

Title: We The Investors: Petition for the SEC to address the systemic issues caused by payment for order flow (PFOF) - 56k signatures and counting!

Author: haxelhimura

Created 2022-04-08 20:27:16 UTC

Permalink: /r/GME/comments/tzcyj53/we_the_investors_petition_for_the_sec_to_address/

Url: https://www.reddit.com/r/GME/comments/tzcyj53/we_the_investors_petition_for_the_sec_to_address/

r/GME Mods! We need to pin this!

I know this is from the other sub but why would that matter? Everyone! Apes! Go sign and let the SEC know we don't approve of PFOF!

\-----

[PETITION DIRECT LINK HERE](<https://www.urvin.finance/advocacy/we-the-investors-pfof-sign-on?s=09>)

****Dear Chairman Gensler,****

****In the last 18 months alone, **** [25 million new investors joined the stock market**](<https://twitter.com/km/status/1486549470061891591>)******, and at their peak, retail investors****** [made up more than 25%**](<https://markets.businessinsider.com/news/stocks/retail-investors-quarter-of-stock-market-coronavirus-volatility-trading-citadel-2020-7-1029382035>) ******of the U.S. stock market. But as more people earnestly participate in the markets than ever before, the opacity and complexity of markets has left them concerned that: markets are not adequately providing price discovery; that too much power is concentrated in too few firms; and that they cannot trust such a complex system that lacks appropriate transparency.******

****Gaps created by the lack of meaningful competition, transparency and simplicity have resulted in**** [billions of dollars**](<https://www.wsj.com/articles/payments-to-u-s-brokers-surged-amid-meme-stock-and-options-boom-11643745771>) ******in annual Payment for Order Flow (PFOF) made from high-speed trading firms to brokers, while these firms generate multiples of this in revenue. These companies face little competition and amass greater market power, as two of these firms are responsible for a huge share of trading, both on-exchange and off. PFOF creates an intractable conflict-of-interest for brokers whose financial incentives are placed at odds with their duty of best execution. The segmentation of retail order flow away from lit markets means less competition and materially wider spreads as exchange toxicity increases.******

****We are writing to urge you to address PFOF and the disparities in market structure that lead to excessive off-exchange trading as a top priority, and propose a rule that will truly reform our markets, not simply result in more disclosure. Included in this, we need regulatory intervention to repair a system that results in inferior execution quality for retail and institutional investors, and that has damaged markets and widened spreads for all participants. The SEC needs to take action to change the current market structure, rejuvenate the price discovery process, incentivize diversity and competition, and simplify our markets. While there is no silver bullet to fixing markets, we believe that a holistic approach can solve many problems. Such an approach would also consider exchange rebates and access fees, intelligent tick sizes, an order-by-order best execution standard, incentives to reduce fragmentation of markets (e.g., ending the subsidization of exchanges with SIP revenue), and ensuring that the NBBO properly reflects all supply and demand in the market.****

****PFOF and excessive off-exchange trading persist because so many trading platforms rely on the revenue it generates, essentially productizing their clients. Defenders of PFOF have claimed that retail brokers who route to high-speed traders (in exchange for PFOF) provide better price execution for investors and that it's a net positive, despite creating an inherent misalignment between these platforms and their customers, and despite**** [public evidence**](<https://medium.com/the-public-blog/delivering-on-price-execution-without-pfof-27f0e6098a2f>) ******to the contrary. Leaning on the flawed argument that they categorically provide retail customers with best price execution quality, there is little by way of self-regulation to foment change or prevent applications designed to optimize transaction volume (i.e. speculation and day trading) and risky activity (i.e. margin

and options trading). Further, their ability to claim best execution is part of the flaw of the system, as even within the current structure better outcomes are possible on an order-by-order, and aggregated basis.**

Throughout 2021, the debate around PFOF only grew with a House of Representatives **[**bill to ban the practice**]**(https://financialservices.house.gov/uploadedfiles/5.06.2021_bills-1171pih-actof2021-order.flow.pdf), and a Senate bill introduced as the** **[**'Investor Freedom Act of 2021'**](https://www.banking.senate.gov/imo/media/doc/investor_freedom_act_of_2021.pdf) **to prevent such a ban and protect PFOF profiteers. We also understand that the issue of PFOF is top-of-mind for you, having made several public comments raising concerns about the practice, the resulting concentration of power, the misalignment of incentives and the flawed standard of best execution.**

Additionally, there is a groundswell of support voicing their concerns related to PFOF, excessive off-exchange trading, and rallying behind comprehensive reform to market structure. On March 3, an investor advocacy coalition spearheaded by investing information company Urvin Finance, comprehensive fractional investing platform Public.com, institutional equities execution platform Proof Trading, and others, launched and published an **[**Investor Bill of Rights**]**(<https://www.urvin.finance/advocacy>) **in a call for comprehensive market reforms that will empower individual investors. While this coalition is being guided by these firms, the movement is based on grassroots advocacy and the education and empowerment of individual investors. This coalition of investors is guided by five core principles of: Transparency, Simplicity and Fairness, Investor Choice and Control, Best Execution, and Better Settlement and Clearing. We believe that individual investors can better represent their own interests than the companies who productize them.**

We urge you to take action on PFOF and the disparities in market structure that lead to excessive off-exchange trading, and implement policies that will prioritize the interests of individual investors, institutional investors and the market-at-large over the interests of a select few.

Sincerely,

We The Investors

[CLICK HERE TO ADD YOUR
SIGNATURE](<https://www.urvin.finance/advocacy/we-the-investors-pfof-sign-on?s=09>)