



THE CHAIR

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

July 2, 2015

The Honorable Bill Foster
U.S. House of Representatives
1224 Longworth House Office Building
Washington, DC 20515

Dear Representative Foster:

Thank you for your June 3, 2015 letter regarding equity market structure issues. Maintaining and enhancing the high quality of the U.S. equity markets is one of the SEC's most important responsibilities, and I appreciate your recommendation to focus on greater transparency and disclosure initiatives.

As you note in your letter, the SEC has taken several steps to address the advancements in technology and changes in market infrastructure, such as the adoption of Regulation Systems Compliance and Integrity and continued progress on the Consolidated Audit Trail. Additionally, the SEC continues to work with the exchanges to reduce latency and improve resiliency related to the securities information processors. In response to my request last year, the exchanges submitted filings that describe their use of data feeds for handling and executing orders and that clarify the operation of the order types available on their exchanges. Also in response to my request, the participants in the consolidated market data plans moved forward with an initiative to provide a new timestamp on their data feeds. As you noted in your letter, this step will assist investors in assessing data latency and monitoring the treatment of their orders.

I agree that transparency is important for our capital markets to function effectively and efficiently for all market participants. Accordingly, I have asked the staff to prepare a recommendation to the Commission for a rule that would enhance order routing disclosures. Specifically, the staff is developing a proposal to supplement Rule 606 of Regulation NMS, which currently requires broker-dealers that route customer orders to make publicly available quarterly reports to disclose certain order routing information as well as describe certain payment for order flow arrangements. Rule 606, however, does not cover the large orders typically used by institutional investors. The staff is preparing a proposal to address this gap.

In addition, I have asked the staff to provide a recommendation that would expand the information that alternative trading systems (ATSS) must disclose to the SEC about their operations and, for the first time, require ATSS to make operational information available to the public. The recommendations should be designed to provide market participants with information about the operations of ATSS and the activities of their broker-dealer operators and affiliates, so that market participants have the ability to evaluate an ATS as a potential trading center. The recommendations also should allow the Commission to evaluate the sufficiency of the ATSS' disclosures and improve the Commission's oversight.

Finally, as you know, the SEC's Equity Market Structure Advisory Committee held its inaugural meeting in May and began its market structure discussion with an assessment of Rule 611 of Regulation NMS. As the Committee will serve as an important forum and resource for market structure discussions, I anticipate that it will consider topics such as the maker-taker pricing model, along with the access fee caps and lock-cross restrictions.

Thank you again for your letter. As we continue our efforts in these areas, I have asked the staff to consider the points you raised as they formulate policy recommendations for the Commission. Please do not hesitate to contact me at (202) 551-2100, or have a member of your staff contact Tim Henseler, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010, if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mary Jo White".

Mary Jo White
Chair