



Talking Points December 13, 2017

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Who We Are

STA is comprised of 24 affiliate organizations covering the entire US and Canada. The STA national board of governors is comprised of past presidents and industry specific leaders. Our membership represents INDIVIDUALS from varying business models – buy-side, sell-side, hedge funds, exchange traders and market makers- dealing in equity and derivative trading.

Consolidated Audit Trail – Recommendation for a Revised Implementation Plan

STA delivered a letter to Thesys CAT, LLC and the Operating Committee on the draft CAT Reporting Technical Specifications for Industry Members, distributed on September 7, 2017. In addition to representing the interests of our members on matters relating to the CAT NMS Plan, STA is also a member on the Financial Information Forum (“FIF”) Consolidated Audit Trail Working Group. STA and FIF recommend that the Operating Committee ***“request that schedule and content relief be granted by the SEC so that a revised implementation plan can be established.”*** STA believes that a revised and comprehensive implementation plan extending existing deadlines and phasing in other asset classes and certain types of information, such as Personally Identifiable Information (“PII”), is a more effective strategy.

Holistic review on the impact equity rules have on the trading of Exchange Traded Products (“ETPs”) - Exchange Traded Funds (“ETFs”) and Exchange Traded Notes (“ETNs”) are unique investment vehicles which offer investors exposure to the performance of indices or desired strategies. While ETFs and ETNs trade on equity exchanges their differences from publicly traded companies merit consideration of whether there should be different trading rules. STA is considering recommending a holistic review on the impact equity rules have on the trading and market making in ETPs and whether investors would be better served if new rules or exemptions to existing rules were implemented. STA believes evidence exists that when the arbitrage, market making provision is encumbered, ETPs become less efficient. Rules STA is reviewing include: Rule 5250, Payments for Market Making by ETP Sponsors; NSCC Proposed Rule Change to introduce two additional cycles during which ETF agents could submit creation and redemption instructions; NSCC SR-NSCC-2017-019; Unlisted Trading Privileges; special consideration, perhaps even exemptions from pilots, on publicly traded companies; and Regulation M, which is designed to prevent the manipulation by individuals with an interest in the outcome of an offering.

Tick Size Pilot Data (“Pilot”) – The Tick Size Pilot has been fully implemented for over twelve (12) months and has produced much data as reported on and debated in the public domain by numerous firms and entities, including STA. Observations in critical data selection points such as spreads, displayed liquidity, average trade size, volatility and costs have been articulated and general consensus and conclusions are beginning to build. The NMS Plan which governs the Pilot recommends a two-year time frame followed by a period of time to analyze the data and make final decisions. STA recommends that a formal process on interpreting data generated from the Pilot begin January 2018. This process should be led by the SEC with industry participation and could take the form of an Open Roundtable or Working Group. We believe such an initiative will create efficiencies in the final determination on proceeding with any of the criteria found in the three (3) test groups.

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