

Title: The "Citadel Letter"

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I made the post on SS yesterday but it was overshadowed by the earning call. Now most of this stuff is already known, I just wanted to share my process down the rabbit hole.

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So I dug into this <https://public-inspection.federalregister.gov/2022-01975.pdf>

Did a Ctrl+F "Citadel" and found reference's multiple times to a one,

> \*\*Stephen John Berger, Citadel, dated March 1, 2021 ("Citadel Letter");\*\*

Interesting. "Citadel Letter"

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I found quite a few of these that all cite a "Citadel Letter"

<https://www.sec.gov/comments/4-698/4698-8411798-229501.pdf>

<https://catnmsplan.com/sites/default/files/2021-04/04.01.21-Response-to-Comments-Regarding-Agreements.pdf>

- These are about the CAT proposal

> The Proposal should be rejected for two primary reasons.

but neither have the correct date I am looking for. Most of the letters I found are seemingly trying to convince the SEC that CAT is a cyber-security risk. I can't find the "Citadel Letter" that was mentioned and cited 8 times in the original link though.

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These are the excerpts cited as "Citadel Letter"

1. >In addition, the Commission received substantial comment on the Concept Release, in particular concerning the regulatory framework for fixed income electronic trading platforms. Many commenters recognized that certain electronic trading platforms for fixed income securities are not regulated as registered exchanges or ATSs despite performing the same market function as those regulated markets.

2. >Several commenters expressed support for the Commission to expand the scope of its exchange regulation to encompass more fixed income platforms.

3. >One commenter on the 2020 Proposal and Concept Release, for example, stated that multilateral trading venues using RFQ protocols are some of the most significant multilateral trading venues operating in fixed income markets regulated by the Commission, including the U.S. Treasury market.

4. > Several commenters in response to the Concept Release expressed

concerns regarding the disparity in regulatory treatment between exchanges, ATSs, and other fixed income platforms.

5. > Another commenter stated its belief that disparate regulatory treatment across trading platforms impacts market efficiency and competition and introduces potential resiliency risks.<sup>8</sup>

6. > and one commenter stated that the requirements could promote market transparency, resiliency, and integrity.

7. > The proposed amendments to Exchange Act Rule 3b-16, which would include Communication Protocol Systems within the definition of exchange, along with the proposed amendments to remove the exemption from compliance with Regulation ATS for Currently Exempted Government Securities ATSs and apply the enhanced disclosure and filing requirements of Rule 304 to all Government Securities ATSs would enhance regulatory oversight and investor protection

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All these are sourced from the "Citadel Letter" and referenced to as a "commenter" in the ATS report. Not only that, but most citations from past filings I've seen quote multiple different "Citadel Letter".

I think this shows a few things.

1. Citadel does not want this amended.
2. Citadel didn't want CAT passed.
3. It sure is hard to find a specific document when all your documents are called, "Citadel Letter"
4. Comments to the SEC are important.

I'm going to keep searching for this

> "Citadel, dated March 1, 2021 ("Citadel Letter")"

document, will update with any future finds.

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# Updates

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1. Link to the ~~unpublished~~ published proposal  
- <https://www.federalregister.gov/public-inspection/2022-01975/amendments-to-the-definition-of-exchange-alternative-trading-systems-that-trade-us-government>
2. Link to SEC Proposed Rules (~~should be updated tomorrow with it, along with hopefully a link to the "Citadel Letter"~~ Guess not?)  
- <https://www.sec.gov/rules/proposed.shtml>
3. I believe this is an extensive list of "Citadel Letter" citations on Citadels own website (still no March 1st, letter though)  
- <https://www.citadelsecurities.com/public-policy/?list=true#section-5>

3. What is ATS or a NMS Stock?

> Regulation ATS establishes a regulatory framework for ATSs. An \*\*ATS is a trading system that meets the definition of "exchange" under federal securities laws but is not required to register as a national securities exchange\*\* if the ATS operates under the exemption provided under Exchange Act Rule 3a1-1(a)(2).

- source: <https://www.sec.gov/divisions/marketreg/form-ats-n-filings.htm#:~:text=Rule%20304%20of%20Regulation%20ATS,notices%20of%20cessations%20of%20operations.>

- A lot of suspicious names on this list Virtu (That have GME on their 13F's)
- Citadel + Virtu Systematic risk article Nov 3rd, 2021  
<https://franknez.com/citadel-and-virtu-are-creating-massive-systemic-risk/>
- Virtu Americas = KCG Americas = Knights Capital Americas <https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&filenum;=013-00175&owner;=exclude&count;=40>

As far as I can tell, OTC orders are held back (delayed) for the self reported ATS orders data

> FINRA publishes \*\*over-the-counter (OTC) trading information on a delayed basis for each alternative trading system (ATS) and member firm with a trade reporting obligation under FINRA rules.\*\*  
Security-specific information for firms with “de minimis” volume outside of an ATS is aggregated and published on a non-attributed basis.

> \*\*The trading information is derived directly from OTC trades that ATSs/member firms report to FINRA's equity trade reporting facilities.\*\*

source: <https://www.finra.org/filing-reporting/otc-transparency>

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Kenneth Griffin sure wants to keep ATS (Darkpools) unchanged, I wonder why?

Title: \*\*Enhancing Competition, Transparency, and Resiliency in U.S. Financial Markets\*\*

> Competition for order flow is fierce, with sixteen exchanges and numerous alternative trading systems (“ATSs” or “dark pools”) and individual market makers vying to provide the best execution quality to retail investors.

(Citadel LOVES the dark pools. All in the name of competition and retail.)

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> In our view, in a market with many competing market centers (as opposed to the U.S. options market where order flow must be executed on-exchange), \*\*permitting transparent and fully disclosed PFOF arrangements is far preferable to attempting to effectuate a complete prohibition.\*\*

(I thought Kenny said PFOF cost him money and was okay with getting rid of it?)

source: <https://s3.amazonaws.com/citadel-wordpress-prd101/wp-content/uploads/sites/2/2021/05/03130457/EnhancingCompetitionTransparencyandResiliencyinUSFinancialMarkets.pdf>

Citadel sure does "recommend" a lot to the SEC.