FIA Principal Traders Group
2001 Pennsylvania Avenue NW
Suite 600 | Washington, DC 20006

T 202 466 5460
F 202 296 3184

ptg.fia.org

July 17, 2019

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

Re: File No. SR-CboeEDGA-2019-012; Cboe EDGA Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Introduce a Liquidity Provider Protection on EDGA

Dear Ms. Countryman:

The FIA Principal Traders Group ("FIA PTG")[1] appreciates the opportunity to comment on the above-captioned proposal ("Proposal"). FIA PTG has consistently raised concerns with various artificial latency mechanisms that have been proposed in the U.S. financial markets.

The proposed rule change from Cboe EDGA Exchange Inc. ("EDGA") would introduce an asymmetric speed bump that applies a four millisecond delay only to incoming liquidity taking orders. This proposal is unprecedented for the U.S. equities markets. To date, the U.S. Securities and Exchange Commission (the "Commission") has not approved an asymmetric speed bump that would favor certain market participants over others. And rightly so, as there are ample reasons why such a discriminatory measure has yet to be approved.

We believe, for example, that an asymmetric speed bump will:

1. harm market quality, including execution quality, price discovery, and liquidity;
2. increase market fragility during volatile market conditions and contribute to market disruptions;

[1] FIA PTG is an association of firms, many of whom are broker-dealers, who 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).

3. give a misleading impression of what firm quotes are available in the market and create fleeting or potential illusory liquidity;
4. allow bad actors to display quotes that they do not intend to execute and facilitate market manipulation schemes, including spoofing, by creating mechanisms to easily pull quotes out of the way of incoming orders;
5. add unnecessary complexity to the market;
6. unfairly discriminate between different types of market participants; and
7. create an unlevel competitive playing field.

We note that FIA PTG member firms share these concerns regarding overall market quality despite being liquidity providers that would potentially benefit from the structural advantage that EDGA proposes to offer liquidity providers on its exchange. In fact, our collective concerns highlight the fact that the proposed EDGA asymmetric speed bump would result in unfair discrimination and an undue burden on competition in violation of the Securities Exchange Act of 1934, as EDGA liquidity providers would uniquely benefit from a customized, material advantage compared to other market participants (both on EDGA and on other exchanges).

Our concerns are further magnified by the absence of any data provided by EDGA in support of key assertions made in the rule filing. For example, EDGA states that the asymmetric speed bump "seeks to promote liquidity provision by reducing the opportunity for cross-asset latency arbitrage." However, EDGA fails to provide any data showing that "cross-asset latency arbitrage" is negatively impacting liquidity on EDGA or that an asymmetric speed bump should be expected to improve market quality.

While we do not agree with the proposed introduction of the asymmetric speed bump, we do agree that any quotes should not be protected as a result pursuant to the Commission's Automated Quotations Interpretative Guidance.[2] While this presents a less than perfect test of non-automated, non-protected quotes—necessitated by a more than *de minimis* delay, if the Commission approves this speed bump proposal it would at least force a renewed discussion regarding the value of Rule 611. Although we welcome this discussion, as explained in greater detail below, such a piecemeal approach to reforming Reg NMS is not constructive and only generates misleading data points.

From a more holistic perspective, we note that FIA PTG has advocated for modernizing Reg NMS since 2015.[3] Specifically, we have repeatedly called for enhancing broker best execution requirements and eliminating both the trade through rule (Rule 611) and the requirement to avoid displaying locked and crossed markets (Rule 610.d). Unfortunately, this proposal, if approved, represents a piecemeal and disruptive approach to reforming Reg NMS. That is not the hallmark of a well-functioning, smartly regulated market. Instead, we renew our call to action and urge the Commission to holistically review U.S. equity market structure.

For these reasons, we urge the Commission not to approve EDGA's proposal to introduce an asymmetric speed bump. FIA PTG remains opposed to artificial latency mechanisms of all kinds

---

[2] See *"Staff Guidance on Automated Quotations under Regulation NMS,"* June 17, 2016.
[3] See *"Simplifying U.S. Equity Market Structure,"* January 28, 2015 and *"Reg NMS: A Retrospective Review & Practical Reforms for Improvement,"* September 20, 2018.

and is not aware of any data showing that speed bumps result in material improvements to market quality or benefit end investors. Moreover, asymmetric speed bumps certainly fail the Exchange Act standards by unfairly discriminating amongst market participants and significantly burdening market competition.

If you have any questions about these comments, or if we can provide further information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group

Joanna Mallers
Secretary

cc: Walter J. Clayton, Chairman
Robert J. Jackson, Jr., Commissioner
Hester M. Peirce, Commissioner
Elad L. Roisman, Commissioner
Allison H. Lee, Commissioner
Brett W. Redfearn, Director of the Division of Trading and Markets