

## Talking Points September 30, 2015

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### Who We Are – STA

STA is a grass roots organization comprised of 24 affiliate organizations in the U.S. and Canada. Our membership represents INDIVIDUALS who trade financial products from varying business models – buy-side, sell-side, hedge funds, exchanges and market makers- dealing in equity and derivative trading. The STA provides members with educational content on industry issues, while also representing their interests with legislators, regulators and other industry organizations.

### STA Issues:

- Implementation of Tick Size Pilot; Data Reporting Requirements
- SEC Equity Market Structure Advisory Committee
- U.S. Venture Exchange; U.S. Venture Markets and TSX Venture Exchange
- Financial tax reform/Financial transaction tax

### Specific Comments:

#### Implementation of Tick Size Pilot; Data Reporting Requirements

##### *General remarks on data collection*

\*Good work is being done by industry groups and SROs to capture data reporting requirements.

\* The validity of the pilot hinges on the data, both pre-pilot “baseline” data and intra-pilot results data.

\*FAQs play a critical role in the implementation of the pilot.

\*It is reasonable to expect that a majority of firms will rely on third party vendors for the data preparation. Data preparation will fall into two broad categories: expansion of existing data capture, such as rules 605/606; and new data captures such as profitability. The former is less complex but requires vendors to have all the data requirements and formats in place prior to any work being done by firms they service. This two step work flow is sequential and not parallel. Firms cannot begin work on delivering data to their vendors until they have received the specifications from them. New data captures by their general nature are more complex given the fact that no work flows exist. This complexity is acutely felt by firms, like agency only institutional broker dealers who currently provide limited, if any trade reporting information.

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*General recommendations on data collection*

\*Timelines need to align with the instructions necessary for compliance.

\*Efficient implementation of data reporting cannot begin until FAQs are published

*Specific recommendations*

\*Deadline for the pre-pilot "baseline" data capture should be identified upon the publication of FAQ's.

**SEC Equity Market Structure Advisory Committee, ESMAC**

The STA supports the SEC's efforts to engage in a review of equity market structure issue. Such a review should be comprehensive and data driven in order to mitigate the potential for unintended consequences. In letters to the Commission dated [Sept 5, 2014](#) and [Jan. 23, 2015](#) STA expressed support for the EMSAC and a desire to see it become a vibrant committee. Forming subcommittees, which would make formal recommendations to EMSAC, was discussed at the inaugural meeting. The STA acknowledges the efficiencies subcommittees provide in making formal recommendations but we have reservations with the lack of transparency and Sunshine Act exemptions.

**U.S. Venture Exchange; U.S. Venture Markets and TSX Venture Exchange**

TSX Venture Exchange has been referenced when discussing creating a U.S. venture exchange. In a letter to the Commission dated [May 5, 2015](#), STA recommended the Commission compare the attributes of the U.S. over-the-counter venture market to the Canadian venture exchange model to determine to what degree, if any, a gap exists between the current U.S. model and what may be achieved if an exchange alternative were introduced. In 2014, OTC Market Group graduated eighty-three (83) U.S. companies to listed exchanges and TSXV graduated twenty-two (22). After factoring in the size of the respective economies, STA has reservations that a U.S. venture exchange is required.

**Financial tax reform/Financial transaction tax**

It is critical to address several key provisions in the recent draft proposals on uniform tax treatment of derivatives (Former Chairman Camp) and a FTT (Senator & Presidential Candidate Sanders). Specifically, the former draft would have an adverse impact on investors who use exchange traded options by imposing a tax penalty on an effective risk reduction tool. Whereas the later draft will adversely impact market structure for equities by reducing overall liquidity and increasing transaction costs