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Securities and Exchange Commission
100 F St. NW
Washington, DC 20549-9303
Rule-comments@sec.gov

Re: File SR-NASDAQ-2014-095, Notice of Filing of Proposed
Rule Change to Provide a New Optional Functionality to Minimum Quantity Orders

Dear SEC:

I am mystified at the delay in the approval of this simple rule filing. This rule filing is clearly in the public interest and should be approved without further delay. The enhanced functionality that NASDAQ is proposing will assist institutional investors, such as the mutual funds that invest money on behalf of retail investors like me, in minimizing their transactions costs. This unnecessary delay is imposing costly burdens on all mutual fund investors.

The lack of a single comment letter in opposition is strong evidence that there is no reason to deny or delay this rule change. As you are no doubt well aware, in this business, if any market participant thinks that an exchange rule filing will harm its business interests, it does not hesitate to inundate the Commission with comment letters opining that civilization will end if a competitor is allowed to proceed with its proposal.

Background:

Many large institutional investors are hesitant to enter large orders into trading systems out of the concern that so-called “predatory” traders will figure out what the large institution is doing and effectively front run – or else run away from – the institution’s order. To counter this, institutions often slice up their orders into smaller “child” orders as well as use hidden orders and so-called “dark pools.” One of the ways in which the so-called “predatory” traders may guess the existence of larger orders is to place small orders into the system. When such small orders are executed, they signal the existence of potentially much larger orders on the other side.

The Minimum Acceptable Quantity (MAQ) functionality is designed to let investors have control over how their order executes. By setting a large MAQ, the institutional investor can prevent small order submitters from discovering the trading interest of the large institution. The current implementation, however, can be improved on. Right now, a number of small orders together can be counted toward the MAQ. For example, suppose a large institution puts in an order to buy 10,000 shares with an MAQ of 1,000 shares. As the average execution size on NASDAQ is about 200 shares, such an order would be invisible to most of the orders in the market.¹ But if there were 10 100-share sell orders on the book, the order would be executed. One or more of those small orders might be a probing order from a so-called “predatory” trader, who would use the information from the execution to trade adversely to the institution.

NASDAQ is proposing a simple change to its MAQ functionality: The MAQ order would only trade against orders at least as large as the MAQ, not groups of orders summing to the MAQ. In the previous example, it would execute only against a sell order of 1,000 shares or larger, not 10 100 share orders. This is perfectly reasonable functionality that already exists in other platforms, as pointed out in the release. It will more likely draw more order flow out of the less regulated so-called “dark pools” and onto the so-called “lit” exchanges.

This functionality will help large investors to better manage the exposure of their orders. It will give them more flexibility to reduce information leakage and thus obtain better execution quality. These institutions include mutual funds that trade on behalf of small retail investors like me.

This proceeding is an example of what is wrong with our financial regulatory system. A minor SRO rule change like this should not have to be scrutinized in such time-consuming and lengthy detail by the Commission while less stringently regulated competitors’ changes are not. There should be an appropriate level playing field that efficiently provides adequate consumer protection.

¹ On November 25, 2014, the average trade size on NASDAQ was 204 shares based on data from <http://www.nasdaqtrader.com/Trader.aspx?id=DailyMarketSummary>.

The Commission's scarce resources are dissipated in unnecessary bureaucracy like this, while the Commission appears to be unable to enforce basic securities laws such as those requiring public companies to file financial reports with the Commission.²

This dysfunctionality is not the fault of the underfunded Commission or its dedicated and hard-working employees. It is the fault of the United States Congress which has designed such a dysfunctional system and has failed to provide adequate funding to the Commission. As part of the Commission's "holistic" review of market structure, the Commission should examine the SRO rule filing process to examine ways to right-size the regulatory burden on exchanges so that the Commission's scarce resources can be allocated to more important activities.

Respectfully submitted,

James J. Angel

² Please note that there has been no public action by the Commission in over a year in File No. 81-939, a request by W2007 Grace Acquisition I for exemption from its filing requirements. W2007 Grace Acquisition I is in flagrant violation of its SEC filing requirements, and Commission inaction in this matter shows its fundamental inability or unwillingness to enforce basic U.S. securities laws in a timely manner. See <http://www.sec.gov/comments/81-939/81-939.shtml>