

Public Statement

Statement on the Proposed Transaction Fee Pilot for NMS Stocks

Commissioner Kara M. Stein

March 14, 2018

I want to join Chairman Clayton in thanking the staff for their work on this proposal, in particular Richard Holley and Jennifer Juergens who led this project.

Today's proposal is based on the principle that policy is best done from the facts and evidence. This is especially true when it comes to complex market structure issues such as transaction fees and rebates.

For some time, exchanges have compensated brokers with rebates. These rebates are based upon the type and volume of the broker's customers' orders that are directed to the exchange. For at least the last ten years, market participants have vigorously debated rebates and whether they have resulted in perverse incentives that may harm the quality and efficiency of trading. Many have also argued that the variety of rebates offered by exchanges has contributed to order type complexity. And this, in turn, has led to greater market complexity and increased fragmentation.

Modern markets provide a data-rich environment in which we can get answers to these questions. The proposed pilot should help all of us to better understand the effect of transaction fees and rebates on liquidity provision, liquidity taking, and order routing. The central question that we hope will be answered is how do changes in rebates affect the quality and efficacy of an investor's order? The data from this study should inform our ultimate goal of improving market quality and the investor experience.

I am pleased that the proposal contains a stratification of rebates along with a "no rebate" bucket. I am also pleased that the proposal minimizes the length of the pilot depending on the quality and sufficiency of the data. I believe these aspects of the proposal will make the pilot program more effective and efficient.

Lastly, I believe that the proposal's approach to public disclosure of information is the right one. Ensuring that market participants, and not just the Commission, have access to the data from this proposal is an important step toward transparency of the process. Transparency is absolutely vital to efficient and effective securities markets. Said differently, our markets work as well as they do because of transparency.

I look forward to the comments on the Commission's proposal. In particular, are there improvements that will help inform the broader debate on how to improve market quality for companies and investors?

Thank you.