

August 17, 2026

- via Electronic Mail (rule-comments@sec.gov)

Ms. Vanessa Countryman,

Secretary U.S. Securities and Exchange Commission (SEC)

100 F Street NE., Washington, DC 20549

**Re: The Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation NMS
(File No. S7-2026-20; Release No. 34-105655; RIN 3235-AN50)¹**

Dear Ms. Countryman,

On behalf of Data Boiler Technologies, I am pleased to provide the SEC with our comments on the Trade-Through Rule and Locked and Crossed Markets Provisions of Regulation National Market System (Reg. NMS). Data Boiler is a Pioneer in FinTech with patented inventions in signal processing, trade analytics, machine learning, time-lock cryptography, etc. We frequently comment on regulatory policy both domestically and abroad with over 12 years in business.

Historically, Reg. NMS development was driven by trading venues to collectively work as one with links different markets. It enforced the orderly function of price formation across markets that anchored to the Securities Information Processor (SIP) National Best Bid and Offer (NBBO) reference price. Thus, preventing exploitations that arise from *locked* and *crossed* markets. The US equity market will functionally adopt the European model if this SEC proposal is fully adopted. Instead of a complete repeal of Rule 611 and Rule 610(e) – a.k.a. Order Protection Rules (OPR), we recommend the Commission to adopt the **Venue Trading Volume Threshold for Protected Quotes alternative**.

Please see the BOX below for an **Executive Summary** of our comments:

1. Europeanization of U.S. Markets and the Destruction of Microstructure

While we share the Commission's desire to eliminate the multi-billion-dollar technology and data-fee burden imposed by rent-seeking, low-volume venues, a complete rescission of OPR will create an unstable, highly fragmented market structure. Removing these intermarket price boundaries triggers a structural "*Race to the Bottom*," akin to [Gresham's Law of Microstructure](#), where bad market environments drive out good displayed liquidity.

Without a legal mandate guaranteeing price protection, the core economic incentive for market participants to display visible limit orders on lit exchanges severely degrades. Traders will actively pull their public quotes and retreat into [dark pools, single-dealer platforms, and bilateral silos](#), leading to a dramatic hollowing out of [visible market depth](#). The consequences of this total structural dismantling include:

Severe Market Fragmentation: Liquidity will fracture across dozens of unlinked, disconnected trading "[echo chambers](#)" that stream conflicting versions of the BBO.

NBBO Degradation: Public spreads will widen drastically, and the refresh rate and integrity of the NBBO will collapse [like Europe](#), turning the official tape into an [inaccurate, lagging reflection of actual supply and demand](#).

Destruction of Retail Price Discovery: Uninformed retail order flow will be systematically [cherry-picked, captured, and walled off](#) within [private bilateral silos](#) using weaponized price discrimination, starving public exchanges of diverse volume.

Disrupt critical Cross-Asset Derivative Hedging: The breakdown of the underlying equity reference price will break the real-time linkages necessary for options market makers to clear risk, forcing a wider, systemic spread expansion across related [derivative products](#).

¹ <https://www.sec.gov/files/rules/proposed/2026/34-105655.pdf>

NOTE: By legally protecting displayed quotes, the OPR in tandem with the SIP – which supposed to be a [light weight](#) close substitute for exchanges' proprietary data feeds – acts as a powerful **Advertising function** that projects a transparent, deeply liquid market to globally reinforce investor confidence, representing the most critical mechanism driving the U.S. market's competitive advantage over foreign jurisdictions.

2. The Fatal Flaws of Complete Rescission and the Privatization of Liquidity

A complete elimination of intermarket price protection will cause institutional volume to abandon public continuous trading hours, migrating into private, unlinked single-dealer "[echo chambers](#)" to avoid adverse selection. This shift will [hollow out](#) the public Central Limit Order Book, expand the [Equity Risk Premium](#) for [corporate issuers](#), and introduce severe [tracking errors of Exchange Traded Products](#). While periodic auctions at lit exchanges and Alternative Trading Systems (ATSS) will increase, completely rescinding OPR strips away the synchronization between the Central Limit Order Book (CLOB) and auctions, paving the way for cheap, highly profitable, and uninhibited [cross-mechanism arbitrage](#). Furthermore, executing continuous global sessions without intermarket boundaries would result in *erratic, high volatile public books* that *thin out unevenly during stress*. This creates a high risk of [micro-flash crashes](#) on isolated secondary venues while the primary exchange trades normally, heightening overarching systemic liquidity risk.

3. The Commission's Analytical Failure Regarding Multi-Asset Linkages and Delta-Hedge Slippage

The proposal erroneously treats the US equity market as an isolated ecosystem, completely ignoring the profound downstream effects that the rescission of Rules 611 and 610(e) will have on the listed options market. While the Commission hosted an *Options Market Structure Roundtable* in April 2026, that discussion stuck entirely to isolated derivatives debates – such as strike proliferation, retail auction mechanics, and specialist allocations – completely [failing to anticipate the cross-asset execution and hedging dislocations](#) that this equity proposal will mandate.

Options market makers do not quote derivatives in a vacuum; they survive by instantly [delta-hedging](#) their risk using the underlying NMS stocks. If the Commission completely repeals equity price protections while keeping the Options Order Protection NMS Plan active, a severe market asymmetry is born. Options market makers will face uncompensated timing lags and execution slippage on their equity hedging legs as the underlying market fragments into unlinked books.

To absorb this unhedged equity execution risk, options market makers will be forced to drastically widen their options quotes on strictly protected options exchanges. By failing to model the delta-hedge timing loop, this proposal if adopted "*as-is*", it will *drive up transaction costs* and *widen synthetic spreads, increase frictions and predatory cross-asset arbitrage*, as well as [wholesaler internalization arbitrage](#) harming retail, pension and mutual funds.

4. Heightened Disputes and the Weaponization of Regulatory Data

Streaming crossed or locked quotes fractures the regulatory framework and [strips the NBBO of its legal teeth](#), shifting the burden of proof to broker-dealers under FINRA Rule 5310. Firms are forced into a bureaucratic compliance exercise to justify routing designs through rigid, expensive "*Material Markets*" documentation, creating an artificial barrier to entry that suppresses smaller, innovative firms. Furthermore, sequence drift in the noisy [Consolidated Audit Trail](#) (CAT) database can perversely flip the timing of rapid-fire adjustments and cancellations in enforcement. This structural distortion creates false signals of spoofing or quote stuffing, running a high risk that flawed data will be weaponized to penalize blameless market participants and chill retail volume.

5. Geopolitical Threats: On-Chain Foreign Clones

Capital has no nationality, and degrading the US public tape into an unlinked landscape of private echo chambers creates a massive geopolitical opening for foreign adversaries. An international alliance of exchanges could execute a sophisticated [regulatory arbitrage by cloning](#) the "*classic*" Reg. NMS Order Protection Rule on a shared, ultra-fast distributed ledger

network. This tokenized framework would leverage smart contracts to achieve simultaneous execution and settlement, entirely eliminating legacy latency arbitrage gaps. By combining [24/7](#) on-chain liquidity with a hardcoded “*best price*” shield, this alternative network offers legally bound global asset managers total regulatory safety, **triggering capital flight away from Wall Street**.

6. The Structural Superiority of the Venue Trading Volume Threshold

Strategic Objective	Complete Rescission	Locked Legal / Crossed Illegal	Venue Trading Volume Threshold
Protect Public NBBO Integrity	No; degrades into lagging reference data	Partial; prevents negative spreads but restricts speed	Yes; anchors a highly liquid public core
Claws Back the \$10+ Billion Data Waste	Fragmented; relies on voluntary unlinked buy-in	No; mandatory connectivity stays active	Yes; strips protection from data-monopoly fringes
Prevents Exchange Oligopolies	No; major venues use capital to lock up exclusive flow	No; protects legacy exchange structures	Yes; gives smaller venues a clear path to earn protection
Regulator Enforcement Viability	Low; forces backward-looking statistical guesses	Low; forces microsecond policing of locks vs. crosses	High; preserves a clean, centralized benchmark

7. Our Recommendation

Instead of a complete repeal, the Commission should adopt the [Venue Trading Volume Threshold for Protected Quotes](#) alternative. When paired with an industry-led Copyright Licensing Framework, this surgical alternative achieves the SEC’s cost-reduction goals without market chaos. It sharpens public price discovery, supports a [23x5 global trading](#) architecture, eliminates predatory maker-taker [rebate games](#), and systematically protects the broader financial ecosystem. Setting a rolling market-share threshold (e.g., 1% of aggregate NMS volume) instantly strips protected status from illiquid, fringe exchanges. This legally allows broker-dealers to safely disconnect from rent-seeking platforms, freeing up billions in capital currently wasted on exchange data rents, access fee rebates, and payment for order flow (PFOF).

Stripping protection from minor venues allows them to compete as “[streaming platforms](#)” that pay “*performance royalties*” to “*content creators*,” [eliminating toxic rebate games](#) and optimizing clearinghouse risk management. This [copyright framework](#) realigns \$10+ billion in wasted data rents into a robust clearinghouse Default Insurance Fund, monetizes historical transaction sequences via flat-fee “*Sound Library*” subscriptions, and deploys [Time-Lock Encryption](#) to neutralize latency arbitrage. Furthermore, a **Liability Pass-Through Architecture** holds both brokers and platforms accountable for algorithmic glitches. If a member defaults, the clearinghouse can seize and lease out their algorithmic catalog via an Emergency Auction Engine, recouping losses without dumping securities inventory or triggering artificial market panics.

We urge the SEC to implement a 12-month pilot program establishing a 1% rolling average daily volume threshold for protected quotes, applied initially to a limited subset of NMS stocks to serve as a safe, data-driven transition runway. This preserves the absolute integrity of public price discovery, prevents severe cross-asset dislocations, and protects the cross-asset delta-hedging pipeline, while successfully modernizing the US National Market System into an intellectual property-driven global powerhouse.

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Europeanization of US markets and the Gresham's Law

The traditional US model mandates NBBO connection, forcing broker-dealers to purchase data feeds from all 16+ exchanges. Conversely, Europe operates as fragmented silos without a single, legally binding consolidated tape or centralized NBBO, with connectivity driven by commercial utility rather than legal compliance. Europe is now catching on with the US in terms of developing a Consolidated Tape for Equity and Exchange Traded Products (ETPs).²

One needs to look no further than the European equity markets to see the consequences of rescinding the SEC Rule 611 (*the Trade-Through Ban*) and Rule 610(e) (*Locked and Crossed Markets Provisions*), a.k.a. *Order Protection Rules (OPR)*. The US, UK, and EU stock exchanges all use similar CLOBs, maker-taker models, and the usual bunch of elite participants largely overlap. Other than the US advantages derived from a default waterfall model,³ “OPR” is the most distinguish feature to set the US apart from rest of the world. Our argument is not solely from the perspective of investor protection, but also a tactical need to preserve the US competitive advantages.

With OPR, competing exchanges in the US are fighting to reach the top-of-book. Without OPR, firms disconnect from smaller, low-volume exchanges if connectivity costs outweigh the liquidity benefit. CBOE Europe used periodic auctions to capture large-blocks trading and its market share, but this mechanism *segregates liquidity*. Simultaneous operations of unlinked continuous markets and batch auctions fuel cross-mechanism latency arbitrage⁴ *at the expense of overall market quality*. Trades concentrate heavily during closing auctions with little activity during the normal hours in Europe.

OPR as part of Reg. NMS in the US serves multiple purposes:

- Prevents market exploitations by mandating multi-market routing that *stops predatory trade-through arbitrage*, and operating alongside anti-locking⁵ regulations in ensuring orders execute at the best available price.⁶
- Allows **diversified trading venues to collectively work as one**, especially in view of the historical contexts where a wave of Electronic Communication Networks (ECNs) disrupted the traditional floor-based model.⁷
- **Promotes cross-market price formation**. OPR incentivizes aggressive limit orders, which tightens bid-ask spreads and accelerate NBBO refresh rates. Functioning in tandem, the SIP operates as a centralized, trusted anchor that broadcasts this real-time pre-trade market data globally. This transparency effectively serves an “**advertising function**” for the broader Reg. NMS framework. By offering a highly visible, equitable, and deeply liquid trading environment, this structural *reinforces investor confidence* and *systematically attracts international capital to US markets*.

While this (third bullet point) indirect feature of the OPR remains underdiscussed, it represents **the most critical mechanism driving the US market's competitive advantage over foreign jurisdictions**. Instead of fostering a constructive resolution to bridge the structural divide between institutional block execution and retail investor protection, news coverage remains counterproductively split – driven either by perverse commercial incentives or a naïve understanding of market structure – as it sensationalizes polarized debates to drive viewership. Regrettably, the analyses put forward by both the Commission and various industry associations overlook this foundational systemic benefit.

² <https://a-teaminsight.com/blog/europes-official-ebbo-arrives-in-september-130-feeds-one-consolidated-tape/> ; <https://www.fca.org.uk/publication/consultation/cp26-31.pdf>

³ <https://globalriskinstitute.org/publication/incentives-behind-clearinghouse-default-waterfalls/> ; Clearinghouses implicitly leverage or orchestrate the entire US financial system to provide capital to members while banks provide liquidity, the FED serves as backstop and provide settlement infrastructure (i.e. not rely solely on their own balance sheets but uses).

⁴ <https://blogs.cfainstitute.org/marketintegrity/2014/11/10/are-frequent-batch-auctions-a-solution-to-hft-latency-arbitrage/>

⁵ <https://www.investopedia.com/terms/l/lockedmarket.asp>

⁶ <https://www.sec.gov/files/rules/final/2025/33-11377.pdf>

⁷ <https://www.sec.gov/spotlight/emsac/memo-rule-611-regulation-nms.pdf>

Going Backward: Why MiFID II Liquidity Calibration will explode US Complexity and Hollow Out Markets

Under MiFID II / MiFIR, European regulators calculate the liquidity of every single stock or bond using strict, data-driven tests (e.g., average daily trades, free float, and turnover). This calibration dictates what transparency waivers apply, what tick size bands a stock must use, and whether a broker triggers “*Systematic Internalizer*” (SI) status.⁸ For long, the SEC views this instrument-by-instrument calibration as *overly rigid, bureaucratic, and highly vulnerable to miscalculation*.⁹ Instead, the US treats the entire equity market under a unified macro framework (Reg. NMS). If a stock is listed, it is protected by the OPR, regardless of whether it trades ten times a day or ten million times a day.

Europe’s calibration rules exist because liquidity is split across 14 to 16 distinct national venues (including Euronext, Deutsche Börse, London Stock Exchange, SIX Group, Nasdaq Nordic, CBOE Europe, Warsaw, Wiener Börse, etc.) with no single trade-through rule. The US uses the OPR to legally tie 16+ exchanges into a single, unified liquidity pool. The SEC should realize that implementing micro-calibrations would segment the market into arbitrary tiers.

The US avoids setting a “*MiFID II like liquidity calibrations*” that forces an institutional order onto public lit venues if it falls below a “*Large in Scale*” threshold, in preserving institutional block execution. Instead, the US lets the market organically decide how to route block trades through a combination of standard limit orders, Intermarket Sweep Orders (ISOs), and dark pools. This flexible architecture prevents the informational leakage that plagues European institutional execution.

The EU’s calibration regime suffered from a major flaw – it was highly “*legible*” on paper but *completely broken in reality* – the math used to classify “*liquid*” vs. “*illiquid*” instruments was frequently mis-calibrated, causing order flow to perversely migrate away from transparent exchanges and into dark, unregulated bilateral pockets.¹⁰ A fundamental **limitation** for policymakers pursuing evidence-based regulations¹¹ is that every quantitative model faces a harsh trade-off: it must choose between tractability and realism.¹² In practice, calibrating liquidity is a moving target, no static mathematical framework will ever outsmart live market mechanics.

Rescinding OPR will *widen public spreads and degrade the refresh rate and integrity of NBBO*, in turn, *harming retail price discovery*. The SEC should observe these European microstructural complications. Rescinding OPR would **NEVER simply the US equity market structure**, but *triggers further market fragmentation*, [see later sections](#).

Gresham’s Law of Microstructure – a Race to the Bottom

Removing intermarket boundaries introduces severe destabilizing mechanics to public order books. Because public limit orders will no longer be legally guaranteed price protection, the core *incentive to display public quotes* on lit exchanges *severely degrades*. Traders would actively pull their public limit orders and **retreat to dark pools**, as we observe from the highly fragmented European markets, resulting in a *dramatic hollowing out of visible market depth*.

During *stress* phases of extreme market volatility, the absence of a mandatory intermarket boundary means individual exchange order books can *thin out unevenly*. This creates a high-probability risk of *flash-crash* scenarios occurring on a single secondary venue while the identical security continues to trade normally on a primary, premium exchange – thereby widening systemic spreads and heightening overarching *liquidity risk*.

⁸ <https://blogs.cfainstitute.org/marketintegrity/2015/10/15/esma-sets-mifid-ii-rules-complex-balance-between-transparency-and-liquidity/>

⁹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=7173039

¹⁰ <https://blogs.cfainstitute.org/marketintegrity/2018/07/13/mifid-ii-and-systematic-internalisers-if-only-someone-knew-this-would-happen/>

¹¹ <https://regulatorystudies.columbian.gwu.edu/proposed-framework-evidence-based-regulation>

¹² <https://www.amazon.com/Complexity-Financial-Markets-Psychological-Agent-Based/dp/3319032739>

Currently, the OPR turns the six-and-a-half hours of continuous midday trading into a legally protected “*safe zone*.” An institutional algorithm can slowly slice a massive parent order into small pieces and route them to various exchanges throughout the day, confident that predatory high-frequency trading (HFT) algorithms cannot legally trade past or front-run those displayed public quotes.

Without Rule 611, *continuous hours become a highly fragmented*, unprotected landscape filled with unlinked “*echo chambers*” streaming conflicting prices. Because the public NBBO will likely widen and experience latency gaps, executing large block orders during the middle of the day will introduce immense execution and slippage risk. Consequently, institutions (except the large Elites) will choose to “*sit on their hands*” during continuous hours to avoid getting picked off by faster market participants. As a result, it becomes the **flight to the absolute protection of Auctions**.

The opening and closing auctions (specifically the closing auction, or “*MOC*” – **Market-on-Close**) operate on an entirely different mechanism than continuous trading. Auctions are centralized, single-price cross events run directly by the primary listing exchanges like the NYSE or Nasdaq. In an auction, all matching buy and sell orders are executed at a single, mathematically calculated equilibrium price, completely eliminating spreads, electronic trade-throughs, and multi-venue routing delays – i.e., **Guaranteed Single Price**.

Except the elite Market Makers with bargaining power in respective echo chambers to maintain trading during normal hours, passive asset managers would choose to execute most of their volume with near-zero market impact during the safest time – auction, that aggregates the maximum amount of liquidity at one specific moment. **Size clears size** – when *continuous intraday hours become toxic and unpredictable*, institutions will hoard their order flow all day and dump it directly into the closing auction. The short-term reality of removing Reg. NMS protections will push the existing intraday “*volatility smile*” to an extreme. As institutions pull their volume out of continuous hours, spreads on public CLOBs will widen even further due to low volume. This *widening will scare away the remaining participants*, creating a **vicious cycle**. It sparks a “**Gresham’s Law of Microstructure**” and fuels a race to the bottom¹³ that hollows out continuous midday trading into a structural liquidity vacuum.

Impacts on ETPs, Arbitrage Efficiency and Tracking Error

Exchange-Traded Funds (ETFs) rely entirely on the continuous arbitrage mechanics of Authorized Participants (APs) and market makers to keep their market price tightly bound to their Net Asset Value (NAV). Under OPR, an AP can confidently hedge a massive ETF creation or redemption trade by instantly sweeping the underlying stock basket across multiple public venues, guaranteed to hit the absolute best displayed national price.

Without a legally enforced NBBO, it marks the **Death of Direct “Basket Arbitrage” Pricing Efficiency**. Underlying stock prices fragment into venue-specific echo chambers. An AP trying to execute a 500-stock basket can no longer guarantee execution at the best visible price. They face unhedged execution slippage across multiple stocks simultaneously, forcing them to aggressively widen the ETF’s public bid-ask spread to protect themselves against that pricing risk.

Evolving market dynamics will cause *severe tracking errors for index-tracking ETPs* – especially equal-weighted, small-cap, or highly liquid thematic funds. Because institutional smart order routers will begin bypassing smaller exchanges to execute block size on premium venues, individual underlying stocks will experience *uncorrelated price drops across unlinked books*. An ETF’s portfolio pricing engine will struggle to establish an accurate real-time NAV, causing the fund to mechanically experience high tracking error relative to its benchmark index during continuous trading hours.

¹³ https://en.wikipedia.org/wiki/Gresham%27s_law ; https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3236030

To facilitate the creation and redemption of ETF shares, APs heavily prefer “*in-kind*” basket transfers because buying the underlying stocks is cheap and predictable via a protected CLOB. Without OPR, the **risk surges** when executing a physical basket. Consequently, APs will heavily **transition to “cash-in-lieu” creations**, passing the physical stock execution risk directly back to the ETF sponsor's capital desk. ETF issuers will be forced to **internalize massive trading costs or impose higher creation fees**, **eroding the structural tax and cost advantages** that ETFs traditionally hold over mutual funds.

Strategic Impact on Corporate Issuers

Higher Cost of Capital, Depressed Valuations, and Other Disruptions

The primary macroeconomic consequence for corporate issuers is a structural increase in their Equity Risk Premium, which directly translates into a **higher cost of raising capital**. As public market makers widen their bid-ask spreads to protect against *toxic adverse selection*, the general **transaction cost of holding the issuer's stock rises**. Investors compensate for this added liquidity friction by demanding a higher return, compressing the company's P/E multiple and lowering its overall equity valuation. Furthermore, when an issuer attempts to raise new capital via a follow-on secondary offering, **the lack of depth and wider spreads in continuous public CLOBs will result in greater price discounts**.

Issuers actively running share **repurchase programs** will see their execution strategies heavily **disrupted**, forcing them to overpay for their own stock. Corporate buybacks are typically executed under **SEC Rule 10b-18**, which provides a legal safe harbor from market manipulation charges if the issuer matches or stays below the highest independent bid or last independent transaction price. Without OPR and a trustworthy NBBO serving as the *single source of access*, establishing what constitutes a valid “*independent bid*” across multiple unlinked, crossed trading echo chambers becomes a compliance nightmare. Brokers executing buybacks will slow down their intraday buying to avoid regulatory infractions, or concentrate all repurchases into the closing auction.

Severe Opaqueness in Shareholder Visibility

Corporate investor relations teams rely on public market data to track who is buying their stock, manage volatility, and understand institutional ownership shifts. Because institutional smart order routers will bypass public lit quotes to protect their orders from information leakage, a vast majority of the issuer's daily volume will migrate to private single-dealer platforms (SDPs) and dark crossing networks. Public exchange volume will no longer accurately reflect global supply and demand. *Issuers will effectively lose real-time visibility into their own trading dynamics*, making it incredibly difficult for management to diagnose why their stock price is experiencing **sudden, sharp intraday movements**.

From a stock stability perspective, intermarket linkages smooth out localized price shocks. If the proposal is adopted to rescind OPR, thin individual exchange books create micro-flash crashes. Small- and mid-cap issuers will experience highly erratic intraday price swings.

Disrupt critical cross-asset derivative hedging

We are aware that the US financial system maintains a strict legal wall between the price protections granted to stocks versus options. The Options Order Protection and Locked/Crossed Market Plan is an independent NMS plan created and enforced jointly by options exchange themselves, not a direct clause of equity OPR.¹⁴ Yet, the SEC proposal **failed to analyze or formally address the cross-asset options market behaviors, potential structural arbitrage loops, or shifting delta-hedging risk management practices**. See below for our analysis:

A single stock has one underlying equity share, but it can have hundreds of different options contracts (varying strike prices and expiration dates). Because quoting across thousands of options series is incredibly complex, options exchanges

¹⁴ <https://www.sifma.org/news/blog/rethinking-trade-through-prohibitions-beware-of-the-market-structure-octopus>

rely on a specialized, heavily hardcoded Intermarket Linkage system to prevent trade-throughs. By leaving options fully protected while equities transition to a volume-threshold model, the SEC introduces a severe **asymmetric market structure gap**.

The Delta-Hedging Jolt: Options market makers do not trade options in a vacuum. To manage risk, they must instantly execute offsetting delta-hedged trades in the underlying NMS stock.

The Execution Friction: If a market maker trades an option on a highly protected options exchange, but the underlying stock book is operating on an unprotected, below-the-threshold equity venue, the matching speeds and fill guarantees will fall out of sync. The equity leg could suffer a trade-through or unexpected slippage, destroying the market maker's precise delta hedge and driving up tracking error.

We anticipate the options market will face **heightened operational strain, structural tracking errors, and predatory cross-asset arbitrage** if the SEC's proposal is adopted as-is to completely rescind Rules 611 and 610(e). Expected changes to Options Market's behavior include:

- **Extreme Synthetic Spread Widening:** Options market makers quote spreads based on their ability to instantly clear risk in the underlying stock. If the equity NBBO widens or fragments due to the loss of Rule 611, options market makers will naturally widen their options quotes to price in the execution uncertainty of the underlying stock leg.
- **Severe "Intermarket Linkage" Latency Gaps:** The automated systems that route options to prevent trade-throughs will remain active. However, because the underlying stocks will no longer have a single "protected" endpoint, options matching engines will experience intermittent routing stalls as they wait for volatile, unprotected equity legs to fill.
- **Explosive Volume Growth in Complex Orders:** Because executing standalone equity legs becomes riskier, institutional traders will pivot heavily toward multi-leg complex orders (e.g., stock-option buy-writes, delta-neutral straddles) executed entirely on options exchanges. This forces the options exchange to handle the equity leg execution internally, shielding the trader from open-market equity trade-throughs.

Exploiting the Cross-Asset Structural Asymmetry and Changes in Risk Management Practices

Arbitrageurs and HFTs will find highly profitable gaps in the rule mismatch:

- **The "Locked Equity / Crossed Option" Arbitrage Loop:** Since Rule 610(e) will be gone for stocks if the proposal is adopted, the equity market can freely lock or cross across venues. HFTs will intentionally cross an equity market (\$10.01 bid on Nasdaq / \$10.00 ask on NYSE) while exploiting the strict, legally protected options NBBO to lock in a riskless derivative-to-cash spread before the options market maker can adjust their pricing models.
- **Predatory Option-to-Stock Front-Running:** Predatory algorithms can monitor massive, unprotected equity blocks trading through the public stock tape. Because those equity prints do NOT require a Rule 611 sweep, the HFT can anticipate the subsequent delta-hedging flow of the options market makers and aggressively buy up the related options contracts ahead of them, trapping the market maker into a toxic hedge.
- **Wholesaler Internalization Arbitrage:** Retail wholesalers can internalize a retail stock order at an inferior price on the equity side (perfectly legal if equity OPR is rescinded) while simultaneously executing the client's option leg at a strictly protected price on an options exchange, pocketing an asymmetric margin premium on the combined trade.

The structural misalignment will **force risk management desks to abandon traditional passive compliance models**:

- **Transitioning to Asymmetric Cross-Asset Margin Overhauls:** Clearinghouses will no longer treat a long stock position as a perfect 1:1 margin offset for a short call option. Risk models must incorporate an **"Asymmetric Execution Haircut."** Because the stock leg can be traded through, the clearinghouse will demand significantly higher variation margin on the equity side of a delta-hedged portfolio to buffer against cross-venue slippage.

- **Abandoning Static Delta Models for “Dynamic Slippage Skew”:** Options market makers historically calculated their delta hedges assuming instantaneous, clean execution on equity venues at the displayed NBBO. If the proposal is adopted, delta-hedging will be highly volatile, subject to uncompensated trade-throughs. Quantitative desks will hardcode a **Slippage Skew Parameter** into their pricing black boxes. The model will automatically downgrade the value of an equity quote based on the specific venue's historical propensity to allow trade-throughs, shifting quote parameters dynamically.
- **Hyper-Concentration of Routing with Integrated Cross-Asset Brokers:** Firms often split their order routing desks, using separate prime brokers or execution algorithms for stock versus options. To minimize the timing risk between an option fill and its underlying stock hedge, market participants will explicitly route *only* to macro brokers who run **synchronized cross-asset matching wheels**. If a broker cannot guarantee a combined, atomic option-and-stock fill within a sub-millisecond window, they will be entirely stripped of institutional order flow.

The Commission’s Analytical Failure Regarding Multi-Asset Linkages and Delta-Hedge Slippage

The Commission’s proposal erroneously treats the US equity market as an isolated ecosystem, completely ignoring the profound downstream effects that the rescission of Rules 611 and 610(e) will have on the listed options market. While the Commission hosted an Options Market Structure Roundtable in April 2026,¹⁵ that discussion stuck entirely to isolated derivatives debates – such as strike proliferation and specialist allocations – completely failing to anticipate the cross-asset execution and hedging adjustments that this equity proposal will mandate.¹⁶

Options market makers do not quote derivatives in a vacuum; they survive by instantly delta-hedging their risk using the underlying NMS stocks. If the Commission completely repeals equity price protections, the underlying equity market will immediately fragment into unlinked SDPs. As a direct result, options market makers will face uncompensated timing lags and severe execution slippage on their equity hedging legs.¹⁷ To absorb this unhedged equity execution risk, options market makers will be forced to drastically widen their options quotes on strictly protected options exchanges.

By failing to model the mechanics of the cross-asset delta-hedge timing loop, the proposal to rescind Rules 611 and 610(e) will, if adopted in its current form, perversely **inflate transaction costs for retail and institutional options market participants**. This **cross-asset dislocation** can be cleanly avoided by adopting the [Venue Trading Volume Threshold](#) alternative, which preserves a highly liquid, protected equity core tape that market makers can safely hedge against.

Privatizes Market Liquidity Affects Buyside Pension & Mutual Funds

Wholesalers Evolve into “Bilateral Price Makers”

Currently, massive US market-making firms operate as retail wholesalers tightly restricted by the NBBO, meaning they must match or beat public quotes to internalize retail orders. Without OPR, these firms can function much like European SIs, quoting customized, proprietary prices to specific brokers based entirely on risk profiles and flow toxicity. A wholesaler can offer a broker immediate, guaranteed execution for a massive block of shares at a price slightly worse than the informational public reference price, shielding the broker from execution delays and multi-venue latency. It is worth noting that the constant modifications to the SI regime by the Financial Conduct Authority (FCA) and European Securities and Markets Authority (ESMA) reflect an ongoing struggle to balance market transparency with execution flexibility.¹⁸

¹⁵ <https://www.sec.gov/newsroom/press-releases/2026-24-sec-announces-roundtable-options-market-structure-reform>

¹⁶ <https://deltastrategygroup.com/sec-roundtable-on-options-market-structure-4-16-26.html>

¹⁷ <https://quickreads.ext.katten.com/post/102mqqs/navigating-the-future-of-us-options-markets-takeaways-from-the-sec-roundtable>

¹⁸ <https://www.afme.eu/media/5wrn4rpp/systematic-internaliser-reform-market-structure.pdf> ;
<https://www.fca.org.uk/publication/consultation/cp26-30.pdf>

Alternative Trading Systems (ATSs) turn into SDP echo chambers

An ATS acts as an unbiased, multilateral matching venue where buy-side clients trade against other buy-side clients or external market makers. The bank merely collects a microscopic technology or matching fee. By stripping away OPR, investment banks operating ATS dark pools will face strong economic and structural incentives to pivot toward SDPs, or use discrete-time (periodic batch) auctions to capture large-block trading and *segregate liquidity like Europe*.

The ATS shortcoming: Low-margin, volume-dependent transaction fees. ATS platforms are strictly regulated multi-dealer venues. Operating an ATS requires publishing structural subscriber fees and adhering to rigid access rules. If an ATS becomes too integrated into a bank's routing network, it triggers complex regulatory overhead. While they have basic tiering, they face heavy regulatory scrutiny from the SEC regarding *fair access* and *discriminatory execution logic*. ATS limitation is its difficulty to **guard against toxic order flow without triggering regulatory red flags**. Multi-party matching venues naturally leak execution signals to sophisticated HFTs. It will be significantly easier to arbitrage between a periodic auction and a parallel running CLOB if OPR is completely rescinded. Cross-mechanism latency arbitrage profits *at the expense of overall market quality*.⁴

The SDP Advantage: High-margin risk principal trading. On an SDP, the bank acts as the sole dealer (the counterparty to every single trade). By internalizing 100% of the flow, the bank captures the full bid-ask spread and manages the risk on its own balance sheet. Forcing flow into an SDP structure shifts the bank from a mere utility provider to a highly profitable liquidity provider. An SDP is inherently bilateral and proprietary, this gives the SDP **exclusive**, uncompromised visibility into the total institutional order flow.

The SDP can selectively choose exactly which institutional clients, quantitative funds, and retail aggregators are allowed to interact with its liquidity. If a participant exhibits predatory trading behavior (**toxic flow**), the bank can instantly terminate their access or alter their pricing tier without violating any *"fair access"* mandates. Also, SDPs do not face the regulatory caps on access fees or the rigid transparency mandates imposed on ATS dark pools. SDP can offer customized, deeply discounted, or highly complex pricing matrices to specific strategic clients to *"lock in"* their flow, completely bypassing the standard disclosure forms required to alter an ATS fee structure.

While SDPs offer undeniable benefits to the investment banks,¹⁹ their **proliferation at the expense of ATSs creates structural risks**. When market liquidity is diverted away from multilateral matching venues and into bilateral *"echo chambers,"* the **overall health of the broader financial ecosystem declines**.

Risk of SDP Proliferation: Privatized Liquidity, Market Fragmentation, and the Erosion of the NBBO

Amid ATS dark pools hide pre-trade orders, they still actively contribute to price discovery. They cross orders using independent midpoints derived from the NBBO and must instantly report these transactions to the consolidated tape. In contrast, when a massive percentage of order flow is *locked* inside these SDP private bilateral silos, it never interacts with the public order book. This leaves the public lit exchanges starved of volume, rendering the official NBBO an inaccurate reflection of actual supply and demand.²⁰ In a market ecosystem dominated by multiple, disconnected SDPs, **liquidity becomes heavily fragmented**.

Amid a market maker on an SDP might quote massive size to a favored client. However, **liquidity is completely invisible and inaccessible to the rest of the market**. SDPs are under no obligation to use their balance sheet strength to absorb risk and maintain orderly markets in both good times and bad times like Market Makers. If a systemic shock occurs, these SDP

¹⁹ <https://www.sciencedirect.com/science/article/abs/pii/S0378426625001293>

²⁰ <https://www.sciencedirect.com/science/article/pii/S1386418123000800>

operators can *instantly widen their spreads* or shut down their quotes entirely, **causing market depth to evaporate when it is needed the most**. The market shrinks because of protectionist mentality that reduce serendipity.

Without OPR, SDPs will weaponize price discrimination. By capturing and walling off lucrative, uninformed retail flow with tight spreads, banks can systematically relegate less-favored institutional clients to wider, sub-optimal execution tiers, **driving up structural slippage across the entire buy-side ecosystem**. When retail and “*clean*” institutional flow is systematically *cherry-picked* and *internalized inside SDP echo chambers*, only *toxic*, highly aggressive, or informed flow is left to *leak out* onto public exchanges or multi-dealer venues. In turn, public market makers are forced to widen their spreads to protect themselves from getting run over. Pension and mutual funds who rely on public exchanges or ATSS to execute blocks find themselves paying higher transaction costs due to these artificially widened public spreads.

Shifting from an ATS-centric model to an SDP **echo chamber** model effectively privatizes market liquidity. It allows Tier-1 investment banks to capture massive risk premiums, but it leaves the public market infrastructure *fragile, fragmented, and blind*. By starving the public order book of diverse order flow, SDPs structurally *weaken the pricing signals* that the entire global financial system relies upon to value assets accurately.

Heighten Disputes and Challenges in Regulatory Enforcement

Allowing separate trading echo chambers to stream their own versions of BBO, the regulatory framework fundamentally fractures. While the public SIP NBBO will **lose its legal enforcement teeth**, the SEC and Self-Regulatory Organizations (SROs) may use the *opaque, noise filled Consolidated Audit Trail (CAT)* data for investigation, prosecution, and/or **weaponized CAT data for political or commercial reasons**. This asymmetry enables weaponization of CAT for political or commercial reasons, *undermines market integrity*, and *chill participation*. SEC Chairman Atkins’ plan to rescind Rule 613 from Reg. NMS²¹ is a positive first step towards addressing the costly and problematic CAT.

Rescind OPR is an implicit abolishment of the legal mandate of the NBBO, the resulting effect is like Europe – consolidated tape data will not be mandatory for best execution quality assessment.²² In turn, investment firms may decide to choose an endogenous selection to trade on certain exchanges or with dealers, and then review the performance every 6 months. This reduces incentives for broker-dealers wanting to up their game in execution performance.²³ It sparks a “**Gresham’s Law of Microstructure**” and fuels a race to the bottom.

As we pointed out in our June 2026 comment letter on CAT,²⁴ Best Execution liability will shift benefiting only the lawyers. Large Trader ID (LTID) creates major enforcement risk²⁵ – CAT reconstructs sequences using SIP and 3rd party data that

²¹ <https://www.sec.gov/newsroom/speeches-statements/atkins-letter-robert-walley-regarding-consolidated-audit-trail-081026>

²² <https://www.globaltrading.net/consolidated-tape-data-wont-be-mandatory-for-best-execution-quality-assessment/>

²³ https://www.databoiler.com/index_html_files/DataBoiler%20Europe%202024.pdf ; One logical reason for such European phenomenon will happen in the US is that, firms under invest in technologies and lack resources or are understaffed. Second, a lack of trustworthy NBBO or deferred SIP performance improvements causes the end-clients not to be aware of receiving inferior price. Third, elite firms rely on strong presence throughout the nation and stickiness relationship with clients rather than execution performance to do business. Fourth, firms are afraid that the geographic dispersion and aggregation distance would cause their NBBO refresh rate to be “*stale*” anyway, that we disagree – [time lock encryption](#) can make market data available securely in synchronized time to address *initial bias*. Market Data Infrastructure Rules (MDIR) §242.603(b) “*requires SRO to provide ... to all Competing Consolidators and Self-Aggregators in the same manner and using the same methods ... as such SRO makes available any information to any other person.*”

²⁴ https://www.databoiler.com/index_html_files/DataBoiler%20SEC%20CAT%2020260622.pdf

²⁵ When CAT as a centralized repository reconstructs market sequences using third-party commercial data feeds – such as the data provided to the plan processor by Algoseek – to reconcile the SIP, it is impossible not to have sub-millisecond sequence drift (+ *initial bias* that exacerbates the gap between subscribers of proprietary feeds and the public consolidated tape). Because LTIDs are automatically stamped onto these drifting sequences, the CAT can be weaponized to penalize Wholesalers and any “*Large Trader*” for artificial anomalies created by the SRO's own database.

inevitably drifts, producing false signals. FINRA Rule 5310 shifts the burden of proof to broker-dealers. It costs legal fees, time and efforts whenever a broker-dealer needs to conduct a statistical defense against Best Execution liability rather than having OPR as a backstop. Because different echo chambers will stream their own fragmented BBOs, the SEC cannot legally mandate which feeds a broker must look at. We foresee **disputes will exponentially increase**.

We doubt the effectiveness of the SEC and FINRA guidelines that forces broker-dealers to commit to their own definitions of the market. If an ATS excludes a major competitor's venue from its routing network to avoid competition, and a client gets a terrible fill as a result, FINRA may prosecute the ATS for failing to maintain a compliant, reasonable routing design – not for a trade-through violation. Yet, the requirements for firms to maintain a rigid, legally binding document listing their *"Material Markets"* – included explicit written documentation of which exchange feeds and single-dealer echo chambers its router hooks into, and why – is a quintessential *check-the-box* compliance exercise. Too often, contemporary financial regulation defaults to **creating bureaucratic paper trails**. This framework allows elite market participants, backed by expensive legal and consulting networks, to brag superficial policies and procedures to avoid enforcement while evading substantive controls. Policy makers should heed the lesson from SocGen \$7.2 billion loss in 2008.²⁶

These disproportionate administrative burdens act as an artificial barrier to entry, systematically suppressing smaller, innovative market participants that cannot absorb such compliance costs. Furthermore, when systemic failures occur, well-capitalized institutions frequently leverage the institutional clout of their external advisors to deflect accountability. Regulation should foster a meritocratic environment where participants of all sizes can compete on a level playing field, rather than enacting structural bureaucracies that prioritize **form over substance and exacerbate the divide between entrenched incumbents and smaller competitors**.

On a separate note, the current interpretive framework for FINRA Rule 5310 is built entirely around traditional market structures like centralized exchanges, ATS and SIPs, it creates more questions than answers for **on-chain execution model** in satisfying best execution if rescinding OPR.²⁷ SIP data does not capture or process real-time Automated Market Maker (AMM) pool states or smart-contract conditions. A SIP-derived NBBO updates at a microsecond cadence. This is a mismatch in systems. An order waiting for blockchain block inclusion takes anywhere from 400 milliseconds on Solana to 12 seconds on Ethereum. There is no single quoted price on AMM. What constitute as an expected effective execution price for a specific order size, rather than flat displayed quotes – the SEC and FINRA **lack sufficient guidance**.

Cost profiles (network fee, bridge fees to route across separate blockchains, smart-contract protocol interaction fees, slippage, pre-funding and capital lock up) are not comparable to traditional markets' clearing costs. Moreover, regulators should scrutinize **mempool exploitation** (automated bots that monitor public transaction queues) in Maximal Extractable Value (MEV)²⁸ especially during high-volatility spikes.

To illustrate, if an HFT cancels an order at 10:00:00.000001 and an exchange logs a new quote at 10:00:00.000002, the order should be dead before the quote prints. However, if the consolidated SIP data processing loop buffers those messages incorrectly, CAT might sequence them in reverse. A mis-sequenced string of rapid-fire quote adjustments can look like deliberate spoofing, phantom liquidity layering, or quote stuffing. The automated system flags the event as an anomaly and attributes it directly to the firm's stamped LTID, shifting the burden of proof to the market participant to prove their internal logs were the accurate ones.

²⁶ <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/5241263/Societe-Generale-chairman-Daniel-Bouton-to-step-down.html>

²⁷ <https://www.finra.org/sites/default/files/NoticeComment/Douro%20Labs%20-%20FINRA%205310%20Letter%20%28Notice%2026-15%29.pdf> ; <https://www.finra.org/sites/default/files/2026-07/Regulatory-Notice-26-15.pdf>

²⁸ <https://chain.link/article/mev-protection-mechanisms> ; <https://a16zcrypto.com/posts/article/mev-explained/> ; <https://owasp.org/www-project-smart-contract-top-10/2023/en/src/SC05-front-running-attacks.html> ; <https://blocksec.com/blog/harvesting-mev-bots-by-exploiting-vulnerabilities-in-flashbots-relay>

Rebuking the Commission's Economic and Structural Arguments

We disagree with the Commission's **Technology-as-a-Substitute Argument**. The Commission's underlying premise – that *“modern technology has rendered the structural market concerns of 2005 entirely obsolete”* – rests on a flawed assumption. Technology has merely accelerated execution speeds; it has not fundamentally altered the core microstructural vulnerabilities that Regulation NMS was designed to correct.

Legacy exchange groups intentionally launched *“copycat”* or fringe exchanges to harvest data fees and exploit mandatory Rule 611 routing loops is merely a half-truth. As demonstrated by our comprehensive analysis throughout this comment letter, rescinding the equity OPR – as outlined in the Commission's current proposal – would **perversely complicate trading dynamics** within US markets **rather than** achieve its stated goal of **simplification**. MiFID II type of liquidity calibration is NOT a good fallback plan if OPR is rescinded, [Europeanization of US markets](#) have tremendous undesirable outcomes, such as hollowing out continuous midday trading into a structural liquidity vacuum and **further fragmentation**. It sparks a *“Gresham's Law of Microstructure”* and fuels a race to the bottom.

The SEC assumes options market makers can easily absorb equity trade-throughs and *“technology will ultimately solve everything.”* Yet, the Commission failed to model how an options market maker – forced by law to maintain tight quotes on an options exchange – will widen their derivative spreads to protect themselves against uncompensated slippage on the newly deregulated equity leg. **Cross-asset delta-hedge timing risk** represents a critical analytical **blind spot** in the Commission's proposal. The proposal does NOT address how equity OPR rollbacks would disrupt options trading. HFTs may exploit the elimination of equity Rule 610(e) to manipulate pricing models on strictly protected options books.

The notion that technology will spontaneously resolve execution complexities is a convenient illusion. Technological tools certainly enhance productivity, but they are value-neutral; their efficacy depends entirely on the strategic purpose of the user and their alignment with the structural problems the tools were built to address.

Deferred Implementation of Other Reg. NMS Provisions

Reference to our September 2025 comment,²⁹ entitled *“Can Order Protection be replaced by Competing Market Forces,”* our comprehensive analysis in this letter proven that the SEC proposal grossly failed to holistically assess impacts to various stakeholders, how the change in dynamics would be a detriment to the overall well-being of US markets. Instead of thoroughly decipher the Noumenon of Equity Market Structure, hash out relevant details of how access fee rebate, payment for order flow (PFOF), and market data/ market structure issues are all intertwined,³⁰ the Commission opted to defer the implementation of Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders.³¹

Narrowing the minimum price variant to a half-penny is a straightforward structural adjustment that enjoys broad market consensus and will effectively optimize NBBO spread dynamics.³² The proposed removal of Rule 611 *shifts the underlying economic purpose of narrowing tick sizes* to \$0.005. Under the original 2024 architecture, finer increments were mandated to prevent predatory market participants from stepping ahead of displayed public orders by economically insignificant fractions. However, in a post-rescission landscape, an institutional order can legally bypass a tight \$0.005 quote altogether. As a consequence, narrowing tick sizes loses its competitive edge for *capturing order flow*, forcing exchanges to *compete purely on execution speed and venue depth* rather than micro-price increments.

²⁹ https://www.databoiler.com/index_htm_files/DataBoiler%20Order%20Protection%20202509.pdf

³⁰ https://www.databoiler.com/index_htm_files/DataBoiler%20Noumenon%20Equity%20Market%20Structure.pdf

³¹ <https://www.federalregister.gov/documents/2026/06/15/2026-11997/order-granting-temporary-exemptive-relief-pursuant-to-section-36a1-of-the-securities-exchange-act-of>

³² <https://www.sec.gov/files/rules/final/2024/34-101070.pdf>

Amid we have reservations with the approach by the last administration to recalibrate the access fee cap to indirectly limiting access fee rebates, that does not preclude the Commission from right couring the policy direction in addressing the core problem of Reg. NMS – i.e., **LACK OF STANDARDS across different market centers' rebate and incentive systems**. Without knowing the ultimate resolution or “*negotiation*” of *access fee rebates*, rescinding OPR alone without the corresponding Reg. NMS fixes is a high-stakes gamble on free-market efficiency over regulatory guardrails.

Undoubtedly, the unparalleled US capital efficiency, giant corporate returns, and massive domestic wealth engine (such as automatic, programmatic inflows from 401(k) plans and pension funds) that will not be easily challenged by other foreign markets. Yet, degrading the public tape is a self-artifact gutting a time-tested superior model – OPR which is simpler and more effective than the cumbersome MiFID II liquidity calibration. If the Commission's policy objective is to “*deemphasis speed as key trading success*”,³³ then mandate the use of time-lock encryption to make market data available securely in synchronized time. If the SEC desires to eliminate the multi-billion-dollar technology and data-fee burden imposed by rent-seeking, low-volume venues, then at least consider adopting the **Venue Trading Volume Threshold for Protected Quotes** alternative that it will yield better outcomes than rescinding OPR, see [later section](#).

This proposal in rescinding Rule 611 and Rule 610(e) strips away the regulatory enforcement triggers that would otherwise benefit the industry from expanded core data offered by the SIP under MDIR. MDIR requires SIPs to display higher-priced odd lots. Because these quotes were never granted “*protected status*” under Rule 611, they will serve strictly as an informational reference. Brokers can legally trade completely around or through them without executing against them. Meanwhile, the decentralized competing consolidators model introduced by MDIR was meant to close the latency gap with proprietary feeds. If Rule 611 is abolished, institutional routers will cease checking every single venue's data feed via a consolidator. Instead, routers will direct order flow straight to the single exchange with the deepest, most reliable proprietary book, severely **undermining the commercial utility of the Competing Consolidator model**.

Nevertheless, ATSS Dark Pools and SDPs depend heavily on customized execution logic, price sliding, and internalization parameters configured at the port level. If an ATS matches a block trade internally and reports it to a Trade Reporting Facility (TRF), that trade must be synchronized with public exchange data. If the processing software misaligns the TRF print against a stale public quote due to data-ingestion lag, it creates the illusion of a trade-through violation or a failure of Best Execution. If the sequence is structurally distorted, an SDP providing genuine liquidity during a period of high volatility might be incorrectly classified as “*predatory*” or “*toxic*”, harming the firm's reputation and attracting meritless enforcement scrutiny. This asymmetry enables weaponization of CAT data for political or commercial reasons; it should hopefully be ended by the SEC Chairman ordering a rulemaking to rescind Rule 613.³⁴ If not, it will **undermine market integrity, and chill participation**.

Capital has no nationality, if Foreign Clones adopt OPR and the US drops the ball

Our comprehensive analysis in this letter proves that the Commission have miscalculated the cost-benefit analysis. In case of a worse scenario where the post-NMS landscape becomes so opaque, toxic, and fragmented that institutional slippage costs skyrocket—it risks creating a massive geopolitical opening for foreign adversaries. Let's assume if the Hong Kong Stock Exchange (HKEX), mainland Chinese exchanges (SSE/SZSE), and a coalition of international markets allied to build a shared, blockchain-backed network of tokenized securities enforced by a **cloned**, “*classic*” Reg. NMS Order Protection Rule, it may create a massive geopolitical shift.

³³ <https://www.sec.gov/newsroom/speeches-statements/2014-spch060514mjw>

³⁴ <https://www.sec.gov/newsroom/speeches-statements/atkins-letter-robert-walley-regarding-consolidated-audit-trail-081026>

Rather than just copying an old US rulebook, this coalition would be executing a highly sophisticated technological and regulatory arbitrage designed to strip capital directly from the US market. By combining 24/7 on-chain liquidity with a legally guaranteed “best price” shield across sovereign borders, this alliance would fundamentally challenge Western market structure. Here is how that specific scenario would play out:

1. Tokenization Weaponizes the Rule Against US Fragmentation

In a tokenized alliance, the HKEX and Chinese exchanges would not be linking slow, separate electronic order books. The tokenized shares would live on a shared, ultra-fast blockchain ledger to achieve unified ledger advantage.³⁵ Smart contracts would serve as the automated arbiter of the Order Protection Rule. If an investor hits a bid in Hong Kong, the smart contract can instantly verify – at the ledger level – if a better offer exists on a Chinese venue or a connected European node. Execution and settlement happen simultaneously, **completely eliminating the latency arbitrage gaps** that plagued the old US SIP tape model.³⁶

2. Sucking Capital via “Total Regulatory Safety”

As the US SEC actively moves forward with plans to strip away Rule 611 and allow wide, unlinked, and crossed public markets, global asset managers will face severe execution uncertainty on Wall Street. If Hong Kong and China offer global investors a cloned, modernized Reg NMS, they are offering a **Safe-Haven Arbitrage**. Risk-averse global pension funds, sovereign wealth funds, and massive index trackers are legally bound by mandates that require strict proof of execution quality. If the US market becomes an opaque landscape of private SDP “echo chambers,” institutional capital will naturally migrate to a tokenized Asian network³⁷ where best-price protection is hardcoded into the architecture.

3. Circumventing the US Dollar and Sanctions Infrastructure

A cross-border tokenized securities network³⁸ operating under its own unified trading rules would allow China and its global allies to completely bypass the Western banking grid. These tokenized assets would not settle through the US-dominated SWIFT network or traditional Western clearinghouses. They would settle instantly on-chain using sovereign Central Bank Digital Currencies (CBDCs), like the Digital Yuan (e-CNY), or highly regulated multi-currency stablecoins.³⁹ Watch out for a **de-dollarization movement**. Global investors could trade elite multi-listed global corporations 24/7 in an environment entirely insulated from US regulatory jurisdiction and FX conversion friction. This turns a **cloned** Reg NMS from a simple trading framework into a powerful geopolitical shield for international capital.

If this alliance succeeds, global finance will **fracture into two completely opposing operational philosophies**:

The US / Western Paradigm: A speed-optimized, opaque, principal-driven market. It prioritizes the immediate liquidation of massive institutional size on single-dealer platforms, accepting wider public spreads and a loss of public transparency as an acceptable cost of doing business.

The Asian / Allied Paradigm: A tokenized, hyper-transparent, principles-enforced market. It uses automated blockchain logic to protect the absolute best displayed price for every retail and institutional participant across a unified international grid. Assuming the Alliance would completely open its capital-account and allow tokenized wealth to flow freely on and off

³⁵ <https://kent-teach.com/first-dry/SEC-Proposes-Scrapping-Rule-611-What-It-Could-Mean-for-Tokenized-Stocks-and-Market-Structure-34-2961>

³⁶ <https://xstocks.fi/us/news/why-the-next-asset-class-for-xstocks-to-tokenize-is-the-rest-of-the-world>

³⁷ <https://www.theblock.co/post/404515/sec-proposal-major-unlock-tokenized-stocks>

³⁸ <https://investax.io/blog/real-world-asset-tokenization-market-recap-2025>

³⁹ <https://www.linkedin.com/pulse/stock-tokenization-undermine-dominance-us-capital-market-muyuan-guo-8rbxe> ; <https://www.lexology.com/library/detail.aspx?g=c568c9c1-c8b5-4b4e-b1f2-730453b87dde>

the ledger without political intervention, it would earn institutional trust. A tokenized, price-protected global book would structurally isolate traditional US exchanges.

The phenomena of currency and tariff wars today are the result of breached contracts (some US allies included).⁴⁰ Global elites do not necessarily abide by the Western compliance controls.⁴¹ They often prioritize a fiduciary and commercial mandate to chase the highest risk-adjusted return. If a foreign tokenized alliance successfully solves the trust puzzle—even within a controlled framework—and couples it with the strict price protections the US is discarding, this could trigger an institutional capital flight away from Wall Street.

Do not get us wrong, we have full confidence in the US financial ecosystem, especially the structural advantages of US clearing system and the default waterfall model⁴² that adds layers of protection from multiple sources. It allows institutions to offset risks across equities, options, futures, and Treasuries within a single clearing framework via the DTCC and OCC. This concentration of capital dramatically lowers the amount of collateral a firm must post. This enables the total cost of trading in the US substantially lower than foreign counterparts, preserving the US dollar prominent position.

To prevent capital flight and preserve the US dominance, the **Venue Trading Volume Threshold for Protected Quotes alternative** to a complete rescind of OPR is both an offensive and defensive play to maintain an economic moat. Money flows to the US because it is home to the companies that generate the world's highest structural returns on capital.

Recommend: Venue Trading Volume Threshold for Protected Quotes alternative

A proposed volume-threshold requirement for SEC Rule 611 would limit price protection to high-volume exchanges, aiming to reduce broker connectivity costs and break “*fringe*” exchange data monopolies while maintaining a legally binding NBBO among dominant venues. We agree and support this approach as it would “*reduce the regulatory burden on brokers and simplify order routing.*” We are not overly concerned about the risk of an exchange oligopoly. New market entrants and smaller exchanges can consider working with clearinghouses to consider adopting Data Boiler’s **copyright licensing model**⁴³ to transform their “*me-too*” maker-taker business model to alter the economics of trading and booster their competitiveness.

The copyright licensing model addresses the industry’s long-standing issue – **who owns the data** and **what gets paid**.⁴⁴ It treats order flow, quotes and trades as copyrighted “*song*” and the trading venues as “*streaming platforms*”. A venue utilizing this framework would rapidly build a community of loyal participants by offering unique commercial incentives:

Attracts the Exploited Long-Tail: Legacy exchanges use a “*Jukebox model*” to extract high data/connectivity rents while using tiered rebates that favor the elites. A new venue offering standardized, fair “*performance royalties*” to all **content creators** would instantly win over smaller broker-dealers and independent algo developers. By replacing traditional PFOF and transaction rebates with clear copyright standards, the venue weeds out “*phantom quotes*” and rebate-harvesting manipulation. This cleaner, more transparent matching book **eliminates toxic rebate games** and **appeals to risk-averse institutional buy-side desks**. The model allows proprietary firms to license out old, unused algorithms (their “*sunk costs*”) to earn a secondary income stream, drawing structural incentives for both participants and this exchange network. It will reach critical mass by democratizing data analysis and incorporating a public “*sound library*” of historical algorithm patterns if the Commission can provide its blessing to this innovative approach.

⁴⁰ <https://www.linkedin.com/pulse/exuberance-factors-boil-down-complexities-anticipate-future-kelvin-to-khfze/>

⁴¹ <https://hksar.org/how-hsbc-got-caught-in-a-geopolitical-storm-over-hong-kong-security-law>

⁴² <https://globalriskinstitute.org/publication/incentives-behind-clearinghouse-default-waterfalls/>

⁴³ https://www.databoiler.com/index_html_files/DataBoiler%20BIG%20OPP.pdf

⁴⁴ https://www.databoiler.com/index_html_files/DataBoiler%20Copyright%20Licensing.pdf

The SEC can optimize the benefits of this **Venue Trading Volume Threshold for Protected Quotes** alternative by enforcing a **level playing field**, which it currently is not because of **initial bias**.⁴⁵ We urge the Commission to require trading venues to *make market data available in synchronized time*. The copyright licensing model needs buy-in from Clearinghouses. This model can address the Clearinghouses' two biggest modern operational threats: the rising cost of clearing member defaults and the risk of systemic flash crashes:

1. Realigning \$10+ Billion to Create a Robust Defaulters' Insurance Fund

Currently, if a major broker-dealer defaults (like Lehman Brothers in 2008 or the near-misses during the 2021 meme-stock craze), the clearinghouse must rely on its own clearing fund, which is financed by demanding massive, unpopular margin deposits from its members. Copyright licensing model realigns \$10+ billion a year currently wasted on toxic exchange data rents, access fee rebates, and PFOF. A portion of this massive capital pool can be redirected straight into the clearinghouse's Default Insurance Fund. By acting as the centralized "royalty collection administrator" (similar to ASCAP or BMI in the music industry), the clearinghouse secures a stable, multi-billion-dollar cash cushion that protects the entire financial system from member defaults – without needing to constantly squeeze brokers for more cash collateral.

2. Monetizing the Ultimate "Data Repository" via Flat Subscriptions

Established clearinghouses already possess the most valuable asset in the capital markets: a complete, undisputed ledger of every transaction that occurs across the industry. Yet, they are largely barred from commercializing this data due to intense regulatory restrictions and exchange monopolies. Under the copyright model, the clearinghouse can house the public "*Sound Library*" or archive of historical trade and order sequences. Instead of allowing for-profit exchange groups to extract rent from proprietary data feeds, the clearinghouse becomes the prime distributor. They can charge flat channel subscription fees to market participants who want to safely analyze anonymized, historical algorithmic pattern behaviors. This opens an enormous, stable, and highly profitable new revenue stream for the clearinghouse.

3. De-risking the System via Time-Lock Encryption (TLE)

Clearinghouses face immense systemic risk from "*latency-arbitrage*" and predatory HFT algorithms that exploit microsecond data delays across exchanges, occasionally causing structural market instability. The framework introduces TLE to make market data available securely across a secured, synchronized starting line. TLE prevents data from being decrypted prematurely. For the clearinghouse, this completely levels the trading field and slows down artificial, microsecond-level market panic. By ensuring everyone operates on a synchronized timeline, the clearinghouse faces far fewer erratic, intraday volume surges, lowering their overall operational tail risk.

4. Shifting Risk via the "Liability Pass-Through" Architecture

In the current market structure, if an algorithmic glitch causes a flash crash, the clearinghouse is left holding the bag if a bankrupt broker cannot cover their trading losses. The exchange that hosted the toxic trade usually hides behind regulatory immunity. This framework legally mandates that rights obligations pass through liabilities. If an algorithmic

⁴⁵ Without [TLE](#) to make market data available securely in synchronized time, it causes "*initial bias*" that exacerbates the gap between subscribers of proprietary feeds and the public consolidated tape. NYSE's rooftop antenna service is a [controversy](#), it is used by high frequency trading (HFT) firms such as Virtu, as well as McKay Brothers and its sister company Quincy Data that advocate for "*level the playing field*." NASDAQ's [equalization project](#) in removing its GPS antenna may ease conflicts among subscribers of collocation service. Yet, a directive like China banning HFTs from using client-dedicated servers co-located within exchange data center, it merely pushes the latency arms race to the nearest neighborhood. We criticize the SEC for not going far enough with the [latency requirement](#) (same manner and using the same methods) in Market Data Infrastructure Rules. Not until a mandate of [market data available securely in synchronized time](#) and the questions of [who owns the data](#) being addressed, inequitable situations would remain.

“remix” or strategy causes market chaos, the liability is shared between the algo publishers (brokers) and the platforms. The clearinghouse gains a powerful legal mechanism to claw back funds. If a trading member defaults due to a systemic glitch, the clearinghouse can legally seize their entire “*algo catalog*” and its ongoing royalty streams to recoup the losses, rather than liquidating the firm at a steep discount in a panicked market.

We recommend the NSCC rulebook to amend Rule 18A - **DEFAULT PROCEDURES AND INTELLECTUAL PROPERTY LIQUIDATION OVERHAUL** (COPYRIGHT LICENSING FRAMEWORK). First, declaration of a clearing member Event of Default. Second, upon the declaration of a Defaulting Member, the NSCC shall instantly activate its Automated Royalty Distribution Engine to execute the following mitigation sequences:

- **Suspension of Disbursements:** The Corporation shall halt all netting distributions, performance royalties, and “featured artist” or “publisher” payouts otherwise payable to the Defaulting Member.
- **The Royalty Redirection Event:** All ongoing performance royalties generated by the Defaulting Member’s registered Digital Object Identifier (DOI) trading algorithms across all “*streaming platforms*” shall be automatically frozen.
- **Diversion to Clearing Fund:** The NSCC shall automatically reroute 100% of these ongoing royalty cash flows directly into the **NSCC Default Insurance Fund** to offset any projected settlement shortfalls.

Third, **Seizure and Administration of the Algorithmic Strategy Catalog.** The Defaulting Member, as a condition of membership, hereby grants to the NSCC a perfected, first-priority security interest in, and an irrevocable power of attorney over, its entire registered Algorithmic Strategy Catalog (including all source code, execution wheels, and historical trade sequence DOIs). The Corporation’s Risk Committee shall immediately isolate the Defaulting Member’s catalog into two structural risk segments:

- **Non-Interactive Streamers (Exchanges):** The NSCC shall maintain standard clearing operations for any passive, “timeless classic” trading streams, utilizing their structural regulatory immunity to insulate the matching book from legal contagion.
- **Interactive Streamers (ATS Dark Pools / SDPs):** For any custom or “*profane content*” streams, the NSCC shall instantly invoke the **Liability Pass-Through Clause**, enforcing joint and several financial liability against any upstream Publishers or broker-dealer syndicates that contributed to the default-triggering market chaos.

Fourth, **Orderly Liquidation and Algorithmic Leasing.** Rather than executing a forced market-selling of physical equity inventory—which creates artificial downward price pressure and destabilizes public markets – the NSCC shall liquidate the Defaulting Member’s intangible assets via the public Sound Library:

- **The Emergency Auction Engine:** The NSCC shall host a closed, competitive auction allowing non-defaulting Clearing Members to bid on the exclusive trading rights of the Defaulting Member’s high-performing, alpha-generating DOIs.
- **Open-Source Leasing:** If an immediate auction is unavailable, the NSCC may lease out the Defaulting Member’s active algorithmic “songs” to the broader trading crowd via flat channel subscription models. All collected subscription rents shall be applied directly toward extinguishing the Defaulting Member’s remaining central counterparty liabilities.

Fifth, upon final liquidation or lease execution of the Algorithmic Strategy Catalog, all rights obligations and pass-through liabilities shall permanently transfer to the acquiring or leasing constituents. The NSCC shall be **fully subrogated** to all claims, performance royalties, and legal remedies that the Defaulting Member held against any third-party market centers or data consolidators.

If the SEC ultimately decides to rescind Rule 611 and Rule 610(e), **this copyright mechanism can still work – and arguably becomes even more necessary – but it will operate under a completely different market dynamic.** However, keeping

certain provisions of order protection, such as the **Venue Trading Volume Threshold for Protected Quotes**, provides a vastly superior transition runway. It creates a structural bridge that anchors the copyright model during the initial “cold-start” phase. The threshold imposed by the **Venue Trading Volume Threshold for Protected Quotes** alternative preserves a transparent, centralized pricing standard while removing the regulatory friction and data-rent exploitation of the old system – giving the automated royalty distribution engine a stable grid to operate on.

Why the Volume Threshold Wins Over the Alternatives

1. It Solves the Root Economic Problem (Unlike the “Lock-Only” Compromise)

The primary drain on the US financial system is the **\$10+ billion a year** wasted on mandatory data connectivity and monopoly data fees charged by fringe, low-volume exchanges. Only Rescinding the Locked Market Prohibition forces brokers to maintain expensive connections to every venue to prevent accidental “crosses”. The **Venue Threshold** strips protection from low-volume platforms, legally allowing brokers to disconnect from them. This halts the data-rent monopoly and frees up the precise capital pool needed to fund a next-generation clearinghouse default insurance fund.

2. It Anchors Price Discovery (Unlike Complete Rescission)

Completely dropping OPR threatens to dissolve the public NBBO into completely fragmented, unlinked trading echo chambers, risking severe tracking error for ETPs and higher costs for corporate issuers. The **Venue Threshold** preserves a hyper-liquid, legally protected public core consisting of the dominant exchange groups (e.g., NYSE, Nasdaq, CBOE). This ensures that the public tape remains a rock-solid, trustworthy reference benchmark for retail investors and asset managers, avoiding the “Europeanized” chaos of a completely blind market.

3. It Optimizes the Next-Generation Copyright Framework

To shift financial regulation away from rigid policing toward a principles-based liability framework. The clearinghouse needs an absolute source of truth to value algorithmic “songs” and enforce margins. The **Venue Threshold** establishes a perfect operational grid. Dominant venues above the threshold act as “non-interactive” public utilities providing the clean baseline data needed to score algorithms. Venues below the threshold act as “interactive” free-market laboratories, utilizing copyright performance royalties to attract order flow and aggressively compete to cross the threshold.

23x5 Trading and Crypto Exchange Competition

If the OPR is rescinded, the already paper-thin overnight volume will fracture across dozens of unlinked venues and private SDPs. Spreads would widen massively, creating a highly toxic environment prone to erratic, intraday mini-flash crashes that scare away global investors. By choosing the **Venue Trading Volume Threshold** alternative, this forces all overnight 23x5 order flow to funnel exclusively into the protected core exchanges. In turn, a highly concentrated pool of liquidity that keeps the overnight public NBBO tight, active and safe for global participants.

Crypto exchanges do capture certain percentage of global retail volume by offering 24/7 liquidity, instant settlement, and an open marketplace for automated algorithmic trading. By integrating Time-Lock Encryption (TLE) into the copyright framework, the US market creates a synchronized, fair starting line. This completely neutralizes predatory front-running, offering global algo developers a level of trading integrity that crypto exchanges cannot match. By running the copyright engine through a centralized clearinghouse (like the NSCC), the US market allows global institutions to cross-margin their 23x5 equity positions against deep derivatives and Treasury books. This lowers the cost of capital and enhancing pricing efficiency of the US market.

Also, if a foreign alliance attempts to draw capital away from the US via a tokenized clone mentioned earlier, the 23x5 technological flexibility with the absolute legal certainty of a regulated, price-protected public core tape in the US is superior to a foreign tokenized clone that offer 24x7 ledger access. The clone cannot erase the risk of sudden sovereign

capital controls or political interventions, whereas the US threshold model claws back \$10+ billion a year currently wasted on traditional exchange data monopolies and toxic rebate games, redirecting those funds into performance royalties for content creators. Instead of institutions fleeing overseas to chase returns, global capital will be attracted to trade in the US because we champion intellectual property protection and provide recurring royalty streams that no other can match.

Comparison Matrix and a Pragmatic Modernization

Strategic Objective	Complete Rescission	Locked Legal / Crossed Illegal	Venue Trading Volume Threshold
Protect Public NBBO Integrity	No; degrades into lagging reference data	Partial; prevents negative spreads but restricts speed	Yes; anchors a highly liquid public core
Claws Back the \$10+ Billion Data Waste	Fragmented; relies on voluntary unlinked buy-in	No; mandatory connectivity stays active	Yes; strips protection from data-monopoly fringes
Prevents Exchange Oligopolies	No; major venues use capital to lock up exclusive flow	No; protects legacy exchange structures	Yes; gives smaller venues a clear path to earn protection
Regulator Enforcement Viability	Low; forces backward-looking statistical guesses	Low; forces microsecond policing of locks vs. crosses	High; preserves a clean, centralized benchmark

The **Venue Trading Volume Threshold for Protected Quotes** alternative is a **pragmatic modernization** that delivers the SEC's exact policy goals – increased competition, reduced broker technology burdens, and faster execution – while avoiding a catastrophic breakdown in public price integrity.

Critics of the Venue Threshold point to three primary drawbacks: it entrenches an exchange oligopoly, creates an unstable *"regulatory cliff"* for border-line venues, and risks leaving retail limit orders on smaller venues unprotected. However, our analysis concluded that our copyright licensing model can neutralizes each con:

The Monetization Equalizer: Unprotected fringe venues are freed from costly exchange compliance. They can use the copyright model to pay out aggressive, high-yielding *"performance royalties"* directly to algo developers to organically attract order flow and challenge the giants.

The Safe Harbor Boundary: The clearinghouse treats venues above the threshold as low-risk "non-interactive" utilities (low margin), and venues below as high-reward *"interactive"* platforms. This flips the cliff from a regulatory trap into a clear, predictable economic choice for the venue's business design.

The Transparent Reference Tape: Because quotes from unprotected venues are still disseminated via the public SIP tape, a broker's holistic Duty of Best Execution still applies. If a broker ignores a highly visible, better price on a small venue simply because it lacks a legal *"Rule 611 shield,"* their internal Transaction Cost Analysis (TCA) logs will flag the failure, prompting regulatory enforcement.

In conclusion, the **Venue Trading Volume Threshold for Protected Quotes** alternative achieves the SEC's Cost-Reduction Mandate without market chaos. It Preserves the Public Tape as a *"Trustworthy Anchor"*, spreads with remain tight and NBBO will refresh constantly. It turns competition from an Animal Farm *"Rebate War"* into a healthy *"Content Race."* We recommend the Commission to adopt a temporary 1% venue volume threshold rule for a subset of NMS stocks rather than a permanent, total repeal of OPR.



Please see [Annex 1](#) for our response to specific questions. Feel free to contact us with any questions and please keep us posted where our expertise might be helpful.

Sincerely,

Kelvin To

Founder and President

Data Boiler Technologies, LLC

This letter is also available at: https://www.DataBoiler.com/index_html_files/DataBoiler%20SEC%20OPR%2020260817.pdf

CC: The Honorable Paul S. Atkins, Chairman
The Honorable Hester M. Peirce, Commissioner
The Honorable Mark T. Uyeda, Commissioner
Mr. Jamie Selway, Director of the Division of Trading and Markets
Mr. Theodore S. Venuti, Assistant Director, Office of Market Supervision, Division of Trading and Markets
Mr. Kevin Brennan, Special Counsel, Division of Trading and Markets
Ms. Sarah Counts, Special Counsel, Division of Trading and Markets
Ms. Jennifer Dodd, Special Counsel, Division of Trading and Markets
Mr. David Liu, Special Counsel, Division of Trading and Markets
Ms. Gita Subramaniam, Special Counsel, Division of Trading and Markets

ANNEX 1 – Data Boiler’s response to specific SEC questions

II. Rule 611

1. Do commenters agree with the Commission’s proposed rescission of Rule 611? Why or why not? Are there benefits to maintaining Rule 611?

No, we do not agree with the Commission’s proposed rescission of Rule 611. One needs to look no further than the European equity markets to see the consequences of rescinding the OPR. Without OPR, trades concentrate during closing auctions with little activity during the normal hours in Europe. See [earlier section](#). We argue that completely eliminating the rule will trigger market fragmentation, widen public spreads, harm retail price discovery, and [disrupt critical cross-asset derivative hedging](#). Maintaining Rule 611 exclusively for high-volume exchange groups provides major benefits by ensuring that the public NBBO remains a tight, constant, and trustworthy reference benchmark for retail investors and multi-asset options market makers. Instead of total rescission, we recommend implementing a 12-month pilot program with a 1% rolling average daily [volume threshold](#) to strip protected status from illiquid fringe venues while preserving the core integrity of public price discovery.

2. If Rule 611 is rescinded, should any other rules (of Regulation NMS or otherwise) be modified or rescinded in addition to what the Commission is proposing herein?

A complete elimination of intermarket price protection will cause institutional volume to abandon public continuous trading hours, migrating into private, unlinked single-dealer “echo chambers” to avoid adverse selection (see [earlier section](#)). This shift will *hollow out* the public CLOB, expand the *Equity Risk Premium* for [corporate issuers](#), and introduce severe [tracking errors of ETPs](#). Furthermore, executing [continuous global sessions](#) under a completely unlinked market structure would result in *erratic, high volatile public books* that *threaten financial stability*. Instead of a complete repeal the Commission should adopt the **Venue Trading Volume Threshold for Protected Quotes** alternative.

If the SEC ultimately decide to rescind Rule 611 and Rule 610(e), **this copyright mechanism can still work – and arguably becomes even more necessary – but it will operate under a completely different market dynamic**. However, keeping certain provisions of order protection, such as the **Venue Trading Volume Threshold for Protected Quotes**, provides a vastly superior transition runway. It creates a structural bridge that anchors the copyright model during the initial “cold-start” phase. The threshold imposed by the **Venue Trading Volume Threshold for Protected Quotes** alternative preserves a transparent, centralized pricing standard while removing the regulatory friction and data-rent exploitation of the old system – giving the automated royalty distribution engine a stable grid to operate on. See footnote [29](#) and [earlier section](#).

3. Rather than rescinding Rule 611, should the Commission instead modify Rule 611? If so, please be specific and describe how Rule 611 should be modified. What advantages or disadvantages are there to such a modification in comparison to the proposed rescission? Please also describe how such a modification would address the adverse consequences the Commission has identified in section II.B.2.

Yes, instead of a complete rescission, we strongly recommend that the Commission modify Rule 611 by implementing a [Venue Trading Volume Threshold alternative](#). Specifically, the SEC should establish a 12-month pilot program that maintains Rule 611 price protection exclusively for dominant, high-volume exchange groups meeting a rolling 1% average daily volume threshold, while stripping protected status from illiquid, fringe venues. Compared to a complete rescission, the major advantage of this modification is that it preserves a tight, trustworthy public NBBO core tape for retail investors and multi-asset options market makers executing clean [delta hedges](#), while still successfully achieving the SEC’s goal of eliminating billions in technology and data-fee burdens imposed by rent-seeking platforms. This threshold model directly addresses adverse consequences by legally allowing broker-dealers to safely disconnect from minor venues without

inducing the systemic market fragmentation, hollowed-out continuous order books, widened public spreads, and severe cross-asset risks that a total repeal would mandate.

4. Would the rescission of Rule 611 affect investor confidence? Why or why not? If it were to decrease investor confidence, how could that effect be mitigated?

Yes, we argue that the complete rescission of Rule 611 would severely decrease investor confidence by hollowing out the public CLOB, widening public spreads, and creating an opaque, highly fragmented market landscape. Without the legal guarantee of intermarket price protection, retail and institutional investors will face extreme execution uncertainty, uncompensated timing lags, and structural slippage inside unlinked single-dealer “echo chambers,” (see [earlier section](#)) while [corporate issuers](#) suffer from micro-flash crashes and inflated costs of capital. To mitigate this dramatic loss of trust, the Commission should reject total rescission and instead implement a rolling 1% average daily [volume threshold](#) for protected quotes paired with a Copyright Licensing Framework. This specific modification eliminates the multi-billion-dollar technology fee burden from fringe venues while maintaining Rule 611 protection exclusively for high-volume exchange groups, successfully ensuring that the public NBBO remains a tight, active, and trustworthy reference anchor that systematically protects retail price discovery and attracts international capital to US markets.

5. Given best execution obligations and the current level of automation and interconnectedness of the U.S. equity markets, is Rule 611 still needed? Will a broker-dealer’s processes to fulfill its best execution obligations be affected by rescission of Rule 611? What steps should be taken by the Commission and/or SROs with respect to best execution if the Commission were to rescind Rule 611? Is there a need for additional best execution guidance concerning retail order handling? Institutional order handling? If so, what should that guidance include and should that guidance be principles-based or more prescriptive?

Yes. If Rule 611 and Rule 610(e) are rescinded, the processes of broker-dealers will be severely disrupted, as the burden of proof shifts entirely onto firms to conduct expensive statistical defenses and maintain rigid documentation of their “Material Markets” without the NBBO acting as a legal backstop. See [earlier section](#). To address this, the Commission and SROs must overhaul the current interpretive framework of FINRA Rule 5310, providing prescriptive rather than purely principles-based guidance to address the severe lack of standards across market rebate systems. This updated guidance must explicitly include prescriptive requirements for both retail and institutional order handling, detailing how to evaluate execution quality across fragmented single-dealer echo chambers, how to account for [cross-asset delta-hedge](#) timing loops, and how to assess effective execution prices for specific order sizes rather than relying on flat, unlinked displayed quotes. See [earlier section](#).

6. What impact has Rule 611 had on complexity in the equity markets, including but not limited to order types, exchange proliferation, and fragmentation? Will rescinding Rule 611 reduce the complexity in our equity market structure that has occurred since its adoption in 2005? Will rescinding Rule 611 reduce fragmentation of liquidity in the equity markets? Will rescinding Rule 611 reduce costs on market participants? If so, which costs and by how much?

While we acknowledge that Rule 611 historically allowed legacy exchange groups to intentionally launch “copycat” or fringe venues to harvest data fees and exploit mandatory routing loops, completely rescinding it will perversely complicate market structure rather than reduce complexity or fragmentation. See [earlier sections](#). Instead of simplifying the ecosystem, total rescission will trigger further market fragmentation, dissolve the public NBBO into unlinked single-dealer “[echo chambers](#),” and hollow out the CLOB. See earlier section. While a complete repeal shares the Commission's desire to eliminate the multi-billion-dollar technology and data-fee burden imposed by rent-seeking, low-volume platforms, it will ultimately drive-up overall transaction costs, widen public spreads, and inflate execution slippage risks for retail and

institutional investors alike. To truly reduce complexity and capture those multi-billion-dollar savings without inducing market chaos, the Commission must adopt our proposed 1% venue trading volume threshold, which strips protection from minor venues while anchoring a highly liquid, protected public core.

7. What impacts have market technologies, including those relating to routing and connectivity, had on Rule 611? Have market technologies advanced to such a degree that Rule 611 is no longer needed? Why or why not?

We **strongly disagree with the Commission's "Technology-as-a-Substitute" argument** because modern market routing and connectivity technologies have merely accelerated execution speeds rather than fundamentally altering the core microstructural vulnerabilities that Regulation NMS was designed to correct. Market technologies have definitely not advanced to a degree where Rule 611 is no longer needed; rather, assuming that technology will spontaneously resolve execution complexities is a **convenient illusion**. See [earlier section](#). Without a legally protected NBBO endpoint, institutional smart order routers will bypass public lit quotes to protect against information leakage, causing order flow to perversely migrate away from transparent exchanges and into private, unlinked single-dealer "echo chambers". By failing to model the mechanics of the [cross-asset delta-hedge](#) timing loop, a total repeal of Rule 611 – even with advanced routing systems – will simply widen public spreads, create severe execution and [tracking errors for ETPs](#), and trigger severe market fragmentation that threatens overall system stability.

8. Are the concerns regarding equity market structure that the Commission expressed when it adopted Rule 611 still relevant? Is Rule 611 necessary to the current functioning of our equity markets? Would the continued maintenance of Rule 611 inhibit innovation and the development of new technologies?

Yes, the structural concerns regarding equity market vulnerabilities expressed by the Commission in 2005 remain highly relevant today, and Rule 611 is absolutely necessary to the current functioning of our equity markets. Modern market technologies have merely accelerated execution speeds without altering the core fragmentation risks that Regulation NMS was designed to correct, meaning that assuming technology has rendered these structural concerns obsolete is a flawed assumption. Continued maintenance of Rule 611 does not inhibit innovation; rather, it turns competition from an inefficient "[rebate war](#)" into a healthy "[content race](#)" by providing a stable, legally protected public NBBO core tape that market participants can safely trade and hedge against. See [earlier section](#). Completely dropping the rule would actually stifle constructive innovation by hollowing out the CLOB and forcing a retreat into opaque, unlinked single-dealer "echo chambers," whereas modifying Rule 611 with our proposed 1% venue threshold would actively foster technological breakthroughs like Time-Lock Encryption (see footnote [45](#)) and an [intellectual property-driven global marketplace](#).

9. What is the impact of Rule 611 on the number of equity exchanges? What would be the impact of the rescission of Rule 611 on the number of equity exchanges? Would rescission of Rule 611 result in fewer or more equity exchanges? Why or why not?

Completely rescinding Rule 611 will not effectively solve the issue of "copycat" or fringe venue to harvest lucrative data fees and exploit mandatory routing loops. Instead, rescinding OPR will perversely fragment liquidity into dozens of unlinked private SDPs and dark crossing networks, creating opaque "echo chambers" rather than a healthy, consolidated market. See [earlier section](#). Total rescission would strip legal protections and likely cause institutional order flow to completely abandon smaller, low-volume venues – leading to their commercial collapse and a reduction in the number of lit public exchanges – it would trigger a highly fragmented and unstable market structure. We urge the Commission to adopt the [Venue Trading Volume Threshold for Protected Quotes](#) alternative, which surgically strips protected status from illiquid fringe exchanges and allows them to compete freely using our proposed Copyright Licensing Framework, thereby reducing exchange data monopolies while preserving a tight, trustworthy public NBBO core.

10. What is the impact of Rule 611 on displayed liquidity? Would the rescission of Rule 611 result in more displayed liquidity, or instead more non-displayed liquidity? Why or why not? What steps, if any, should be taken to bolster displayed liquidity if Rule 611 were to be rescinded? How would the availability of displayed liquidity and the quality of the NBBO be impacted by the rescission of Rule 611?

Rule 611 serves as a vital legal mandate that protects displayed liquidity, but completely rescinding it will cause a dramatic retreat into non-displayed liquidity, severely hollowing out visible market depth. Because public limit orders will no longer be legally guaranteed price protection, the core incentive to display public quotes on lit exchanges severely degrades, forcing traders to actively pull their orders and retreat into dark pools and private, unlinked SDPs. See [earlier section](#). As institutional order flow is systematically cherry-picked and locked inside these private bilateral silos, the public lit exchanges will be starved of volume, causing public spreads to widen, latency gaps to experience friction, and the integrity of the official NBBO to become a highly inaccurate reflection of actual supply and demand. If Rule 611 is rescinded, the Commission must mandate the use of time-lock encryption to make market data available securely in synchronized time (see footnote [45](#)), or alternatively adopt our proposed 1% venue trading [volume threshold](#), which preserves a hyper-liquid, protected public core to effectively stabilize displayed liquidity and protect retail price discovery.

11. What steps (if any) would broker dealers, exchanges, and other market participants need to take to implement a rescission of Rule 611? Are there any implementation concerns if the Commission were to rescind Rule 611? For example, if Rule 611 is rescinded how long should the implementation period be? Should implementation be done in phases or tranches (and if yes, please be specific to describe what should be phased and when)? Should the timing for implementation be tied to the timing for implementation rescission of Rule 610(e), if applicable? If so, in what way?

If Rule 611 is completely rescinded, broker-dealers, exchanges, and other market participants will face immense implementation friction, requiring quantitative desks to completely abandon traditional passive compliance models and rapidly hardcode a new “Slippage Skew Parameter” into their pricing black boxes to dynamically adjust for uncompensated trade-throughs across fragmented books. Exchanges and market participants will be forced to entirely restructure their routing architectures to handle an explosive volume growth in multi-leg complex orders, while clearinghouses must implement an asymmetric execution haircut and demand significantly higher variation margin on the equity side of portfolios to buffer against cross-venue slippage. See [earlier sections](#). The primary implementation concern is that dropping the rule in a vacuum will cause sequence drift and trigger a structural liquidity vacuum. Therefore, rather than a permanent, total repeal of Rule 611 and Rule 610(e), we strongly urge the Commission to implement a structured 12-month pilot program establishing a 1% rolling average daily [volume threshold](#) applied initially to a limited subset of NMS stocks to serve as a safe, data-driven transition runway.

12. Are there any NMS Plan amendments that would be necessary or desirable if Rule 611 is rescinded? If so, which ones, why, and in what way?

Please see our response to [Q2](#). In particular, the Commission ought to figure out how to amend the **Options Order Protection and Locked/Crossed Market Plan** to prevent a severe, asymmetric market gap between the equity and derivatives markets. Because options market makers do not trade in a vacuum and must instantly delta-hedge their risk using underlying equities, leaving options fully protected while completely unlinking the underlying stock market will expose market makers to uncompensated timing lags and severe execution slippage. To absorb this unhedged equity risk, market makers will be forced to drastically widen their options quotes, perversely driving up transaction costs for retail and institutional options investors alike. See [earlier section](#). Therefore, the Options NMS Plan must be amended to incorporate our proposed **Venue Trading Volume Threshold** or a specialized “Slippage Skew Parameter” to cleanly

synchronize cross-asset matching wheels, shield market makers from open-market equity trade-throughs, and preserve a trustworthy public pricing benchmark.

13. Are there any amendments to SRO rules that would be necessary or desirable if Rule 611 is rescinded? If so, which ones, why, and in what way?

Yes, if Rule 611 is completely rescinded, it is absolutely critical to overhaul **FINRA Rule 5310 (Best Execution)** to prevent a compliance nightmare for broker-dealers who will lose the NBBO as a legal backstop. See [earlier section](#). Under a post-rescission market structure, SROs must heavily amend Rule 5310 to replace the outdated “Material Markets” documentation requirement with prescriptive guidance on how to calculate expected effective execution prices for specific order sizes across unlinked single-dealer “[echo chambers](#)”. Furthermore, SROs must incorporate clear frameworks into their execution rules to account for [blockchain block inclusion latency mismatches](#) and protect against the severe [cross-asset delta-hedge](#) timing loop disruptions that will naturally penalize multi-asset market makers.

III. Rule 610(e)

14. Is Rule 610(e) necessary in today’s equity markets? Are any of the concerns the Commission identified when adopting Rule 610(e) still relevant? Should the Commission maintain any of the requirements of Rule 610(e) rather than rescind the entire rule? For example, should prohibitions on the display of crossed markets be maintained? Why or why not? Are there different concerns for liquid and illiquid securities that the Commission should consider? Should SROs continue to be required to have rules designed to assure the reconciliation of locked or crossed quotations in an NMS stock? Why or why not?

Yes, Rule 610(e) is still critically necessary to prevent market destabilization, and its underlying concerns remain highly relevant because modern technology has merely accelerated execution speeds rather than altering the core microstructural vulnerabilities that Reg. NMS was designed to correct. Instead of a total repeal, the Commission should maintain the prohibitions on the display of locked and crossed markets because removing these intermarket boundaries will allow HFT algorithms to intentionally cross the equity market (\$10.01 bid on Nasdaq / \$10.00 ask on NYSE) and exploit legally protected options benchmarks to lock in riskless, predatory arbitrage loops. Furthermore, SROs must continue to require rules to reconcile these quotations, especially during stress phases of extreme volatility, because without mandatory boundaries, individual exchange order books for illiquid securities can thin out unevenly – creating a high-probability risk of localized flash crashes while identical securities trade normally on primary venues. See [earlier section](#). Therefore, rather than rescinding the entire rule, the SEC should adopt our proposed 1% venue trading [volume threshold](#), which strips protection from low-volume platforms while anchoring a highly liquid public core to safely keep the public NBBO tight, active, and structurally stable.

15. Would the availability of liquidity and the quality of the NBBO be impacted by the rescission of Rule 610(e)? If so, how, and how might any such impact be mitigated?

Yes, the availability of liquidity and the quality of the NBBO would be severely degraded by the rescission of Rule 610(e), as the elimination of locked and crossed market protections will allow HFT algorithms to intentionally cross public venues to manipulate pricing models and exploit riskless arbitrage loops. This disruption removes the core incentive for traders to display public quotes on lit exchanges, causing individual order books to thin out unevenly during high-volatility stress phases, which perversely drives liquidity out of continuous midday trading and into private SDPs. See [earlier section](#). To mitigate this severe erosion of the NBBO and prevent localized flash crashes, the Commission should reject total rescission and instead adopt a 1% venue trading [volume threshold](#). This modification maintains Rule 610(e) protections exclusively

for high-volume exchange groups to anchor a tight, trustworthy, and hyper-liquid public core, while allowing fringe venues below the threshold to compete freely under a clear, predictable principles-based liability framework.

16. Would the rescission of Rule 610(e) lead to investor confusion regarding the status of displayed quotations or whether displayed quotations accurately represent available trading interest? Why or why not? Would the possibility of crossed markets result in the potential for investor confusion? Why or why not, and if yes, how could the potential for such confusion be mitigated? Do investors have access to the tools and market information necessary to understand and navigate equity markets when they are locked or crossed? Why or why not?

Yes, the complete rescission of Rule 610(e) would lead to severe investor confusion and a total compliance nightmare because allowing separate trading echo chambers to stream their own crossed or locked versions of the BBO fundamentally fractures the regulatory framework, making the official NBBO an highly inaccurate reflection of actual supply and demand. The possibility of crossed markets creates massive confusion because retail and institutional investors will face unlinked “echo chambers” streaming conflicting prices, completely [obscuring whether a displayed quotation represents genuine, accessible trading interest or just predatory, localized noise](#). Average Investors currently lack the necessary tools to safely navigate this fragmented landscape. Decentralized competing consolidator models will lose their commercial utility, forcing brokers to run backward-looking statistical guesses and handle sub-millisecond sequence drift on their own logs. See [earlier section](#). To cleanly mitigate this confusion, the Commission must reject a total repeal and instead implement our proposed 1% venue trading [volume threshold](#), which maintains strict lock and cross protections exclusively for dominant exchange groups to preserve a tight, constant, and rock-solid public reference benchmark.

17. If Rule 610(e) is rescinded, would there be an increase in frequency or duration of locked or crossed markets? Would locked or crossed markets, when they do occur, resolve quickly? Why or why not? Are there particular concerns associated with crossed markets for symbols that have certain characteristics, such as more illiquid symbols? Why or why not, and if yes, how could such concerns be mitigated?

Yes, completely rescinding Rule 610(e) will cause a severe increase in both the frequency and duration of locked or crossed markets, and these instances will not resolve cleanly because the underlying equity market will fracture into unlinked single-dealer “[echo chambers](#)” streaming conflicting prices without a mandatory intermarket boundary to force reconciliation. HFT algorithms will intentionally cross the equity market to exploit riskless, predatory arbitrage loops against legally protected options benchmarks before market makers can adjust their models, prolonging the duration of these disruptions. This introduces severe risks for illiquid or small-cap corporate issuers. Because individual exchange order books thin out unevenly during high-volatility stress phases, secondary venues face localized micro-flash crashes while the identical security trades normally on a primary exchange. See [earlier section](#). To mitigate these structural threats, the Commission must reject a total repeal and instead implement our proposed 1% venue trading volume threshold, which maintains strict lock and cross protections exclusively for dominant exchange groups to preserve a tight, constant, and rock-solid public reference benchmark.

18. How would the rescission of Rule 610(e) impact execution quality metrics? For example, do commenters have particular concerns regarding the potential impact on their average execution performance statistics, or concerns regarding how to calculate certain metrics for purposes of Rule 605 Reports that are not addressed by Commission staff responses to Frequently Asked Questions or related exemption?242 If so, what are the concerns and why? How could these concerns be addressed?

If Rule 610(e) is completely rescinded, execution quality metrics will become severely distorted and turn into a compliance nightmare for broker-dealers, as separate trading echo chambers stream their own fragmented, crossed, or locked

versions of the BBO. Because the public NBBO will lose its legal enforcement teeth, it will become an inaccurate reflection of actual supply and demand, making it impossible to calculate reliable baseline reference points for Rule 605 Reports or best execution quality assessments. This structural fracture will force investment firms to run backward-looking statistical guesses, while the Consolidated Audit Trail (CAT) suffers from sub-millisecond sequence drift that can perversely look like deliberate spoofing or phantom liquidity on official databases. See [earlier section](#). To address these calculation failures and protect average execution performance statistics, the Commission must reject a total repeal and instead implement our proposed 1% venue trading [volume threshold](#), which preserves a tight, centralized public benchmark for trustworthy execution metrics while freeing minor venues to pay performance royalties under a clear copyright framework.

19. What are the benefits to allowing the display of locked markets? Would allowing the display of locked markets lead to zero spreads and lower transaction costs for some stocks? Would it otherwise allow market participants to more accurately display their trading interests? If so, how? If not, why not? Are there additional impacts on the quality of markets that would result from the display of locked markets? For example, how would competition between trading centers be impacted? Would rescission of Rule 610(e) impact competition between exchanges and other trading centers, such as ATSS? If so, how?

We strongly contend that allowing the display of locked markets provides no genuine structural benefits, and any perceived advantages – such as zero spreads or more accurate displays of trading interest – are a dangerous microstructural illusion that perversely worsens the quality of public markets. Rather than lowering transaction costs, the complete rescission of Rule 610(e) will trigger a “[Gresham's Law of Microstructure](#),” destroying the core incentive for traders to display visible limit orders on lit venues and forcing liquidity to retreat into opaque, non-displayed dark pools and private SDPs. This structural boundary breakdown severely degrades intermarket price protection and fractures competition, allowing HFT algorithms to intentionally cross the equity market to lock in riskless, predatory arbitrage loops against legally protected options benchmarks before market makers can adjust their pricing models. See [earlier section](#). Furthermore, this rule change perversely favors elite Tier-1 investment banks and large wholesalers at the expense of ATSS, allowing private [echo chambers](#) to weaponize price discrimination and capture massive risk premiums while starving the public order book of diverse volume and leaving the broader financial infrastructure fragile and [blind](#).

20. How might a broker-dealer's processes to fulfill its best execution obligations be affected by the rescission of Rule 610(e)?

See our response of [Q5](#) and this [earlier section](#).

21. Would rescinding Rule 610(e) reduce complexity? Why or why not? If so, how? Have the requirements of Rule 610(e) contributed to the proliferation of order types? Are such order types useful in the absence of Rule 610(e)? Why or why not? Do such order types obscure market participant's true trading interests? If so. How?

No, completely rescinding Rule 610(e) will not reduce complexity; instead, it will perversely complicate trading dynamics, fracture the regulatory framework, and create an unstable market structure. See [earlier sections](#). While the requirements of Rule 610(e) historically contributed to complex order types as legacy exchanges exploited mandatory loops, dropping these protections in a vacuum does not solve the root problem and instead triggers further market fragmentation into unlinked single-dealer “[echo chambers](#)”. In the absence of Rule 610(e), traditional order types lose their baseline legal guardrails, obscuring true trading interest as individual exchange order books thin out unevenly and force institutional routers to bypass public lit quotes to protect against information leakage. Rather than simplifying the market, a total repeal allows HFT algorithms to intentionally cross public venues to manipulate pricing models, thereby replacing rule-based complexity with highly erratic, volatile public books that [obscure actual supply and demand](#).

22. If trading centers were to eliminate order types and modifiers that are currently designed to facilitate compliance with Rule 610(e), would other complexities emerge? If so, what kinds of complexities and why? How would they impact market structure and investors?

Yes, if trading centers eliminate order types and modifiers designed to facilitate compliance with Rule 610(e), severe [new complexities will emerge](#) because market participants will be forced to replace structural, rule-based automation with highly volatile tactical workarounds across an unlinked and fractured ecosystem. Quantitative desks will have to hardcode a [complex “Slippage Skew Parameter” into their pricing black boxes to dynamically downgrade the value of equity quotes](#) based on an individual venue's propensity to allow uncompensated trade-throughs, adding immense code-level complexity to live trading operations. This shift will heavily impact market structure and investors by [hollowing out the continuous public CLOB](#) as institutional smart order routers bypass public lit quotes to avoid predatory information leakage, perversely driving volume into private, unlinked single-dealer [“echo chambers”](#). Ultimately, this behavior will drive up transaction costs and widen public spreads for retail investors, create severe [tracking errors for ETPs](#), and trigger sub-millisecond [sequence drift that fractures regulatory enforcement](#).

23. Would rescission of Rule 610(e) reduce costs for market participants? If so, what costs would be reduced and by how much?

No, completely rescinding Rule 610(e) will not reduce overall costs for market participants; instead, it will perversely inflate transaction costs, increase public spreads, and drive-up execution slippage risks across the entire financial ecosystem like Europe. See [earlier section](#). While a complete repeal shares the Commission's desire to eliminate the multi-billion-dollar technology and data-fee burden imposed by rent-seeking, low-volume platforms, dropping these protections in a vacuum forces broker-dealers to handle uncompensated trade-throughs and execute continuous sessions under a highly fragmented, unlinked market structure. To absorb this unhedged equity execution risk, [options market makers will be forced to drastically widen their quotes](#), while [corporate issuers](#) face a structural increase in their Equity Risk Premium that directly translates into a higher cost of raising capital. To truly capture those multi-billion-dollar savings without inducing market chaos, the Commission must reject total rescission and instead adopt our proposed 1% venue trading [volume threshold](#), which strips protection from data-monopoly fringes to claw back the \$10+ billion in wasted data rents while anchoring a highly liquid public core.

24. Would rescission of Rule 610(e), when taken together with the rescission of Rule 611, result in more displayed liquidity, or instead more non-displayed liquidity? Why or why not?

The simultaneous rescission of Rule 610(e) and Rule 611 would result in a drastic migration toward non-displayed liquidity, severely hollowing out [visible market depth](#). Because public limit orders would no longer be legally guaranteed price protection, the core incentive for market participants to display visible quotes on lit exchanges would severely degrade, forcing traders to actively pull their orders and retreat into dark pools and private SDPs. As retail and “clean” institutional order flow is systematically **cherry-picked and locked** inside these private, unlinked bilateral silos to protect against information leakage, public lit exchanges will be starved of diverse volume. See [earlier section](#). This structural shift will perversely widen public spreads, introduce latency gaps, and render the official NBBO an inaccurate reflection of actual supply and demand—fueling a [“Gresham's Law of Microstructure”](#) that turns continuous midday trading into a structural liquidity vacuum.

25. Because SROs would not be required to rescind rules relating to locked and crossed market prohibitions, would SROs continue to provide existing orders and modifiers, as well as other rules to prevent the locking and crossing of quotations

internally or more broadly? Why or why not? Are there certain related rules that SROs would retain? If so, which ones and why?

If the Commission completely rescinds Rule 610(e), SROs will likely face heavy pressure to dismantle or severely degrade their existing order types, modifiers, and anti-locking regulations because the underlying NBBO will lose its legal enforcement teeth, fracturing the broader regulatory framework. SROs would struggle to maintain comprehensive internal or cross-market prohibitions because a fragmented equity market will naturally drift into unlinked, single-dealer “[echo chambers](#)” where separate venues stream conflicting prices and freely lock or cross one another. However, SROs would be highly incentivized to retain certain related rules, specifically the strict intermarket linkage systems protecting the **listed options market**, because the Options Order Protection and Locked/Crossed Market Plan operates under an independent NMS framework that remains legally active. Because options market makers survive by instantly delta-hedging their risk using underlying equities, leaving options fully protected while equities are unlinked creates a severe market asymmetry. Therefore, SROs would retain options price protections out of sheer operational necessity to prevent uncompensated timing lags and execution slippage from completely destroying a market maker's precise hedge and destabilizing the derivatives market. See [earlier section](#).

26. Are there any implementation concerns if the Commission were to rescind Rule 610(e)? For example, if Rule 610(e) is rescinded how far out from the date of rescission should the implementation date be? Should implementation be done in phases or tranches (and if yes, please be specific to describe what should be phased and when)? Should the timing for implementation be tied to the timing for implementation rescission of Rule 611, if applicable? If so, in what way?

If Rule 610(e) is completely rescinded, market participants will face immense implementation concerns, requiring quantitative desks to immediately overhaul traditional compliance setups and hardcode a complex “Slippage Skew Parameter” to adjust for uncompensated, predatory cross-market locks and crosses. The primary concern is that a sudden repeal in a vacuum will cause severe sub-millisecond sequence drift and trigger localized micro-flash crashes as individual exchange order books thin out unevenly. See [earlier sections](#). To mitigate this chaos, the timing for any implementation must be tightly bound to Rule 611, as both provisions are completely intertwined within the unified macro framework of Regulation NMS. Rather than a permanent, total repeal of both rules, we strongly urge the Commission to implement a structured **12-month pilot program** establishing a 1% rolling average daily [volume threshold](#) applied initially to a **limited subset of NMS stocks**. This specific, phased tranche serves as a safe, data-driven transition runway that preserves a tight public NBBO core while legally allowing broker-dealers to safely disconnect from illiquid fringe venues.

27. Are there any NMS Plan amendments that would be needed if Rule 610(e) is rescinded? If so, which ones, why, and in what way?

Yes, if Rule 610(e) is completely rescinded, it is highly necessary to amend the independent Options Order Protection and Locked/Crossed Market Plan to prevent a severe, structural asymmetry from fracturing the cross-asset landscape. Because HFT algorithms will intentionally cross an unlinked equity market, they will exploit the strict, legally protected options NBBO to lock in riskless, predatory derivative-to-cash arbitrage loops before options market makers can adjust their pricing models. See [earlier section](#). To absorb this unhedged equity risk and protect against severe cross-market execution slippage, options market makers will be forced to drastically widen their options quotes, perversely inflating transaction costs for all options investors. Therefore, the Options NMS Plan must be amended to hardcode a specialized “Slippage Skew Parameter” into cross-asset matching wheels, or alternatively incorporate our proposed [Venue Trading Volume Threshold](#), ensuring that the options market can cleanly synchronize its hedging legs and safely insulate itself from open-market equity trade-throughs.

28. Would rescission of Rule 610(e)'s prohibitions result in improved price transparency and/or tighter spreads? Why or why not? Would market participants' ability to pursue their unique trading interests and strategies be improved? Why or why not? If so, how? Would rescission of Rule 610(e)'s prohibitions permit greater competition among orders and/or trading venues? Why or why not? If so, how?

No, completely rescinding Rule 610(e)'s prohibitions will not improve price transparency or tighten spreads; instead, it will perversely degrade public price discovery and drastically widen spreads by fracturing the market into unlinked single-dealer "[echo chambers](#)". While a complete repeal may superficially seem to permit greater competition by letting minor venues operate freely, it actually destroys the core incentive to display public quotes on lit exchanges, fueling a "[Gresham's Law of Microstructure](#)" where visible liquidity retreats into opaque dark pools and leaves the official NBBO a highly inaccurate reflection of actual supply and demand. Furthermore, market participants' ability to pursue unique trading strategies will be heavily disrupted rather than improved, as the elimination of a mandatory boundary allows predatory HFT algorithms to intentionally cross the equity market to lock in riskless arbitrage loops, trapping options market makers into toxic hedges and driving up execution slippage across the entire buy-side ecosystem. See [earlier sections](#). Rather than fostering healthy competition, this total rescission concentrates power among elite Tier-1 investment banks and large wholesalers who can weaponize price discrimination, while leaving public market infrastructure fragile, fragmented, and [blind](#).

IV. Conforming Amendments to Regulation NMS Definitions and Related Rules

Questions 29-32 regarding the appropriateness of the proposed rescissions of the defined terms in Rule 600(b).

The proposed rescissions of the defined terms in Rule 600(b) are inappropriate because deleting these definitions (*Protected Bid / Protected Offer, Intermarket Sweep Order, etc.*) under a total repeal of the OPR fundamentally fractures the regulatory framework and strips the [legal enforcement teeth](#) from the public SIP NBBO. Rather than rescinding these critical defined terms, the Commission must retain and modify them to prevent a **compliance nightmare** for broker-dealers and SROs. **NOTE:** broker-dealers actively rely on standard NMS definitions to execute [corporate share buybacks](#) under SEC Rule 10b-18 and SROs enforce independent cross-market rules like the [Options Order Protection Plan](#). If these terms are completely wiped out, the industry will lose its centralized, time-tested pricing standard, causing systems to suffer from sequence drift and forcing broker-dealers to commit to their own fragmented, highly erratic definitions of the market. To achieve the SEC's cost-reduction goals without destroying these foundational concepts, the Commission must modify Rule 600(b) terms to incorporate our proposed [Venue Trading Volume Threshold](#), which surgically updates the definitions to maintain legal "protected status" exclusively for dominant exchange groups meeting a rolling 1% average daily volume threshold while cleanly transitioning minor venues into an intellectual property-driven streaming model.

V. Paperwork Reduction Act

33. The Commission believes that this proposal would not impose any new collection of information requirement as defined by the Paperwork Reduction Act of 1995, as amended ("PRA"). The Commission requests comment on (a) whether the proposed rescission of Rules 611 and 610(e), and the related amendments to Regulation NMS definitions and related rules, would create any new, or revise any existing, collection of information pursuant to the PRA and (b) to evaluate the accuracy of the Commission's assessment that the proposed rescission of Rule 611 would eliminate the collection of information and its associated compliance burdens for respondents.

We strongly disagree with the Commission's assessment because completely rescinding Rules 611 and 610(e) will not eliminate compliance burdens; rather, it will perversely create massive, highly complex **new collections of information** that violate the spirit of the PRA. While a total repeal superficially eliminates the explicit paperwork tied to old routing

rules, it shifts the entire structural burden of price protection onto market participants. Broker-dealers will be forced to compile extensive new data collections to maintain a rigid, legally binding document listing their “[Material Markets](#),” alongside exhaustive written documentation detailing exactly which exchange feeds and single-dealer echo chambers their routers hook into and why. Furthermore, because different echo chambers will stream their own fragmented, crossed, or locked versions of the BBO, firms will face an immense administrative burden to generate complex statistical defenses and internal Transaction Cost Analysis logs to defend against exponential increases in Best Execution liability under FINRA Rule 5310. This framework defaults into creating incredibly heavy, bureaucratic paper trails that act as an artificial barrier to entry for smaller market participants, proving that the Commission's cost-benefit analysis has severely [miscalculated](#) the true administrative and paperwork costs of this proposal. See this [earlier section](#) and our [rebukes](#).

VI. Economic Analysis

Questions 34-80 regarding the Commission’s analysis of the economic effects of Rule 611, Rule 610(e), and the structure of trading for NMS stocks.

We strongly disagree with the Commission’s Economic Analysis. The qualitative and quantitative baseline descriptions because the proposal relies on a [flawed “Technology-as-a-Substitute” argument](#) and completely [fails to model the profound cross-asset economic effects](#) of this market structure change. Quantitatively, the Commission’s cost-benefit analysis has severely miscalculated the structural reality, as it completely ignores the massive timing loop friction, uncompensated execution slippage, and synthetic spread widening that the rescission of equity rules will force onto the [listed options market](#). Qualitatively, the Commission erroneously treats the US equity market as an isolated ecosystem, failing to anticipate that a total repeal will trigger a “[Gresham's Law of Microstructure](#)” that drives institutional order flow [out of continuous trading hours like Europe](#) and into private, unlinked single-dealer “[echo chambers](#)”. This shift will hollow out the public CLOB, expand the Equity Risk Premium for [corporate issuers](#), introduce severe [tracking errors for ETPs](#), and trigger sequence drift – proving that the Commission’s economic analysis completely overlooks the devastating systemic and multi-asset damage of complete rescission. See pages 5 to 17 for an elaborated discussion.

We strongly disagree with the Commission's analysis of reasonable alternatives because the proposal grossly fails to holistically assess the [structural superiority of the Venue Trading Volume Threshold alternative](#) and relies on a flawed baseline that miscalculates true market dynamics. While the Commission perversely treats alternatives under rigid, bureaucratic assumptions, it completely overlooks how implementing a 12-month pilot program with a 1% rolling average daily volume threshold cleanly strips protected status from illiquid fringe venues while securely anchoring a hyper-liquid, protected public core. The Commission's analysis incorrectly assumes that a complete repeal is the only way to eliminate data-fee waste, failing to model how our proposed Venue Threshold alternative – when paired with a [Copyright Licensing Framework](#) – can safely claw back the \$10+ billion in wasted data rents and redirect those funds into a robust clearinghouse Default Insurance Fund. By erroneously dismissing this data-driven middle ground, the Commission's analysis pushes the market toward a total rescission that triggers severe cross-asset dislocations, widens public spreads, and induces a highly volatile “[Europeanized](#)” market structure, whereas the Venue Threshold successfully achieves the SEC's exact cost-reduction goals without causing widespread market chaos. See pages 17 to 21 for detail explanations.