



July 31, 2023

VIA ELECTRONIC DELIVERY

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

**RE: Regulatory Notice 23-10: FINRA Requests Comment on a Proposal to Require Members to Provide Rule 605 Order Execution Quality Reports to FINRA for Centralized Publication**

Dear Ms. Mitchell:

Virtu Financial, Inc. (“Virtu”)<sup>1</sup> respectfully submits this letter in response to the above-referenced Request for Comment issued by the Financial Industry Regulatory Authority (“FINRA”) on May 31, 2023 on a proposal to require members to provide Rule 605 order execution quality reports to FINRA for centralized publication (the “RFC”).<sup>2</sup>

Virtu has long been a vocal proponent of smart, data-driven regulation that supports the goals of enhancing transparency, fostering robust competition among market participants, and ensuring the high quality of the retail investor experience. We are highly supportive of the concept of FINRA requiring its members to provide Rule 605 data for centralized publication and applaud FINRA for considering this “good government” regulatory enhancement to make this information more accessible and useful to investors and market participants.

### **The Need for Rule 605 Reform**

For many years, Virtu as well as many retail brokers and other participants have called on regulators to expand and enhance the disclosure regime for order execution quality. In recent comment letters to the SEC, many participants noted that “Rule 605 reform” is the most important and impactful regulatory initiative to enhance the retail investor experience. In September of 2021,

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<sup>1</sup> Virtu is a leading financial firm that leverages cutting edge technology to deliver liquidity to the global markets and innovative, transparent trading solutions to its clients. Virtu operates as a market maker across numerous exchanges in the U.S. and is a member of all U.S. registered stock exchanges. Virtu’s market structure expertise, broad diversification, and execution technology enables it to provide competitive bids and offers in over 25,000 securities, at over 235 venues, in 36 countries worldwide. As such, Virtu broadly supports innovation and enhancements to transparency and fairness which enhance liquidity to the benefit of all marketplace participants.

<sup>2</sup> FINRA Regulatory Notice 23-10: *FINRA Requests Comment on a Proposal to Require Members to Provide Rule 605 Order Execution Quality Reports to FINRA for Centralized Publication* (May 31, 2023), available at <https://www.finra.org/rules-guidance/notices/23-10>.

we submitted a Petition for Rulemaking<sup>3</sup> to the Securities and Exchange Commission (“SEC”) calling on the Commission to require the disclosure of substantially greater data in Rule 605 Reports, including:

- Requiring market centers to report size improvement metrics in monthly Rule 605 Reports;
- Using a benchmark price that reflects the equivalent size of shares as the covered order being reported – including depth of book quotes and odd lot quotes;
- Updating the definition of Covered Orders to include
  - Odd lot orders;
  - Orders for 10,000 shares and above;
  - Other order types (short, stop, pre-mkt), reported independently of each other; and
- Adding notional “value traded” order size buckets, with a reasonable notional “cap” to prevent large size orders from skewing the analysis.

As we explained in our comment letters in response to each of the December 2022 Equity Market Structure Proposals, we continue to believe that Rule 605 reform is an appropriate and much-needed enhancement that will substantially benefit retail investors.<sup>4</sup> However, we firmly believe that the Commission should first implement enhanced reporting requirements under Rule 605 before moving forward with any of the other contemplated market structure rules.

### **The Benefits of Centralized Publication of Rule 605 Data**

Currently, market centers subject to Rule 605 are required to make publicly available monthly electronic reports that include information about each market center's quality of executions on a stock-by-stock basis, including how market orders of various sizes are executed relative to the public quotes, among other information. The reports are typically made available on each market center’s website. However, there is not currently a centralized data repository where all of the Rule 605 reports are available to be accessed.

Accordingly, if an investor wants to assess the data in Rule 605 reports from multiple market centers – a natural exercise given that the purpose of requiring the reports is so investors can compare execution quality at different market centers – that investor has to visit the individual websites of each market center and download the reports. This is an extremely cumbersome and inefficient process that few, if any, investors have the time or capacity to undertake. Accordingly,

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<sup>3</sup> See Virtu Petition for Rulemaking to Amend SEC Rule 605 (Sept. 20, 2021), available at <https://www.sec.gov/rules/petitions/2021/petn4-775.pdf>.

<sup>4</sup> Virtu Letter on Best Execution Proposal (Mar. 30, 2023), available at <https://www.sec.gov/comments/s7-32-22/s73222-20164001-333999.pdf>; Virtu Letter on Order Competition Rule Proposal (Mar. 30, 2023), available at <https://www.sec.gov/comments/s7-31-22/s73122-20162480-331492.pdf>; Virtu Letter on Reg NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders (Mar. 30, 2023), available at <https://www.sec.gov/comments/s7-30-22/s73022-20162672-331887.pdf>; Virtu Letter on Disclosure of Order Execution Information Proposal (Mar. 30, 2023), available at <https://www.sec.gov/comments/s7-29-22/s72922-20162719-332098.pdf>.

the fragmented publication of the Rule 605 reports in many ways defeats the purpose of requiring the reports in the first place.

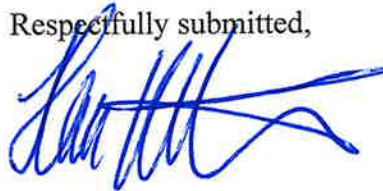
FINRA's proposal to require its members to file their Rule 605 reports for centralized publication on FINRA's website would greatly benefit investors by streamlining the process for analyze execution quality across market centers. Individual retail investors and academics will both benefit the most as they have the fewest resources to allocate to analysis of the reports.

Critically, as FINRA notes in the RFC, certain market centers that file Rule 605 reports are not members of FINRA – including the national securities exchanges – and therefore would not be required to share their Rule 605 reports for publication at FINRA, rendering the library of centralized published reports incomplete and therefore less useful for investors. However, we would suggest that FINRA request that such market centers voluntarily share their information with FINRA, or that FINRA use its own staff to collect the reports from each market center's website for inclusion in the centralized publication process.

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We applaud FINRA for thinking creatively about solutions that will make our markets more transparent and market information more accessible to retail investors.

Respectfully submitted,



Thomas M. Merritt  
Deputy General Counsel

cc: Robert Cook, Chief Executive Officer, FINRA  
The Honorable Gary Gensler, Chair  
The Honorable Hester M. Peirce, Commissioner  
The Honorable Caroline A. Crenshaw, Commissioner  
The Honorable Mark T. Uyeda, Commissioner  
The Honorable Jaime E. Lizarraga, Commissioner  
Dr. Haoxiang Zhu, Director, Division of Trading and Markets