August 17, 2026

Via Electronic Mail

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: MFA Comment Letter on the proposed rescission of the Trade-Through Rule and Locked and Crossed Markets Provision of Regulation NMS (File No. S7-2026-20; RIN 3235-AN50)

Dear Ms. Countryman:

MFA[1] appreciates the opportunity to submit comments to the U.S. Securities and Exchange Commission (the **"Commission"** or **"SEC"**) in response to the release proposing to rescind (a) the trade-through rule for NMS stocks, currently set forth in Rule 611 of Regulation NMS (the **"Trade-Through Rule"**); (b) Rule 610(e) of Regulation NMS, which requires self-regulatory organizations to establish, maintain, and enforce rules to avoid locked and crossed markets (the **"Locked and Crossed Market Provision"**); and (c) corresponding definitions from Rule 610 of Regulation NMS (collectively, the **"Proposing Release"** or the **"Proposal"**).[2]

MFA supports the Commission's ongoing evaluation of equity market structure, including targeted efforts to address regulatory incentives that may contribute to unnecessary venue proliferation and associated market-wide costs. We are concerned, however, that the Proposal would significantly alter a market structure that currently delivers strong outcomes for institutional investors without adequately demonstrating that the benefits of wholesale recission would

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1 Managed Funds Association (MFA), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 Proposed Rule, *The Trade-Through Rule and Locked and Crossed Markets Provision of Regulation NMS*, Rel. No. 34-105655 (June 11, 2026), 91 Fed. Reg. 36656 (June 17, 2026), available at: https://www.govinfo.gov/content/pkg/FR-2026-06-17/pdf/2026-12163.pdf.

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warrant the resulting risks. U.S. equity markets are among the deepest, most liquid, and most efficient markets in the world, with substantial competition, robust price transparency, and low transaction costs. Before undertaking changes of this magnitude, the Commission should carefully assess the anticipated benefits and costs of rescission, including whether any expected benefits justify the potential risks to market quality and investor outcomes, and whether more targeted alternatives could achieve the Commission's objectives with fewer adverse consequences.

While MFA appreciates the Commission's interest in reducing unnecessary complexity and reevaluating longstanding market structure requirements, we are concerned that rescinding Rules 611 and 610(e), together with the related definitions that support the current framework, could have significant unintended consequences. Rules 611 and 610(e) are deeply embedded in the regulatory architecture governing U.S. equity markets, and rescinding them would have consequences extending well beyond trade-throughs and locked and crossed markets. For nearly two decades, market participants have built trading systems, compliance programs, and market practices around these requirements, while numerous other Commission and SRO rules have developed in reliance on concepts such as protected quotations and the National Best Bid or Offer **("NBBO").** The Proposal does not adequately address how this broader framework would function following rescission, including the implications for best execution, displayed liquidity, intermarket connectivity, the composition and reliability of the NBBO, and the many regulatory requirements that depend upon it.

MFA therefore believes the Commission should not proceed with wholesale rescission without first addressing these interdependencies, conducting a more complete analysis of the potential consequences for investors and market quality, and meaningfully evaluating more targeted alternatives. Given the strong performance of U.S. equity markets under the existing framework, fundamental changes to that framework should be supported by a clear demonstration that they will improve, rather than risk degrading, market quality and investor outcomes.

I. Background

The Commission adopted the Trade-Through Rule and other provisions of Regulation NMS in 2005 to promote both competition among market centers and competition among individual orders.[3] Regulation NMS recognized the importance of limit orders in the price-setting process, finding that "strengthened protection of displayed limit orders would help reward market participants for displaying their trading interest and thereby promote fairer and more vigorous

[3] *See* Adopting Release, Regulation NMS, Release No. 34-51808 at 12 (June 9, 2025) ("**Reg NMS Adopting Release**").

competition among orders seeking to supply liquidity."[4] This framework allows displayed quotations to support pre-trade price discovery by contributing to a deep and liquid NBBO. Indeed, by connecting markets for automated quotations, Regulation NMS not only narrowed displayed spreads, but also assured the execution of the displayed orders that contribute to, if not help set, the NBBO. By encouraging displayed liquidity and a robust NBBO, Regulation NMS and the Trade-Through Rule set a strong benchmark against which to evaluate execution quality.[5]

The result of such framework is an equity market that is the envy of the world, characterized by ample liquidity, depth, and pre-trade transparency. Both retail and institutional orders receive high-quality executions in a market characterized by vigorous competition among trading centers. By all accounts, the U.S. equities markets work extremely well; orders of a range of sizes can be executed promptly, often with price improvement, and at relatively small execution costs.[6]

These outcomes should not be overlooked when evaluating the Proposal. The current market structure supports high levels of displayed liquidity, substantial competition among trading venues, and execution quality that benefits investors across a wide range of order sizes and investment strategies. Any assessment of potential reforms should begin with recognition that the existing framework has generated meaningful benefits for investors and issuers.

We agree that the U.S. equity markets have become more complex since the adoption of Regulation NMS and the Trade-Through Rule. As the Proposing Release recounts, there has been an increase in the number of order types and exchanges, thereby contributing to market fragmentation.[7] The increase in the number of markets, in turn, contributes to the scope and amount of market data to which market participants subscribe, thereby increasing costs for such data.[8] The question is, however, whether 611 is the primary driver of these developments. For example, other features of the current market structure, including the allocation of SIP revenues and the economics of market data and connectivity, create more direct economic incentives for venue proliferation and its associated costs.

4 *Id.* at 22.

5 *Id.* at 39 ("In the absence of limit orders setting the current market price, there would be no benchmark for the submission and execution of marketable orders.").

6 Indeed, retail investors generally can have their orders executed without paying any out-of-pocket commission, a significant reduction from the commission structures and expenses, prevalent before the adoption of Regulation NMS.

7 Proposing Release at 34.

8 *Id.* at 35-36.

Accordingly, the Commission should consider whether these costs have been sufficiently analyzed, whether Rule 611 is their principal cause, and whether they warrant significant changes to a well-functioning marketplace without more rigorous analysis and consideration of alternatives short of full rescission. For the reasons set forth below, MFA does not believe the Commission should proceed with the Proposal as currently formulated. Instead, the Commission should undertake additional analysis and more fully consider targeted alternatives that could address its concerns while preserving the benefits of the existing framework.

II. Discussion

A. The Existing Framework Continues to Provide Significant Benefits to Investors and Markets

MFA believes that the Trade-Through Rule provides important benefits to investors and the market by encouraging market participants to display competitively priced trading interest. By generally preventing a protected quotation from being bypassed by an inferior-priced execution, Rule 611 increases the likelihood that an investor displaying the best price will receive an execution. This protection creates an incentive to display liquidity publicly and contributes to deeper markets and greater competition among orders.

Displayed liquidity, in turn, plays an important role in pre-trade price discovery and price transparency.[9] Displayed limit orders and other protected quotations contribute to the NBBO, allowing market participants to better determine the prevailing market price for a security and providing a transparent benchmark against which institutional and other investors can evaluate the quality of their executions. These benefits are particularly important to institutional investors, which rely on reliable public prices both when making investment and trading decisions and when evaluating the performance of brokers responsible for executing their orders.

MFA recognizes that the existing framework imposes costs, including costs associated with accessing liquidity across a growing number of trading venues. Those costs should be weighed against the benefits that Rule 611 provides through displayed liquidity, price discovery, execution

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[9] If Rule 610(e) were similarly rescinded, and locked and crossed markets became more prevalent, this would increase the difficulty in determining the prevailing market. That is, if the price at which market participants are willing to buy a security is *higher* than the price that market participants are willing to sell the same security, what is the prevailing market price at which to execute a customer sell order? Is it the higher bid price or the lower offer price? If the higher bid price, how does the duty of best execution justify causing a customer to pay more than the lower offered price? Conversely, if the lower offer price is the correct price, how does that square with the offered price being simply a displayed price at which executions may not occur? (Indeed, the crossed market has resulted from the fact that executions have not occurred at the displayed prices.)

quality, and competition among orders. Importantly, however, Rule 611 is not the only driver of these costs. Other features of the current market structure, including the allocation of SIP revenues and the economics of market data and connectivity, create independent incentives for the creation and continued operation of low-volume venues. The Proposal does not address these incentives, raising questions about whether rescinding Rule 611 would materially reduce the costs the Commission identifies while potentially sacrificing important benefits of the existing framework.

B. Additional Analysis Would Better Inform Changes to a Well-Functioning Market Structure

In MFA's view, the Commission needs to conduct more detailed analysis to support its proposed approach. MFA applauds certain of the efforts that the Commission has made to date, such as holding numerous roundtables on the Trade-Through Rule and other aspects of Regulation NMS, soliciting viewpoints and information from a wide range of market participants.[10] Following this broad-based outreach and collection of analysis and viewpoints, however, the Commission did not sufficiently marshal the data provided or otherwise available to it to support rescinding the Trade-Through Rule.

Indeed, much of the Commission's approach, including in the economic analysis section of the Proposing Release, would benefit from additional support, as several key statements are framed in qualified or predictive terms rather than grounded in available data. For example, in support of its argument that fragmentation impacts the execution quality of large and institutional orders, the Commission states that the dispersion of liquidity resulting from fragmentation "can make institutional trading intentions easier to detect, which can increase slippage and hurt the overall execution quality of the parent order."[11] In support of the statement, the Commission references Section VI.B.2.c of the Proposing Release, which itself lacks authority or analysis to support the arguments presented therein. For example, the Commission offers (without footnote or other support) that "Rule 611 may increase information leakage and the slippage faced by institutional investor parent orders because routing constraints under Rule 611 may reveal trading intentions more quickly or broadly than institutional investors would prefer, thereby affecting the overall execution quality for large orders."[12] The balance of this section of the Proposing Release provides similar speculation, for example, that Rule 611 "may contribute" to price slippage because

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[10] *See* https://www.sec.gov/newsroom/meetings-events/roundtable-trade-through-prohibitions (September 18, 2025 roundtable); https://www.sec.gov/newsroom/meetings-events/roundtable-rule-611-regulation-nms (December 16, 2025 roundtable).

[11] Proposing Release at 35 (emphasis added).

[12] *Id.* at 102 (emphasis added).

"child order executions may help alert liquidity providers to the presence of a larger parent order."[13]

MFA, whose members regularly place institutional-sized orders, acknowledges that the Trade-Through Rule might affect the execution overall of institutional orders. But institutional investors have for years refined their execution techniques to reduce the likelihood and impact of such effects to a point where they do outweigh other benefits of the rule. Accordingly, MFA supports the Commission engaging in specific analysis on this issue, whether from existing data or by conducting a pilot program comparing execution quality of securities in trade-through and non-trade through environments. But before the Commission makes changes of this significance to established equity market structure, we respectfully suggest that more analysis is warranted.

C. The Commission Should More Meaningfully Consider Reasonable Alternatives

The Proposing Release contains a section identifying reasonable alternatives to rescinding the Trade-Through Rule and the Locked and Crossed Market Prohibition.[14] That section lists three alternatives: adopting a volume threshold for a venue to earn protected quote status, adding an additional trade-through exception for large trades, and rescinding the prohibition only for locked markets but not crossed markets. The Proposing Release devotes relatively limited discussion to these three alternatives and provides only limited supporting analysis—a level of examination that, in MFA's view, does not fully reflect their potential to address the Commission's stated concerns.

Because the current market structure generally produces favorable outcomes for investors, incremental reforms should be evaluated carefully before foundational market protections are removed. Thus, MFA believes that the Commission should meaningfully evaluate less drastic alternatives before fully rescinding the Trade-Through Rule and/or the Locked and Crossed Markets Prohibition. For example, if the Commission "believe[s] that both the benefits and costs of [the volume threshold for protected quotes] alternative would be lower than those of the Proposal"[15], the Commission should substantiate its belief with objective analysis that accounts for the full cost of complying with additional conforming rule amendments that would be required if Rule 611 and Rule 610(e) were repealed or amended, as compared with the introduction of a narrow exception for low-volume exchanges. Similarly, even if "market participants would not experience most of the costs and benefits discussed in the Proposal"[16] with a large trade exception, the Commission should evaluate critically whether this alternative would provide a

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13 *Id.* at 103 (emphasis added).

14 Proposing Release, Section VI.E., at 246-50.

15 Proposing Release, at 247.

16 *Id.* at 249.

meaningful benefit for market participants generally at a fraction of the cost. In short, the Commission should evaluate each of the alternatives in a comprehensive manner to determine whether they might sufficiently address the stated concerns of market fragmentation, exchange proliferation, and increased market complexity. Moreover, any of the stated alternatives might be sufficient to allow market forces operating under such alternative conditions to develop competitively and adequately shape equity market structure.

D. The Commission Should Further Evaluate the Proposal's Implications for the Broader Regulatory Framework

Rule 611 does not operate in isolation. It forms part of a broader regulatory framework that relies on the concepts of protected quotations and the NBBO to establish objective benchmarks for order handling, execution quality, short-sale restrictions, market data dissemination, and numerous other regulatory obligations. While the Proposing Release recognizes that rescinding the Trade-Through Rule may have implications for other aspects of market structure, it provides relatively little analysis of how those interdependencies would operate following rescission. Changes to these foundational components will inevitably require adjustments to trading practices, systems, compliance controls, execution analysis, and market infrastructure. Understanding those practical consequences should be an important part of the Commission's evaluation. Importantly, the Proposal rescinds Rule 611, together with the related definitions of "automated quotation" and "manual quotation," without explaining what standards, if any, would continue to govern whether a displayed quotation should contribute to the NBBO. As a result, quotations that are subject to asymmetric access delays[17], limited accessibility, or other execution constraints could nevertheless establish the national best bid or offer. Similarly, if market participants are no longer expected to maintain connectivity to every trading venue, quotations displayed on venues that many firms do not access could continue to define the NBBO notwithstanding their practical inaccessibility. The Proposal does not evaluate how the inclusion of such quotations would affect displayed liquidity and the reliability of the NBBO as the benchmark against which execution quality and investor transaction costs are measured, nor does it assess the implications for the many Commission rules that rely upon the NBBO as an objective regulatory reference point.[18]

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17 *See, e.g.*, Rel. No. 34-88261 (Feb. 21, 2020), 85 Fed. Reg. 11426 (Feb. 27, 2020) (disapproving proposed rule change to introduce a liquidity provider protection delay mechanism).

18 *See* Jamie Selway, Director, Division of Trading and Markets, Remarks at the Roundtable on Rule 611 of Regulation NMS, Austin, TX (Dec. 16, 2025), available at: https://www.sec.gov/newsroom/speeches-statements/selway-121625-remarks-roundtable-rule-611-regulation-nms ("Of particular importance is any effect on the national best bid and national

These questions extend well beyond Rule 611 itself. If the characteristics of quotations eligible to establish the NBBO were to change, the Commission should evaluate the resulting implications for Regulation SHO, best execution, Rule 605, Rule 606, the Vendor Display Rule, and the many other provisions of the federal securities laws and SRO rules that rely upon the NBBO as an objective regulatory benchmark.

Similar uncertainty exists regarding the duty of best execution. The Commission states that best execution obligations would continue to require brokers to use reasonable diligence to obtain the most favorable terms reasonably available and that Rule 611 is no longer necessary as a backstop to those obligations because today's markets are highly automated and interconnected. Those statements, however, fail to give market participants concrete guidance for a post-recission market structure. If market participants are expected to use existing connectivity and automation to access superior quotations displayed on other venues, rescission may simply relocate many of the practical effects of Rule 611 into the best execution framework. Conversely, if broker-dealers will have greater discretion to disregard quotations displayed on certain venues, the Commission should explain how best execution will be evaluated.

Indeed, given the transformation of market structure contemplated by the Proposal, FINRA has requested input on ways to update its best execution guidance.[19] As the Trade-Through Rule, the Locked and Crossed Markets Provision, and the duty of best execution are all deeply interconnected, the Commission should take into account and evaluate comments provided to FINRA's solicitation before taking any action on the Proposal. Further, if the Commission were to proceed to rescind the Trade-Through Rule, it should provide detailed guidance on best execution obligations in a non-trade through environment with less market connectivity, with specific reference to comments provided to FINRA or any separate best execution commentary the Commission might solicit. More broadly, the Proposal raises questions regarding numerous Commission rules and market structure requirements that currently rely upon protected quotations or the NBBO, including Rules 605 and 606, the Vendor Display Rule, Regulation M, Rule 10b-18, consolidated market data requirements, and other provisions that incorporate the NBBO as an objective regulatory benchmark. While the Commission need not resolve every downstream

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best offer – the NBBO. A robust, transparent, reliable NBBO is essential in promoting fair, efficient, and liquid markets—and the U.S. capital markets are rightly known as the most liquid in the world. For this reason, decades of Commission oversight of consolidated market data have centered on ensuring that the NBBO remains ground zero for price discovery and a consistent baseline for best execution.").

19 Following the Proposal, FINRA published a Regulatory Notice soliciting comment on FINRA Rule 5310, which codifies he common-law best execution obligation. See https://www.finra.org/rules-guidance/notices/26-15 (July 24, 2026).

issue before acting, these interactions warrant substantially greater consideration than the Proposal provides, both substantively and in its economic analysis. A clearer explanation of how these interconnected requirements would function following rescission would materially improve the Commission's assessment of the Proposal, give the Commission a superior accounting of all foreseeable costs of implementing the Proposal, and provide greater certainty to market participants.

III. Conclusion

U.S. equity markets currently deliver significant benefits to both retail and institutional investors through deep liquidity, strong competition, efficient execution, and robust price transparency. Given the significance of the proposed changes and the unresolved questions regarding their effects on market quality, investors, and the broader regulatory framework, MFA believes further analysis is warranted before fundamentally altering the existing market structure. For that reason, MFA urges the Commission not to proceed with the Proposal as currently formulated and instead to undertake additional analysis, address the implications for the broader regulatory framework, and more fully evaluate targeted alternatives that could achieve the Commission's objectives while preserving the important benefits of the existing market structure.

Finally, if the Commission were to adopt the Proposal notwithstanding the reasonable concerns of MFA and other commenters, we urge the Commission to delay the effective date of any rescission to allow market participants sufficient time to reprogram order handling and order execution systems and engage in sufficient testing. We would recommend a pre-effective implementation period of no less than 12 months. As the Commission can appreciate, particularly in today's increasingly automated markets, market participants have implemented significant technology and trading infrastructure to adapt to the current market structure. If there were to be a change to such market structure as significant as rescission of the Trade-Through Rule and the increased possibility of locked and crossed markets, significant programming will be required both to roll back programming implemented since the adoption of Regulation NMS and to address any other changes resulting from any adoption of the Proposal.

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MFA appreciates both the opportunity to comment on the Proposing Release and the Commission's interest in evaluating current equity market structure and the attendant costs to market participants thereunder. To the extent helpful, we are happy to discuss our comments in greater detail with members of the Commission staff. Please do not hesitate to contact Matthew Daigler (mdaigler@mfaalts.org) or the undersigned (jhan@mfaalts.org) with any questions regarding this letter.

Sincerely,

/s/ Jennifer W. Han

Jennifer W. Han
Chief Legal Officer & Head of Global Regulatory Affairs
MFA

cc: The Hon. Paul S. Atkins, Chairman
The Hon. Hester M. Peirce, Commissioner
The Hon. Mark T. Uyeda, Commissioner
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