

MEETING MINUTES

U.S. Securities and Exchange Commission's Investor Advisory Committee Minutes of the Meeting of June 10, 2021

The Investor Advisory Committee (IAC) met on June 10, 2021, in a public meeting held remotely at <https://www.sec.gov>. The meeting convened at 10:00 am¹ and was broadcast live by webcast. The webcast archive can be found on the IAC web page at https://www.sec.gov/video/webcast-archive-player.shtml?document_id=iac061021-1 (Part 1) and https://www.sec.gov/video/webcast-archive-player.shtml?document_id=iac061021-2 (Part 2).

The following persons participated in the meeting:

Commissioners of the U.S. Securities and Exchange Commission (SEC)

Gary Gensler, Chair
Caroline Crenshaw, Commissioner
Hester Peirce, Commissioner

Members of the Investor Advisory Committee

Jennifer Marietta-Westberg, Chair
Heidi Stam, Vice Chair
Ted Daniels, Secretary
J.W. Verret, Assistant Secretary
Jamila Abston
Cambria Allen-Ratzlaff
Cien Asoera
Allison Bennington
Elissa Germaine
Brian Hellmer
Nancy LeaMond
Lori Lucas
Paul Mahoney
Christopher Mirabile
Mina Nguyen
Sandra Peters
Paul Sommerstad
Alice Stinebaugh
Leslie Van Buskirk
Joanne Yoo

¹ All times listed are for the local Washington, DC time.

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Panelists

Sal Arnuk
Paul Atkins
Doug Cifu
Stanislav Dolgoplov
Tyler Gellasch
Daniel Gray
Keir Gumbs
Jeff Mahoney
Hitesh Mittal
Chester Spatt
Larry Tabb
Dan Taylor

SEC Staff

Adam Anicich
Tracey McNeil

Opening

Chair Marietta-Westberg called the meeting to order at 10:00 am.

Ms. Marietta-Westberg opened by welcoming Chair Gensler to his first IAC meeting and remarked that it was the final IAC meeting for Ms. Allison Bennington and Ms. Mina Nguyen. Ms. Marietta-Westberg thanked Ms. Bennington and Ms. Nguyen for their service.

A roll call of members was taken.

Initial Business

Ms. Marietta-Westberg turned the floor over to SEC Chair Gary Gensler for welcoming remarks, followed by Commissioners Peirce and Crenshaw. The Commissioners gave remarks and thanked Ms. Bennington and Ms. Nguyen for their service.

Approval of Minutes

A motion was put forward and seconded to approve the minutes of the IAC meeting held on March 11, 2021. The minutes were approved.

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Panel Discussion Regarding Best Execution and its Role in post-NMS Market Structure

Chair Marietta-Westberg turned over the floor to Mr. Verret to introduce the panelists for the morning session. Mr. Verret first put forward a motion to include in the record a statement from the American Securities Association. The motion was seconded and approved. Mr. Verret then introduced the panel, followed by remarks from each panelist in the order list below:

- **Paul Atkins**, Founder, Patomak Global Partners; Former SEC Commissioner
- **Sal Arnuk**, Partner and Co-Founder, Themis Trading LLC
- **Tyler Gellasch**, Executive Director, Healthy Markets Association
- **Chester Spatt**, Professor of Economics at Carnegie-Mellon University, Former SEC Chief Economist
- **Daniel Gray**, Senior Special Counsel for Market Structure, SEC Division of Trading and Markets

Mr. Atkins made observations about efficiency, competition, price transparency, best execution, and order of interaction in U.S. equity markets. He provided commentary on the impacts of Regulation National Market System (NMS) on execution quality, market participant behavior, and concentration of market participants. He offered recommendations for improving equity market structure.

Mr. Arnuk discussed the factors that brokerage firms take into account to achieve best execution for their clients. He offered recommendations regarding equity market segmentation and liquidity.

Mr. Gellasch provided commentary on market volatility, market segmentation, and the relationship between prices and fundamental value. He discussed several topics related to best execution, including order routing incentives, bid-ask spreads, and investment advisors' fiduciary duties.

Professor Spatt provided commentary on several topics related to best execution, including Regulation NMS, the Trade-through Rule, rebate pricing tiers, access to proprietary datasets, latencies in reporting trades, and post-trade opacity. He offered recommendations regarding rebate pricing tiers and disclosure requirements.

Mr. Gray noted recent SEC developments that affect best execution, including the SEC adopted rules to improve the market data infrastructure for NMS stocks, and penalties paid to settle claims that firms had failed to satisfy their duty of best execution. He also provided commentary on expanded disclosure requirements for broker routing practices under Rule 606 of Regulation NMS.

A discussion between panelists and Committee members occurred, moderated by Mr. Verret.

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Recess

Chair Marietta-Westberg took the Meeting into recess at 12:05 pm.

Non-Public Administrative Session

Chair Marietta-Westberg took the Committee into a non-public administrative session.

Afternoon Session

Chair Marietta-Westberg called the afternoon public session to order at 1:00 pm and turned over the floor to Mr. Verret to introduce the panelists for the first afternoon panel discussion.

Panel Discussion Regarding Best Execution Issues Unique to Wholesale Brokers

Mr. Verret introduced each panelist followed by remarks from each panelist in the order list below:

- **Stanislav Dolgoplov**, Chief Regulatory Officer, Decimus Capital Markets, LLC
- **Larry Tabb**, Director, Market Structure Research, Bloomberg, LLP
- **Hitesh Mittal**, Founder and CEO, BestEx Research
- **Doug Cifu**, CEO, Virtu Financial, Inc.

Mr. Dolgoplov discussed legal and regulatory topics related to market structure and best execution obligations, including FINRA's regulatory framework, comparisons between U.S. and European best execution regulations, and current best execution and wholesaling practices. He offered commentary on payment for order flow and the tick size regime.

Mr. Tabb presented data and provided commentary on topics related to best execution, including the percentage of order flow that is matched off exchange, the concentration of flow in major wholesalers, and price improvement. He discussed proposals for improving best execution practices.

Mr. Mittal discussed the impacts of wholesale market structure on retail execution quality and market participants. He provided commentary on market orders, limit orders, and information asymmetry among market participants. He offered recommendations for improving the wholesale market structure.

Mr. Cifu discussed the impacts of equity market structure on retail investors. He offered commentary on market structure reform proposals, and he made recommendations regarding transparency in retail order execution quality.

A discussion between panelists and Committee members occurred, moderated by Mr. Verret.

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Panel Discussion Regarding 10b5-1 Plans

Chair Marietta-Westberg turned over the floor to Ms. Allen-Ratzlaff to introduce the panel topic and moderate. Ms. Allen-Ratzlaff introduced the discussion topic and the panelists, followed by remarks from each panelist in the order listed below:

- **Dan Taylor**, Associate Professor, The Wharton School at the University of Pennsylvania
- **Keir Gumbs**, Vice President, Deputy General Counsel, and Deputy Corporate Secretary, Uber Technologies
- **Jeff Mahoney**, General Counsel, Council of Institutional Investors

Professor Taylor provided an overview of 10b5-1 plans. He discussed perceived issues with plan users' "free cancellation option." He offered recommendations regarding 10b5-1 plan disclosure requirements and the timing of 10b5-1 trades.

Mr. Gumbs discussed the use of 10b5-1 plans by corporate employees, directors, and officers. He described corporate policies and procedures on 10b5-1 plans. He provided commentary on 10b5-1 plan reforms.

After Mr. Gumbs' remarks, Mr. Gumbs and Professor Taylor answered questions from Committee members.

Following the discussion with Mr. Gumbs and Professor Taylor, Mr. Mahoney discussed institutional investors' views on 10b5-1 plans. He described previous regulatory and legislative actions in this area and offered recommendations regarding 10b5-1 plan reforms.

A discussion between panelists and Committee members occurred, moderated by Ms. Allen-Ratzlaff.

Subcommittee Reports

Chair Marietta-Westberg called upon Mr. Asoera to report on matters of the Investor-as-Purchaser Subcommittee. Chair Marietta-Westberg then called upon Mr. Mirabile to report on matters of the Investor-as-Owner Subcommittee. Finally, Chair Marietta-Westberg called upon Mr. Verret to report on matters of the Market Structure Subcommittee.

Adjournment

Chair Marietta-Westberg adjourned the meeting at 3:54 pm.