

Via E-Mail

February 15, 2019

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Roundtable on Market Data and Market Access; File No. 4-729

Dear Mr. Secretary:

I am writing on behalf of the Council of Institutional Investors (CII). We appreciate the opportunity to submit this comment letter to be included in the record for the above referenced matter.

CII is a nonprofit, nonpartisan association of public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately \$4 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families. Our associate members include a range of asset managers with more than \$35 trillion in assets under management.¹

As you know, on January 29, 2019, IEX sent a comment letter to you which included a detailed report analyzing the various costs that go into creating and running a national stock exchange.² The report compared IEX's own costs, on a per user basis, to the fees charged by NYSE, Nasdaq, and Cboe exchanges.³

We believe the information contained in the IEX report may be helpful in facilitating a broader policy discussion of trading costs, conflicts of interest, and

¹ For more information about the Council of Institutional Investors ("CII"), including its board and members, please visit CII's website at <http://www.cii.org>.

² Letter from Brad Katsuyama, CEO, IEX to Mr. Brent J. Fields, Secretary, U. S. Securities and Exchange Commission (Jan. 29, 2019), <https://www.sec.gov/comments/4-729/4729-4845907-177246.pdf>.

³ *Id.* (attachment).

best execution. Those topics are among the issues explicitly addressed in our membership approved policies that state:

Guiding Principles for Trading Practices, Commission Levels, Soft Dollars and Commission Recapture

The most important voice in discussions of soft dollars, commission levels and directed brokerage belongs to us, as institutional investors. Commissions are an asset of the plan, and as plan sponsors and trustees it is our right and responsibility to decide how they are managed. . . . We also have the broader duty to communicate the interests and desires of the institutional investor community to regulators, to the public and to the industry regarding trading practices and commissions.

Like any other expense of the plan, trading costs need to be managed to minimize the cost and ensure that maximum value is received. But current brokerage industry practices . . . may be antithetical to the fiduciary obligation of obtaining best execution, and hold too much potential for conflicts of interest and abuses.

. . . .

Clarity and transparency of disclosure of all money management and brokerage arrangements is essential Simple reliance on brokers, money managers and consultants for volunteered information is insufficient to discharge the obligations of plan fiduciaries.⁴

Generally consistent with our policies, we respectfully request the Securities and Exchange Commission (SEC) consider encouraging or requiring comparative data about the “all in” (including market data and connectivity) costs to trade *at all the exchanges*. We generally agree with Chester Spatt, a former chief economist at the SEC and a professor of finance at Carnegie Mellon University who commented:

A lot of this debate would be better anchored if there was more disclosure. . . . At a minimum, IEX is to be applauded for going this

⁴ CII, Policies on Other Issues, **Guiding Principles for Trading Practices, Commission Levels, Soft Dollars and Commission Recapture** (Mar. 31, 1998), https://www.cii.org/policies_other_issues#principles_trading_commission_softdollar.

route and providing a benchmark of disclosure. Now we can see the other guys' numbers—are they different?"⁵

We believe such information may be necessary for investors and the SEC to understand what regulatory changes to the exchanges may be appropriate to better serve the needs of investors, other market participants, and the capital markets.

Thank you for consideration of our views. If we can answer any questions or provide additional information with respect to this letter, please do not hesitate to contact me at 202.822.0800 or jeff@cii.org.

Sincerely,



Jeffrey P. Mahoney
General Counsel

cc: The Honorable Chairman Jay Clayton, U.S. Securities and Exchange Commission

The Honorable Commissioner Robert J. Jackson, Jr., U.S. Securities and Exchange Commission

The Honorable Commissioner Hester M. Peirce, U.S. Securities and Exchange Commission

The Honorable Commissioner Elad L. Roisman, U.S. Securities and Exchange Commission

Mr. Brett Redfearn, Director, Division of Trading and Markets, U.S. Securities and Exchange Commission

⁵ Gretchen Morgenson, NYSE, Nasdaq Rival Aims to Shed Light on Fee Profits, Wall St. J., Jan. 29, 2019, <https://www.wsj.com/articles/nyse-nasdaq-rival-aims-to-shed-light-on-fee-profits-11548783330>.