March 31, 2023

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549-1090

Re:
Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders
(Release No. 34-96494; File No. S7-30-22)

Dear Ms. Countryman,

Ontario Teachers' Pension Plan Board ("OTPP"), the Alberta Investment Management Corporation ("AIMCo"), the California State Teachers' Retirement System ("CalSTRS"), the California Public Employees' Retirement System ("CalPERS"), the Canada Pension Plan Investment Board ("CPPIB"), the Teacher Retirement System of Texas ("TRS"), and the group of undersigned public pension plans, institutional investors and fiduciaries, are responsible for, among other assets, investing retirement funds that support over 35 million individuals and their families with over $ 2.0 trillion in assets. A large percentage of those assets are invested in U.S. equity securities. We write in response to the Securities and Exchange Commission's ("Commission" or "SEC") request for comment on its proposal to revise various aspects of Regulation National Market System ("Regulation NMS") under the *Securities Exchange Act of 1934* (Exchange Act).[1]

As long-term investors that manage assets for the benefit of individual pension plan beneficiaries and clients, we depend on equity markets that are efficient, transparent, competitive, and minimize costs that are ultimately borne by those beneficiaries. The impacts of equity market rules on those individual plan beneficiaries are equally as important as the impacts on retail investors that send orders to the market directly (some of whom are also beneficiaries in the pension plans for which we invest).

We support the SEC's goal to achieve Congress's objective of efficient, competitive, fair, and orderly markets while accounting for the technological evolution of the national market system. Furthermore, we believe that targeted changes to Regulation NMS can help to give all investors improved opportunities to receive the best prices while reducing transaction costs. We would particularly like to detail our support and provide input on two of the SEC's proposed changes.

Rule 610 – Access Fees and Rebates
We support the proposed reduction in the access fee cap for all NMS securities to $0.001 per share from the current level of $0.003, which aligns in most respects to the Commission's proposal. The existing cap, adopted in 2005, does not reflect the enormous efficiency gains from technology advances since that time. Further, in practice, this "cap" has come to be used as the standard rate charged to access quotes at most exchanges, and almost all of those fees are then "rebated" to liquidity providers. The Commission estimates the average "net capture" (access fees collected minus rebates paid out) is only $0.0002 per share, which means that over 90% of the access fees collected are paid out in the form of rebates.[2]

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[1] See Securities Exchange Act Release No. 96494, 87 FR 80266 (December 27, 2022).
[2] Proposing Release, at 80312.

Further, rebate payments are heavily "tiered" based on market volume by individual firms, which means those benefits are directed to a select number of electronic trading firms and not to investors.

The existing system clearly disadvantages institutional investors. First, institutions on average tend to seek to access rather than provide liquidity on exchanges, so the burden of high fees falls on them disproportionately. Second, the use of rebates creates conflicts of interest, because when an institutional order is sent as a displayed order, the potential for a rebate may influence where a broker sends the order, even when the investor could receive a better execution on another market.

A reduction in the access fee cap by two-thirds will reduce trading costs for long-term investors and help to reduce the impact of rebates on order routing. We believe that $0.001, rather than a lower amount, represents an appropriate standard, because it will provide sufficient flexibility for exchanges to charge reasonable fees for providing access to liquidity without having to rely on a business model that uses access fees primarily to fund rebates.

We also support the Commission's proposal to require that exchange fees be set so that the amount of the fee or rebate allocated to a particular trade is known at the time of the trade. When exchanges use volume-based tier schedules that depend on the current month's trading volume, the per transaction fee or rebate cannot be known when the trade occurs. The Commission's proposal will therefore help to make overall trading costs more transparent.

Rule 612 – Minimum Tick and Trading Increment
We support the SEC's proposal to reduce the tick size that now applies to most securities from $0.01 to $0.005 for stocks that are heavily traded. These stocks tend to be constrained in their trading by the current standard, in that participants are precluded from quoting at prices that reflect actual investor demand.

At the same time, we believe the Commission should be targeted and deliberate in reducing the tick size. A more severe tick size reduction for the most actively-traded securities, as The Commission has proposed, could increase existing speed advantages of electronic trading firms when trading on exchanges. Agent brokers trading for customers cannot tailor their order routing based solely on the speed of trading in the ways that the fastest proprietary trading firms can do. Adopting overly-narrow tick increments therefore makes it more likely investors will routinely lose execution priority to the fastest trading firms and will trade at less advantageous prices when their orders do execute. This dynamic is likely to increase the incentives of institutional investors to seek trading opportunities on non-exchange venues, contrary to the Commission's purpose.

Finally, we recommend that in setting tick sizes, the Commission should simultaneously seek to increase opportunities for the orders of institutional and retail investors to interact, consistent with the Exchange Act objective of providing opportunities for investors' orders to trade without the participation of a dealer. Different types of long-term investors, by their nature, would tend to benefit by having their orders matched with each other, but in practice, they are generally precluded from doing so by the existing market structure. The existing $0.01 tick increment prevents exchanges from displaying prices available to retail investors inside the one-cent minimum. One way to increase opportunities for investor orders to interact would be to allow exchanges to fully display orders willing to trade with orders from retail investors, at sub-penny increments. This improved transparency could increase opportunities for investors to find each other and trade at mutually beneficial prices.

Conclusion

We applaud the Commission's continuing efforts to seek to make trading more efficient, fairer, and competitive, with the ultimate goal of best serving investors. We believe updating Regulation NMS in the respects recommended would help the Commission promote fairer, more efficient, and more competitive markets that prioritize the interests of all long-term investors.

Sincerely,

Kevin Duggan
Senior Managing Director
Beta & Global Trading, Capital Markets
Ontario Teachers' Pension Plan

Richard Wan
Director
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Alberta Investment Management Corporation

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The following firms endorse the comments and opinions expressed by the Ontario Teachers' Pension Plan, the Alberta Investment Management Corporation, the California State Teachers' Retirement System, the California Public Employees' Retirement System, the Canada Pension Plan Investment Board, and the Teacher Retirement System of Texas in the above letter. This endorsement is authorized by way of signature below, as an appendix to the comment letter submitted by firms mentioned above referencing File No. S7-30-22

Signature: Cole Smith

Name: Cole Smith

Title: Senior Equity Portfolio Manager

Firm: Arizona State Retirement System

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Signature:

Name: Frank J Aten

Title: Managing Director — Public Markets

Firm: Public Schools & Education Retirement Systems of Missouri

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Retirement System, the Canada Pension Plan Investment Board, and the Teacher Retirement System of Texas in the above letter. This endorsement is authorized by way of signature below, as an appendix to the comment letter submitted by firms mentioned above referencing File No. S7-30-22

Signature: ______________________

Name: **DANIEL LAVIGNE**
Director, Trading
OMERS Capital Markets / Robert Gouley
Principal, Trading

Firm: OMERS Administration Corporation

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Signature: Mark Holl

Name: MARK HOLLERAN

Title: VICE PRESIDENT - EQUITIES

Firm: VESTCOR INC.

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Signature: Hershel Harper (Mar 31, 2023 14:12 EDT)

Name: Hershel Harper

Title: Chief Investment Officer

Firm: UAW Retiree Medical Benefits

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Signature: ______________________

Name: Benoit Gauvin

Title: Managing Director, Index Management, Trading and Securities Finance

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Signature:

Name: DAMIAN MAROUN

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