



June 12, 2018

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
150 F Street, NE
Washington, DC 20549-1090

Re: Transaction Fee Pilot for NMS Stocks (File No. S7-05-18)

Dear Mr. Fields:

Luminex Trading & Analytics LLC (“Luminex”)¹ is grateful for the opportunity to comment on the above-referenced rule proposal with respect to a proposed Transaction Fee Pilot (the “Pilot”) for NMS stocks (“the rule proposal”). Luminex appreciates the issues underlying the rule proposal because helping our clients preserve alpha for their investors through disruptively low commission rates and without unseemly inducements was a major pillar upon which Luminex was founded. Luminex eliminated a source of conflicts of interest by having our buy-side clients connect to us directly and not through broker-dealers or other intermediaries. With this model it is our clients, and not their brokers, who make the decision to route to us, with them doing so solely based on their interest in seeking best execution and not because we’re paying them any sort of rebate. We’ve also eliminated other sources of conflicts of interest by not having a market-making or proprietary trading desk whose interests don’t necessarily align with those of our clients.

The Pilot as proposed does not include ATSS, and Luminex supports that exclusion. ATSS are not subject to the access fee cap under SEC Rule 610(c), and we believe that most NMS stock ATSS do not have fee structures similar to the models employed by U.S. equities exchanges that would be part of the Pilot. Thus, there is nothing to be gained by including venues that don’t have the same underlying issues that exchanges present with their rebate and “maker-taker” pricing models. To the extent the SEC wishes to include ATSS in the Pilot, then Luminex recommends that the SEC only include those ATSS that do, in fact, pay rebates or charge access fees.

It is evident how lucrative the current construct is by the vehemence expressed by certain interests in the SEC even studying possible ways to address conflicts of interest in U.S. equities trading. In reviewing some of the comment letters that have been submitted for this Pilot, we would urge the Commission to be skeptical of “solutions” that don’t require reducing or eliminating conflicts of interest and solely involve enhanced disclosures. Disclosures soothe the conscience and appease the lawyers but typically help few. (Look no further than the recent Facebook scandal to see the inadequacy of their disclosures.) We implore the SEC to leverage its learnings from the Pilot once the data becomes available to eliminate the conflicts of interest inherent in exchange rebates and maker-taker pricing models rather than let brokers just add more tiny print to the bottom of documents that investors will never read but are designed to get the brokers out of regulatory hot water.

¹ Luminex is an SEC-registered Alternative Trading System (“ATS”) that commenced trading in 2015. Luminex is owned by a consortium of nine leading investment management firms working together to help buy-side traders execute large block trades at low cost and with little market impact.

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Luminex is endeavoring to operate as a utility for the benefit of our buy-side clients, and we applaud reasoned regulatory studies like this one that strive to put investors first. We appreciate the SEC's efforts to conduct this Pilot in an effort to determine how to address long-standing conflicts that are pervasive in NMS stock trading on U.S. exchanges.

Feel free to reach out to the undersigned should you have any questions or require any additional information.

Sincerely yours,



Jonathan A. Clark
Chief Executive Officer



James C. Dolan
Chief Compliance Officer

cc:

The Honorable Jay Clayton, Chairman
The Honorable Kara M. Stein, Commissioner
The Honorable Michael S. Piwowar, Commissioner
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Hester M. Peirce, Commissioner

Mr. Brett Redfearn, Director, Division of Trading and Markets
Mr. Richard Holley III, Assistant Director, Division of Trading and Markets
Mr. David S. Shillman, Associate Director, Division of Trading and Markets

Mr. Robert Cook, President and CEO, FINRA