VIA ELECTRONIC MAIL

July 3, 2024

International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Re: IOSCO Consultation Report on Evolution in the Operation, Governance and Business Models of Exchanges: Regulatory Implications and Good Practices

The Equity Markets Association ("EMA") welcomes the opportunity to provide comments on IOSCO's Consultation Report regarding evolution in the operation, governance, and business models of exchanges: regulatory implications and good practices (the "Report").[1] Established in 2015, the EMA provides federal policymakers, regulators, and investors with in-depth analysis on important issues that impact the U.S. equity markets. Its members -- Cboe Global Markets, Nasdaq, and NYSE Group -- each operate U.S. registered cash equity and options exchanges. They manage fair, orderly, and transparent markets that incentivize capital formation and ensure a robust secondary market for trading securities. The EMA members share a common vision for the U.S. equity markets that is fair, orderly, well-regulated, protective of investors, and welcoming to listed companies, as well as one that is deeply liquid, dynamic, competitive, innovative, transparent, efficient, and grounded in displayed quotes.

EMA appreciates IOSCO's proactive efforts to monitor the evolution of market structure. In response to the Report, EMA would like to provide its perspective on certain key issues:

1. **Benefits of Exchange Demutualization and Diversified Business Models**. EMA notes that there are numerous benefits brought about by the demutualization of exchanges and the development of diversified business models. Our experience shows that exchanges can effectively operate as for-profit entities while serving the public interest. The transition to a for-profit business model has enhanced exchanges' ability to innovate, improve efficiency, and better serve market participants while maintaining robust

1 CR/05/2024 Evolution in the Operation, Governance and Business Models of Exchanges: Regulatory Implications and Good Practices, Consultation Report, Board of IOSCO, April 2024, available at: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD763.pdf.

regulatory compliance. Similarly, diversification of business models has not impeded the regulatory functions of exchanges. EMA also notes that many risks identified in the Report, such as potential conflicts of interest, are not unique to demutualized exchanges and are effectively managed.

2. **Competition and Regulatory Considerations**. The competitive pressures faced by exchanges are substantial, particularly in jurisdictions where exchanges are subject to stringent regulatory requirements compared to less regulated platforms, such as systemic internalizers and single dealer platforms. Such regulatory disparities may lead to uneven playing fields, driving trading volume towards less regulated platforms.

3. **Effective Risk and Conflict Management**. EMA believes that its members have demonstrated their ability to minimize risks and manage conflicts of interest effectively, in close coordination with regulators. EMA notes that the SEC currently employs many of the good practices identified in the Report and followed by EMA-member exchanges, contributing to market integrity, investor protection, and fair competition.

4. **Supervisory Coordination**. EMA agrees with IOSCO that the practice of supervisory coordination across regulators is important and can serve to support the effectiveness and robustness of market regulation. EMA also supports ongoing collaboration between regulatory bodies and exchanges to understand and address evolving market landscapes and regulatory challenges.

5. **Principles-Based Approaches.** EMA supports principles-based approaches as opposed to the prescriptive set of tools highlighted in the Report. Prescriptive toolkits would be highly disruptive to exchange business models as they would not allow local regulators to account for the unique characteristics of the markets operating within their own jurisdictions.

EMA applauds IOSCO's efforts and appreciates the opportunity to contribute to this important topic. Thank you for the consideration of EMA's comments.

Respectfully,

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Partner
Baker & Hostetler LLP on behalf of the Equity Markets Association