

## WE THE INVESTORS

### THERE IS BROAD SUPPORT FOR THE SEC'S EQUITY MARKET STRUCTURE REFORMS

Diverse viewpoints support the goals and offer constructive feedback

From thousands of individual investors to institutional asset managers, institutional brokers, trading firms and top exchanges, **a broad spectrum of market participants submitted comment letters** addressing the SEC's proposed market structure reforms. Analysis of these letters reveals that **most market participants, collectively representing hundreds of millions of investors and trillions of dollars in AUM, directionally support the agency's efforts**. These thoughtful, nuanced comment letters often align with, and follow the approach taken by, our own comment letters. The purpose of the filing period is to provide constructive feedback - and that is what the majority of firms and organizations have done.

Proposal	Prevailing Industry Position	We The Investors Position
Rule 605	Complete Alignment with SEC	
Regulation NMS	<ul style="list-style-type: none"><li>• ½ penny tick size</li><li>• Wider tick for less liquid securities</li><li>• 10 mil access fee cap</li><li>• Minimum trading increment of 10 mils with some support of harmonization</li><li>• Full support on market data</li></ul>	<ul style="list-style-type: none"><li>• ½ penny tick size</li><li>• Wider tick for less liquid securities</li><li>• Eliminate PFOF and rebates, otherwise 10 mil access fee cap</li><li>• Trading increment harmonization</li><li>• Full support on market data</li></ul>
Regulation Best Execution	Broad support with some changes, such as improvements for factors considered by institutional routers.	
Order Competition Rule	Support of SEC's objectives with concerns about unintended consequences and the prescriptive nature of the proposal. Support for simpler approaches to achieve objectives.	Support the rule, but prefer trade-at as a simpler solution without the potential for unintended consequences.

What follows is a sample of identified market participants, in their own words and with full context, highlighting widespread support with specific proposed changes. Moreover, letters filed by BlackRock, Vanguard, UBS, J.P. Morgan, and others demonstrate nuanced and thoughtful adjustments, not opposition.

### SMALL SAMPLE OF GROUPS THAT SUPPORT OR PROPOSE CONSTRUCTIVE AND NUANCED CHANGES TO THE SEC'S REFORMS...

#### InteractiveBrokers

Quote	Position
"We broadly support the Commission's proposals and its goal of enhancing execution quality for all investors, and its pursuit of that goal by encouraging order-by-order competition, particularly for segmented orders. By moving retail flow onto the exchanges, where a variety of market participants can compete for them, we hope the Commission will succeed in creating opportunities for better price improvement for retail flow as well as enhanced execution quality for institutions, who currently have no opportunity to compete to interact with the vast majority of that flow."	Interactive Brokers supports the OCR proposal with changes.

#### Dimensional

Quote	Position
"The opportunity to compete for retail orders could be a positive development for some market participants, including institutional investors, and we generally support market-created mechanisms that would enable more market participants to interact with retail order flow. For example, at Dimensional, our portfolios tend to be widely diversified, and thus we believe it is likely that our clients would benefit from the opportunity to interact with retail order flow."	Dimensional supports the goals of the OCR and believes institutions would participate.

#### Nasdaq

Quote	Position
"Nasdaq believes that finding ways to bring more retail investors together in a competitive environment is a worthy goal which would benefit retail investors, institutional investors, and the market as a whole. That said, the SEC risks too much by solely focusing on qualified auctions, as there is no silver bullet solution to the problem it identifies. In lieu of imposing a prescriptive and untested solution, we instead recommend that the SEC define a minimum price improvement threshold (e.g., a percentage of the spread) that broker-dealers must meet in order to internalize retail order flow. If a broker-dealer is unable to provide meaningful price improvement on a retail order, then we suggest that it be required to send its order to interact on an exchange or a similar fair access venue."	Nasdaq supports the OCR proposals with similar changes to those recommended by We The Investors.

#### Citi

Quote	Position
"Citi is supportive of the goal of the Order Competition Proposal, which is to provide greater opportunity for retail and institutional orders to interact in the public market." "And we agree with the Commission's determination that "institutional investors that currently submit their own marketable orders on national securities exchanges and other trading centers potentially could trade at better prices if given an opportunity to interact with the marketable orders of individual investors in fair and open auctions." The end result could be, as described in the Order Competition Proposal, "increased competition to supply liquidity to marketable orders of individual investors, which in turn would lower transaction costs for individual investors, potentially enhance order execution quality for institutional investors, and improve price discovery."	Citi is supportive of the OCR proposal with changes made to address information leakage concerns.

#### BMO

Quote	Position
"Retail auctions, in conjunction with the Disclosure of Order Execution Information (Enhanced 605 reporting) will allow market forces to determine the use of retail auction facilities without forcing adoption." "Providing the space for natural liquidity to interact with minimal intermediation could improve execution outcomes for both retail and institutional investors. Auction models that bring retail and institutional investors together align with the Reg NMS mandate for the "most willing" buyer to meet the "most willing" seller. Critically, allowing market forces to ultimately determine the success or failure of such a mechanism should sidestep the litigation that is commonly believed to occur should adoption be mandated."	BMO is supportive of the OCR proposal with some changes.

#### Fidelity

Quote	Position
"We understand the SEC's rationale for the Proposal, given market makers' broad interactions with retail investor orders. As an institutional investor, we have limited opportunities to interact with retail order flow through a variety of market-driven solutions. We support finding ways for institutional investors to have better access to retail flow in a way that is beneficial to both constituents, and if a Qualified Auction might improve prices for retail in the process, it could drive better outcomes for end investors."	Fidelity supports the goals of the OCR but is concerned it is overly prescriptive and is concerned about exchange liability limitations. It prefers a simpler solution.

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Quote	Position
"We support the SEC's proposal to reduce the tick size that now applies to most securities from \$0.01 to \$0.005 for stocks that are heavily traded. These stocks tend to be constrained in their trading by the current standard, in that participants are precluded from quoting at prices that reflect actual investor demand. At the same time, we believe the Commission should be targeted and deliberate in reducing the tick size. A more severe tick size reduction for the most actively-traded securities, as The Commission has proposed, could increase existing speed advantages of electronic trading firms when trading on exchanges. Agent brokers trading for customers cannot tailor their order routing based solely on the speed of trading in the ways that the fastest proprietary trading firms can do."	These top pension plans are supportive of the SEC's proposals, and filed a letter to support Reg NMS, with a minor, specific recommendation to adjust tick sizes.

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Quote	Position
"HMA shares the general objectives and intentions of the four Proposals, many of which relate to issues we have been urging the Commission to address for years, we have specific concerns with each... We question the extent to which traditional, long-only or other large "institutional" investors are likely to compete for order flow in the proposed auctions. Put simply, institutional investors are generally looking to buy or sell very significant volumes of securities, and are extremely sensitive to adverse selection and heightened execution costs that could arise from information leakage about their intentions prior to the completion of their trades."	Healthy Markets has advocated for these reforms for years, and provided specific recommendations for potential changes.

#### ICI Global

Quote	Position
"While ICI generally supports the SEC's intent in the Order Competition Rule to make retail order flow more available to institutional investors, we have serious concerns about the operational aspects of the proposed auctions, which are very prescriptive... For example, based on third-party analysis and feedback from our members, we understand that retail investors, in many cases, trade different names than institutions. Further, members, particularly managers of index funds, have informed us that they generally execute at the close of the trading day, whereas retail orders typically execute at the open. As a result, it is not clear that the proposed auctions would result in significant interaction between retail and institutional orders."	ICI is supportive of each of the proposed rules, with concerns on timing and sequence, and with a main dissent that the OCR should be made simpler.

#### CAPITAL GROUP®

Quote	Position
(OCR) "While we support the intent to create more order-by-order competition and interaction between retail and institutional orders, we believe the proposed auction mechanism should not be implemented simultaneously with the other proposed rules." (Best Ex) "We support the Commission's ability to impose a best execution standard. However, we have concerns with the Best Execution Proposals focus on price to the exclusion of other factors and what appears to be a distinct standard from that currently imposed by FINRA rules and guidance."	Capital Group supports the goals of the OCR but prefers a rule that would reduce rather than increase complexity. Capital Group supports the Best Execution rule and provided specific recommendations for potential changes.

### ...VERSUS, ADVOCATES FOR THE STATUS QUO

Opponents of reform want to **create the illusion of broad consensus and wide opposition** to the SEC's rule proposals. Through the financial backing of trade associations and serving as top clients to certain exchanges and discount brokers, they create a facade of wide support and drive a false narrative. **Do not be fooled**. Advocates of the status quo work in service of a concentrated but powerful corner of the market; one that would finally need to compete on an even playing field. They are fiercely fighting to maintain their stranglehold on markets.

It is unfortunate that lobbyists for a couple of these firms have brazenly provided elected officials and their staffs with incomplete and clearly misleading information. It also raises the question: What else have they peddled in Washington DC in the past weeks and months?

It's time to stand up to entrenched institutions and interests.

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