



Global Capital Markets
390 Greenwich Street, 3rd Floor
New York, NY 10013

June 28, 2006

Mr. Robert L.D. Colby
Acting Director
Division of Market Regulation
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Mr. Colby:

OnTrade, Inc. ("OnTrade") is currently registered as a broker-dealer with the U.S. Securities and Exchange Commission (the "Commission"), and owns and operates the electronic communications network ("ECN") known as the "OnTrade ECN" (the "Trading System"), which also operates as an alternative trading system pursuant to Regulation ATS of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Commission's Division of Market Regulation (the "Division") has previously taken the position that the Trading System is an ECN as defined in Rule 600(b)(23) of Regulation NMS. The Division stated that OnTrade would be in compliance with the requirements applicable to the ECN Display Alternative with respect to NMS stocks for which a linkage between the Trading System and a registered national securities exchange or national securities association (an "SRO") or the NASD Alternative Display Facility (the "ADF") is operational, and the Trading System provides access to certain orders pursuant to the terms of the ECN Display Alternative. The Division also stated that it would not recommend that the Commission take enforcement action under the ECN Amendment¹ or the Limit Order Display Rule² against any OTC market maker or exchange market maker for entry into the Trading System of: (i) orders without modifying their public quotations in compliance with the ECN Display Alternative; and (ii) customer limit orders, in compliance with the Limit Order Display Rule. The Division set forth this position in a no-action letter issued on January 11, 2006; such no action position is due to expire on June 28, 2006.

¹ Formerly, 17 CFR 240.11Ac1-1. See Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290. The Quote Rule has been redesignated as Rule 602 of Regulation NMS under the Securities and Exchange Act, as amended, 17 CFR 242.602 ("Regulation NMS"). See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005). Regulation NMS became effective as of August 29, 2005. In addition, the definition of "electronic communications network" is now contained in Rule 600(b)(23) of Regulation NMS.

² Formerly 17 CFR 240.11Ac1-4, now redesignated as Rule 604 of Regulation NMS, 17 CFR 242.604, which is known as the Limit Order Display Rule.

OnTrade operates the Trading System as an ECN in NMS stocks, as such term is defined in Rule 600(b)(47) of Regulation NMS, pursuant to the rules of one or more SROs. Therefore, OnTrade respectfully requests that the Division advise OnTrade that:

1. The Trading System will be an ECN as that term is defined in Rule 600(b)(23) of Regulation NMS.³
2. OnTrade would be in compliance with the requirements applicable to the ECN Display Alternative, as described in paragraph (b)(5)(ii) of Rule 602 of Regulation NMS ("Quote Rule")⁴ with respect to any NMS stock for which a linkage between the Trading System and an SRO trading facility or SRO display-only facility is operational.
3. The Division would not recommend that the Commission take enforcement action against any OTC market makers or exchange market makers who are participants in the Trading System, if those market makers enter orders into the Trading System without modifying their public quotations in compliance with the Quote Rule and the Limit Order Display Rule, as applicable.

General Description of the Trading System

OnTrade operates the Trading System as an electronic brokerage service which combines dynamically updated equity securities market information with customer order entry, negotiation and execution capabilities. Customers are able to electronically enter orders directly into the Trading System by means of a dedicated line that connects the customers to the Trading System database. Such orders are then broadcast instantaneously to other customers, and are able to interact with orders entered by any of such other customers. All such activity is conducted anonymously, on a real-time basis, through the Trading System. Customers include various classes of market participants, including institutions, market makers, exchange specialists, and non-market making broker-dealers. Participants include at least one registered Nasdaq Market Maker. The Trading System, however, provides an opportunity for all participants (not merely Nasdaq Market Makers) to obtain execution of their orders.

Request for No-Action Relief

In connection with its request for no-action relief, OnTrade makes the following representations with respect to any NMS stock in which it seeks to operate as an ECN and satisfy the requirements of the ECN Display Alternative pursuant to the rules of an SRO:

1. The Trading System is an "ECN" within the meaning of Rule 600(b)(23) of Regulation NMS and allows subscribers, including OTC market makers and exchange market makers, electronically to enter orders in NMS stocks.

³ 17 CFR 242.600(b)(23).

⁴ Please see footnote 1 for a definition of the Quote Rule.

2. OnTrade will maintain a linkage with at least one SRO trading facility or SRO display-only facility⁵ and: (a) transmit to such SRO trading facility or SRO display-only facility for display either the best priced orders of those orders entered by OTC market makers and exchange market makers for those securities in which they make markets (or act as specialists) or the best priced orders entered by all ECN subscribers; and (b) provide, to any broker or dealer, access to such orders that is functionally equivalent to the access that is generally available for quotes displayed by an SRO trading facility or, for orders displayed in an SRO display-only facility, a level and cost of access to such quotations that is substantially similar to the level and cost of access to quotations displayed by SRO trading facilities in that stock.⁶
3. OnTrade responds and intends to continue to respond to orders by non-subscribers as promptly as it responds to orders by subscribers.⁷ Non-subscribers will be able to automatically execute against quotations displayed by the Trading System.
4. OnTrade will charge non-subscriber broker-dealers a rate that does not exceed the then-current rate charged to a substantial portion of its active broker-dealer subscribers, and in any event, no more than the maximum fee permitted by Rule 610 of Regulation NMS.
5. The Trading System has sufficient capacity to handle the volume of trading reasonably anticipated to be conducted in the Trading System. In addition, OnTrade will conduct regular periodic Trading System capacity reviews and tests to (a) ensure future capacity, (b) identify potential weaknesses, and (c) reduce the risks of system failures and threats to system integrity.
6. OnTrade has and will maintain procedures to ensure that only certain designated personnel have access to the Trading System. Those designated personnel will keep confidential all trading information entered into the Trading System, and will not use such information for trading in OnTrade's or any affiliate's proprietary account, its customers' accounts, or their own personal trading accounts. In addition, the operation of the Trading System will be kept separate from other business of OnTrade.
7. OnTrade continuously and systematically monitors its connections to SRO trading facilities and/or SRO display-only facilities. If the Trading System loses connectivity with any SRO trading facility or SRO display-only facility, *OnTrade personnel will*

⁵ The Trading System currently maintains a linkage with Nasdaq and with the ADF.

⁶ All broker-dealers are able to view the "top of the book" quote of the Trading System displayed through the SRO trading facility by either going directly through the SRO trading facility (Nasdaq) or through a reputable third party with whom the Trading System has a direct connection. Both subscribers and non-subscribers are able to access the quotes at the top of the book in ADF either through a direct connection with the Trading System or through a reputable third party with whom the Trading System has a direct connection. Non-subscribers to the Trading System are also able to electronically enter orders into the Trading System, and automatically execute against quotations displayed by the Trading System by use of reputable third-party systems.

⁷ OnTrade monitors the execution speed of all orders on a monthly basis to ensure that non-subscriber orders are executed no slower than subscriber orders.

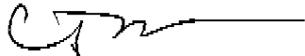
immediately cancel all quotes previously published by the Trading System in that facility and notify its subscribers to advise them of such interruption.

Conclusion

Based upon the foregoing, we request that the Division confirm that OnTrade operates the Trading System as an ECN in compliance with the requirements applicable to the ECN Display Alternative with respect to any NMS stock for which OnTrade will publish its best-priced buy and sell orders to an SRO and will provide access to such orders pursuant to the rules of that SRO. We also seek the Division's representation that it would not recommend enforcement action against the OTC market makers and exchange market makers who are subscribers for entry of orders in the Trading System without modifying their public quotations in compliance with the ECN Amendment.

If you have any questions or would like any additional information regarding this request, please contact the undersigned at (212) 723-4921, or Michael J. Masone, Counsel, at (212) 723-5875.

Very truly yours,



C. Thomas Richardson
Member of the Board of Directors
OnTrade, Inc.