

November 12, 2018

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006-1506

Re: Proposal to Expand OTC Equity Trading Volume Data Published on FINRA's Website (Regulatory Notice 18-28)

Dear Ms. Asquith:

Citadel Securities¹ appreciates the opportunity to comment on the FINRA proposal to expand the data that is published relating to OTC equity trading (the "Proposal").² We support efforts to increase market transparency that benefit end investors.

One important aspect of the Proposal is that FINRA will begin publishing information regarding trading activity through single-dealer platforms ("SDPs"). Currently, this SDP trading activity is reported as part of a firm's overall OTC volume. In order to specifically isolate SDP trading activity, FINRA is proposing to require firms that operate an SDP to obtain a unique MPID for reporting their SDP activity.

In order to effectively implement this aspect of the Proposal, it will be important to clearly and accurately define what constitutes an SDP. In our view, the proposed SDP definition correctly incorporates several key concepts, including (a) the existence of an identifiable electronic trading platform that is owned and operated by a member and (b) a requirement that the member trades solely for its own account. In order to further delineate SDP trading activity, we recommend supplementing the proposed definition by specifying that only immediate-or-cancel ("IOC") and fill-or-kill ("FOK") order types are in-scope. Focusing specifically on these order types will result in capturing true "dealing" activity (i.e. orders routed to a dealer to be filled on a principal-only basis or cancelled), while helping to ensure that other client businesses, such as the handling and execution of retail order flow, remain outside of the SDP definition.³ We believe this is consistent with the intent of the proposed SDP definition.

¹ Citadel Securities is a leading global market maker across a broad array of fixed income and equity securities. In partnering with us, our clients, including asset managers, banks, broker-dealers, hedge funds, government agencies and public pension programs, are better positioned to meet their investment goals. On an average day, Citadel accounts for approximately 21 percent of U.S. listed equity volume, 23 percent of U.S. listed equity option volume, and more than 39 percent of all retail U.S. listed equity volume.

² http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-18-28.pdf.

³ This is because the handling and execution of retail order flow includes the routing of orders to other venues for execution, such as exchanges and ATSS. In addition, a variety of different order types are received, including marketable orders, non-marketable limit orders, and orders that contain other specific instructions, such as stop-loss

In connection with finalizing the Proposal, we also recommend that FINRA provide further guidance regarding the application of the SDP definition in certain scenarios. For example:

- In what circumstances will an SDP be considered to be embedded within an ATS? In this context, is the relevant distinction whether or not the SDP constitutes a separate ‘tier’ within the ATS (and therefore can be specifically targeted by IOC or FOK orders)?
- Can SDP activity include IOC or FOK orders received directly from a client (whether a broker-dealer or not) or from an internal smart order router? In addition, can any such SDP activity include IOC or FOK child orders that the SDP receives that are generated during the execution of a parent order?

Finally, we note that the proposed changes regarding separately reporting and publishing data on SDP trading activity should be accompanied by conforming changes to Rule 605. Otherwise, standardized execution quality reports will not reflect the same level of granularity as the data published by FINRA, impeding the regulatory objective of increasing transparency regarding SDP trading activity.

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We appreciate the opportunity to provide comments on the FINRA proposal. Please feel free to call the undersigned at (646) 403-8200 with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director, Government & Regulatory Policy

triggers. The handling and execution of this order flow is very distinct from the principal-only filling of IOC and FOK orders provided by a dealer operating an SDP.