



December 12, 2023

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

Re: File Number S7-12-22: Further Definition of “As a Part of a Regular Business” in the Definition of Dealer and Government Securities Dealer

Dear Ms. Countryman:

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to comment again² on the Securities and Exchange Commission’s (“SEC” or “Commission”) Further Definition of “As a Part of a Regular Business” in the Definition of Dealer and Government Securities Dealer (the “Proposal”).³ As a trade association of principal trading firms (“PTFs”) trading their own capital, for the past 18 months FIA PTG has closely followed the discussion and debate around the Proposal. While FIA PTG appreciates the importance of the stated goals of the Proposal to prevent market disruptions and support market transparency, integrity, resiliency, and investor protection, we fail to see how this Proposal addresses any of those issues in a meaningful way. Requiring some of the most active traders to register as dealers simply because they actively trade makes no sense. Adding additional regulation and regulatory burdens to traders actively trading for their own accounts, including PTFs, does not further these goals.

Market participants acting as dealers are already required to register with the Commission as broker-dealers. If the Commission believes there are participants in Treasury markets, or elsewhere, acting as dealers but not registered then they should address the problem directly rather than try to create a broad new definition of dealing that is certain to capture many active market participants that are not acting as dealers. When discussing Factors Considered in Evaluating “Regular Business,” the Proposal cites the 2002 Release (FN 48) “In addition to frequency of

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.

² See: [Letter from Joanna Mallers, Secretary, FIA PTG, to Vanessa Countryman, Secretary, SEC, dated May 27, 2022](#), (“FIA PTG First Letter on the Dealer Proposal”).

³ Found at <https://www.sec.gov/files/rules/proposed/2022/34-94524.pdf>.

activity, **the nature of the trading activity** is a factor in determining whether a person is a dealer.” This concept is lost in the actual Proposal criteria, and FIA PTG believes the nature of the trading activity is the most important aspect of the definition.

Any rulemaking aimed at clarifying what is dealing activity should narrowly focus on activity that is well-understood to constitute dealing activity. For example, proposed qualitative threshold (ii) could be modified as follows:

(ii) "Routinely expressing firm two-sided quotations on a continuous or near continuous basis that are at or near the best available prices on both sides of the market for the same security and that are communicated and represented in a way that makes them accessible to other market participants."

Qualitative thresholds (i)⁴ and (iii)⁵ are not necessary. To the extent to which they are included, they should be in addition to satisfying qualitative threshold (ii), which would further narrow the scope.

Finally, we reiterate that the quantitative standard should be eliminated.

For the reasons stated in both this letter and the FIA PTG First Letter on the Dealer Proposal, we urge the Commission to either modify the Proposal to more accurately describe actual dealing activity or to withdraw the Proposal completely. If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group



Joanna Mallers
Secretary

cc: Gary Gensler, Chair
Hester M. Peirce, Commissioner
Caroline A. Crenshaw, Commissioner
Mark T. Uyeda, Commissioner
Jaime Lizárraga, Commissioner

⁴ (i) routinely making roughly comparable purchases and sales of the same or substantially similar securities (or government securities) in a day.

⁵ (iii) earning revenue primarily from capturing bid-ask spreads, by buying at the bid and selling at the offer, or from capturing any incentives offered by trading venues to liquidity-supplying trading interests.