

April 6, 2018

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Transaction Fee Pilot (File No: S7-05-18)

Dear Mr. Fields,

Southeastern Asset Management, Inc. (“Southeastern”) is submitting this comment letter on behalf of the group of undersigned asset managers, who appreciate the opportunity to express our collective support for the Transaction Fee Pilot for National Market System stocks (“Pilot”) proposed by the Securities and Exchange Commission (“Commission”).

For context, Southeastern was founded in 1975 and is the investment advisor to the Longleaf Partners mutual funds and almost 100 separately managed accounts – representing the interests of individual investors, pensioners, foundations, and endowments. Southeastern employs a concentrated, value-oriented, multi-year investment horizon approach with approximately \$18 billion of assets under management as of December 31, 2017.

Over the past few decades, technological advancement and Commission rulemaking have combined in an attempt to increase market-enhancing competition and lower execution costs for the benefit of investors. While largely successful, the pursuit of these improvements has resulted in various unintended consequences which have been explored in numerous comment letters from buy-side firms, including Southeastern^{1,2,3}. These consequences often run counter to the US equity market’s purpose of facilitating the allocation of capital from investors to businesses.

Exchange rebates, maker-taker and inverse (i.e. taker-maker) pricing, as well as other incentives have become a growing concern for investors. We applaud the Commission for taking the initiative to propose the Pilot as the most appropriate method to study the effects these practices have on order routing behavior, execution quality, and market quality in general.

The undersigned asset managers are supportive of the Pilot, as written, for several critical reasons:

- **No-Rebate Bucket:** It is integral that the Pilot contain a no-rebate bucket in order to maximize efficacy. We fully agree with the Commission’s statement that “...if rebates create a conflict of interest for broker-dealers when they decide where to route an order to post or take liquidity, and if those conflicts have an effect on order routing behavior, execution quality, or market quality, then only a complete prohibition on rebates will allow the Commission to study directly these conflicts and their effects...”

¹ Southeastern Comment Letter (<http://www.sec.gov/comments/s7-02-10/s70210-164.pdf>), April 28, 2010.

² Southeastern Comment Letter (<http://www.sec.gov/comments/s7-02-10/s70210-295.pdf>), October 19, 2010.

³ Southeastern et al Comment Letter (<https://www.sec.gov/comments/10-222/10222-3.pdf>), September 30, 2015.

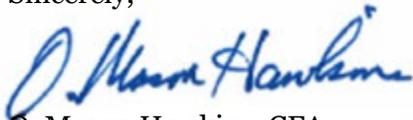


- **Inverted Exchange Inclusion:** Given the belief that all rebates (whether paid to makers or takers of liquidity) create distortions, it is necessary that all NMS exchanges be included in the Pilot in order to isolate and eliminate the undesired effects.
- **Stock Coverage:** As many NMS stocks as possible should be in scope, including those with market capitalizations below \$3bln. In this way, the ultimate dataset will be meaningful across all types and sizes of companies. Additionally, companies should not be allowed to opt-out of the Pilot.
- **Timeframe:** A maximum of 2 years, while not being less than 1 year, ought to provide enough time to collect a robust data set. The desire to “wait out” the Pilot by standing still and the incentive to alter behavior in order to distort the Pilot’s results will be reduced.

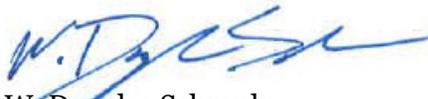
The Pilot will further the Commission’s long-held goal of increasing market-enhancing competition among exchanges, with a focus on execution quality and service, as opposed to paying the highest rebate. By providing the data necessary to inform an intellectually honest discussion regarding exchange fee structures, the Pilot has the ability to greatly improve the quality of the U.S. equity market and the end investor’s market experience.

Through ongoing discussions with our peers, we realize that our desire to see the Pilot take place, as soon as possible and as designed, is shared by many other firms. We are proud to submit this comment letter on behalf of the undersigned asset managers.

Sincerely,



O. Mason Hawkins, CFA
Chairman & CEO



W. Douglas Schrank
Principal & Head of Trading



Wade E. Donels
Senior Trader

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

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

Jeffrey H. Harris, Director & Chief Economist, Division of Economic and Risk Analysis
Amy K. Edwards, Assistant Director, Division of Economic and Risk Analysis

The following firm supports the Transaction Fee Pilot as proposed by the Securities and Exchange Commission. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File No. S7-05-18.

Signature: 

Name: David Abrams

Title: Managing Member of Abrams Capital Management, LLC
the General Partner of Abrams Capital Management, L.P.

Firm: Abrams Capital Management, L.P.

The following firm supports the Transaction Fee Pilot as proposed by the Securities and Exchange Commission. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File No. S7-05-18.

Signature: William Fitzpatrick

Name: WILLIAM FITZPATRICK

Title: HEAD TRADER

Firm: ADAGE CAPITAL MANAGEMENT

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Signature: 

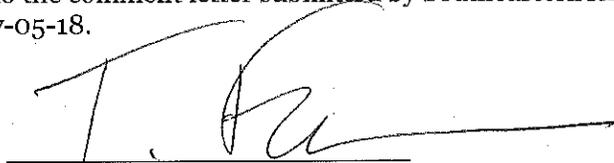
Name: Cheryl A. Cargie

Title: SVP, Head Trader

Firm: Ariel Investments, LLC

The following firm supports the Transaction Fee Pilot as proposed by the Securities and Exchange Commission. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File No. S7-05-18.

Signature:



Name:

TERECK FARES, CFA

Title:

Director Equity Trading

Firm:

Chicago Equity Partners

The following firm supports the Transaction Fee Pilot as proposed by the Securities and Exchange Commission. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File No. S7-05-18.

Signature: 

Name: Christopher C. Davis

Title: Chairman

Firm: Davis Selected Advisers, L.P.

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Signature: Michael M Liu

Name: MICHAEL M LIU

Title: HEAD TRADER

Firm: Discovery CAPITAL

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Signature: 

Name: Jason Vedder

Title: Director of Trading and Operations

Firm: Driehaus Capital Management LLC

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Signature:

A handwritten signature in black ink, appearing to read 'D. Lewis', written over a horizontal line.

Name: David A. Lewis

Title: SVP/Head of Americas Trading, Global Equity Trading

Firm: Franklin Templeton Investments

The following firm supports the Transaction Fee Pilot as proposed by the Securities and Exchange Commission. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File No. S7-05-18.

Signature: Melissa Hinmon

Name: MELISSA HINMON

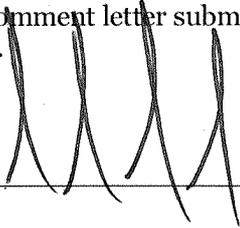
Title: DIRECTOR OF EQUITY TRADING

Firm: GLENMEDE INVESTMENT MANAGEMENT

The following firm supports the Transaction Fee Pilot for NMS Stocks, as proposed. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File Number S7-05-18.

Signature: 
Name: Daniel Roitman
Title: Chief Operating Officer
Firm: Greenlight Capital, Inc.

The following firm supports the Transaction Fee Pilot as proposed by the Securities and Exchange Commission. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File No. S7-05-18.

Signature:  _____

Name: Daniel B. Royal

Title: Vice President - Global Head of Equity Trading

Firm: Janus Henderson Investors

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Signature: _____

Name: Lee Sanford Ainslie III

Title: Managing Partner

Firm: Maverick Capital

The following firm supports the Transaction Fee Pilot as proposed by the Securities and Exchange Commission. This endorsement is memorialized by way of the signature below, as an appendix to the comment letter submitted by Southeastern Asset Management, Inc. referencing File No. S7-05-18.

Signature: 

Name: William H. Miller III

Title: Chairman & Chief Investment Officer

Firm: Miller Value Partners, LLC

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Signature: W. Kelly
Name: William Kelly
Title: Managing Director
Firm: Oaktree Capital

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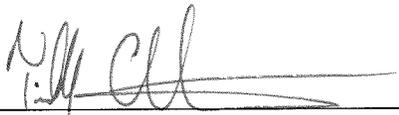
Signature: 

Name: William A. Ackman

Title: Managing Member

Firm: Pershing Square Capital Management, L.P.
by: PS Management GP, LLC, its General Partner

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Signature: 

Name: Timothy Christiansen

Title: Head Trader

Firm: Sawgrass Asset Management

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Signature: 

Name: Curtis Schenker

Title: General Partner

Firm: Scoggin Management L.P.

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Signature: _____

Name: Evan Gartenlaub

Title: General Counsel

Firm: Senator Investment Group LP

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Signature: W P Halliday

Name: William P. Halliday

Title: COO

Firm: Southern Son Asset Mgmt.

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Signature:  _____

Name: Michael Warlan, CFA, CAIA

Title: Head of Global Trading

Firm: Third Avenue Management, LLC

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Signature: 

Name: GARY THOMPSON

Title: EXECUTIVE DIRECTOR - HEAD OF GLOBAL TRADING

Firm: VONTOBEL ASSET MANAGEMENT.