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March 24, 2017

Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

Re: NYSE MKT LLC; Notice of Filing of Proposed Rule Change Amending Rules  
7.29E and 1.1E to Provide for a Delay Mechanism  
Release No. 34-79998; File No.SR-NYSEMKT-2017-05

Dear Mr. Fields:

The FIA Principal Traders Group (“FIA PTG”)<sup>1</sup> appreciates the opportunity to comment on the proposal by NYSE MKT LLC (“NYSE MKT” or the “Exchange”) to introduce the Delay Mechanism (the “Delay”). While we articulated these same concerns to the Securities and Exchange Commission (the “Commission”) during the consideration of the Investors’ Exchange, LLC’s (“IEX”) exchange application, we feel these concerns remain relevant and, indeed, have been magnified by various new proposed exchange latency mechanisms. Thus, our response is fourfold: First, we express our qualified opposition to this proposal. Second, while the criteria for approving or denying such proposals remains unclear, we urge the Commission to impose a moratorium on new types of artificial delays. Third, we reiterate our call for a holistic review of equity market structure. Finally, recognizing the time required to undertake and implement holistic reform, we recommend the interim step of eliminating both Rules 610.d and 611 and modernizing best execution requirements to simplify the markets in meaningful ways.

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<sup>1</sup> 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. 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 and has previously made recommendations about a variety of equity market structure issues, including Regulation NMS (See <https://ptg.fia.org/keywords/equity-market-structure>).

### **I Opposition to NYSE MKT Proposal**

FIA PTG filed three comment letters<sup>2</sup> in response to the IEX exchange application and related Regulation NMS (“Reg NMS”) Interpretation (the “Interpretation”) raising various concerns which apply to the NYSE MKT proposal as well. Specifically, we believe it is problematic to give intentionally delayed quotes protected status under Rule 611 of Regulation NMS. We detailed those concerns most fully in our first comment letter on the IEX exchange application.<sup>3</sup> Without restating all of our previously identified specific concerns, suffice it to say, we continue to believe that intentional delays in protected quotes create undue complexity in markets, and amplifies risk of market disruptions during periods of high volatility. We acknowledge, that given the IEX precedent, it may be difficult for the Commission not to approve NYSE MKT’s proposed Delay without revisiting the interpretations it made in connection with the IEX speed-bump.

### **II Moratorium on New Latency Proposals**

In our April 14, 2016 letter we cautioned the Commission that approval of the IEX application and related Interpretation would lead to multiple exchanges implementing different kinds of delays. And that this, “[c]ombined with the Reg NMS requirement to route orders to the apparent best price, risks turning the national market system into a hall of mirrors where it’s impossible to know which prices are real and which are latent reflections.” Since that time we have had two exchanges propose three unique latency introducing mechanisms. To date, the Commission has not approved any of these proposals – one has been withdrawn and two are pending. It is unclear what criteria the Commission will use to approve or deny these proposals. We urge the Commission to impose a moratorium on new types of artificial delays at the risk of creating this “hall of mirrors.” We recognize that the Commission may feel bound by its IEX precedent to approve the NYSE MKT proposal. If so, the Commission should limit any approvals to proposals that closely track the IEX mechanism, such as the NYSE MKT proposal, to minimize any new risks.

### **III Need for Holistic Reform**

As we have stated in our responses to the various latency-introducing proposals – IEX, CHX LTAD, CHX LEAD, and now NYSE MKT Delay – all four of these iterations highlight the need for a holistic market structure review. Layering complexity upon complexity with new exotic delays of different kinds risks making the US equity markets even more difficult to understand and increasingly fragile. We strongly support action by the Commission to address the fundamental complexity in market structure instead of taking a piecemeal approach reactive to individual exchange proposals.

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<sup>2</sup> [https://ptg.fia.org/sites/default/files/content\\_attachments/2015-11-06\\_IEX\\_Exchange\\_Application.pdf](https://ptg.fia.org/sites/default/files/content_attachments/2015-11-06_IEX_Exchange_Application.pdf),  
[https://fia.org/sites/default/files/content\\_attachments/2016-03-03\\_Comment\\_on\\_IEX\\_Exchange\\_Amended\\_Application.pdf](https://fia.org/sites/default/files/content_attachments/2016-03-03_Comment_on_IEX_Exchange_Amended_Application.pdf),  
[https://fia.org/sites/default/files/content\\_attachments/2016-04-14\\_Reg\\_NMS\\_proposed\\_interpretation\\_and\\_IEX\\_amended\\_application.pdf](https://fia.org/sites/default/files/content_attachments/2016-04-14_Reg_NMS_proposed_interpretation_and_IEX_amended_application.pdf)

<sup>3</sup> [https://ptg.fia.org/sites/default/files/content\\_attachments/2015-11-06\\_IEX\\_Exchange\\_Application.pdf](https://ptg.fia.org/sites/default/files/content_attachments/2015-11-06_IEX_Exchange_Application.pdf)

In 2015, FIA PTG published a brief set of recommendations for simplifying US equity market structure.<sup>4</sup> These recommendations included the elimination of the requirement to avoid displaying locked and crossed markets (Rule 610.d) and the elimination of the order protection rule (Rule 611). Both of these rules were originally put in place, in part, to help ensure that brokers were achieving best execution for their clients. Today we believe that best execution can be addressed much more simply by clarifying and modernizing the best execution requirements that brokers already have, rather than by sustaining this extremely complex backstop managed by the trading venues.

#### **IV Eliminate Rules 610.d and 611**

While we continue to be strong proponents of a holistic review of Reg NMS, we understand that this review will take time. In the interim, we believe the elimination of both Rules 610.d and 611 along with the modernization of the best execution requirements would simplify the markets in meaningful ways and provide other important benefits for the investing public.

If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group

A handwritten signature in blue ink that reads "Joanna Mallers". The signature is fluid and cursive, written on a light yellow rectangular background.

Joanna Mallers  
Secretary

cc: Michael S. Piwowar, Acting Chairman  
Kara M. Stein, Commissioner

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<sup>4</sup> See FIA PTG, *Simplifying U.S. Equity Market Structure* (January 28, 2015), at [http://ptg.fia.org/sites/default/files/content\\_attachments/FIA%20PTG%20Position%20-%20Simplifying%20US%20Equity%20Market%20Structure.pdf](http://ptg.fia.org/sites/default/files/content_attachments/FIA%20PTG%20Position%20-%20Simplifying%20US%20Equity%20Market%20Structure.pdf)