

Congress of the United States
Washington, DC 20515

June 3, 2015

The Honorable Mary Jo White
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chair White:

As members of the New Democrat Coalition Financial Services Task Force, we are writing today with regard to the Securities and Exchange Commission's (Commission) holistic review of equity market structure. The New Democrat Coalition played an important role during consideration of the Dodd-Frank Wall Street Reform and Consumer Protection Act in advocating for policies that have reduced systemic risk and enhanced transparency in our markets. We applaud the progress made to date to implement this historic legislation and will continue to advocate for the Commission to have the resources necessary to continue this important work.

We also applaud the Commission for approving new rules in response to a variety of market events that will strengthen the technology infrastructure underpinning the U.S. securities markets. The new testing and maintenance checks for key market participants under the Regulation Systems Compliance and Integrity will provide further protections for investors against technology breakdowns. We also support continued progress on the Consolidated Audit Trail and look forward to working with you to ensure its completion. The ability to track all activity throughout the National Market System will provide critical data about our markets to the regulators and Congress.

We agree that any proposed reforms to our equity markets must include careful study of empirical data in order to promote "market stability and fairness, enhance market transparency and disclosures, and build more effective markets for smaller companies."¹ The U.S. capital markets today are the deepest and most liquid in the world in large part because we promote competition and invite innovation. However, additional measures can be taken to enhance transparency for investors and promote capital formation in our markets.

As the Commission works with the Market Structure Advisory Committee and a cross-section of market participants to develop recommendations related to equity market structure issues, we would like to highlight several areas where empirically-driven reforms may benefit investors and capital formation.

Many of our constituents have an important stake in our capital markets, either through retail accounts or as institutional investors through their retirement plans or mutual funds. These investors would benefit from additional transparency and disclosure measures that would enhance their ability to better understand and assess the execution of their orders. The current rules governing execution quality and order routing disclosure, known as Rules 605 and 606, were adopted nearly 15 years ago. Given the technological advances and increased complexity in the market since these rules were adopted, we believe the Commission should focus on modernizing and expanding these metrics to help retail and institutional investors ensure that they are truly receiving the best execution for their orders.

We also believe that a broader effort is needed to expand and standardize the information made available to the investing public by alternative trading systems (ATs), which connect off-exchange buyers and sellers but are

¹ White, Mary Jo. 2014. "Enhancing Our Equity Market Structure. Speech at Sandler O'Neill & Partners, L.P. Global Exchange and Brokerage Conference. New York, NY. June 5.

not subject to the disclosure or regulatory requirements of national securities exchanges. ATSs have historically played an important role in providing liquidity for investors without alerting other market participants.

However, the flow of liquidity to these opaque trading venues has increased over time. According to the Financial Industry Regulatory Authority (FINRA), total off-exchange trading today accounts for about 36 percent of total market volume (with ATS volume accounting for 42 percent of the off-exchange trading), with the average trade size down to approximately 200 shares. Given the impact that increased ATS executions can have on price discovery, we support the Commission's efforts to introduce new transparency and disclosure initiatives for ATSs and other off-exchange venues. Investors will benefit from having a higher level of operational knowledge of these platforms and how their orders are handled. We also urge you to continue to study the net impact of ATS trading on the competition of orders, investors and price discovery.

In addition to enhancing transparency for order routing decisions and ATSs, we also encourage you to evaluate the impact of the three tenths of a penny access fee cap and related rebate payments on broker routing decisions. While incentivizing liquidity with rebates provides many positive impacts for the market, a number of market participants and consumer advocacy groups have raised concerns regarding how the current rebate/fee model's influence on order routing decisions, the proliferation of order types, and the level of intermediation in naturally liquid stocks. We believe that the current across-the-board cap and allowance for rebates for all stocks, regardless of liquidity, merits further examination generally, and in the context of modernizing Rule 606 reporting.

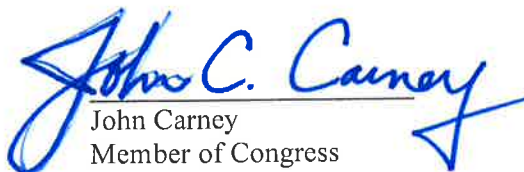
We also encourage you to continue working with the national securities exchanges and a cross-section of market participants to incentivize investments in the Securities Information Processors to reduce latency and improve their resiliency. While some level of disparity between the consolidated feeds and the direct data feeds is inherent as a result of the extra time required to consolidate data, it is important for the purposes of investor price discovery and fairness that this latency differential between the two feeds be minimized as much as possible through investments in technology. We applaud your current efforts to include time stamps that reflect the execution and dissemination of quotes and trades, which will help investors better monitor the treatment of their orders.

As New Democrats, we look forward to reviewing your proposals to ensure that our capital markets continue meeting our high standards for investors. As evidenced by the reduction in the costs of executing large orders for institutional investors, and narrowing spreads for retail investors, we believe that our equity markets are strong and can become even stronger.

Sincerely,



Bill Foster
Member of Congress



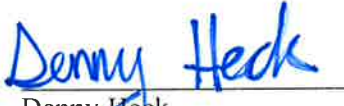
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Member of Congress



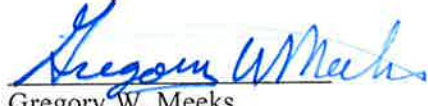
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Terri Sewell
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Denny Heck
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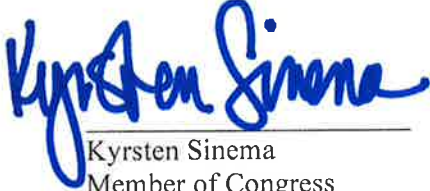
Gregory W. Meeks
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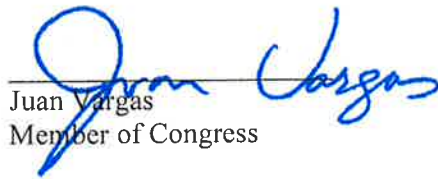
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