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June 19, 2015

VIA EMAIL: pubcom@finra.org

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 15-13, Trading Activity Fee (TAF), May 2015

Dear Ms. Asquith:

The FIA Principal Traders Group ("FIA PTG")[1] appreciates the opportunity to comment on the Financial Industry Regulatory Authority, Inc. ("FINRA") proposal to exempt from the Trading Activity Fee ("TAF"), transactions executed by proprietary trading firms on an exchange of which the firm is a member (the "Proposal").[2] FIA PTG supports the Proposal, but has some suggestions, as described below, for modifying the Proposal's scope.

FIA PTG members include firms registered as broker-dealers ("BDs") with the Securities and Exchange Commission (the "SEC") as well as a small number of FINRA member firms. If the pending proposal to amend Rule 15b9-1 (the "15b9-1 Proposal")[3] under the Securities Exchange Act of 1934 (the "Exchange Act") is adopted, we expect many proprietary trading BDs (each a "Proprietary BD" and collectively, "Proprietary BDs") engaged in off-exchange trading, including several FIA PTG member firms, to become members of FINRA (being the sole national securities association). Accordingly, adjustments to TAF could represent a significant change in the cost structure of FINRA membership for Proprietary BDs.

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1 FIA PTG is an association of more than 20 firms that trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. FIA PTG advocates for open access to markets, transparency and data-driven policy.

2 *See* FINRA Regulatory Notice 15-13, *Trading Activity Fee (TAF)* (May 5, 2015), *at* http://www.finra.org/sites/default/files/notice_doc_file_ref/Notice_Regulatory_15-13.pdf.

3 Exchange Act Release No. 74581 (Mar. 25, 2015), 80 FR 18035 (Apr. 2, 2015).

Overview: FIA PTG Supports the Proposal with Some Suggested Modifications

FIA PTG agrees with both FINRA[4] and the SEC[5] who have acknowledged the significant monetary impact of applying the current TAF structure to Proprietary BDs that become FINRA members. We concur it "could result in a significant TAF obligation for these … firms that may be disproportionate to FINRA's anticipated costs associated with the financial monitoring and trading surveillance of these firms…."[6]

While we agree that the TAF exemption should be expanded to reflect the business models of Proprietary BDs that may become FINRA members, we recommend that the exemption be based on the nature of the transaction rather than the nature of the firm. We believe the exemption should include all transactions executed in a principal capacity for the account of a BD on exchanges where such BD is a member.[7]

Accordingly we suggest the following revision to the text of the proposed rule change:

> (L) Transactions by a ~~Proprietary Trading Firm~~ FINRA member firm effected in a principal capacity on a national securities exchange of which the ~~Proprietary Trading Firm~~ firm is a member. ~~For purposes of this paragraph, a "Proprietary Trading Firm" shall mean a member that trades its own capital and that does not have "customers," as that term is defined in FINRA Rule 0160(b)(4). The funds used by a Proprietary Trading Firm must be exclusively firm funds, and all trading must be in the firm's accounts. Traders must be owners of, employees of, or contractors to the firm.~~

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4 *See* Marcia Asquith, FINRA, Comment Letter on Securities Exchange Act Release No. 74581 - Proposed Rule Regarding Exemption for Certain Exchange Members (File No. S7-05-15), at 8 (Jun. 2, 2015), *at* http://www.sec.gov/comments/s7-05-15/s70515-18.pdf ("FINRA agrees with the Commission's understanding of … the financial impact of the TAF, which these Non-Member Firms would be subject to once becoming members of FINRA.").

5 *See* 15b9-1 Proposal, *supra* note 3, at 31 n.95 ("The Commission notes that FINRA may need to consider reassessing the structure of its fees, including its Trading Activity Fee, to assure that it is fairly and equitably applied to many of the Non-Member Firms that, as a result of the amendment to Rule 15b9-1, may join FINRA."); *See also* Daniel M. Gallagher, *SEC Statement at Open Meeting on Rule 15b9-1*, n.3 (Mar. 25, 2015), *at* http://www.sec.gov/news/statement/032515-ps-cdmg-15b9-1.html ("The release notes that as a consequence of this rulemaking - once adopted - that FINRA may need to reassess the structure of its fees, including its Trading Activity Fee to assure that it is fairly and equitably applied to the many firms that may join FINRA. I agree with this position and the SEC should do whatever is necessary to limit the additional costs imposed upon the firms.").

6 *See supra* note 4, at 8.

7 BDs presently mark their orders as agency, principal or riskless principal. We believe the TAF should continue to be assessed in the same manner it currently is assessed on all transactions effected in an agency or riskless principal capacity.

We believe this modification would be preferable for several reasons. First, it would be easier for FINRA to administer than the proposed firm-based exemption since all principal trades are already marked as such at the time of execution. Second, it would eliminate the need for complex definitions of what qualifies and disqualifies a firm as a "proprietary trading firm." Third, it would eliminate an incentive for broker-dealer fragmentation in that firms would have no need to operate multiple broker-dealers to minimize their TAF obligations.

Moreover, we believe this modification would help to ensure that, in accordance with Section 15A(b)(5) of the Exchange Act, FINRA's rules provide for the equitable allocation of reasonable dues, fees, and other charges among members.[8]

We understand the TAF is an important component of FINRA's funding for its regulatory program; however, the TAF is only one piece of FINRA's revenue generated for this purpose. FINRA's regulatory revenue is also generated from other member regulatory fees set out in Section 1 of Schedule A to FINRA's By-Laws (the "FINRA By-Laws"), which includes the Gross Income Assessment ("GIA") and Personnel Assessment ("PA"),[9] both of which would be applicable to Proprietary BDs becoming new members of FINRA. As such, FINRA would receive an increase in regulatory revenue through the increase in its membership base if the 15b9-1 Proposal is approved and Proprietary BDs become new members of FINRA. These fees must be fair and equitably apportioned among FINRA members, taking into account the activities and structures of each firm.

Specific Requests for Comment

Q1: Proprietary trading firms engaging in high frequency trading may have very high order-to-execution ratios and, as a result, have a very large data footprint that drives a portion of FINRA's costs. Given this activity, is a tiered fee structure approach based on a firm's market data footprint, such as OATS order event volume, a better approach to addressing the TAF for these firms? Would implementing a cap on a firm's TAF obligation be more appropriate? Would these approaches be significantly more complicated or burdensome to implement? Are there other alternative approaches FINRA should consider to accomplish the goals described in the proposal? If so, what are those alternatives and why could they be better suited? What are the potential costs and benefits of those alternatives relative to the proposed approach?

A: FIA PTG supports the current trading volume-based TAF structure. FINRA has stated that the critical components driving FINRA's regulatory costs with respect to a particular firm are: (i) the number of registered persons with the firm; (ii) the size of the firm; and

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8 *See* 15 U.S.C. § 78o-3(b)(5).

9 *See* FINRA By-Laws, Schedule A, § 1, *at* http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=4694.

(iii) the firm's trading activity.[10] We believe the number of transaction messages generated by a FINRA member is a small contributor to the overall costs of regulating that member. To assess fees based on message volumes would likely result in fees for some firms that would be grossly disproportionate to those regulatory costs. These fees would have a disproportionate impact on liquidity-providing BDs, and likely result in less liquid markets overall.

We also do not support the use of caps on a firm's TAF obligation because cap levels are generally arbitrary and may not accurately represent FINRA's actual regulatory costs. This could result in disproportionate fees being assessed against mostly smaller firms that do not meet such caps. In addition, FINRA is already processing data related to at least 99.6% of daily market activity, including all off-exchange trading.[11] There should be little, if any, incremental cost to FINRA associated with message volume from new FINRA members, particularly if FINRA does not require duplicative OATS reporting of trades placed by one FINRA member through another FINRA member.

Q2: Is the proposed definition of "proprietary trading firm" appropriate? Is it under-inclusive or over-inclusive?

A: FIA PTG recommends against using a firm's status as a "proprietary trading firm" to determine the applicability of the TAF exemption; however, should FINRA decide to limit the exemption, it should further clarify the meaning of "customers" beyond the current definition of a customer as "not a broker or dealer" under FINRA Rule 0160.[12] Specifically, FINRA should make it clear that the criteria "does not have customers" under the definition of a proprietary trading firm, only applies to "customers" engaged in transactions in "Covered Securities,"[13] which are applicable to the TAF, and not, for example, to non-securities transactions, fixed income transactions, and other businesses such as stock-lending and licensing of technology.

In addition, FINRA should clarify the relevant time-period for determining whether a firm is engaged in a "customer" business. For example, would a single "customer" transaction require a BD, otherwise only engaged in proprietary trading, to pay the TAF indefinitely or for a limited period of time, such as a month or year?

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[10] *See* Brant K. Brown, FINRA, *SR-FINRA-2012-023 - Proposed Rule Change Relating to FINRA's Trading Activity Fee for Transactions in Covered Equity Securities - Response to Comments*, at 2-3 (Jun. 19, 2012), *at* http://www.finra.org/sites/default/files/RuleFiling/p127098.pdf.

[11] *See* 15b9-1 Proposal, *supra* note 3, at 72 n. 172.

[12] *See* FINRA Rule 0162(a)(4), *at* http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=5456.

[13] *See* FINRA By-Laws, *supra* note 9, at (b)(1).

Moreover, the definition should be clarified so that a broker-dealer would not be disqualified from being considered a "proprietary trading firm" if its traders or other associated persons were employed by an affiliate of the BD, which is a common structure.

As previously stated, we believe the proposed TAF exemption should apply to all transactions executed in a principal capacity for the account of a BD on exchanges where such BD is a member (including non-market maker trades). This would eliminate the need for exacting definitions of "proprietary trading firms" and "customers."

Q3: What are the relevant economic impacts associated with the proposed exemption? Please provide any data or evidence of the size and distributions of these costs, benefits and other impacts.

A: While we do not anticipate that the Proposal would significantly impact the amount of fees collected by FINRA, we don't have the information necessary to assess this fully. It is clear that without the exemption, FINRA would see a significant increase in regulatory revenue from TAF fees assessed to Proprietary BDs that become members of FINRA and it appears that the costs associated with regulating these new member firms would be significantly lower than FINRA members that do conduct customer business.

Q4: Are proprietary trading firms likely to alter their trading practices or business models based on this proposed exemption? If so, how would these firms alter their activity across trading venues? What are the economic impacts associated with any change in trading strategy or practice that might occur?

A: While it is should be expected that firms will seek to manage their costs, it is difficult to anticipate how firms might arrange their business structures or alter their behavior based on the Proposal.

Q5: Is the proposed TAF exemption for trades on an exchange of which the proprietary trading firm is a member appropriate? Should all exchange trades by proprietary trading firms be exempt from the TAF? If all exchange trades were exempt, would that influence proprietary trading firms' trading practices (e.g., would they shift their trading activities from the over-the-counter market to exchanges to avoid incurring the TAF)?

A: FIA PTG supports limiting the exemption to all transactions executed in a principal capacity for the account of a BD on exchanges where such BD is a member.

Q6: Do FINRA member firms currently, partially or fully pass on the TAF to non-FINRA member proprietary trading firms for the transactions executed on an ATS or through a FINRA member today?

A: A FINRA member must make a commercial decision as to whether or not TAF should be a pass through cost to its non-FINRA member customers. Based on feedback from FIA PTG members, it appears that in many cases, TAF is explicitly passed through to non-FINRA members. In other cases, TAF is certainly a consideration in setting pricing for such transactions.

Conclusion

FINRA must provide for the equitable allocation of reasonable dues, fees, and other charges among members and must ensure regulatory fees are assessed in line with its actual cost of regulating its members. Accordingly, we support the Proposal but suggest modifying it to apply to all transactions executed in a principal capacity for the account of a BD on exchanges where such BD is a member. This modification focuses this transaction-based regulatory fee on the nature of the transaction, not the nature of the firm.

FIA PTG would like to thank FINRA for the opportunity to comment on the Proposal and we look forward to working together going forward. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact Mary Ann Burns at maburns@fia.org.

Respectfully,

FIA Principal Traders Group

Mary Ann Burns
Chief Operating Officer
FIA

cc: Bob Colby, Chief Legal Officer
Brant Brown, Associate General Counsel

HUDSON RIVER TRADING LLC

June 19, 2015

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006

Re: Regulatory Notice 15-13 – Trading Activity Fee

Dear Ms. Asquith:

Hudson River Trading LLC ("Hudson River Trading") appreciates the opportunity to comment on FINRA's proposed exemption to the Trading Activity Fee ("TAF") for proprietary trading firms. Hudson River Trading is a global, multi-asset class quantitative trading firm that develops automated trading strategies that provide liquidity and facilitate price discovery on exchanges and Alternative Trading Systems ("ATSs").

Hudson River Trading's broker-dealer affiliate, HRT Financial LLC ("HRTF"), is a proprietary trading and market making firm that is registered with the Securities and Exchange Commission (the "Commission") and 16 exchanges, including all US equities exchanges. HRTF is currently exempt from FINRA registration under Rule 15b9-1 under the Securities Exchange Act of 1934.

The Commission recently proposed amendments to Rule 15b9-1 that would require FINRA membership for proprietary trading firms that engage in off-exchange trading[1]. If the amendments are adopted and there is no change to the TAF, the affected firms' regulatory costs will increase significantly. Hudson River Trading supports FINRA's proposed exemption to TAF for proprietary trading firms because it appropriately recognizes the differences in regulating proprietary trading businesses and customer businesses.

Overview

Hudson River Trading agrees with FINRA[2] and the Commission[3] that absent a change in the application of TAF, many firms affected by the proposed amendments would see a significant increase in member regulatory costs. Further, we agree with FINRA's statement in its regulatory notice that such increases, which we estimate could be several million dollars for more active firms, are disproportionate to FINRA's cost of regulating such firms: "FINRA analyzed the potential application and impact of the TAF to proprietary trading firms and believes it could result in a significant TAF obligation for these firms that may be disproportionate to FINRA's anticipated

[1] See Securities and Exchange Commission Release No. 34-74581; File No. S7-05-15 "Exemption for Certain Exchange Members" http://www.sec.gov/rules/proposed/2015/34-74581.pdf

[2] See FINRA Regulatory Notice 15-13 "Trading Activity Fee (TAF)" http://www.finra.org/sites/default/files/notice_doc_file_ref/Notice_Regulatory_15-13.pdf

[3] See Securities and Exchange Commission Release No. 34-74581; File No. S7-05-15 "Exemption for Certain Exchange Members" http://www.sec.gov/rules/proposed/2015/34-74581.pdf

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costs associated with the financial monitoring and trading surveillance of these firms, in large part because these firms do not have customers.[4]" Hudson River Trading agrees that the cost of member regulation for proprietary trading firms is significantly lower given their limited business model and the fact that they do not do business with public customers. We believe that a modification to TAF is critical to ensure that FINRA equitably allocates fees among members.

FINRA currently exempts many proprietary, on-exchange transactions, including (1) proprietary transactions effected in a firm's capacity as an exchange market maker or specialist and (2) transactions by a firm that is a floor based broker and that is a member of both FINRA and a national securities exchange, provided that the floor based broker qualifies for exemption from FINRA membership under Rule 15b9-1. These exemptions demonstrate FINRA's recognition that proprietary, on-exchange transactions have a significantly different cost to regulate than customer transactions.

While we support FINRA's proposed exemption to the TAF for proprietary trading firms, we believe that FINRA should consider applying the TAF based on the nature of the transaction rather than the business model of the firm. Specifically, we believe that Principal trades executed on an exchange should be exempt from the TAF, while off-exchange trades, as well as Agency and Riskless Principal trades executed on an exchange, should continue to be charged the TAF. Under FINRA's current proposed exemption, a firm with a large proprietary trading business is disincentivized from engaging in any customer-focused business, as any such business would result in a significant TAF liability. As such, firms entering customer business generally start an additional broker-dealer to avoid triggering the TAF. We believe that charging the TAF based on the nature of a transaction would largely eliminate the incentive of firms to operate multiple broker-dealers.

Conclusion

Hudson River Trading supports the proposed exemption to the TAF for proprietary trading firms. We believe that the exemption appropriately recognizes the differences in regulating proprietary trading businesses and customer businesses. We recommend that FINRA consider applying the TAF based on the nature of the transaction rather than the business model of the firm.

Hudson River Trading appreciates the opportunity to submit these comments and is available to meet and discuss them with FINRA in order to respond to any questions.

Sincerely,

/s/ Adam Nunes

Adam Nunes

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[4] See FINRA Regulatory Notice 15-13 "Trading Activity Fee (TAF)"
http://www.finra.org/sites/default/files/notice_doc_file_ref/Notice_Regulatory_15-13.pdf

June 19, 2015

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 15-13 ("Notice"); Proposed Exemptions to the Trading Activity Fee ("TAF") for Proprietary Trading Firms.

Dear Ms. Asquith,

The Security Traders Association ("STA") is pleased to offer comment on FINRA Regulatory Notice 15-13 which proposes exemptions to the TAF for proprietary trading firms. The STA is comprised of 24 affiliate organizations[1] in North America, whose membership is comprised of individuals employed in the financial services industry. The STA relies on its Trading Issue Advisory Committees for input on its comment letters. For this particular comment letter the STA relied predominately on its Listed Options Committee which is comprised of liquidity providers, characterized as option market makers and proprietary trading firms,[2] and representatives from exchanges and retail brokerage firms.

STA believes that in the aftermath of the 2007 financial crisis certain regulatory actions have increased costs for all trading centers. In addition, there have been unique regulatory events with corresponding costs specific to liquidity providers in the listed options market with acute impacts to varying subsets.[3] These regulatory costs, while not the only factor,

[1] STA is a trade organization founded in 1934 for individual professionals in the securities industry. STA is comprised of 24 Affiliate organizations with 4,200 individual professionals, most of who are engaged in the buying, selling and trading of securities. The STA is committed to promoting goodwill and fostering high standards of integrity in accord with the Association's founding principle, Dictum Meum Pactum – "My Word is My Bond"

[2] These requirements are based largely on existing exchange definitions of proprietary trading firms. See, e.g., NYSE Rule 7410(p); CBOE Rule 3.6A, Interpretation .07

[3] *Basel III Capital Rules and risk-weighted assets ("RWA")* A sub-set of former and current listed option market makers are subsidiaries of U.S. banking organizations that are required to maintain capital based, in part, on their RWA adopted under Basel III Capital Rules. Changes in calculating RWA have increased the capital costs of maintaining portfolios of hedged transactions in facilitating investor trades.
Options Clearing Corporation, ("OCC"); Systemically Important Financial Market Utility, ("SIFMU") in response to being designated a SIFMU in March 2014; the OCC was required, among other things, to increase its minimum regulatory capital. In February 2015, the OCC filed its capital raising plan which is a combination of capital contribution from the options exchanges who are shareholders in OCC with commitments from them for additional capital. In return, OCC will pay out dividends to these shareholders which will be financed through higher clearing rates. Firms, many of whom are market makers, who are not able to be shareholders in OCC, are not able to offset their costs.

have contributed greatly to the decrease in the overall number of liquidity providers and their make-up as measured by percentage changes in market makers and proprietary trading firms.

Furthermore, there exists foreseeable regulatory events and associated costs that if implemented could exacerbate the trend toward fewer liquidity providers from both of these groups. The Notice identifies one such event: the Securities and Exchange Commission ("SEC") proposed amendments to Rule 15b9-1 under the Securities Exchange Act of 1934 filed on March 25, 2015 ("SEC Amendment").

As explained in the Notice, the SEC Amendment:

"If adopted, the amendments generally would require a proprietary trading firm relying on the current exemption to register with FINRA if the firm continues to engage in over-the-counter trading or trading on an exchange of which it is not a member. FINRA membership would, among other things, subject these firms to the existing FINRA fee structure, including the TAF".

In addition, the Notice states that it has been the assessment of the SEC that having proprietary firms as FINRA members will:

"…lead to more comprehensive surveillance and uniform regulation of trading activity by proprietary trading firms. As a result, investors and intermediaries would likely benefit from the increased regulatory oversight."

Regarding anticipated reactions from those proprietary firms affected should the SEC Amendment and FINRA Notice be adopted, FINRA states such firms may:

- Alter their activities;
- Choose to exit from or limit their trading activities to exchanges of which they are members;
- Elect to become a member of every SRO where they transact directly or indirectly;
- Become a member of FINRA.

Today there are over 800,000 option series on approximately 4,700 underlying equities, ETFs, and indices. Each option series requires a two-sided quote that is often attributed to a liquidity provider. These conditions create a regime of very low amounts of investor

to investor trading, which in turn requires liquidity providers to buy from or sell to the investor or customer who is seeking liquidity. In 2013, approximately 85% of all customer trades were facilitated with a listed options market maker on the other side.[4] Given the unique role that market makers and proprietary traders perform as liquidity providers in the listed options market, the STA is concerned this market and the investors it serves will be harmed if the SEC's Amendment is approved in its current draft and the regulatory costs of FINRA membership remain unchanged. Therefore, the STA supports FINRA's Notice to exclude from the TAF transactions by a proprietary trading firm on exchanges of which the firm is a member, although we feel more cost reductions in the form lower TAF rates are needed. We believe a lower TAF will better improve the likelihood that the SEC's desired goal of a more comprehensive surveillance and uniform regulation of trading activity by proprietary trading firms is achieved. In addition, they would ensure that FINRA fulfills its statutory obligation that its rules provide for the equitable allocation of reasonable dues, fees and other charges among its members.[5] Finally, revenue generated by the TAF from proprietary firms should result in lower unit costs in areas where the fixed costs associated with providing oversight is shared by all FINRA members.

STA is concerned that should there be an over-collection from FINRA of membership fees, attempts to rectify membership fee levels for this group will be too late to offset the permanent harm to the approximately eighty-five (85) non-FINRA member broker dealers who meet the definition of proprietary trading firms as identified in the Notice. We believe that the cost of entry to liquidity providers is so high that any exit of an existing participant will be permanent regardless of any regulatory response associated with the TAF.

To be clear, the STA believes that regulatory authorities require efficient means, processes and rules in order to discharge their responsibilities properly and that adequate funding is needed in order to achieve these goals. However, in this situation we believe that should FINRA identify additional cuts in the TAF for proprietary firms, it can achieve the SEC's goal that registered broker dealers be members of a national securities association and avoid doing permanent harm to liquidity providers without causing itself long-term monetary loss. FINRA is currently the only registered national securities

[4] Letter from Craig S. Donahue, Executive Chairman, OCC to Ms Constance M. Horsley Assistant Director, Board of Governors of the Federal Reserve System January 6, 2015

[5] Securities Exchange Act of 1934, Section 15A(b)(5)

association and it has the ability to raise the TAF at a future date to a level which may more accurately reflect its costs. Since July 2011, the SEC has approved three (3) TAF

rate increases for sales of covered equity securities filed by FINRA.[6] As such, we recommend that FINRA err on the side of implementing a TAF structure which best achieves the SEC's goals and does no permanent harm to proprietary firms. Specifically, we recommend that FINRA reduce the TAF rates for equity transactions by proprietary firms on over-the-counter and exchanges of which they are not a member.

Conclusion:

The STA compliments FINRA for analyzing the potential impact of the TAF to proprietary firms and for acknowledging that such a regime could result in a:

"significant TAF obligation for these firms that may be disproportionate to FINRA's anticipated costs associated with the financial monitoring and trading surveillance of these firms, in large part because these firms do not have customers".

STA encourages FINRA to continue its analysis and recommends a reduction in the TAF be considered in conjunction with exempting certain transactions.

We look forward to working with FINRA and the Commission on this matter and any other market structure issues that may be considered.

Sincerely,

Rory O'Kane, Chairman of the Board James Toes, President & CEO

CC:
Mary Jo White, Chair, Securities and Exchange Commission
Luis A. Aguilar, Commissioner, Securities and Exchange Commission
Daniel M. Gallagher, Commissioner, Securities and Exchange Commission
Kara M. Stein, Commissioner, Securities and Exchange Commission
Michael S. Piwowar, Commissioner, Securities and Exchange Commission
Stephen Luparello, Director, Division of Trading & Markets, Securities and Exchange Commission

[6] FINRA Regulatory Notices; 11-27 effective July 1, 2011; 12-06 effective March 1, 2012; 12-31 effective July 1, 2012


STA
Security Traders Association
Dictum Meum Pactum
Since 1934

sifma
Invested in America

June 22, 2015

Via Electronic Mail (pubcom@finra.org)

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 15-13: Proposed Exemption to the Trading Activity Fee for Proprietary Trading Firms

Dear Ms. Asquith:

The Securities Industry and Financial Markets Association ("SIFMA")[1] submits this letter to comment on the above-referenced proposal by the Financial Industry Regulatory Authority ("FINRA") to amend its Trading Activity Fee ("TAF"). Under the proposal, FINRA would adopt an exemption from the TAF for on-exchange trading by "proprietary trading firms."[2] FINRA developed this proposal in light of the recent rulemaking proposal by the Securities and Exchange Commission ("Commission") that would effectively require all broker-dealers doing business in the off-exchange securities markets to become FINRA members. SIFMA supports FINRA's consideration of adjusting its fees to correspond to the actual cost of the regulation related to the activities generating the fees. In this instance, however, FINRA should go further and exempt all on-exchange trading that any of its members execute in a principal capacity. In addition, FINRA should review its fees more broadly to align the amount of fees it charges with its actual cost of regulation.

I. The TAF Exemption Should be Based on the Type of Trading Activity

In amending the TAF, FINRA should exempt all members' on-exchange trading executed in a principal capacity. FINRA notes that its current proposal is in response to the Commission's proposed amendments to Rule 15b9-1 under the Securities Exchange Act of 1934 ("Exchange Act"), which, if adopted, would require proprietary trading firms to join FINRA if they engage in

[1] The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] In the Regulatory Notice, FINRA proposed a definition of the term "Proprietary Trading Firm." We believe the definition would require clarification before being implemented. However, we are not addressing the proposed definition in detail because, as discussed below, we are requesting that the proposed exemption from the TAF apply to the same activity at all member firms, not just proprietary trading firms.

the business of off-exchange trading.[3] The TAF generally applies to a member firm's securities transactions regardless of where they are executed, and applying the TAF to all of the trading activity of a proprietary trading firm could result in a TAF obligation disproportionate to FINRA's anticipated costs associated with the financial monitoring and trading surveillance of these firms. FINRA states that the disproportionate obligation would arise in large part because proprietary trading firms do not have customers. However, the focus of the cost of regulation in these cases should be on the actual activity – *i.e.*, proprietary on-exchange trading – and so the exemption should be similarly applied to all member firms.

For proprietary on-exchange transactions, the burden of regulation falls to the exchanges, which remain self-regulatory organizations themselves. To the extent that FINRA conducts regulation of on-exchange trading, it is paid by the exchanges through regulatory services agreements ("RSAs"), and the exchanges fund those RSAs through regulatory fees that they charge directly to member firms. Member firms with customers fund the relevant regulation through the TAF they pay on their customer transactions, whether executed on-exchange or off-exchange.

As such, there is no need for FINRA to charge the TAF on any principal transactions executed on exchanges of which the firm is a member, regardless of the type of firm. In this regard, SIFMA suggests the following revisions to FINRA's proposed rule language (additions ***italicized***):

> "(L) Transactions by a ~~Proprietary Trading~~ ***FINRA*** Member Firm effected ***in a principal capacity*** on a national securities exchange of which the ~~Proprietary Trading~~ Firm is a member. ~~For purposes of this paragraph, a "Proprietary Trading Firm" shall mean a member that trades its own capital and that does not have "customers," as that term is defined in FINRA Rule 0160(b)(4). The funds used by a Proprietary Trading Firm must be exclusively firm funds, and all trading must be in the firm's accounts. Traders must be owners of, employees of, or contractors to the firm.~~

II. FINRA's Regulatory Fees Must be Reviewed to Ensure that they are Reasonably and Equitably Allocated

Instead of the piecemeal approach taken in its proposal, FINRA should review its fees more broadly to align the amount of fees it charges with its actual cost of regulation, and ensure that the fees are equitably and reasonably allocated. FINRA is a non-profit, regulatory organization, funded by its member firms, which are required by statute to join FINRA. If the Commission adopts the amendments to Rule 15b9-1, FINRA will receive an increase in revenue

[3] Rule 15b9-1 provides a regulatory exemption from the statutory requirement under Section 15(b)(8) of the Exchange Act that a broker-dealer must be a member of a registered national securities association. On March 25th, 2015 the SEC proposed amendments to Rule 1b9-1 which would significantly narrow the regulatory exemption that currently allows a broker-dealer to engage in off-exchange trading for its own account as an exchange member without becoming a FINRA member. *See* Securities Exchange Act Release No. 74581 (March 25, 2015), 80 FR 18036 (April 2, 2015).

through the increase in its mandatory membership base. Under Section 15A of the Exchange Act, FINRA's rules must provide for the "equitable allocation of reasonable dues, fees, and other charges among members." In this regard, FINRA's fees should not be duplicative of revenue that FINRA receives from exchanges through RSAs. Moreover, as we have noted previously, there is virtually no public information currently available about how FINRA specifically uses the revenues it receives from its fees and other income. FINRA should provide detailed public disclosure as to how it allocates the revenue it receives from its various fees and other sources of income.

* * *

SIFMA would be pleased to discuss these comments in greater detail. If you have any questions, please contact either me (at 202-962-7383 or tlazo@sifma.org) or Timothy Cummings (at 212-313-1239 or tcummings@sifma.org).

Sincerely,

Theodore R. Lazo
Managing Director and
Associate General Counsel

cc: Brant Brown/FINRA

HUDSON RIVER TRADING LLC

February 13, 2023

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006

Re: FINRA Regulatory Notice 15-13 – Trading Activity Fee (TAF), May 2015

Dear Ms. Mitchell:

Hudson River Trading LLC[1] ("Hudson River Trading") appreciates the opportunity to comment on the Financial Industry Regulatory Authority, Inc. ("FINRA") proposal to exempt from the Trading Activity Fee ("TAF") proprietary trading firm transactions on an exchange of which it is a member (the "Proposal")[2].

The Securities and Exchange Commission ("Commission") recently re-proposed amendments to Rule 15b9-1 ("Rule 15b9-1") under the Securities Exchange Act of 1934 ("Exchange Act") that would require FINRA membership for proprietary trading firms that engage in off-member-exchange trading.[3] If the proposed amendments are adopted without a corresponding change to the assessment of the TAF, the affected firms' costs will increase significantly. Hudson River Trading supports FINRA's proposed exemption to TAF for proprietary trading firms in view of the fact that it appropriately recognizes the differences in the activities and supervisory costs relating to regulation of proprietary trading businesses and customer businesses.

Hudson River Trading agrees with FINRA[4] and the Commission[5] that, absent a change in the application of TAF, many firms affected by the proposed amendments to Rule 15b9-1 would see a significant increase in regulatory costs[6] that may be disproportionate to FINRA's costs of regulating such firms.[7]

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[1] Hudson River Trading is a multi-asset class quantitative trading firm that provides liquidity on global markets and directly to our clients. Its two broker-dealer subsidiaries (HRT Financial LP and HRT Execution Services LLC) are registered with the Commission pursuant to Section 15 of the Exchange Act and are both members of FINRA and various exchanges.

[2] *See* FINRA Regulatory Notice 15-13, *Trading Activity Fee (TAF)* (May 2015) ("Regulatory Notice", *available at* http://www.finra.org/sites/default/files/notice_doc_file_ref/Notice_Regulatory_15-13.pdf.

[3] *See* Securities Exchange Act Release No. 95388 (July 29, 2022), 87 FR 49930 (August 12, 2022) ("Re-Proposing Release"), *available at* https://www.sec.gov/rules/proposed/2022/34-95388.pdf

[4] *See supra* note 2.

[5] *See supra* note 3.

[6] Hudson River Trading estimates that, for those active propriety trading firms relying on the current exemption to registration with FINRA that would be required to become FINRA members if the proposed amendments are adopted, the additional regulatory costs could amount to several million dollars per year.

[7] *See supra* note 2 at 3 ("FINRA analyzed the potential application and impact of the TAF to proprietary trading firms and believes it could result in a significant TAF obligation for these firms that may be disproportionate to FINRA's anticipated costs associated with the financial monitoring and trading surveillance of these firms, in large part because these firms do not have customers.").

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PHONE: 212-293-1444 FAX: 212-293-1939

FINRA currently exempts many on-exchange transactions, including (1) proprietary transactions effected in a firm's capacity as an exchange market maker or specialist and (2) transactions by a firm that is a floor-based broker and that is a member of both FINRA and a national securities exchange, provided that the floor-based broker qualifies for exemption from FINRA membership under Rule 15b9-1. These exemptions demonstrate FINRA's recognition that the cost of regulating proprietary, on-exchange transactions is significantly different than that associated with regulating customer transactions.

Hudson River Trading supports the proposed exemption to the TAF for proprietary trading firms. In light of the significantly lower cost of FINRA regulation of proprietary trading member firms that have limited business model and do not engage in customer business, Hudson River Trading believes that a modification to TAF is critical to ensuring that FINRA equitably allocates fees among members firms. We believe that the exemption appropriately recognizes the cost differences in regulating proprietary trading businesses and customer businesses and results in a more equitable allocation of fees among FINRA members.

Hudson River Trading appreciates the opportunity to submit these comments and would be pleased to meet with FINRA to further discuss them or to respond to any questions you may have.

Sincerely,

/s/ Adam Nunes

Adam Nunes

FIA Principal Traders Group Comment On Regulatory Notice 22-30

Joanna Mallers
FIA Principal Traders Group

FIA PTG Principal Traders Group 2001 K Street NW, Suite 725, Washington, DC 20006 | Tel +1 202.466.5460 March 8, 2023 Jennifer Piorko Mitchell Office of the Corporate Secretary FINRA 1735 K Street, NW Washington, DC 20006-1506 Re: Regulatory Notice 15-13: Trading Activity Fee (TAF), May 5, 2015 Dear Ms. Mitchell: The FIA Principal Traders Group ("FIA PTG") 1 appreciates the opportunity to comment in response to the renewed Request for Comments on the Financial Industry Regulatory Authority, Inc. ("FINRA") proposal to exempt from the Trading Activity Fee ("TAF"), transactions executed by proprietary trading firms ("PTFs") on an exchange of which the firm is a member (the "Proposal").2 FIA PTG supports the Proposal. On July 29, 2022, the Securities and Exchange Commission (the "Commission") re-proposed amendments to Rule 15b9-1 (the "Amendments")3 that would effectively require PTFs registered as broker dealers, like many FIA PTG members, that engage in any trading activity other than on national securities exchanges on which they are members to become members of FINRA (as the sole National Securities Association). Adopting the Amendments without a conforming change to the FINRA TAF structure will have significant financial ramifications for most FIA PTG members. FIA PTG agrees with both FINRA4 and the Commission5 who have acknowledged the potentially significant monetary impact of applying the current TAF structure to PTF broker dealers that become FINRA members. We concur it "could result in a significant TAF obligation for these … firms that may be disproportionate to FINRA's anticipated costs associated with the financial monitoring and trading surveillance of these firms…." 6 FIA PTG appreciates FINRA's acknowledgement of the significantly lower cost of performing oversight of proprietary trading member firms that do not engage in customer business. It is important that FINRA provide for the equitable allocation of reasonable dues, fees, and other charges among members and must ensure regulatory fees are assessed in line with its actual cost of regulating its members. Accordingly, FIA PTG supports the Proposal and related modification to TAF for proprietary trading firms. Finally, should the Amendments be adopted by the Commission, FIA PTG requests that FINRA move quickly thereafter to implement the Proposal to encourage firms to apply for membership more quickly rather than waiting until the end of the implementation period. If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org). Respectfully, FIA Principal Traders Group Joanna Mallers Secretary 1 FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy. 2 See FINRA Regulatory Notice 15-13, Trading Activity Fee, May 5, 2015. 3 See Exemption for Certain Exchange Members, July 29, 2022 – Release No.34-95388; File. No. S7-05-15. 4 See supra note 2, at 3. 5 See supra note 3, at 137. 6 See supra note 2, at 3. FIA.org/PTG Jennifer Piorko Mitchell, FINRA March 8, 2023 Page 2 Respectfully, FIA Principal Traders Group Joanna Mallers Secretary 6 See supra note 2, at 3.

GROUP ONE
TRADING

March 15, 2023

VIA EMAIL: pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, D.C. 20006-1506

Re: FINRA Regulatory Notice 22-30, Trading Activity Fee (TAF), December 2022

Dear Ms. Piorko Mitchell,

Group One Trading, L.P. ("Group One") appreciates the opportunity to comment on FINRA's proposed exemption to the Trading Activity Fee ("TAF") for proprietary trading firms. Group One is a proprietary option market making firm that is currently a member of all sixteen registered U.S. option exchanges and relies on the "proprietary trading exclusion" under Rule 15b9-1 to remain exempt from national securities association membership; however, under the Securities and Exchange Commission's (the "Commission") recently re-proposed amendments to Rule 15b9-1, Group One would be required to become FINRA members.

As noted in the comment letter submitted by Group One in response to the re-proposed amendments to Rule 15b9-1[1], Group One believes that there is no material benefit to mandatory securities association membership, as option market making firms are already well regulated. FINRA already has a direct, full view into all option market maker trading activity through the CAT, including transactions that occur on exchanges where the firm is not itself a member. However, to the extent that the Commission disagrees and the re-proposed amendments are adopted, Group One supports FINRA's proposed exemption to the TAF for proprietary trading firms because this will aid in allowing the firms that currently rely on the "proprietary trading exclusion" to continue to deploy liquidity in the least disruptive manner possible. The Commission acknowledges in the re-proposed amendments that the estimated median ongoing cost for current non-FINRA member firms to join FINRA would be

[1] https://www.sec.gov/comments/s7-05-15/s70515-20144105-309178.pdf

$2,742,664. This is a significant cost for any market participant. Group One believes that the capital markets are best served by allowing liquidity providers to continue to allow market forces to determine where liquidity is best deployed, and the proposed exemption to the TAF for proprietary trading firms means that additional regulatory fees will not be a factor in the depth and competitiveness of liquidity available on trading venues.

While Group One does not support the re-proposed amendments to 15b9-1, Group One does believe that an equitable allocation of fees among members is achieved by exempting proprietary trading firms from the TAF. Should the re-proposed amendments be adopted, Group One supports the TAF exemption as proposed. Group One would be pleased to discuss the impact of the proposed exemption further should FINRA have questions or require additional detail.

Sincerely,

John Kinahan

John Kinahan
Chief Executive Officer
Group One Trading, LP

University of Pittsburgh

School of Law

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March 17, 2023

Via email
pubcom@finra.org
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

RE: Regulatory Notice 22-30: FINRA Re-opens Comment Period for Regulatory Notice 15-13 Seeking Comment on TAF Exemption for Proprietary Trading Firms

Dear Ms. Mitchell:

The University of Pittsburgh Securities Arbitration Clinic (the "Clinic") appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") proposal to exempt from the Trading Activity Fee ("TAF"), transactions executed by proprietary trading firms on an exchange of which the firm is a member (the "Proposal"). The Clinic, a University of Pittsburgh curricular offering, provides legal representation to investors who have limited resources, often advocating for people whose claims represent much of their life savings. The Clinic provides the following commentary on Regulatory Notice 22-30.

Introduction

The Securities and Exchange Commission (the "Commission") recently re-proposed amendments to Rule 15b9-1 under the Securities Exchange Act of 1934. Rule 15b9-1 currently

provides proprietary trading firms with an exemption from membership in a national securities association. If the Commission's re-proposal is adopted, the amendments generally would require a proprietary trading firm relying on the current exemption to register with FINRA if the firm continues to effect transactions other than on an exchange of which it is a member, with limited exceptions. By registering with FINRA, proprietary trading firms would be required to abide by FINRA's existing fee structures, including FINRA's TAF. The TAF is one of the regulatory fees FINRA assesses to recover the costs of supervising and regulating firms. This includes costs associated with performing examinations, financial monitoring, and FINRA's policy, rulemaking, interpretive and enforcement activities. FINRA's Regulatory Notice 22-30 has re-opened the comment period for Regulatory Notice 15-13, which had previously proposed an exemption to exclude FINRA's TAF from transactions by a proprietary trading firm on exchanges of which the firm is a member. Throughout this memo we have answered questions one (1) through four (4) from FINRA Regulatory Notice 22-30 ("the Notice").

1. **TAF is the only FINRA fee that is based on trading activity. Is it appropriate to provide a TAF exemption to proprietary trading firms? How would the proposed TAF exemption impact proprietary trading firms?**

It is not appropriate to provide a TAF exemption to proprietary trading firms. FINRA uses a Consolidated Audit Trail ("CAT") which tracks orders throughout their life cycle and identifies the broker-dealers handling them, thus allowing regulators to efficiently track activity in Eligible Securities throughout the U.S. markets.[1] All proprietary trading activity, including market making activity is subject to CAT reporting. There are no exclusions or exemptions of any kind for type of firm or type of trading activity.[2] Many proprietary trading firms trade

[1] *CATNMSPLAN: Consolidated Audit Trail*, https://www.catnmsplan.com/. Accessed 7 March 2023.
[2] "Consolidated Audit Trail (CAT) | FINRA.org." *finra*, 15 November 2016, https://www.finra.org/rules-guidance/key-topics/consolidated-audit-trail-cat. Accessed 7 March 2023.

exclusively using high frequency trading and algorithms. This type of trading has a great effect on the market, increasing the risk of market manipulation and creating a massive pool of data, which FINRA must use in the process of regulating proprietary trading firms in order to protect investors. The cost to monitor these transactions does not justify a TAF exemption for proprietary trading firms.

2. **The exemption proposed in *Regulatory Notice 15-13* would provide TAF relief to proprietary trading firms for all trades on an exchange of which they are members, thereby reducing TAF obligations for proprietary trading firms. By definition, the exemption would apply to new and existing proprietary trading firms, but not other firms that trade actively on exchanges, including for customers. Is this difference in treatment appropriate?**

FINRA has stated that the critical components driving FINRA's regulatory costs with respect to a particular firm are: (i) the number of registered persons with the firm; (ii) the size of the firm; and (iii) the firm's trading activity.[3] If proprietary trading firms are exempt from the TAF, the difference in TAF obligation between proprietary trading firms and firms that actively trade on exchanges, including for customers, will not be appropriate. Whether or not proprietary trading firms are trading on behalf of customers is not relevant to the exemption proposed in *Regulatory Notice 15-13*. Proprietary trading firms make massive amounts of trades which have severe impacts on the market. As such, there is a need for FINRA to collect data, oversee, and regulate proprietary trading firms. While the cost to regulate proprietary trading firms is less than the cost to regulate firms which trade on behalf of customers, proprietary trading firms should not be entirely exempt from the TAF when trading on an exchange on which they are members.

[3] *Trading Activity Fee for Transactions in Covered Equity Securities - Response to Comments*, at 2-3 *See* Brant K. Brown, FINRA, *SR-FINRA-2012-023 - Proposed Rule Change Relating to FINRA's* (Jun. 19, 2012), *at* http://www.finra.org/sites/default/files/RuleFiling/p127098.pdf.

3. **With these proposed changes (or any recommended alternatives), would the TAF fee continue to be equitably allocated among FINRA members that engage in proprietary and customer trading? Would the balance between TAF and other FINRA fees that fund FINRA's operations continue to be equitable?**

It is important that FINRA provide for the equitable allocation of reasonable dues, fees, and other charges among members and must ensure regulatory fees are assessed in line with its actual cost of regulating its members. Under the proposed changes the TAF would not be equitably allocated among FINRA members that engage in proprietary and customer trading. The type of trading done by proprietary trading firms, often involving trading their own capital on exchanges in futures, options and equities markets by engaging in manual, automated and hybrid methods of trading, has a great effect on the market and creates a massive pool of data. As such, FINRA will face significant costs to supervise and regulate proprietary trading firms. If the exemption were to go through, FINRA members that engage in customer trading would be forced to continue paying the TAF while proprietary trading firms are exempt - despite the fact that both member groups create significant costs to FINRA in terms of regulation and supervision.

The TAF, as opposed to the Regulatory Transaction Fees or Registration fees, is specifically used by FINRA to fund its regulatory responsibilities.[4] To exempt proprietary trading firms from TAFs would alter the balance between the TAF and other FINRA fees that fund FINRA's operations, due to an increased cost in regulation without a similar increase of resources.

[4] *Rules and Guidance* - Trading Activity Fee Frequently Asked Questions, question 3, FINRA.org. https://www.finra.org/rules-guidance/guidance/faqs/trading-activity-fee

4. Should an alternative TAF rate specific to proprietary trading firms be considered?

In connection with the Commission's re-proposed amendments to Rule 15b9-1, the Commission stated that "FINRA may need to consider reassessing the structure of its fees, including its Trading Activity Fee, in order to assure that it is fairly and equitably applied to many of the [non-FINRA member firms] that, as a result of the amendments to Rule 15b9-1, may join FINRA."[5] If FINRA were to explore an alternate TAF rate specific to proprietary trading firms, it would be in the best interests of investors and other market participants to collect a fee which is proportional to the costs of regulating proprietary trading firms. Schedule A to the FINRA By-Laws of the Corporation, Section 1 (Member Regulatory Fees) provides the following:

> (a) Recovery of cost of services. FINRA shall, in accordance with this section, collect member regulatory fees that are designed to recover the costs to FINRA of the supervision and regulation of members, including performing examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities. FINRA shall periodically review these revenues in conjunction with these costs to determine the applicable rate. FINRA shall publish notices of the fees and adjustments to the assessment rates applicable under this section.[6]

In light of the above, FINRA could review the revenue of TAFs collected from proprietary trading firms in conjunction with the costs of supervision and regulation of those firms in order to determine an applicable rate.

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[5] *Regulatory Notice 22-30, footnote 6. See* 2015 SEC proposal at n.95. https://www.finra.org/rules-guidance/notices/22-30

[6] *Schedule A to the By-Laws of the Corporation,* Section 1 - Member Regulatory Fees. FINRA.org. https://www.finra.org/rules-guidance/rulebooks/corporate-organization/section-1-member-regulatory-fees

Conclusion

The Notice proposes exempting proprietary trading firms from the TAF on transactions executed on an exchange of which the firm is a member. We disagree with this decision, as it fails to promote market integrity and increases the risk of market manipulation. FINRA has stated that their "mission is clear - to protect investors and promote market integrity."[7] Having the most accurate data is better for the individual investor, whether they are large or small investors. The type of trading done by proprietary trading firms has a great effect on the market, increasing the risk of market manipulation and creating a massive pool of data, which FINRA must use in the process of regulating proprietary trading firms in order to protect investors. The cost to monitor these transactions is why TAFs are collected, therefore there should not be a TAF exemption for proprietary trading firms. However, we recognize that the costs of regulating proprietary trading firms may be lower than those with customer accounts, and therefore recommend that FINRA apply a rate that is proportional to the cost of regulating proprietary trading firms. Doing so will help both large and small investors, and will promote market integrity.

Thank you for this opportunity to comment on the proposed amendment to exempt proprietary trading firms from TAFs on transactions executed on an exchange of which the firm is a member. It is important to our clinic at the University of Pittsburgh School of Law, as our clinic provides legal representation to investors with limited resources, often advocating for

[7] *On the Front Lines of Investor Protection*, FINRA.org. https://www.finra.org/rules-guidance/enforcement/customer-cooperation#:~:text=At%20FINRA%2C%20our%20mission%20is,regulations%20and%20U.S.%20securities%20laws.

people whose claims represent much of their life savings. For the aforementioned reasons, we submit our comments on the proposed amendments and the above suggestions.

Respectfully Submitted,

Alice Stewart/AS

Alice L. Stewart, Esquire
Director, Securities Arbitration Clinic and
Professor of Law

Rachael Shaw/JM

Rachael T. Shaw, Esquire
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