Statement of

Christopher Nagy, Managing Director, Order Routing Strategy
TD AMERITRADE

for the

SEC Market Structure Roundtable
June 2, 2010

Chairman Schapiro, Commissioners and Division Staff, thank you for the opportunity to participate on this panel concerning Market Structure. I'm Chris Nagy, Managing Director of Order Routing Strategy for TD Ameritrade.

TD Ameritrade, based in Omaha, Nebraska, was founded in 1975 and was one of the first firms to offer negotiated commissions to individual investors following the passage of the 1975 Amendments. Over the course of the next three decades, TD Ameritrade pioneered technological changes such as touch-tone trading and internet investing to make market access by individual investors more accessible, affordable and transparent.

TD Ameritrade has long advocated for market structures that create transparency, promote competition and reduce trading costs for individual investors. As technology rapidly advances, it is ever more important that the SEC complete the comprehensive review it is now undertaking to ensure the U.S. markets remain the greatest in the world.

On behalf of TD Ameritrade's 7 millions client accounts, I submit what we believe are the views of our individual investors:

TD Ameritrade believes it is wrong to spend too much time focusing the difference between long-term investors and other investors. The simple fact is that when an active trader and a long-term investor submit a trade – they ***both*** demand three things:

1. they want their order filled quickly;
2. at the price they are quoted, or better;
3. and, in the full amount of the order.

As noted in our comment letter to the Concept Release (attached), TD Ameritrade believes that the Commission can improve the quality of the markets by (1) incentivizing the markets to provide size enhancements; and (2) increment reform – ensuring that both quoting and trading are conducted at no lower than one penny.

The most important steps the Commission can take would be to incentivize market centers to stay in the market, maintain two-sided quotes and, most importantly, to post size. The May 6th market events demonstrated that today's markets contain many players who use their liquidity opportunistically – in times of market duress, liquidity cannot be so fleeting as it ultimately will scare off retail investors from the markets.

Increment reform is another important piece. Increment reform for us means that the Commission take the step of limiting all quoting and trading to 1 cent Minimum Price Variation. TD Ameritrade believes that this step will go far in protecting retail resting limit orders and, thereby, instill investor confidence.

In response to the May 6th market events, TD Ameritrade supports the Commission's efforts to establish market-wide circuit breakers. We note, however, that to be truly "market-wide," the circuit breakers should mirror each other – the current proposals by the 10 market centers differ from each in other in small but significant ways. The Commission should fix this.

Furthermore, there also has been a good deal of debate concerning the causes of the May 6th market events. Some have alleged that retail market orders and stop orders contributed to the downturn. I can tell you from TD Ameritrade's perspective, market orders and stop orders are important to our clients and, looking at our own data, we do not believe there is any basis that these orders made things worse. In fact, TD Ameritrade client's market and stop orders were within the average daily volume, on a percentage basis. Prohibiting market orders and stop orders would be a significant over-reaction, and it will wrongly deny freedoms that investors enjoy today.

As for whether today's markets are fair? Well, in certain aspects, no. When markets are suppose to open at 9:30 and don't; when liquidity is available one second and gone the next; or when the best quote is a stub quote… one must question the fairness. However, when focusing on dark pools, high frequency traders and co-location, as it has been doing, the Commission is doing the right thing to ensure that the markets are fair to all investors.