

April 30, 2025

J. Matthew DeLesDernier
Deputy Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Alternative Display Facility New Entrant (SR-FINRA-2022-032)

Dear Mr. DeLesDernier:

XTX Markets appreciates the opportunity to comment in support of the FINRA proposed rule change, and the Notice of Filing of Partial Amendment No. 1 to the proposed rule change, to add the IntelligentCross ATS as a new entrant to FINRA's Alternative Display Facility ("ADF").¹

XTX Markets LLC is a U.S. registered broker-dealer and an affiliate of XTX Markets Ltd. (collectively "XTX Markets"), a London-based FCA authorized investment firm. XTX Markets is a quantitative electronic liquidity provider with global trading operations. We provide liquidity in equities, FX, futures, commodities, options, and U.S. Treasuries. XTX Markets executes daily volume of approximately \$250 billion across all asset classes and geographies.

As we have stated in support of similar proposals to that of the IntelligentCross proposed addition to the ADF, XTX Markets is a strong advocate globally for fair and transparent markets and is committed to making markets more efficient and competitive. Based on our experience globally, and for the reasons that follow, XTX Markets believes the FINRA proposed rule change will have the effect of reducing adverse selection in the markets, increasing displayed liquidity, and incentivizing liquidity providers to narrow spreads, all for the benefit of end investors.

In addition, XTX Markets believes that the success of the U.S. capital markets depends on having a regulatory framework that evolves to support the markets, by facilitating investment and growth opportunities, and promoting competition and innovation. The regulatory process associated with the FINRA proposed rule change, particularly surrounding the stay of the approval order over a year and a half ago, has not supported such goals.

For these reasons, we urge the Commission to promptly take the steps necessary to approve the partial amendment, as well as the proposed rule change overall.

¹ Notice of Filing of Proposed Rule Change Relating to Alternative Display Facility New Entrant, SEC Release No. 34-96550 (December 20, 2022) and Notice of Filing of Partial Amendment No. 1 to Proposed Rule Change Relating to Alternative Display Facility New Entrant, SEC Release No. 34-102542 (March 7, 2025).

I. An IntelligentCross Protected Quote Would Benefit Investors and the Markets

As we have previously articulated in our comment letters in favor of similar initiatives, particularly the IEX D-Limit proposal, XTX Markets believes that the race for speed in trading has reached an inflection point where the marginal cost of gaining an edge over other market participants, now measured in microseconds and nanoseconds, is harming investors. Liquidity providers need to price to the average of the toxicity of the order flow they interact with, and to the extent they are negatively impacted by certain strategies, they must widen their spreads to account for that possibility. This in turn increases the costs of trading for all investors accessing that market.

We therefore applaud market operators such as IntelligentCross that bring initiatives that not only address the need to attract competitive displayed liquidity and broaden the scope of market participants willing to provide that displayed liquidity, but that also provides protection to displayed liquidity from adverse selection. We believe the IntelligentCross proposal does just that.

The ability for IntelligentCross to provide benefits to displayed liquidity is not theoretical. According to IntelligentCross, it has better prices than on the exchanges over 10 million times per day, the daily value of SIP trades trading worse than the ASPEN displayed quote (the quotes the subject matter of the proposed rule change) is over \$5.5 billion, and there are over 28% tighter spreads than the NBBO when ASPEN has the best quote.²

An IntelligentCross protected quote also can bring more competition for liquidity provision from a broader set of market participants than exist today, which also argues in favor of approval of the IntelligentCross proposal. Finally, XTX Markets believes the proposal reflects the type of innovation the Commission should be encouraging to make our equities market fairer and more efficient.

Unfortunately, the Commission's actions and inactions to date have only served to delay the ability for IntelligentCross to bring its quote to the broader market, particularly to those investors who do not have visibility into, or the ability to access, IntelligentCross' quotations.

II. The IntelligentCross Protected Quote was Approved by the Commission on the Merits

It is no surprise that in the over two years since the formal process around the IntelligentCross proposal began, the proposal has attracted some of the same unwarranted criticisms as other similar initiatives such as IEX's D-Limit proposal, particularly that orders will result in "phantom" liquidity, concerns that allowing a liquidity providing order to re-price is a form of "last look," and concerns that the proposal unfairly discriminates against liquidity removers in favor of liquidity providers. We have addressed these arguments at length in our

² See www.intelligentcross.com

previous comment letters on the other proposals and as we have noted in those letters, we believe that these arguments are specious at best.

Significantly, we do not agree with other commenters' views that the IntelligentCross delay provides a liquidity provider with a systemic, structural or competitive advantage. The provider of liquidity in IntelligentCross' case has no direct knowledge of a liquidity removing order seeking to execute against its quote, and therefore comparisons to a "last look" are misguided and conflated, likely intentionally so in our opinion. In addition, the IntelligentCross proposal allows both sides to cancel their order at any time and for any reason prior to the occurrence of a match event and we do not believe that the proposal is unfairly discriminatory or undermines fair competition as would be required to be found to deny IntelligentCross the ability to implement the proposal. The fact that the matching process at IntelligentCross is different than those of some other venues with a protected quote also is not, and should not be, determinative of whether IntelligentCross should be provided with a protected quote and should not be an impediment to approval.

It is important that the Commission found as much in its approval order, stating that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to a national securities association. Specifically, the Commission determined that IntelligentCross would operate as an automated trading center, in compliance with Regulation NMS, such that its quotations would be "automated" and thus "protected" under Rule 611 of Regulation NMS. The Commission also found that IntelligentCross' delayed matching functionality does not preclude IntelligentCross from maintaining an automated quotation; the intentional delay in IntelligentCross' system will not frustrate the purposes of Regulation NMS by impairing fair and efficient access to IntelligentCross' quotations; and that other concerns related to the IntelligentCross matching process and the qualification of its displayed quotes as a protected quotation have been adequately addressed such that the proposed rule change is consistent with the requirements of the Exchange Act.

Overall, we do not see the difference for purposes of Regulation NMS and approval of the FINRA proposed rule change from the operation of, for example, the IEX D-Limit order, which provides protection afforded by its crumbling quote indicator ("CQI") to displayed liquidity, an initiative which, as noted above, XTX Markets supported.

III. An IntelligentCross Protected Quote Should not be Held Up for any Reconsideration of Regulation NMS

The FINRA proposed rule change involves determinations around Regulation NMS and the order protection rule ("OPR"). We recognize that a debate exists surrounding the merits of Regulation NMS and the OPR in general, and we would welcome a re-examination of the merits of the OPR. Nevertheless, even were the Commission to take up that issue, it would likely be a lengthy multi-year process and in the meantime, it would be wholly inequitable to deny IntelligentCross the ability to compete on a level playing field under the existing market structure rules. And, to that end, the ADF was established to provide venues such as IntelligentCross with

a facility for the display of quotations, the reporting of trades, and the comparison of trades, and the rules around the ADF remain in place and available for venues to utilize.

Final determinations around the FINRA proposed rule change should be about whether the IntelligentCross proposal complies with the rules in place (which XTX Markets believes it does) and not about whether changes to Regulation NMS and the OPR are warranted. The Commission's approval order found that IntelligentCross has met the regulatory requirements for participation in the ADF, and with Regulation NMS and other applicable regulatory requirements.

Ironically, arguments against the "trade-through rule" when it was adopted included that it would prevent new competitors from entering the market; that the Commission will be involved in determining which markets comply with the definition of an automated market, involving the Commission in highly technical and subjective judgments, which may neither be fair nor expedient; and that decreased competition and increased regulatory barriers create an environment that stifles innovation, depriving investors of the benefits of innovation, including efficiencies and cost savings.³

We have seen precisely these concerns play out here. IntelligentCross operates a venue that is attempting to obtain a protected quote but the Commission's actions in staying the approval order and delaying IntelligentCross from providing benefits to investors have stifled innovation, prevented competition, and has involved the Commission in subjective judgments.

While ideally competitive forces, rather than regulation, would guide the development of the national market system, that cannot always be the case. Other commenters have noted that investors have the option to trade on IntelligentCross today and that IntelligentCross therefore does not need a protected quote for investors to trade with its displayed liquidity. We disagree with this assessment.

The reality is that while IntelligentCross provides its full market data feed for free to anyone interested in receiving the data, only a small portion of market participants choose to obtain that data, and even a smaller portion choose to incorporate that data into their order routing decision making process on behalf of investors. According to IntelligentCross, its quotes (of round lot or larger) were "traded-through" over 280 thousand times per day on average (round-lot size or larger), meaning those trades missed the best displayed prices that were available.⁴ Unfortunately, competitive forces do not always drive trading decisions, and the Commission's actions to date have only served to delay the ability for IntelligentCross to bring its quote to those investors who do not have visibility into, or the ability to access, IntelligentCross' quotations.

³ See, Dissent of Commissioners Cynthia A. Glassman and Paul S. Atkins to the Adoption of Regulation NMS, June 9, 2005.

⁴ See www.intelligentcross.com

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Thank you for the opportunity for XTX Markets to provide its comments. As noted above, XTX Markets supports FINRA's proposal. XTX Markets believes it is consistent with the Act and, when implemented, will enable liquidity providers to narrow spreads and display larger sizes for the benefit of end investors. If you have any questions about our views, please don't hesitate to contact me.

Sincerely,



Eric Swanson
CEO, XTX Markets LLC (Americas)

cc: The Honorable Paul S. Atkins, Chairman
The Honorable Mark T. Uyeda, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner