



Discussion Document – March 2022

Who We Are

Founded in 1934, STA¹ is comprised of 24 affiliate organizations in the US and Canada. The STA national board of governors is comprised of past presidents and industry leaders. Our membership represents INDIVIDUALS from varying business models: asset owners; asset managers; broker dealers who service institutional, retail and self-directed retail investors; vendors; and exchanges and market makers dealing in equity, ETF and derivative trading.

SEC Rule Making Process – Challenges with 30-Day Comment Periods.

It is STA's view that the notice and comment process is critical to effective SEC rulemaking. Since December 15, 2021, the SEC has proposed fourteen rulemakings, the majority of which only having 30-day public comments periods. These actions are in contrast to the Commission's historical use of 60- to 120-day comment periods. We believe 60- to 120-day comment periods provide industry the time necessary to provide more thorough feedback for SEC proposals and are more consistent with the spirit of the Administrative Procedure Act.

SEC Staff Report on Equity and Options Market Structure Conditions in Early 2021

STA appreciates the efforts of SEC Staff in compiling their report on market events in early 2021. We believe the Staff's report provided certain insightful observations, debunked some misconceptions expressed in the public domain, and re-enforced the general belief that our markets performed well operationally during an extreme volatile period.

STA was encouraged to learn that the Consolidated Audit Trail played a material role in the Staff's analysis and we hope this marks a beginning to the benefits CAT can provide.

SEC Proposes Significant Expansion of Regulation ATS – “Communication Protocol Systems”

In 1998, the SEC approved Regulation ATS (Reg ATS) and in conjunction, adopted Rule 3b-16 under the Securities Exchange Act of 1934 (Exchange Act), which serves to interpret the Exchange Act's definition of an “exchange.” Under current Rule 3b-16, systems that bring together the orders of multiple buyers and sellers for securities using nondiscretionary methods (e.g., by setting rules) generally fall within the definition of an “exchange” and as such are required (i) to register as a national securities exchange or, (ii) apply for a Reg ATS exemption and register as a broker-dealer and thus comply with Reg ATS.

As a result of Rule 3b-16's reference to “orders,” systems that use non-firm trading interest (rather than firm orders) to bring together multiple buyers and sellers may have been viewed as not within the scope of Rule 3b-16 and therefore not subject to the requirement to register as an exchange or comply with Regulation ATS.

¹ STA is a trade organization founded in 1934 for individual professionals in the securities industry. STA is comprised of 24 affiliate organizations in North America with individual members who are engaged in the buying, selling and trading of securities. STA is committed to promoting goodwill and fostering high standards of integrity in accord with the Association's founding principle, Dictum Meum Pactum – “My Word is My Bond.” For more information, visit <https://securitytraders.org/>.



On January 26, 2022, the SEC [proposed rules](#) that would expand the types of systems that must comply with Reg ATS to include “communication protocol systems” that use non-firm trading interest to bring together buyers and sellers of securities.

It is STA’s view that the expanded scope of Reg ATS to include “communication protocol systems” – a newly coined term as it pertains to financial markets – represents a significant change that requires considerable time to understand and debate. For example, STA is particularly concerned that the new definition of communication protocol system may impact a lot more than the SEC’s estimate of twenty-two existing platforms that are currently non-ATS entities.