

AUTOMATED MATCHING SYSTEMS EXCHANGE

SUBMITTED VIA WWW.SEC.GOV AND USPS FIRST CLASS MAIL

April 22, 2015

1st Trade
Lori Sarian
5837 South Gallop Street
Littleton, CO 80120

Sandlapper Securities, LLC
800 E. North Street, 2nd Floor
Greenville, SC 29601

Kevin M. O'Neill, Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

***RE: In Re: Automated Matching Systems
Exchange, LLC, File No. 10-214.***

Dear Ms. Sarian,

We are in receipt of your April 14, 2015 correspondence with respect to the above-referenced application. We would first like to extend our thanks for your interest in our system. As you have submitted the only comment letter to date and have voiced concerns over regulatory compliance, I have taken the liberty to personally review and research your concerns and provide the following response below.

However, prior to addressing the substance of our application, we believe it is appropriate for a commenting party to provide background information on the nature of their interest in order to help provide the public a factual basis to evaluate any potential bias; and particularly so where there may be competing commercial interests involved. In your particular case, we take note that you have submitted your letter in your position as Managing Partner of what is known as 1st Trade of Littleton, Colorado. 1st Trade is evidently involved in the sale of alternative investments, but itself is not a regulated entity and is not registered as a broker-dealer under the Exchange Act.¹ In turn, the firm presents the following disclaimer on its website:

“Securities offered through SANDLAPPER Securities, LLC ("SANDLAPPER") - Member FINRA/SIPC/MSRB. 1st Trade is a registered branch office of SANDLAPPER however, 1st Trade and SANDLAPPER are not affiliated companies. For more information on SANDLAPPER visit www.sandlappersecurities.com.”

¹ <http://www.1st-trade.com> (accessed April 16, 2015).

We then reviewed your website and noticed that 1st Trade is involved in securities matching services and operates a “proprietary blind auction system” that not only provides buyers and sellers the opportunity to connect, but also completes the purchase and sale.² We finally retrieved the CRD BrokerCheck report for Sandlapper Securities, LLC (CRD No. 137906)(“**Sandlapper**”) and observed that although the firm is registered for fifteen types of business, including the private placement of securities, it does not possess the requisite licensure / approved business line for operating an auction system (ie. an alternative trading system).

We accordingly direct your attention to Exchange Act Rule 3b-16(a), 17 C.F.R. 240.3b-16(a), and which provides that “[a]n organization, association, or group of persons shall be considered to constitute, maintain, or provide ‘a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange,’ as those terms are used in section 3(a)(1) of the Act, (15 U.S.C. 78c(a)(1)), if such organization, association, or group of persons: (1) brings together the orders for securities of multiple buyers and sellers; and (2) uses established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of a trade.” The Commission has evaluated systems which provide similar auction services and has determined that such fall squarely within the scope of Rule 3b-16 and, as your system is apparently not limited to the activities specified under paragraph (b), it evidently requires registration.³ This then leads to the determination that 1st Trade itself would have the choice of either registering as a securities exchange or as a securities broker or dealer and comply with the requirements of Regulation ATS, 17 C.F.R. §242.300, *et. seq.*, *Regulation of Exchanges and Alternative Trading Systems*, Release No. 34-40760, 1998 SEC LEXIS 2794 at 14 (Dec. 8, 1998); see also *Wunsch Auction Systems, Inc. Order Granting Limited Volume Exemption*, Release No. 34-28899, 1991 SEC Lexis 283 (Feb. 20, 1991)(granting limited volume exemption to Wunsch to operate a computerized, single price auction system designed to facilitate secondary market trading of certain equity and fixed income securities).

² <http://www.1st-trade.com/aboutus.aspx> (accessed April 16, 2015). It is further provided that “1st Trade distributes your product for sale to over 100 buyers in the market - these may be institutions, accredited or sophisticated buyers with the knowledge to do the research and provide our sellers with a price for their units” and “[f]or buyers, our network of contacts in the brokerage community helps to bring product across the desk on which to bid.” *Id.*

³ “System B allows participants to enter, replace, or cancel limit orders prior to a pre-established auction cutoff time. Bids and offers (including price and size) are displayed in the System B's order book, which participants can view on their screens. After the cutoff time, the system reviews all orders with respect to each security and determines the price at which the volume of buying interest is closest to the volume of selling interest. That price is the “auction price.” Participants that have entered bids at or above, and offers at or below, the auction price receive an execution at the auction price on the basis of time priority up to the available size. Matched orders are executed by a registered broker-dealer. System B is included under Rule 3b-16.” *Regulation of Exchanges and Alternative Trading Systems*, Release No. 34-40760, 1998 SEC LEXIS 2794 at 65 (Dec. 8, 1998).

Accepting the accuracy of the foregoing facts and the corresponding legal framework applied, it appears that 1st Trade operates as an unregistered broker-dealer and effects transactions in securities through its blind auction system.⁴ Upon match, those trades are then redirected to Sandlapper for processing. However, even though we recognize your licensure with Sandlapper as registered representative and principal, and supervision of your Colorado office address as a branch of Sandlapper, the core matching functionality appears to be consummated through the unregistered entity, purported to be unaffiliated, upon which you have submitted your comment letter to the Commission. See *SBX, Inc. No-Action Letter*, 1998 SEC No-Act. Lexis 883 (Sept. 23, 1998)(granting no-action relief from the operation of the SBX proprietary trading system as a national securities exchange on condition, among others, that SBX remain a registered broker-dealer under Section 15(b) of the Exchange Act); see also *Niphix Investments, Inc. / ISX Broker-Dealer Trading System*, 1997 SEC No-Act. Lexis 566 at 4, (April 18, 1997)(granting no-action relief from the operation of the Niphix proprietary trading system as a national securities exchange on condition, among others, that Niphix, in addition to the clearing broker-dealer, Computer Clearing Services, Inc., remain registered broker-dealers under Section 15(b) of the Exchange Act); see also *Bloomberg Tradebook LLC / Tradebook System*, 1996 SEC No-Act Lexis 909 (Dec. 12, 1996)(also granting no-action relief on condition that Tradebook, ESI and B-Trade Services remain registered brokers or dealers under Section 15(b) of the Exchange Act and members of the NASD). As a practical matter, the matching functionality is a key part of the securities sale process and regulatory oversight is and should be required. Even accepting that matched transactions on the auction system are subsequently forwarded to a registered broker-dealer for processing, that broker-dealer (Sandlapper) would be unable to monitor manipulative trading practices and fraud and such records would further not be captured for review by the pertinent regulatory authority.

Turning to the substance of your comment, we do value all constructive criticism, but are of the opinion that to make such criticism, a mastery of the facts and applicable law is first required. You, in turn, have indicated that “we agree with all of the Commission’s assertions regarding AMSE’s filing..,” but then you qualify your summary conclusion in your letter and provide “[w]e believe the language of the filing is confusing, contradictory and conflicting in many areas and we come away without a clear understanding of what they want to do or how they plan to support it. The filings are very general in nature and not specific” and “[w]e’re unclear as to how the AMSE platform helps the investing public and what needs their platform serves that doesn’t already exist.”

In consideration of such contradictory statements and assuming the existence of your competing interest in operating a matching system, one may conclude that you have not expended the resources to educate yourself on the facts of this application or pertinent law, but disapprove of the entry of any competitors into your market. Accordingly, if your commercial interest rests in the operation of an unregistered broker-dealer operating an alternative trading system in non-exchange traded securities, and you recognize the competition that AMSE may introduce by facilitating a lawful way to operate these systems, we believe it would be

⁴ 1st trade purports to provide auction services for secondary market trading of limited partnerships, limited liability companies, unregistered corporate shares, church bonds, and unregistered investment funds. See www.1st-trade.com (accessed April 21, 2015).

appropriate to make such disclosure. Nonetheless, we have taken the time to respond to your comments and concerns as provided below.

- 1. We're unclear as to how the AMSE platform helps the investing public and what needs their platform serves that doesn't already exist. It appears AMSE is attempting to create a platform that may be beneficial to only a small percentage of investors.**

RESPONSE: We understand your concern and share your view that the pertinent form of application for registration as a national securities exchange, or for an exemption from registration, is narrow and revisions may be prudent. Please note however, that (i) we have submitted our application based on the required form fields to Form 1 and (ii) are limited to unrestricted public disclosure due to concerns over disclosing proprietary or confidential information, such as that to our competitors. We accordingly need to balance disclosure by that which is needed to assess the legal framework in which our exchange will operate by the harm in sharing our proprietary information.

With regard to your voiced concern over the benefit to a small percentage of investors, we agree and your comment only further supports the Commission's grant of an exemption from registration as a national securities exchange. This concern, however, pertains to the economic viability of the project and even if it only benefits a small percentage of investors as whole, it will bring an innovative system to the market. Similarly, the fact that the securities may be traded in alternate markets does not provide grounds for denial as offering an additional system and option for market participants will only further promote competition and innovation.

- 2. In the filing, AMSE states that they request an exemption from being an exchange, though they want to be an exchange, due to low volume but there is no mention on projected volume, no limitations stated to volume, nor process or procedures described to ensure compliance with volume limitations. The application is very general as to what market sector they propose to cover, now or in the future, and there is no way to judge the expected volume of the sector.**

RESPONSE: We thank you for raising the applicability of the low volume exemption and, although your questions present valid concerns, these have already been addressed on prior applications before the Commission. See *Limited Volume Exemption Application of Tradepoint Financial Networks, PLC*, Release No. 34-40161, 1998 SEC LEXIS 1353, n. 19 (July 2, 1998)(in the order granting registration to the Arizona Stock Exchange, the Commission used the present volumes of registered national securities exchanges as a benchmark and, consequently, AZX's exemption order was conditioned upon its volume staying below that of the of the registered national securities exchange with the lowest average daily volume). The Section 5 exemption is also not limited to exchanges with operating histories. *Order Granting Limited Volume Registration to Wunsch Auction Systems, Inc.*, 56 FR 8377, n. 38, Exchange Act Release No. 34-28899 (February 28, 1991).

In this regard, AMSE provides that its exemption will be conditioned upon maintaining volume below that of the of the registered national securities exchange with the lowest average

daily volume. This is specified in AMSE's Rules of Operation, Chapter XIV. This volume review will be a continual undertaking and, in the event that the transacted volume is expected to exceed that threshold, registration as an exchange would then be required. Nonetheless, as you note that the "platform . . . may be beneficial to only a small percentage of investors," you presumptively share our view that the volume will be comparatively low. We agree in this regard and believe that it would be more appropriate for the Commission to condition the exemption upon such volume threshold as opposed to expending resources on forecasting volume on an exchange with no operating history.

- 3. Within AMSE's Rules of Operations (Page 154), Rule 11.8 is written in an incredibly contradictory manner as compared to Financial Industry Regulatory Authority ("FINRA") Rule 5310 which states, "In any transaction for or with a customer or a customer of another broker-dealer, a member and persons associated with a member shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is favorable as possible under prevailing market conditions,"**

In its current format AMSE'S Rule 11.8 completely ignores the spirit of 'Best Execution' and essentially throws it out the window if a transaction is deemed to be unsolicited. Yet as you read through the core of AMSE's filing, it appears the implied intent is that all transactions will be unsolicited

RESPONSE: Although we do consider how other regulatory organizations draft their membership rules and other pertinent compliance initiatives, we decline to enter into an exercise of comparison and particularly so with other forms of registration. First, FINRA is registered pursuant to a different statute and form of SRO, the securities association under 15 U.S.C. §78o-3, and their membership rules may not be applicable to the operation of an exchange, or a system operating under an exemption from registration. Second, FINRA is involved with the oversight of a wide variety of activities within the securities industry, as evidenced by the fifteen lines of business in which your affiliated broker-dealer firm operates, as compared to a very narrow line of business which would be permitted on AMSE.

Based on such confusion with the applicable forms of registration, your question appears to overlook, among other matters, (i) that AMSE filed an application for an exemption from registration as a national securities exchange, not a registered securities association, (ii) an AMSE member is prohibited from conducting transactions off of the exchange (Rule 12.4) and could therefore not generally direct transactions to other markets, and (iii) a member will not have any discretion in routing or processing orders. However, you correctly point out that solicited transactions are prohibited on AMSE (Rule 3.10). In addition, and although you appropriately identify the best execution rule of AMSE in 11.8, circumstances may exist which would prompt a subscriber of an AMSE member to enter into a transaction on factors other than best price; such as that of the manner of settlement, ability to consummate larger volume or block trades, or the time period to execution.

- 4. The language is somewhat ambiguous as to the lack of rules that pertains to its "Members". There is no clear-cut definition or parameters when engaging AMSE**

as a Member. Although there are loosely written Rules of Operations, there is nothing specific to a Member's actions other than the obligatory "play nice".

RESPONSE: We would like to respond to all of your inquires, but find the foregoing is vague and unintelligible as drafted. AMSE's Rules of Operation are designed to provide a comparable system of regulatory oversight as mandated upon registered securities broker-dealers and we respectfully object to your statement that summarizes this comprehensive regulatory oversight regime as "play nice." Among others, AMSE's Rules of Operation govern business conduct and prohibitions against false statements, fraudulent devices, or manipulative practices, create procedures to govern custody of funds and securities, establish a mandatory books and records formation and retention requirement, and make such records available to AMSE for regulatory review, establish requirements for member written supervisory procedures, implement anti-money laundering compliance programs, prohibit the use of credit extensions, margin, and short sales, and grant AMSE disciplinary powers and procedures equivalent to those of other self-regulatory organizations.

- 5. With respect to garnering membership with AMSE the filing indicates AMSE will utilize a standardized Form U4 application. However, this would only be applicable to persons and entities that are registered within the securities industry. In their filing they indicate they would permit non-registered persons to gain membership. As such, what steps does AMSE have in place to hold those non-registered persons/entities to the same standards as registered persons?**

RESPONSE: Pursuant to AMSE Rule of Operation 2.6, "[a]pplications for association with an Exchange Member shall be made on Form U-4 or such other form as the Exchange may prescribe and shall be delivered to the Exchange in such manner as designated by the Exchange." Form U-4 has been designated as a template for the types of information AMSE will require for interested persons seeking affiliation with a member firm.

With respect to your comment on standards to govern member conduct and those of affiliated persons, we direct your attention to the response provided to your fourth question and AMSE's Rules of Operation. As noted, AMSE's comprehensive regulatory system will provide equivalent protections as those of registered entities affiliated with other self-regulatory organizations.

- 6. In addition to item 115 above, we disagree that non-registered persons should be permitted to engage in the activities on any exchange. However, pursuant to pages 41,42 and 277 there is no language that specifics the guidelines as to an individual persons' accreditation, financial wherewithal, investing history and other significant items found in 17 CFR 240. 17a-3(a)(17).**

There is no benchmark for what that financial status must be. There is no one providing any suitability requirements or offering any assistance or protection for the customer in any way. BDs are big boys and can be responsible for knowing the securities and taking ownership of responsibility for what they are trading, but individuals historically cannot be left in a marketplace without protection.

RESPONSE: Please note that we have already discussed this matter with the Commission and have come to agreement that membership on AMSE will not be restricted to registered securities broker-dealers.

However, your concern appears to evidence a high-level misunderstanding upon the structure of regulation for the securities industry within the United States. In particular, you indicate concerns over members' accreditation, financial wherewithal, and investing history, although appear to overlook that the fact that (i) AMSE's members will predominantly be intermediaries which themselves will not take positions in the securities they process and (ii) the protections afforded by the registration requirements under the Securities Act of 1933 already mandate such investor protections and predominantly apply to the issuance and transfer of securities. The information disclosure requirements contained in a state or federal registration statement remain intact and for any security which is processed under an exemption from registration, the applicable terms of reliance upon that exemption would need to be complied with. See AMSE Rule of Operation 10.3.

7. **There is no mention of specific market sectors to be included. For instance, a good general description that incorporates a specific path to settlement would be to limit the exchange to "DTC eligible" transactions only. If they cannot do this, they must address larger operational support and also conduct requirements for failed transactions; transfer processing policies for dealing with security restrictions (that could vary from security to security within a specified sector and who is responsible for determining any restrictions). Without a narrower focus within their security type specifications, their Member rules are lacking and their explanation or support is lacking.**

RESPONSE: We once again would like to respond to all of your inquires, but the foregoing questions again evidence a lack of understanding of applicable law and the facts underlying AMSE's application. In response to your question of failed transactions, please review AMSE Rules of Operation, Chapter X, and particularly those rules addressing clearance, settlement, and counterparty risk. For transactions and securities eligible for trading, including the processing of registered securities and transactions or securities exempt from the registration requirements, see Rule of Operation 10.3. Note, however, that AMSE's Rules of Operation will be supplemented by members' written supervisory procedures (WSP's) and policies and procedures for processing security restrictions may vary between member firms.

8. **Due to the general description of which securities would be permitted to trade on their platform and the very wide description of how they are to be processed and handled from an operations perspective, it is difficult to ascertain how the exchange plans to deal with transactions that are transacted on their own platform. If done on the books of Members and simply reported to the exchange, it is of no concern from an operations standpoint. However, if it is executed on the exchange itself, there is no description as to how they will operationally support the trading activity.**

RESPONSE: We once again would like to respond to all of your inquiries, but find it difficult to respond to such broad questions. For example, you indicate that you have concern about the processing of transactions on AMSE's facilities, but do not share that concern if members are permitted to operate the trade-matching systems. Naturally, we would inquire why operational concerns would be reduced if the matching occurred on member systems as opposed to on facilities of the exchange and what unique risks would arise by the latter. In this regard, please note that AMSE has proposed two varying regulatory structures to the Commission and the first proposes to allow members to operate the trade-matching systems (under AMSE's regulatory structure) and the second internalizes those matching engines as facilities of the exchange. To promote competition, we have indicated our preference to permit AMSE member firms to operate those matching systems, although will abide by such structure as the Commission deems most appropriate.

- 9. The rules for requirements of an issuer of a security are very general. As we understand it, the suggestion of a security viable for listing is submitted by a Member. There is no clarity as to whether the issuer becomes a Member. The Member provides an offering circular operating agreement (or other like incorporation documents), a certification from the issuer (no clue as to what they are certifying)" and an attorney or CPA reviews the documentation to make sure he/she is holding their hands and it's approved trading. There is no mention of any parameters that must be met and there is no review of financial viability of the security by way of financial statements or anything else from the issuer. Again, if membership was regulated to Broker/Dealers only, this may be adequate - a simple verification that a security is valid.**

However if the platform is open to individuals there should be a more stringent due diligence process for a security prior to listing.

RESPONSE: Question number nine appears to again support a degree of confusion on the substance of this application and we, in turn, provide that members of the exchange are financial intermediaries and we would not expect issuers to register. The comprehensive regulatory regime will be, in all material respects, equivalent to that of broker-dealer registration and it would be burdensome for compliance for all except those operating on a regular basis within the industry.

With respect to your concern about the adequacy of information provided to the investing public, Chapter XIII creates the position of a Designated Disclosure Advisor, required to be a licensed attorney or accountant in the United States, and such independent advisor has both initial and continuing duties to review and affirm the adequacy of the disclosures made by the issuer. We believe that the use of the advisor comports with the thrust of investor protection as it promotes full and fair disclosure in order to make the decision to purchase or sell as security; and such comports with current practice by other competitor(s) already operating within the market place. While we have also considered the implementation of minimum standards for authorization for trading, we believe that smaller issuers should be afforded access where they are otherwise able to comply with the information disclosure requirements.

Moreover, it is important to emphasize that the information disclosure requirements are set by the state or federal registration requirements, such as those specified by Regulation S-K, 17 C.F.R. §229.10, *et. seq.*, and we believe that any security processed in reliance upon an exemption should afford purchasers a similar level of information disclosure. Although we have not specified the particular form or types of disclosures, we will mandate this Designated Disclosure Advisor to affirm that he or she has conducted such review as he or she has deemed necessary to verify that all material facts have been disclosed and/or that no material omissions of fact exist in the issuer's application (or continuing disclosure). We interpret this requirement to include information about the business, the securities of the issuer, financial information, background on the management and directors of the issuer, and such other disclosures as are deemed material for the purchase or sale of a security. We accordingly view the disclosure advisor's duty as a material check and restraint and intend to exercise our disciplinary powers, or make appropriate referrals to other regulatory authorities, over those advisors which violate their duties to the investing public.

10. The membership rules pertaining to the requirements to become a Member include many things that are already a requirement for a Broker/Dealer by virtue of registration with FINRA such as Written Supervisory Procedures ("WSPs") for their participation; AML policies and other contingency plans. It does not appear that AMSE will require additional protections or whether they are simply relying on that which is already in existence. If they are relying on what is already required for a Broker/Dealer what is the value-add to the financial services industry; the relief for regulatory oversight; the transparency value for regulators and if the Member is an individual, are they expected to provide WSPs or AML policies? If they are not a traditional customer, covered by FINRA requirements of a customer, who is verifying that they are AML compliant or that they have a clear understanding of the system with which they are interacting?

RESPONSE: We once again note the confusion in your comment letter and emphasize that AMSE seeks to operate pursuant to an exemption from registration as a national securities exchange and, in accordance with such exemption, will exercise self-regulatory powers. An AMSE member may, but will not be required to, adhere to FINRA's rules as affiliation with a registered securities association is not a condition of membership with AMSE. We accordingly provide that requirements for member written supervisory procedures (Rule 5.1), anti-money laundering compliance (Rule 5.6), etc., are not duplicative, but rather a proper exercise of the regulatory power AMSE would be entrusted with.

11. There are written statements from AMSE as to what they plan to do but are very vague and do not discuss the infrastructure to support those plans. There is no mention of regulatory interfaces and how they may improve the industry. They take no oversight and/or responsibility of anyone's shoulders but they charge a fee to be a Member. They do not provide any centralization for information that could be a benefit to any move towards standardization or true transparency.

There is no consolidation of responsibility or liability and no shared responsibility with their Members. They are attempting to operate with the most lenient

regulatory constraint possible and in this attempt are circumventing many accepted practices and regulatory requirements. There is no clear value to their platform and no clear improvement to the regulatory compliance environment and absolutely no improvement to customer protection.

RESPONSE: We respectfully object to the foregoing conclusory statements as not supported by fact or law. For example, AMSE does not propose to charge a membership fee, although reserves the right to do so, but instead will set forth a schedule of fees to be assessed on a per order basis and based upon the dollar value of each particular transaction conducted through the Exchange. See Exhibit E, paragraph G. AMSE will further operate a consolidated quotation system and make trade reports publicly available. See Exhibit E, paragraphs E-F.

With respect to your comments regarding the structure of self-regulatory organizations, we are not aware of any SRO which takes joint responsibility with member firms, and, as a practical matter, such would invite serious conflicts of interest. In particular, a self-regulatory organization is delegated with responsibility to enforce member compliance with applicable securities laws and regulations; and Chapter VIII of AMSE's Rules of Operation supports the disciplinary power and enforcement thereof. While the Commission has historically permitted direct registration of broker-dealers, the affiliation of a broker-dealer with a SRO is now mandatory. In our case, we have devised a comparable self-regulatory structure to govern our members' conduct, but have focused such rules on the operation of automated matching systems.

We further disagree with your personal opinion and view that AMSE's proposal will not add value to the compliance environment or for investor protection. We are instead of the opinion that by narrowing the regulatory oversight structure, AMSE will be able to gain a mastery of a particular business line and function and therefore devote substantially more resources to its members' business. In your particular case, we take note that Sandlapper is involved in fifteen types of business and such include retail sales of OTC equity securities, debt securities, serving as an underwriter or selling group participant, mutual fund sales, municipal securities, variable life insurance and annuities, real estate syndication, oil and gas interest sales, options sales, both primary and secondary market sales of tax shelters and limited partnerships, non-exchange sales of listed securities, private placements, networking and kiosk type relationships with a bank, mergers and acquisitions, and sales of unregistered investment funds. A regulatory examination team would therefore either have to be extraordinarily large or, more practically, will lack the training and experience to properly examine and regulate a firm involved in virtually all aspects of the securities business. We, in turn, will become a dedicated SRO for securities matching systems and can therefore specialize in the unique needs of our member firms. For your further consideration, I would present the following rhetorical questions: (i) is your SRO member representative familiar with automated trade matching and auction systems, (ii) if you called Sandlapper's SRO for assistance with 1st Trade's business, would informal assistance on your system be made available, (iii) is there someone at your SRO available to you which has expertise on the programming code and operation of your system, (iv) has Sandlapper's SRO requested to see the programming code and reviewed the auction functionality you have implemented at 1st Trade, (v) if the foregoing answer is not, why not, and, among others, (vi) has disaster recovery and backup preparation been addressed for your particular type of auction system, and not the broker-dealer's system in general.

Subject to our disagreement on many of your statements and personal views, we sincerely thank you for taking the time to comment on our application.

Respectfully,

/s/ Michael Stegawski

Michael Stegawski, Esquire
Chief Regulatory Officer