Jefferies

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April 30, 2025

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

Re: File No. SR-FINRA-2022-032; Release No. 34-102542; Notice of Filing of Partial Amendment No. 1 to Proposed Rule Change Relating to Alternative Display Facility New Entrant

Dear Ms. Countryman:

Jefferies LLC ("Jefferies") appreciates the opportunity to comment on the proposed rule change by the Financial Industry Regulatory Authority ("FINRA") to add IntelligentCross ("IC")[1] as a new participant on the Alternative Display Facility ("ADF").[2] On March 7, 2025, FINRA filed with the Securities and Exchange Commission ("Commission") Partial Amendment No. 1 to the proposed rule change relating to the addition of IC as a new entrant to the ADF.[3] Jefferies is a subsidiary of Jefferies Financial Group Inc., the largest independent, global, full-service investment banking firm headquartered in the United States. We are a leader in providing insight, expertise and execution to investors, companies, and governments and have focused on serving clients for over 60 years.

About Jefferies Equity Trading

Jefferies is a U.S.-registered broker-dealer and equity trading firm dedicated to providing the highest quality execution to our institutional clients. To achieve that goal, we are continually focused on market structure dynamics and the challenges and opportunities that result from its rapid evolution.

We advocate for markets that are fair, transparent, and efficient, and as such, have been a strong proponent of all innovations National Exchanges and Alternative Trading Systems ("ATSs") have introduced to the market. Sound and reliable data are critical to our infrastructure and central to our ability to analyze the many facets of an execution and the numerous factors that can impact execution quality. Thus, our approach has been to understand new features whether it be a new trading venue, order type, etc., experiment with them, collect data, and measure the effectiveness in helping us achieve our trading objectives. Since the nature of our business is client focused, we tend to find more value in innovations that help agency algorithms navigate the markets more efficiently.

Overview

We applaud IntelligentCross on their innovative philosophy and execution mechanism designed to enhance the level of displayed liquidity in NMS securities and their plans to extend those benefits to the broader market. As we have found with other thoughtful solutions, IntelligentCross ATS has been useful in improving the quality of our executions and helping to lower our overall trading costs for our clients.

We recognize certain aspects of FINRA's amended proposal have raised questions as to whether INCR has met its burden to show the displayed top-of-book quotation on the ASPEN Fee/Fee Order Book meets all of the necessary

[1] Disclaimer – Leucadia Asset Management, an affiliate of Jefferies LLC, is a principal investor of Imperative Execution, the parent company of IntelligentCross U.S. equity ATS.
[2] Securities Exchange Act Release No. 96550, 87 FR 79401 (December 27, 2022)
[3] Securities Exchange Act Release No. 102542, 90 FR 12004 (March 13, 2025)

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criteria to be considered an Automated Quotation, and thus, a Protected Quotation under Regulation NMS. At the same time, however, we also recognize the Commission's dedication to fostering innovation and competition, two core principles of the Securities and Exchange Act that have continually served to enhance the quality and efficiency of the U.S. equity markets.

The Commission's attempts to modernize U.S. equity market structure via the Market Data Infrastructure Rule (MDIR) in 2020[4] and rule amendments to tick sizes and access fees under Reg NMS in 2024[5] exhibit this notion best as both instances were intended to deliver a market framework at pace with modern markets in order to further innovation and enhance competition, not inhibit them. And despite the many thoughtful opinions and differing views as to what measures ought to have been implemented, the need to modernize the U.S. framework upon which all trading operates received broad consensus, and yet, remains largely unchanged. Thus, a market framework that continually fails to evolve, albeit well-intentioned, could risk the unintentional encouragement of limited product variations and new market entrants that are simply just more of the same.

As we stated earlier, innovation and sound and reliable data, among other things, are critical in helping us achieve our desired trading objectives and to ensure we provide the highest quality execution to our institutional clients. Therefore, to aid the Commission in this context as it contemplates FINRA's amended proposal, we are submitting an analysis of our displayed orders and executions on the ASPEN Fee/Fee Order Book. It is our hope that in the spirit of innovation and competition the data can help the Commission reach a solution that strikes the right balance so that it may approve FINRA's proposal to add IntelligentCross as a new participant on the ADF.

Execution Analysis

Our algorithms access the ASPEN book as both providers and removers of liquidity. The data in the attached exhibit on Page 3 highlights the superiority in execution quality we have observed based on our analysis of these orders.

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Jefferies greatly appreciates the opportunity to comment. If you would like to discuss our comments further, please contact Bruce Spiegler at bspiegler@jefferies.com.

Sincerely,

Jatin Suryawanshi

Jatin Suryawanshi
Managing Director, Head of Global Quantitative Strategies
Jefferies LLC

Anna Kurzrok

Anna Ziotis Kurzrok
Managing Director, Head of Market Structure
Jefferies LLC

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

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[4] Securities Exchange Act Release No. 90610, 86 FR 29195
[5] Securities Exchange Act Release No. 101070, 89 FR 81620

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Jefferies Algorithms and ASPEN

Liquidity Removing Orders

The primary benefit of removing liquidity from the ASPEN book has been the 'Price Improvement' (PI) experienced on the executed order, as compared to the prevalent NBBO. The below monthly stats since July 2024 quantify the PI received on executions vs the bid-ask spread of the stock.

	Bid-Ask Spread at Execution Time		
	$0.01 to $ 0.05	$ 0.05 to $0.10	> $ 0.10
Jul-24	2.7%	7.8%	13.3%
Aug-24	2.1%	8.3%	15.3%
Sep-24	1.8%	8.7%	15.3%
Oct-24	1.8%	8.1%	14.6%
Nov-24	1.1%	7.0%	12.9%
Dec-24	1.1%	7.2%	13.4%
Jan-25	1.7%	7.7%	14.2%
Feb-25	1.3%	7.7%	14.3%
Cumulative	**1.6%**	**8.3%**	**15.7%**

(Data Source: Jefferies algorithms; Reuters)

Our algos have benefitted from meaningful price improvement while executing in stocks with wider bid-ask spreads. To us this highlights an important aspect of ASPEN - that the venue offers a 'safe' environment for liquidity provisioning which results in market makers willing to quote better prices in the ASPEN book versus other displayed markets in spite of it being a fee-fee market.

Liquidity Providing Orders

Jefferies' algorithms also provide liquidity on the ASPEN book. These orders could be either displayed or non-displayed day limit orders or non-displayed pegged to the touch.

The data below shows two and 10 second mark outs on our liquidity providing fills on ASPEN compared to similar order type offered by a protected exchange.

Order Type	Type	2-Sec Mark outs Normalized By Bid-Ask Spread
ASPEN Pegged Order	Non-Displayed	0.11
Exchange Pegged Order	Non-Displayed	(-0.10)

(Data Source: Jefferies algorithms; Reuters)

Based on our analysis, the ASPEN pegged order provides better mark outs by over 20% of the bid-ask spread, when compared to a similar exchange pegged order.