STA

Discussion Document – November 2020

Who We Are

Founded in 1934, STA is comprised of 24 affiliate organizations in the 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.

Funding for SEC Budget – Undue Burden on Equity Markets

- STA continues to advocate that the SEC be adequately funded and that there exists a fair allocation of the regulatory costs; with no one asset class or type of market participant bearing an undue burden.
- Presently, appropriations to the SEC by Congress each fiscal year are recouped via Section 31 Transaction Fees that are placed on equity transactions. When the Section 31 fee structure was reformed in 2001, the SEC's budget was $492 million and its regulatory responsibilities were almost exclusively on the equity markets.
- The Dodd–Frank Act in 2010 significantly increased the SEC's responsibilities including giving the agency oversight over additional asset classes. Key among the Dodd-Frank Act provisions related to the SEC is the change that gave 100% of the responsibility for funding the agency to entities and investors that pay Section 31 Transaction Fees, while other fees[1] that previously contributed to funding the SEC are directed to the general Treasury.
- The SEC budget request of $1.993 billion for FY 2022 includes digital/crypto asset oversight. Equity market participants will again bear the regulatory costs of a non-equity asset class.
- STA has no opinion on whether the SEC's 2022 budget request is too much or not enough. We strongly oppose the existing allocation of regulatory costs and undue burden it places on the equity markets. We therefore recommend that the SEC and Congress work towards a funding model that is more efficient and treats equity participants, including investors, fairly.

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.
- STA was disappointed however, with the information provided under Clearing Agency Margin and Capital Issues and believe the industry could have benefitted from a better understanding on the factors and processes used in determining and communicating excessive capital premiums.

[1] Other fees assessed on the industry include: Section 6(b) fees for securities registrations; Section 24(f) fees for mutual fund registrations; Section 13(e) fees assessed on the purchase of securities by issuers; and Section 14(g) fees for proxy solicitation filings. Funds collected from Section 6(b) of the Securities Act of 1933 and Section 24(f) of the Investment Company Act of 1940 are deposited into the Reserve Fund. Collection of funds deposited in the Reserve Fund may not exceed $50 million in any one fiscal year, and excess fees will be deposited in the U.S. Treasury.

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