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November 21, 2016

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: **Use of Derivatives by Registered Investment Companies and Business Development Companies**

Dear Mr. Fields:

Virtu Financial LLC (together with its affiliates, "Virtu" or "we") is submitting this letter to share our views about the above referenced proposal. 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. Our affiliates, Virtu Financial BD, LLC, ("VFBD") Virtu Financial Capital Markets, LLC ("VFCM"), are market-makers and authorized participants ("APs") in numerous exchange traded funds ("ETFs").

Virtu provides liquidity in more than 12,000 instruments on more than 235 venues and market places, and seeks to provide liquidity across all liquid instruments traded on transparent electronic markets globally. 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. As such, Virtu broadly supports innovation, deterministic behavior, and enhancements to transparency and fairness which benefit all marketplace participants.

We understand that other participants have expressed concerns regarding the impact of Rule 18f-4, if it is adopted as proposed. While we encourage the Commission to study and review the proposed rule's potential impact on the overall market, we believe that the Commission should focus on the liquidity and risk characteristics of the derivatives as well as their effect on the risk profiles of the funds that use them, rather than applying an arbitrary threshold for all funds. In the narrow context of leveraged funds, a category of funds in which we make markets, the use of derivatives has had no impact on Virtu's market making nor has it impacted our ability to hedge effectively.

Additionally, we urge the SEC to study and contemplate the operational risk factors associated with ETFs, an area that deserves a closer look.

As a leading market maker in ETFs, we are obligated to make a two-sided market in the ETFs right until the close, while also buying and selling the underlying securities. As such, we cannot control the number of executions as we go into the close nor can we anticipate our 4PM positions ahead of time with a great degree of accuracy. The accompanying uncertainty is further compounded if we are unable to submit create and redeem orders as close to the market-close as possible.

We would also note that as a general matter, electronification of this corner of the market has been particularly slow, especially when viewed in the context of the rapid growth of the ETF market. Transaction processing infrastructure for creation/redemption processes is not straight-through and is susceptible to human error. In many cases, interactions for creations and redemptions are still conducted via email, through dedicated portals, and in some cases, via the phone. It is our view that a robust and automated FIX-protocol based interface to enter, modify or cancel orders for creation or redemption up until the stipulated cut-off will minimize the chance of human error and enhance the AP's ability to manage risk at a very crucial period of the trading day. Ideally, interfaces for creations and redemptions should have the same degree of responsiveness and resilience as any other modern trading infrastructure. Our market making also relies on the fund provider to provide timely and accurate data regarding the basket components and NAV. In our experience, this is an area that remains prone to error. Improvements in these areas are especially important to end users because the resulting lower risk translates to narrower spreads and lower costs.

In conclusion, we urge the SEC to push for resiliency and responsiveness through the introduction of robust transaction processing infrastructure. 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,

Venu Palaparthi
Senior Vice President, Regulatory Affairs
Virtu Financial