

September 22, 2014

Mr. Steven Luparello
Director Trading and Markets
U.S. Securities & Exchange Commission
100 F. Street, N.E.
Washington, DC 20549-1049

RE: Prioritization of market-structure initiatives related to SEC Rules 605, 606 and Midas

Dear Mr. Luparello,

KOR Group LLC¹ "KOR" submits this letter urging the Securities and Exchange Commission "Commission" to prioritize and expedite modernizing SEC Rules 605, 606 and expanding MIDAS to include other asset classes, analyze hidden orders on lit exchanges, resting orders and IOIs on dark pools, un-filled IOC and exotic order types across the market.

As KOR outlined in our April 4, 2014 letter², data-metrics are a critical step towards recommending market-structure changes. Rules 605 and 606 are severely outdated but serve as the only current means to analyze market quality and routing behaviors.

We therefore urge the Commission to prioritize and expedite modernizing SEC Rules 605 and 606.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Nagy".

Christopher Nagy
CEO KOR Group LLC

A handwritten signature in blue ink, appearing to read "Dave Lauer".

Dave Lauer
President KOR Group LLC

¹ KOR Group LLC is a research analysis and consulting firm that works with industry participants on market-structure related issues. Our client base includes US exchanges, algorithmic trading firms, buy-side institutions, investment banks and broker/dealers. KOR Group's founders operate Healthy Markets (healthymarkets.org) which is a non-profit 506(c) advocacy organization that promotes a platform of data freedom, increased transparency, competition and encouraging displayed price discovery. Healthy Markets brings together a diverse set of industry constituents to help foster positive market-structure change.

² See: <http://www.sec.gov/comments/4-657/4657-32.pdf>

Accelerating Data-Driven Regulation

With the increasing complexity of US capital markets receiving attention at every level of government, Healthy Markets and KOR Group believe that the SEC can take three critical steps to better facilitate data-driven regulation and encourage the investing public. These steps are non-controversial, require little effort and are high-impact. The benefits would be substantial for future rulemaking, disclosure, external analysis, and regulatory enforcement.

- Modernize market quality metrics (Rule 605) so practitioners can properly evaluate execution quality and make better order routing decisions.
- Modernize broker routing metrics (Rule 606) so the public can better understand how brokers are making order routing decisions and the potential conflicts they face.
- Enhance MIDAS and make data available on a delayed basis to ensure regulators and vetted academics/practitioners can perform comprehensive, independent study of market structure.

Modernize market quality metrics – Rule 605

As has been outlined in the [Healthy Markets platform](#), market quality metrics are woefully outdated. As initially envisioned in 2001, these metrics helped to spur competition for order execution quality and drove changes in behavior. These statistics now cover very few of the multitude of available order types and are easily manipulated because they have not kept up with advances in technology.

In order to help the public and brokers make informed decisions about market center order execution quality, Rule 605 must be updated.

Modernize broker routing metrics – Rule 606

Also outlined in the [Healthy Markets platform](#), broker routing disclosures have significant shortcomings, including no coverage of large orders, no uniform specification for rebate and payment information, and no requirements to be machine readable.

While the Commission seeks to expand coverage of the current rule to institutions, the public would be well-served by expanding Rule 606 to cover all orders and mandating uniform disclosure.

Enhance and open up MIDAS

Data-driven regulation requires accurate and comprehensive data. The SEC's MIDAS platform was an important first step, but its shortcomings are critical flaws. MIDAS must be expanded to include other asset classes, hidden orders on lit exchanges, resting orders and IOIs on dark pools, un-filled IOC and exotic order. Access to MIDAS should also be opened up to qualified practitioners and academics.

The benefits of expanding and opening MIDAS are difficult to overstate; doing so would broaden its reach, resources and the scope of research that can be performed. If there are legal impediments, the Commission should strive to overcome them. The impact on market structure and regulation is too important.

**We strongly encourage the Commission to prioritize these initiatives as quickly as possible.
The need for these changes is great and the impact would be profound.**