



Clearpool Group

Viewpoints

Rethinking the Current Market Structure

September 2019



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Viewpoints - Rethinking the Current Market Structure
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Introduction

Launched in 2014 and based in New York, Clearpool Group is an independent agency broker-dealer and provider of tools to assist other broker-dealers in the areas of routing, execution, pre- and post-trade compliance and risk monitoring.¹

While we are a small broker-dealer, we have over 150 Algorithmic Management System (AMS) clients and execute between 2-3% of the average daily volume in the U.S. markets, playing a significant role in serving other broker-dealers and in facilitating the trading of small and mid-size stocks. Clearpool therefore has a significant interest in ensuring that the regulations overseeing the markets are fair and equitable, and allow for the most orderly, efficient and competitive markets possible.

For these reasons, Clearpool determined that it was important to become active in the market structure debate. To that end, we have submitted comment letters on various trading and market structure proposals of significance to Clearpool, its clients, and the ultimate investor,² and issued a “white paper” last year discussing our views on key trading and market structure issues.³ In addition, we participated in the October 2018 Securities and Exchange Commission (SEC) Roundtable on Market Data and Market Access⁴ and co-signed a petition for rulemaking to the SEC relating to a number of concerns surrounding market data fees.⁵

Background

Much has happened since we issued our Viewpoints last year. We have seen an increased focus on many of the issues that Clearpool raised in the paper including: the need for increased transparency of information around orders and executions; an examination of issues surrounding market data and trading fees; and the impact of advancements in technology.

Nevertheless, several key issues and concepts remain to be examined, including issues surrounding best execution, market data and Regulation NMS. Clearpool therefore determined that it was time

¹ For further information on Clearpool Group, visit www.clearpoolgroup.com.

² A list of Clearpool Group’s comment letters can be found in the Appendix.

³ The Viewpoints paper can be found at <http://bit.ly/2ISs8cR>.

⁴ See <https://www.sec.gov/agendas/agenda-roundtable-market-data-market-access>.

⁵ The rulemaking petition can be found at <https://www.sec.gov/rules/petitions/2017/petn4-716.pdf>.





to examine some of the developments that have occurred since the issuance of our last Viewpoints and consider the interplay of these issues on our ability to trade and on the reform of our market structure. Our recommendations follow below.

As efforts to examine our market structure progress, it will be important for regulators and policymakers to take small broker-dealers such as Clearpool into account when considering reforms to the rules and regulations overseeing trading and market structure. At the end of the day, investors will be ill-served if the impact of regulation and certain market practices prevents Clearpool, and the broker-dealers which we serve, from competing in the current market environment and from continuing to provide innovative trading tools to assist institutional investors.

Summary of Recommendations

Transparency

- Non-Exchange and Non-ATS Trading Venues: There should be a focus on increasing transparency information around all types of trading venues and platforms, including single dealer platforms (SDPs).
- Fees Relating to Market Data and Exchange Trading: Exchanges should be required to provide transparency and reporting around the fees from proprietary data products they provide and fees surrounding trading, and also should be required to disclose the amount of revenue generated by the SIP Plans.

Market Data and the Costs of Trading

- Makeup of Core Data: Data provided through the SIP should be expanded to include five levels of depth of book information and other information such as odd lots.
- NMS Plan Governance: NMS Plan governance should be updated and modified, including adding meaningful representation from broker-dealers with voting rights. NMS Plans also should recognize exchange operators as a single entity for purposes of voting.
- Dissemination of Core Data: There should be a broader examination of the current structure for the provision of market data including an examination of combining the current multiple SIPs into one, or allowing for more than one firm to operate the SIP.
- Proposed Rule Changes Relating to Fees: The SEC should scrutinize rule changes relating to fees more carefully to determine whether there is a need for any action related to a filing and ensure that all factors are considered when determining whether to approve SRO rule changes that set data fees.
- Examination of Market Risk: The SEC and other regulators and policymakers should examine the impact of issues surrounding market data and the costs of trading on risks to the markets overall.





Reform of Regulation NMS

- Examination of Order Protection Rule: There should be an examination of the Order Protection Rule (OPR), including keeping an OPR for the retail market and providing an exemption for institutional size trades, as well as an examination of eliminating or revising the OPR as part of the discussion around ticks, rebates, and lot sizes.

Best Execution

- Reexamining Best Execution: There should be an examination and consideration of best execution in light of the market structure changes that have been made and prior to any market structure reforms going forward.
- SEC Roundtable: The SEC should hold a roundtable on best execution issues and the interplay with trading and market structure issues to facilitate a discussion on the impact on market structure changes going forward.

Discussion

I. Importance of Transparency

The need for increased transparency of information relating to trading, including how orders are routed and executed, the costs of trading, and information relating to conflicts of interest, remain critical to an efficient market structure. In order to make important decisions about how to handle, route and execute orders, market participants need to have the right information available. As SEC Trading and Markets Division Director Brett Redfearn recently noted, “[e]nhancing the transparency of order-routing decisions, along with improved disclosure of trading venue operations are important to help inform those decisions.”⁶

The developments that we have seen to increase transparency around, for example, order routing and order execution, and to address concerns relating to conflicts of interest, have been encouraging. Clearpool strongly supported the initiatives undertaken by the SEC to increase transparency around market information, including the reform of Rule 606. As SEC Chairman Clayton stated, “[t]his rule amendment will make it easier for investors to evaluate how their brokers handle their orders and ultimately make more informed choices about the brokers with whom they do business.”⁷

⁶ The Nexus of Equity Market Structure and Investor Relations: Remarks at the 2019 Annual Conference of the National Investor Relations Institute, Brett Redfearn, Director, SEC Division of Trading and Markets, June 3, 2019.

⁷ “SEC Adopts Rules That Increase Information Brokers Must Provide to Investors on Order Handling,” SEC Press Release, November 2, 2018.





We also supported the examination of other important transparency issues, and related initiatives and proposals to address conflicts of interest, including the transaction fee pilot (with certain comments on the composition and operation of the pilot),⁸ ATS-N disclosure, the consolidated audit trail (CAT), and recent FINRA efforts to increase transparency about non-ATS data.⁹ At the end of the day, the information generated by these initiatives will give market participants, as well as regulators, the ability to better assess trading activity and the markets in general.

Other areas remain ripe for improvement, however, such as the need for increased information regarding non-exchange and non-ATS trading venues and platforms. For example, single dealer platforms (“SDPs”), like ATSS, are becoming an increasingly important part of the market as firms offer access to their SDPs to brokers and others to provide an additional way to execute trades away from an exchange or ATS. Therefore, similar to the efforts relating to ATS transparency, Clearpool believes there is a need to bring additional transparency to this part of the market.

Transparency of Market Data Offerings

As we stated in our previous Viewpoints, the current level of transparency around market data offerings is lacking. Exchanges are not required to itemize by product or service their revenues from the sale of market data. In addition, there is a lack of transparency concerning the allocation of the revenue collected by exchanges for the dissemination of data through Securities Information Processors (“SIPs”), and exchanges are not required to disclose any information about their costs related to the collection and dissemination of market data. In all, this lack of transparency makes it very difficult for consumers of market data disseminated by exchanges to understand the reasonableness of pricing without additional information about these offerings.

Clearpool therefore reiterates its recommendation that exchanges be required to provide transparency and reporting around the fees from proprietary data products they provide as well as the fees surrounding trading including, at a minimum, the revenue itemized by each product and the associated number of clients that use each product. Exchanges also should be required to disclose the amount of revenue generated by the SIP Plans, as well as, among other things, the sources of that revenue and the allocation of revenues resulting from data distributed through SIPs.

As regulators continue to examine how to increase transparency of market information, it will remain important to examine any new burdens to market participants, specifically, as discussed below, those that may perpetuate a reliance on the market data provided by exchanges. It will therefore be imperative to ensure that the burdens associated with market data do not jeopardize the advancements made relating to the transparency of market information.

⁸ See Letter from Ray Ross, Chief Technology Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. S7-05-18), dated May 25, 2018.

⁹ See Letter from Ray Ross, Chief Technology Officer, Clearpool, to Vanessa Countryman, Secretary, SEC (File No. SR-FINRA-2019-019), dated August 1, 2019.





Recommendations

- Transparency of Non-Exchange and Non-ATS Trading Venues: There should be a focus on the examination of increasing transparency of information around all types of trading venues and platforms, including SDPs.
- Fees Relating to Market Data and Exchange Trading: Exchanges should be required to provide transparency and reporting around the fees from proprietary data products they provide as well as the fees surrounding trading. Exchanges also should be required to disclose the amount of revenue generated by the SIP Plans.

II. Market Structure Reform - Looking Forward

We agree with SEC Chairman Clayton that “transparency can substantially reduce the need for overly specific and prescriptive restrictions on conduct that can impede competitive forces and, in an evolving, complex system, can become outdated, ineffective and counterproductive.”¹⁰ Nevertheless, transparency alone cannot resolve all of the issues currently facing the markets. There is still a need for a dialogue around the broader reform of trading rules and our market structure as a whole, as well as the need for carefully crafted regulatory solutions in certain areas including continued issues around market data and the costs of trading, and the reform of Regulation NMS and other rules around trading.

Market Data and the Costs of Trading

As we stated in our previous Viewpoints, of all the issues relating to the costs of trading, the trend toward higher market data fees has had the most negative impact on the securities markets. It remains increasingly difficult for many smaller broker-dealers to compete with the so-called “bulge bracket” firms in the current market environment due, in part, to issues related to the costs associated with trading. After expenses associated with employees, costs associated with market data and connectivity to the markets are the highest expenses for Clearpool.

We are encouraged by some of the recent discussions and recommendations in this area, both from the SEC as well as from market participants, in reviewing the current market data regime and related issues, including revisions to the current SIP model. As SEC Chairman Clayton stated in remarks earlier this year, “I believe that we should explore whether core data needs to be upgraded to better

¹⁰ Remarks at the Equity Market Structure Symposium Sponsored by the University of Chicago and the STA Foundation, SEC Chairman Jay Clayton, Chicago, April 10, 2018.





meet the needs of investors and market participants in today’s modern markets, and to ensure that it better facilitates Exchange Act objectives.”¹¹

In particular, Chairman Clayton, in those remarks, noted three issues relating to market data that Clearpool believes are key to the future discussion of the topic – the makeup of core data, governance issues, and the dissemination of core data, all issues that hit at the heart of the market data debate and ones that we discuss below.

Makeup of Core Data

Currently, the “core data” provided through the SIP only includes the NBBO and top-of-book data. For this reason, there continues to be no viable alternatives for broker-dealers to paying exchanges for their proprietary market data, which includes depth of book data as well as other important information, both to provide competitive execution services to our clients and, equally important, to meet our best execution obligations. As SEC Trading and Markets Division Director Redfearn noted, “For many stocks other than high-priced stocks, the top-of-book quotes in core data provide only a small slice of the depth-of-book liquidity that is available.”¹²

At the same time, SIP data, and the NBBO, remain the vehicles through which investors, particularly retail and individual investors, receive market information to make trading decisions and is a critical part of the way in which broker dealers measure (and demonstrate to customers and to the public) their best execution obligations. The NBBO also is used for a variety of other purposes in the trading process such as, among other things, for determining reference points for midpoint executions (both on-exchange and off-exchange), for risk management purposes, and to determine a stock’s liquidity when modeling trades. For these reasons, we believe the SEC must act judiciously in considering proposals and reforms that impact what constitutes the NBBO and what is included in the SIP.

We are pleased that the SEC has indicated that staff will re-examine whether core data should be expanded to include liquidity beyond the top of each market’s order book. Clearpool supports such an examination and recommends that data provided through the SIP be expanded to include five (5) levels of depth of book information and other information including odd lots. In such a way, reliance on exchanges’ proprietary data feeds can be reduced, market participants will still be able to receive the data necessary to make informed order routing and execution decisions, and market participants can rely on the SIP as an accurate indicator of the marketplace.

¹¹ “Equity Market Structure 2019: Looking Back & Moving Forward,” Chairman Jay Clayton, Brett Redfearn, Director, Division of Trading and Markets, Remarks at Gabelli School of Business, Fordham University, New York, New York, March 8, 2019 (“Fordham University Speech”).

¹² Id.





We also believe there needs to be an examination of the inclusion of “manual” and unprotected quotes under Regulation NMS in the SIP. While we are advocates for enhancing the information contained in the SIP, we believe until there has been further discussion and resolution as to how inclusion of unprotected quotes would enhance the SIP without, at the same time, adversely impacting the NBBO (and therefore the market information investors use to make trading decisions, as well as the metrics by which broker dealers measure and demonstrate their best execution obligations), any inclusion of such information would be premature. Such an examination would be timely given calls for examination of other Regulation NMS requirements such as the Order Protection Rule and will be important for the protection of investors.

Governance Model

As we stated in our previous Viewpoints, to genuinely address issues surrounding the SIP, we believe the governance around SIP Plans must be changed. Currently, SIP Plans are governed by SROs that have conflicts of interest in the provision of market data (*i.e.*, the exchanges, excluding FINRA) as they are selling market data products that directly compete with the SIPs. These SROs therefore have a disincentive to either invest in the SIPs or to make SIPs competitive products to their proprietary data products, and it is unlikely that they would vote to make needed changes to the SIP Plans.

We are pleased that the SEC has indicated that it will examine these issues. In particular, Division Director Redfearn stated that the SEC will explore changes to the governance model including addressing conflicts of interest, confidentiality policies and transparency, and voting representation on the operating committees overseeing the SIP Plans.¹³

Clearpool reiterates our prior recommendation that NMS Plan governance should be updated and modified, including adding meaningful representation from broker-dealers with voting rights, and that NMS Plans should recognize exchange operators as a single entity for purposes of voting (*i.e.*, eliminate current “one vote per exchange registration” model) to prevent exchanges from effectively purchasing votes by opening additional exchanges or not shuttering defunct exchanges.

Dissemination of Core Data

The speed at which core data is disseminated is another issue that needs to be addressed. Clearpool has previously recommended that there should be a broader examination of the current structure for the provision of market data including the collection, distribution, and sale of market data. We recommended that such review should include an examination whether there should be one source of market data, *i.e.*, wrapping proprietary market data into the SIP, and treating such as a utility. At the same time, the SIP should be “upgraded” to support the speed necessary for the dissemination of data in a timely manner.

¹³ Id.





We are pleased that SEC recognizes that “concerns about latency differentials between the SIPs and the direct feeds are meaningful enough that staff will consider whether to recommend changes to ensure that core data is timely by today’s standards.”¹⁴ Several industry driven solutions also have been set forth to address concerns relating to the dissemination of market data, including creating multiple competing SIPs to lessen the timing disparity between SIP data and direct data feeds, and combining the SIP processors and administrators into a single SIP. Clearpool would support an examination of combining the current multiple SIPs into one, or even allow for more than one firm to operate the SIP to facilitate competition in the space, as long as the multiple competing SIPs each provide data from all of the Tapes.

Potential for Market Risk

Issues surrounding market data and the costs of trading not only have a direct impact on market participants but also can create risks for the markets overall. As discussed above, the impact of market data costs and market access issues are disproportionate on smaller brokers and trading firms that may not have the large volume needed to cover these high fixed costs and cannot take advantage of, for example, the tiered pricing structures of exchanges.

These costs (or the lack of opportunity for savings) can create a barrier to entry for new market participants and can promote the concentration of trading activity in a small number of trading firms. Such an effect is counter to the Exchange Act goals of creating efficient markets that are not unfairly discriminatory and that promote fair competition among market participants. To the extent these costs force market participants to exit the market, this also adds to market fragility and the increase in market risk overall.¹⁵

In addition, the resiliency of the SIP needs to be considered when addressing issues around market risk. We find recent technological investments made by exchanges to enhance the resiliency and speed of the SIP, as well as the proposal to productize and expand the core data offerings, to be a promising improvement to the SIP. The productization and costs, however, need to be standardized among all SIP operators to ensure fair and equitable access for all market participants. It is important that the SIP remain a core trading utility and is not converted into another premium market data feed offering by the exchanges. As the SEC and other regulators and policymakers examine further changes impacting market data fees and the costs of trading, we recommend that they examine the impact of any changes to the overall risks associated with the markets.

¹⁴ Id.

¹⁵ Adding to the competitive challenges for smaller broker-dealers are the new rules relating to payment for research under MiFID. To the extent that MiFID compels broker-dealers, particularly smaller broker-dealers, to exit the research and execution business, this can produce a ripple effect on other market participants such as Clearpool, whose customers include such smaller brokers.



Recommendations

- Makeup of Core Data: Data provided through the SIP should be expanded to include five levels of depth of book information and other information such as odd lots.
- NMS Plan Governance: NMS Plan governance should be updated and modified, including adding meaningful representation from broker-dealers with voting rights. NMS Plans also should recognize exchange operators as a single entity for purposes of voting.
- Dissemination of Core Data: There should be a broader examination of the current structure for the provision of market data including an examination of combining the current multiple SIPs into one, or allowing for more than one firm to operate the SIP.
- Proposed Rule Changes Relating to Fees: The SEC should scrutinize rule changes relating to fees more carefully to determine whether there is a need for any action related to a filing. The SEC also should ensure that fee changes are “fair and reasonable,” “not unreasonably discriminatory,” and an “equitable allocation” of reasonable fees among persons who use the data and ensure that these factors are considered when determining whether to approve SRO rule changes that set data fees.¹⁶
- Examination of Market Risk: As the SEC and other regulators and policymakers examine further changes impacting market data fees and the costs of trading, it will be necessary to examine the impact of any changes to the overall risks associated with the markets.

Reform of Regulation NMS

While there have been discussions around several issues relating to the reform of the current rules overseeing trading, one of the issues that has received a significant amount of attention recently has been the potential reform of Regulation NMS, particularly the Order Protection Rule.

The OPR has been one of the core provisions of Regulation NMS and plays a significant role in numerous parts of the current market structure.¹⁷ For example, the OPR has arguably contributed

¹⁶ We are pleased that the SEC’s Division of Trading and Markets recently issued guidance to assist SROs in preparing fee filings. The guidance discusses several important aspects of these filings, including how SROs can ensure that they have clearly described their proposed fees and addressed how they satisfy Exchange Act requirements that, among other things, fees be (i) reasonable, (ii) equitably allocated, (iii) not unfairly discriminatory, and (iv) not an undue burden on competition. *See* Staff Guidance on SRO Rule Filings Relating to Fees, May 21, 2019.

¹⁷ Regulation NMS Rule 611, the “Order Protection Rule,” restricts the execution of trades on one venue at prices that are inferior to displayed quotations at another venue. Specifically, it requires a “trading center” to implement policies and procedures that are reasonably designed to prevent “trade-throughs” on that trading center of “protected quotations” that do not fall within one of the exceptions set forth in the Rule. In effect, it is intended to ensure that orders are executed at no worse than the national best bid or offer.



to, and compounded, several of the issues discussed above relating to market data, and plays a key role in best execution, as discussed more fully below.

The SEC has recognized the significant role of the OPR in these two issues. As SEC Commissioner Peirce noted in remarks last year, the OPR induces brokers to subscribe to exchanges' private data feeds in addition to the public tapes.¹⁸ Similarly, SEC Commissioner Roisman noted, “[f]or the equities market, I would like to take a closer look at best execution requirements, especially in conjunction with the order protection rule.”¹⁹

Clearpool believes that given the significant changes in the markets since its adoption, the time is right to determine whether the OPR makes sense under the current market structure. We therefore support an examination of the OPR. At the same time, we believe we cannot consider changes to the OPR in a vacuum. Instead, we need to closely and carefully examine all of the variables involved, given OPR's reach into many facets of trading.

There have recently been calls for the complete elimination of the OPR, or at least to remove the OPR protections for certain segments of the markets. While Clearpool recognizes that revisions to the OPR must be considered, we believe that the OPR still provides certain benefits to portions of the markets, and is so engrained in parts of trading that it may prove difficult to remove the OPR altogether. For example, one of the benefits of the OPR is that it establishes a reference point for transaction cost analysis and plays a key role in midpoint executions. It also has brought certain benefits to retail investors. To this end, Clearpool believes a more measured approach to revising the OPR is worthy of examination.

Specifically, to address the differences in how retail and institutional investors may trade the same stock, and along the lines of not creating a “one size fits all market,” an examination can include keeping an OPR for the retail market while providing an exemption for institutional size trades. While we understand that this may result in issues that would need to be examined regarding the impact on retail investors, we believe it is an idea worthy of discussion. Similarly, an examination of eliminating or revising the OPR as part of the discussion around ticks, rebates, and lot sizes also has merit.

Finally, while not directly tied to Regulation NMS, another issue we believe is worthy of discussion would be to allow brokers to pass along to customers the fees and rebates incurred with execution through the bundling of fees into the price of a stock. We recognize such a mandate would raise issues that would need to be addressed but a change of this nature could resolve many of the issues

¹⁸ Remarks before the SIFMA Equity Market Structure Conference, New York, NY, April 18, 2018.

¹⁹ Remarks at SEC Speaks: Encouraging Smaller Entrants to Our Capital Markets, The SEC Speaks, Washington D.C., April 8, 2019.





surrounding conflicts of interest in trading, as well as contribute to the transparency of trading costs for investors and other market participants.

Recommendations

- There should be an examination of the OPR, including keeping an OPR for the retail market and providing an exemption for institutional size trades, as well as an examination of eliminating or revising the OPR as part of the discussion around ticks, rebates, and lot sizes.

III. Reexamining Best Execution

Clearpool believes there must be an examination of best execution in light of the market structure changes that have been made and prior to any further wholesale changes to the current market structure. Best execution is one of the tenets of trading and factors into almost any decision that a broker must make when it comes to the routing and execution of orders and their interaction with clients.

Specifically, given the regulatory and market-driven developments that have occurred to increase the information available to market participants and investors relating to trading, there is currently more information than ever available to market participants to navigate the trading landscape. Clearpool believes that the time is ripe to step back and reexamine the concept of best execution in light of this increased transparency including assessing the information that is now available, clarifying what the expectations are from market participants vis-à-vis this information, and examining how the markets will develop and adapt due to the increased transparency.

Technology and automated trading also has become an integral part of the trading process and best execution analysis. When determining the most efficient approach to executing a trade, brokers must now take into account, among other things, the impact of the increase in volume of trading attributed to certain market participants and the significant amount of automated trading in general, as well as the new technology and tools available when trading.

We are pleased that the SEC has recognized the need to take a closer look at best execution. As Chairman Clayton recently stated, “it is clear that technological change drives our understanding of best execution — said bluntly, for “best execution” to be true to its name, the in-practice requirements should reflect the trading ecosystem of the time.”²⁰ Significantly, there is a need to look at the factors that go into, and how to truly measure, best execution. While best execution is not defined in the U.S. federal securities laws, there are a number of factors that play into the determination of what is best execution.²¹ In addition, as we examine market structure changes

²⁰ Fordham University Speech, *supra* note 11.

²¹ Generally, FINRA Rule 5310 requires that in any transaction for or with a customer or a customer of another broker-dealer, a member and persons associated with a member, shall use reasonable diligence to ascertain the best market for





going forward, we need to consider the core elements of, and the purposes surrounding, best execution - eliminating conflicts, better decision making for market participants, creating fairer markets, and leveling the playing field.

It also is important to remember that the changes that we have seen to the current market structure is inextricably linked to determining what best execution is. For example, changes to the market data regime impacts issues surrounding best execution. As we discussed in our previous Viewpoints, the report issued by the Department of the Treasury on the capital markets recommended that the SEC and FINRA issue guidance or rules clarifying that broker-dealers may satisfy their best execution obligations by relying on SIP data rather than proprietary data feeds if the broker-dealer does not otherwise subscribe to or use those proprietary data feeds.²² We do not believe that such guidance or rules would eliminate the need for broker-dealers to subscribe to proprietary data feeds.²³ Similarly, as noted above, proposals to include unprotected quotes in the NBBO, quotes that cannot be ignored when it comes to a broker-dealer's best execution responsibilities, raise compliance questions and would add complexity (and potential costs) to an already complex best execution environment. Given the compliance issues that are likely to be raised, if such proposals are approved, the SEC should clarify how broker-dealers and other market participants should interact with unprotected quotes vis-à-vis their best execution responsibilities.

We also believe that some of the recent market structure changes have arguably made best execution little more than a "checking the box" exercise. For this reason, any assessment of OPR must include a review of best execution. By requiring firms to execute orders posted at the best published price, other factors important to a best execution determination have arguably been diminished. Clearpool therefore recommends, in conjunction with any reform to OPR, that there is a clarification of best execution in light of any new regulatory requirements in this area.

Finally, we note that the new best execution rules under MiFID have changed the way in which both investors and broker-dealers look at best execution. While best execution is still determined by the same factors, all firms must now provide more detailed reporting and have had to strengthen their best execution policies and procedures.

For all these reasons, we recommend that the SEC should hold a roundtable on best execution issues and the interplay with trading and market structure issues in general to examine any needed

the subject security, and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

²² The Treasury Report can be found at <https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf>.

²³ While such guidance or rules may clarify a broker-dealer's regulatory obligations as they relate to best execution, it would not obviate our business obligations to purchase the exchanges' proprietary data feeds to continue to provide competitive execution services to, and to fulfill the needs of, our clients.





changes to best execution and to facilitate a discussion on the impact on market structure changes going forward.

Recommendations

- There should be an examination and consideration of best execution in light of the market structure changes that have been made and prior to any further wholesale changes to the current market structure, including the factors that go into, and how to measure, best execution.
- The SEC should hold a roundtable on best execution issues and the interplay with trading and market structure issues to facilitate a discussion on the impact on market structure changes going forward.





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Appendix

Clearpool Group Comment Letters and Viewpoints

Market Structure and Trading Related Comment Letters

NYSE Access and Connectivity Fees: 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,

Bats Market on Close: Letter from Ray Ross, Chief Technology Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. SR-BatsBZX-2017-34), dated June 12, 2017.

Nasdaq MELO: Letter from Ray Ross, Chief Technology Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. SR-NASDAQ-2017-074), dated September 11, 2017.

SEC Transaction Fee Pilot: Letter from Ray Ross, Chief Technology Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. S7-05-18), dated May 25, 2018.

SEC Roundtable on Market Data and Market Access: Letter from Joe Wald, Chief Executive Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. 4-729), dated October 23, 2018.

Cboe EDGA Speed Bump: Letter from Ray Ross, Chief Technology Officer, Clearpool, to Vanessa Countryman, Secretary, SEC (File No. SR-CboeEDGA-2019-012), dated July 17, 2019.

FINRA Non-ATS Transparency: Letter from Ray Ross, Chief Technology Officer, Clearpool, to Vanessa Countryman, Secretary, SEC (File No. SR-FINRA-2019-019), dated August 1, 2019.

Clearpool Group Viewpoints Paper

<http://bit.ly/2lSs8cR>

Rulemaking Petition Surrounding Market Data Fees

Co-Signed by Clearpool Group: <https://www.sec.gov/rules/petitions/2017/petn4-716.pdf>.

