



Virtu Financial

December 19, 2014

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed National Market System Plan To Implement a Tick Size
Pilot Program on a One-Year Pilot Basis

Dear Ms. Murphy:

Virtu Financial LLC (together with its affiliates, “Virtu” or “we”) is submitting this letter to share our views about the Proposed National Market System Plan to Implement a Tick Size Pilot Program on a One-Year Pilot Basis (the “Pilot”) and certain interrelated U.S equity market structure issues. In light of the tremendous changes in our markets in recent years and the dynamic nature of market structure, we think it is important to consider the Pilot and other policy changes in the broader context of the US equity markets.

By way of background, Virtu is a leading technology-enabled market-maker and liquidity provider to the global financial markets, operating from offices in New York, Austin, Singapore and Dublin. Virtu operates as a registered market-maker across numerous exchanges and asset classes, is a member of all U.S. registered stock exchanges and is a Designated Market Maker on the floor of the New York Stock Exchange.

We believe that while the U.S. equity markets continue to be among the most robust, transparent and fair markets in the world, they can be further improved for all stakeholders with measures that enhance investor confidence, facilitate price discovery and encourage healthy marketplace competition. We therefore applaud the

efforts of the Securities and Exchange Commission (the “Staff”) as well as the National Stock Exchanges in developing the Pilot, and support its underlying policy aim of increased liquidity for small cap stocks. Specifically, we appreciate the Plan’s data-driven and tailored approach to market structure and believe it represents an important departure from a “one-size-fits-all” approach.

We generally support the proposed criteria for inclusion of securities in the Pilot, though we would encourage the inclusion of an additional variable in determining eligibility for the Pilot groups. Instead of considering only total volume of shares traded in order to determine whether there is sufficient liquidity in a given stock, we suggest that volume traded relative to total public float be used as a gating variable. This would prevent the inclusion in the Pilot of a small cap stock whose average volume traded is appropriate or even robust relative to its public float, and ensure that the pilot groups are in fact composed of securities with suboptimal liquidity.

We appreciate the aim of the Pilot’s “trade-at” requirement, applicable to securities in Pilot Group 3, of facilitating and enhancing the price discovery mechanism on National Stock Exchanges. We do, however, view competition among trading centers as integral to a vibrant marketplace, and therefore encourage the Staff to be conscious of any adverse effects to competition which may result from the “trade-at” requirement. We support the balanced approach set forth in the Pilot whereby trading in increments less than \$0.05 is permitted at the mid-point, for retail investor orders, for block size trades, or as part of single-priced transactions.

We submit that a reduction in the market access fee cap to a level that is reflective of current market dynamics will ultimately reduce the distortive effect of the maker-taker pricing and simplify our overall fragmented market structure. We therefore encourage the Staff to consider a reduction in the market access fee cap in tandem with Pilot Group 3, and to measure carefully any potential dampening of healthy competition resulting from the trade-at requirement.

Additionally, as a leading global electronic market maker, we urge the SEC to study and contemplate the creation of a National Market System Plan that establishes specific obligations for Market Makers. Any member seeking status as a NMS Market Maker on any National Securities Exchange must satisfy each of the following five fundamental requirements:

- i. Best Price Obligation - NMS Market Makers must publish continuous, two-sided quotations “at or near the best price” during regular market hours;
- ii. Minimum Size - NMS Market Makers must publish two-sided quotations at a specified minimum size based on the price and ADV of the stock;

- iii. Depth Obligations - NMS Market Makers must provide quotations several levels below the Best Price Obligation at a specified minimum size;
- iv. Basket Obligation - NMS Market Makers must meet these market making standards in a minimum number of NMS securities drawn from each of the following categories: small cap, mid-cap and large cap stocks; and
- v. Capital Requirements - NMS Market Makers must meet higher capital requirements than other broker dealers based on their quoting obligations in addition to their existing position-based capital requirements.

In conclusion, we support the Pilot and its underlying policy aim and encourage the Staff to consider the piloted regulatory changes together with interrelated market structure issues including the access fee cap and market maker obligations, each of which may impact the health and vibrance of our equity capital markets.

We appreciate this opportunity to share our views on these important issues and would be pleased to discuss in further detail as and when appropriate.

Sincerely,



Douglas A. Cifu
Chief Executive Officer
Virtu Financial