



17 State Street, 38th floor New York, NY 10004

September 12, 2017

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File No. SR-NASDAQ-2017-074

Dear Mr. Fields:

The Clearpool Group (“Clearpool”)¹ is writing to provide its views on the above referenced filing by the NASDAQ Stock Market (“Nasdaq”) to adopt the Midpoint Extended Life Order, a new order type designed for market participants that commit orders to a minimum half-second holding period, with executions at the midpoint of the NBBO.

As we stated in our previous letters to the Commission,² Clearpool is an independent agency broker-dealer, and provider of tools to assist other broker-dealers in routing, execution, pre- and post-trade compliance and risk monitoring. Often our broker-dealer clients are executing orders for large institutional investors and, as such, the ability to source quality liquidity from other long-term investors is of critical importance and an increasingly difficult endeavor given the fragmented nature of our equities markets.

Clearpool therefore has a significant interest in ensuring that the U.S. equities markets are the most orderly, efficient and competitive markets possible. Consistent with this goal, Clearpool supports the Nasdaq proposal. As discussed further below, we believe that the Midpoint Extended Life Order provides an important option to investors in the execution of their orders, particularly for institutional investors seeking to execute in large-size.

¹ Launched in 2014 and based in New York, the Clearpool Group offers advanced electronic trading software and provides independent agency broker-dealer execution services. Clearpool’s algorithmic and execution management systems allow market participants to take control of better quality execution by delivering advanced electronic trading solutions for an evolving equity market microstructure and competitive landscape. For further information on the Clearpool Group, *see* www.clearpoolgroup.com.

² *See* Letter from Joe Wald, Chief Executive Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. SR-NYSE-2016-45; File No. SR-NYSEMKT-2016-63; and File No. SR-NYSEArca-2016-89), dated December 16, 2016 (<https://www.sec.gov/comments/sr-nyse-2016-45/nyse201645-1430031-10.pdf>) and Letter from Ray Ross, Chief Technology Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. SR-BatsBZX-2017-34), dated June 12, 2017 (<https://www.sec.gov/comments/sr-batsbzx-2017-34/batsbzx201734-1797219-153617.pdf>).

The Proposal Could Assist in the Execution of Large-Sized Orders by Institutional Investors

As the Commission is aware, in today's fragmented and complex markets, it has become increasingly difficult for institutional investors to find sufficient, and quality, liquidity to execute large size orders. In particular, institutional order flow has been challenged in an environment where many market participants trade in small size, "off exchange," and have a much shorter investment timeframe.

Clearpool believes that the proposed Midpoint Extended Life Order can provide a valuable tool to investors seeking to find liquidity in size, with the midpoint of the NBBO serving as an important price point at which to trade with other investors. Given the required holding period, as well as the mid-point pricing, the Midpoint Extended Life Order also has the potential to attract longer-term participants to the Nasdaq market. As the proposal states, these market participants are currently underweighted or do not represent these orders on Nasdaq. Given the volume of orders being executed off-exchange, in private markets (dwarfing the volume of orders executed on Nasdaq), the proposal, at the very least, provides an additional tool to allow investors to effectively implement their investment strategies on an exchange.

In addition, although the order type is likely to attract the type of liquidity interested in executing in block size, because it is "on-exchange," it will be open to all participants. We believe this is a far fairer, more transparent way for markets to operate in contrast to the current environment of proliferating off-exchange, private trading venues with non-transparent rulesets that can lead to issues surrounding disclosure and conflicts of interest vis-à-vis investors.

The Proposal May be Beneficial to the Markets Overall

We understand that concerns have been expressed regarding the proposal's potential impact on certain aspects of the Nasdaq market.³ Clearpool does not agree with the arguments that have been set forth.

Specifically, as proposed, the Midpoint Extended Life Order would be trade reported like any other order, without any new or special indication. Clearpool does not believe that this would result in any difficulties for the markets, or complexity for investors or other market participants when assessing execution quality. A Midpoint Extended Life Order execution will blend in with the broader market, providing its users with anonymity and confidentiality, critical tools in preventing potentially predatory counterparties from determining intention and using that information to generate short-term profits at the expense of longer-term investors. In addition, Nasdaq and all other exchanges currently offer a plethora of order types that when executed do not provide specific indicators showing exactly which order types were used. We do not see how allowing an exchange to add another order type without such trade reporting disclosure would harm market participants' ability to measure market quality as they do not currently have that ability. We would, however, like to see Nasdaq, and all other venues, provide regular usage and execution quality reports, not only for this new order type but also for all the order types they offer.

³ See, e.g., Letter from Stephen John Berger, Managing Director, Government & Regulatory Policy, Citadel Securities, to Brent J. Fields, Secretary, SEC, dated August 30, 2017 (File No. SR-NASDAQ-2017-074).

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We also do not believe that Midpoint Extended Life Orders should have to interact with other flow on the Nasdaq market that does not meet the requirements of a Midpoint Extended Life Order, particularly the proposed holding period. Adding such a functionality to the proposed order type would defeat its purpose. Similarly, we do not believe the proposal would negatively impact liquidity or price discovery on the Nasdaq market as this order type only has the ability to interact with other Midpoint Extended Life Orders and therefore should have little to no detrimental effect on participants using other order types. In fact, to the extent that the Midpoint Extended Life Order will provide incentives for order flow to be directed to a fair access exchange and away from private market centers, price discovery for the broader markets might actually improve.


Finally, we do not have an issue with allowing market participants the ability to cancel orders during the proposed holding period. Clearpool believes this will be an important feature of the Midpoint Extended Life Order. Because the markets are so fragmented, many firms, such as Clearpool, use algorithms to source liquidity simultaneously from multiple venues. While we may desire to source quality liquidity through an execution via a Midpoint Extended Life Order, we will continue to seek liquidity opportunities in other venues to ensure that we obtain the best execution for our orders. To the extent that liquidity is found elsewhere within the holding period, it is critically important that we can cancel our orders from Nasdaq and re-allocate those shares to other venues. We do not believe any market participants would be gamed or harmed in such a circumstance.

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Clearpool believes the Midpoint Extended Life Order will be a valuable new tool for market participants with a longer-term investment horizon to source liquidity in the Nasdaq market and we recommend that the Commission promptly approve the proposal.

We offer our assistance to the Commission as it examines the issues raised by the proposal. If you have any questions on our comment letter, please feel free to contact me directly at [REDACTED] or at [REDACTED].

Sincerely,



Ray Ross
Chief Technology Officer

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cc: The Honorable Jay Clayton, Chair
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner

Heather Seidel, Acting Director, Division of Trading and Markets
Gary Goldsholle, Deputy Director, Division of Trading and Markets
David Shillman, Associate Director, Division of Trading & Markets