

COMMITTEE ON CAPITAL MARKETS REGULATION

July 17, 2019

Vanessa Countryman, Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

VIA ELECTRONIC MAIL: rule-comments@sec.gov

Re: File Number SR-CboeEDGA-2019-012: Notice of Filing of a Proposed Rule Change to Introduce a Liquidity Provider Protection on EDGA (the “**LP² Proposal**”)

Dear Madam:

The Committee on Capital Markets Regulation (the “**Committee**”) is grateful for the opportunity to comment proposed rule change filing by Cboe EDGA Exchange, Inc. (“**EDGA**” or the “**Exchange**”) with the Securities and Exchange Commission (the “**SEC**”).¹

Founded in 2006, the Committee is dedicated to enhancing the competitiveness of U.S. capital markets and ensuring the stability of the U.S. financial system. Our membership includes thirty-five leaders drawn from the finance, investment, business, law, accounting, and academic communities. The Committee is chaired jointly by R. Glenn Hubbard (Dean, Columbia Business School) and John L. Thornton (Chairman, The Brookings Institution) and led by Hal S. Scott (Emeritus Nomura Professor of International Financial Systems at Harvard Law School and President of the Program on International Financial Systems). The Committee is an independent and nonpartisan 501(c)(3) research organization, financed by contributions from individuals, foundations, and corporations.

The Exchange’s proposal would implement an asymmetric speed bump (i.e., one that applies an intentional delay to some order types but not to others) to “all incoming executable orders that would remove liquidity from the EDGA Book.”² The Committee believes that its comment letter to the SEC regarding its proposed interpretation of Rule 611 of Regulation National Market Structure is relevant to the SEC’s evaluation of the LP² Proposal. As the Committee previously noted to the SEC in that comment letter, asymmetric speed bumps “could distort markets and . . . [e]xchanges should . . . not be broadly permitted to adopt intentional delays.”³ We

¹ See Notice of Filing of Proposed Rule Change to Introduce a Liquidity Provider Protection on EDGA, 84 Fed. Reg. 30,282 (June 20, 2019), <https://www.govinfo.gov/content/pkg/FR-2019-06-26/pdf/2019-13537.pdf>.

² Cboe Global Mkts., Cboe Plans to Introduce a New Liquidity Provider Protection Feature on Cboe EDGA Equities Exchange (June 10, 2019), <http://ir.cboe.com/~media/Files/C/CBOE-IR-V2/press-release/2019/cboe-proposes-new-liquidity-protection-feature-on-edga-06-10-19.pdf>.

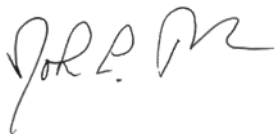
³ Comm. on Capital Mkts. Regulation, Comment Letter on U.S. Sec. and Exch. Comm’n’s Notice of Proposed Interpretation Regarding Automated Quotations Under Regulation National Market System, 2 (Apr. 14, 2016), https://www.capmksreg.org/wp-content/uploads/2016/10/04_14_SEC_Proposed_Interpretation_comment_letter.pdf.

communicated our view that any intentional delays should be “equally applied to all market participants.”⁴ We reaffirmed this view in comment letters to the Commodities Futures Trading Commission⁵ and the SEC⁶ regarding proposed asymmetric delay mechanisms in the U.S. futures market and the Chicago Stock Exchange, respectively. The Committee would like to reiterate this view in the context of the LP² Proposal and that the LP² Proposal should therefore not be approved.

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Thank you very much for your consideration of the Committee’s position. Should you have any questions or concerns, please do not hesitate to contact the Committee’s President, Prof. Hal S. Scott (hscott@law.harvard.edu), or Executive Director, John Gulliver (jgulliver@capmksreg.org), at your convenience.

Respectfully submitted,



John L. Thornton
Co-CHAIR



Hal S. Scott
PRESIDENT



R. Glenn Hubbard
Co-CHAIR

⁴ *Id.*

⁵ See Comm. on Capital Mkts. Regulation, Comment Letter on U.S. Commodity Futures Trading Comm’n’s Industry Filing IF-19-001 (Mar. 14, 2019), https://www.capmksreg.org/wp-content/uploads/2019/03/3_14_19_CFTC_Comment-Letter_IF_19-001.pdf.

⁶ See Comm. on Capital Mkts. Regulation, Comment Letter on U.S. Sec. and Exch. Comm’n’s Notice of Filing of Proposed Rule Change to Adopt the Chicago Stock Exchange Liquidity Taking Access Delay (Oct. 13, 2016), <https://www.capmksreg.org/wp-content/uploads/2016/10/chx201616-6.pdf>.