



Discussion Document – July 2019

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Who We Are

STA is comprised of 24 affiliate organizations covering the entire 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.

Consolidated Audit Trail – Recent Developments

*There have been a number of positive developments since the SRO's decision to terminate the contract with Thesys CAT.

- SEC's decision to create a new role of Senior Policy Advisor on CAT
- The SROs' decision to award FINRA CAT LLC the CAT Processor contract
- Phased-in approach on implementing asset classes
- Delivering to the industry technical specifications required for implementation

SEC no-action letter under the Investment Advisers Act of 1940 on MiFID II

*STA believes that a meaningful number of market participants anticipate the Commission granting an extension and/or expansion of the existing "no-action" relief. A decision to allow the relief to expire in July 2020 risks to be highly disruptive if firms are not provided adequate time to adjust to the regulatory regime.

*Expiration would have a particular impact on those broker-dealers who may decide to register their research departments as investment advisers to accommodate cash payments.

*Additionally, we believe that the demands on SEC resources to process an initial influx of RIA registrations and to facilitate ongoing audit and supervision reporting would be meaningful.

Thinly Traded Securities – UTP

*It remains STA's view that shareholders in small- to mid-size securities which lack a robust secondary market benefit from the presence of market makers and block traders who can, among other things, provide enhanced liquidity to increase the depth of the market. While the factors in enhanced liquidity provision are numerous, there are certain core factors that could be improved through regulatory actions: quote quality; volatility; and reduction in costs.

*While STA understands and appreciates that the goal of suspending UTP is to enable "innovative market structure solutions", we still have concerns regarding a venture or thinly traded securities exchange regime which allows for the suspension of UTP as part of its construct.

STA letter to SEC on proliferation of strikes in option market place

*In an April 5, 2019, letter to the SEC, STA relayed its view that the proliferation of options series for quoting and trading has overly complicated the options markets and necessitated excessive (and thus inefficient) consummation of technology.

*We noted the Options Listing Procedures Plan ("OLPP"), a National Market System plan which defines procedures for introducing new options series into the marketplace, is either silent or requires additional guidance in areas instrumental to its overall effectiveness.