal whether either of these categories of revenues fall within certain ranges of a percentage of revenues (e.g., 5-15%, 16-25%, etc.). Second, in addition to updating responses to questions

Securities and Exchange Commission, D.C. Cir. Docket No. 19-1042, filed August 1, 2019; letter from Rich Steiner dated August 15, 2019, to SEC, regarding Proposed Rule Change to Introduce a Liquidity Provider Protection, <https://www.sec.gov/comments/sr-cboeedga-2019-012/srcboeedga2019012-5977239-190213.pdf>; comments of RBC participant Rich Steiner, SEC Roundtable on Market Data and Market Access, October 25-26, 2018, <https://www.sec.gov/spotlight/equity-market-structure-roundtables/roundtable-market-data-market-access-102618-transcript.pdf>; letter from Rich Steiner dated October 16, 2018, to SEC, in support of the proposed SEC Transaction Fee Pilot, <https://www.sec.gov/comments/s7-05-18/s70518-4527261-176048.pdf>; letter from Rich Steiner dated May 24, 2018, to SEC, in support of the proposed SEC Transaction Fee Pilot, <https://www.sec.gov/comments/s7-05-18/s70518-3711236-162472.pdf>; letter from Rich Steiner dated September 23, 2016, to SEC, in support of Equity Market Structure Advisory Committee (EMSAC) Recommendation for an Access Fee Pilot, <https://www.sec.gov/comments/265-29/26529-86.pdf>; letter from Rich Steiner dated May 24, 2016, to SEC, regarding EMSAC Framework for Potential Access Fee Pilot, <https://www.sec.gov/comments/265-29/26529-70.pdf>.

³ See Release No. 34-87906; File No. 4-757, <https://www.sec.gov/rules/sro/nms/2020/34-87906.pdf>.

annually and upon any material change, updates should also be provided if, with respect to a specific vote of the Operating Committee, information becomes material. For example, if the Operating Committee is considering selection of a service provider for a SIP, and the participant's firm has a relationship with a bidder, that relationship would need to be disclosed. Likewise, if a particular fee increase would have a material impact on the relevant revenue stream, the conflict should be disclosed.

We also believe that there should be a mechanism for recusal if, regarding a particular decision of the Operating Committee, a conflict becomes material. In the above examples, a recusal may be appropriate. In addition, the rule should provide a mechanism for responding to a participant's failure to comply with the disclosure requirement including, if appropriate, dismissal from the Operating Committee.

RBCCM again appreciates the opportunity to comment on the Notice. Should the Commission find it useful, we would be pleased to provide additional information to the Commission regarding the matters raised in this letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Steiner".

Rich Steiner
Head of Client Advocacy and Market Innovation