



Elizabeth K. King
General Counsel and
Corporate Secretary

New York Stock Exchange
11 Wall Street
New York, NY 10005

June 19, 2018

Danny Mulson
Aberdeen High School
Wetlawn, Oregon

Re: [Your June 7 comment letter to the Securities & Exchange Commission \(SEC\)](#)

Dear Danny,

We were encouraged to see your contribution to the public discourse on the proposed SEC pilot, and we hope all is well in Wetlawn.

In your letter to Mr. Fields at the SEC, you wrote that you “only became concerned about this debate in recent days.” For the New York Stock Exchange, our role in the SEC’s mission of “maintaining fair, orderly, and efficient markets” has been our pursuit for 226 years. [Our detailed, 20-page letter to the Commission](#) was our sincere effort to ensure America’s markets continue to be fair, orderly, and efficient -- and the best in the world -- for centuries to come.

Reading your letter, and in light of your commendable interest, we would like to extend an invitation to Mr. Canton’s economics class to visit the NYSE in order to see our institution at work.

What you would witness is a vibrant and prosperous-free enterprise in action, occurring in the open for the world to see. Public exchanges like the NYSE are the backbone of our equity markets, providing listed companies with access to capital, and market participants with a multitude of benefits, including greater transparency, liquidity, regulatory certainty and efficient price discovery.

But a growing trend has moved more and more trading into the shadows. Off-exchange trading venues offer havens for client discrimination, selective access, anonymity, and trading ahead of displayed liquidity – four powerful lures that traders would not find on licensed exchanges. At the NYSE and other lit markets, these practices are strictly prohibited to ensure fair treatment and open access to all participants.

This is the source of our concern with the proposed pilot. While the SEC’s rationale is to better understand the order routing behavior of broker dealers, the pilot is designed to only investigate the routing activity on regulated exchanges without consideration to the additional 50+ off-exchange trading venues, where 40% of all trading volume is executed daily.

The SEC’s program, which may render irrevocable harm to America’s “fair, orderly, and efficient markets,” seeks to scrutinize the most transparent components of these equity markets -- with listed companies and retail investors bearing the burden of this experiment in government price fixing -- instead of focusing on the most opaque areas.

Mr. Danny Mulson
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In the fragmented and complex U.S. equity market, incentives offered in the open exchanges have served to attract liquidity where price formation takes place. While we fully recognize concerns from investors that these incentives might introduce a conflict of interest for broker dealers when making order routing decisions, those conflicts can, and should, be addressed at their source: the broker dealer.

Instead, the SEC is initiating a government price-setting experiment with market-wide consequences. The Founders of our system of free enterprise would not be pleased.

As you probably learned in your history class, Congress passed the Bill of Rights in late 1791, confining the reach of the federal government to its powers enumerated in the Constitution. Setting prices was not among them.

The NYSE was founded a year later, in 1792, directly across the street from where the Bill of Rights was drafted and signed. It is not a coincidence that the United States has grown to be the most successful nation in human history given how the U.S. embraced free markets and the power of every individual to make their own economic choices.

Ultimately, the proposed SEC pilot amounts to price controls on these free markets. Though often well-intentioned, time and time again, history has shown that government mandated price controls do not work and, unfortunately, they most often harm the very people that they were intended to help.

Collectively, we need to take a hard look at whether there will be consequences for our financial system overall to have more trading move into the shadows rather than remaining out in the open. The NYSE's estimate of the pilot's \$1B cost to investors, which was correctly measured from the midpoint of the wider expected spread, is an attempt to highlight a predictable outcome while there is still a chance to avoid it.

In visiting the Exchange, we are confident you will better understand that open and transparent trading should be encouraged, and market makers, who bear risk by providing vital liquidity and play a critical role in setting public prices, should be incentivized -- or in the very least, not be unfairly discriminated relative to off-exchange venues.

We hope your class will accept our invitation to visit the NYSE. And when you come, remember to bring a valid form of identification in order to pass through our security.

Sincerely,



Elizabeth K. King
General Counsel and Corporate Secretary
NYSE Group, Inc.