ITG INVESTMENT TECHNOLOGY GROUP

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June 23, 2011

<u>Via Electronic Mail</u>

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: <u>File No. 4-631, Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934</u>

Dear Ms. Murphy:

ITG Inc.[1] ("ITG") appreciates the opportunity to comment on the Plan to Address Extraordinary Market Volatility (the "Proposed Plan") submitted to the Securities and Exchange Commission ("Commission") pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934 by various self-regulatory organizations.

In general, ITG agrees that a "Limit Up/Limit Down" mechanism will mitigate excessive volatility in the equities markets and will help to prevent extreme price swings and erroneous trades. The experiences of the May 6, 2010 "Flash Crash" proved that wide, unrestrained price variations are harmful to the market. The volatility and confusion of that day reduced investor confidence in the ability of our industry to maintain a fair and orderly marketplace. ITG believes that a Limit Up/Limit Down mechanism would accomplish the Commission's goals of improving market integrity and strengthening equity market structure.

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[1] ITG is an independent agency research broker that partners with asset managers globally to provide innovative solutions spanning the investment continuum. A leader in electronic trading since launching POSIT® in 1987, ITG's integrated approach includes a range of products from research, portfolio management and pre-trade analysis to trade execution and post-trade evaluation. Our clients rely on ITG's independence, experience, and agility to help mitigate risk, improve performance, and navigate increasingly complex markets.

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The Problem: Trading Pauses At or Near the Market Close

ITG would like to comment on Section VII of the Proposed Plan. Specifically, ITG is concerned that the Proposed Plan allows initiation of a Trading Pause near the market close. In particular, ITG believes that initiation of a Trading Pause during the last five minutes of the regular trading day (3:55 p.m. to 4:00 p.m.) is problematic.

The closing period in the equities markets is recognized widely by investors as one of the most critical times of the trading day. Closing prices are commonly used benchmarks to value derivative contracts and mutual fund net asset values. Accordingly, any decisions concerning restrictions on trading at or near the market close should be carefully considered. ITG acknowledges the increased ranges of the Price Bands provided under Section V of the Proposed Plan during the period of 3:35 p.m. through 4:00 p.m. Notwithstanding this measure, ITG believes that a Trading Pause initiated during the last 25 minutes of regular trading hours could disrupt price discovery into the close, thereby creating excessive price volatility upon re-opening and, consequently, increasing risk premiums. Furthermore, if a Trading Pause is initiated within five minutes of the close, investor access to liquidity will be reduced at a time in the day when liquidity is in great demand and expected to be available. Indeed, a Trading Pause so near to the close of regular trading hours would effectively end trading for the day, except for the Primary Listing Exchange's attempt to execute a closing transaction, and would leave investors with insufficient means, liquidity, and/or recourse to make a confident trading decision.

If the Proposed Plan is implemented, investors may be completely deprived of opportunities to access the exchange closing auctions in certain situations. For example, a Trading Pause may be initiated at 3:58 p.m., minutes past exchange-imposed cutoffs for entry of market on close ("MOC") and limit on close ("LOC") orders. Investors that did not enter a MOC or LOC order before the 3:58 p.m. Trading Pause would be unable to participate in a closing auction. In addition, the Trading Pause that was initiated at 3:58 p.m. would prevent these investors from effecting transactions on non-exchange venues, such as OTC market makers and/or alternative trading systems, during the last two minutes of regular trading hours. Lack of access to the closing auction could saddle investors with substantial, unwanted positions, leading to higher, unanticipated market risk.

ITG Proposal: Prevent Trading Pauses At or Near the Market Close

ITG suggests that the Proposed Plan should be modified to prevent Trading Pauses from being initiated between 3:35 p.m. through 4:00 p.m. For the foregoing reasons, we believe that Trading Pauses initiated during this period will reduce liquidity, create an uncertain trading environment, and lead to erratic pricing and behavior by investors.

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If the Commission believes that prevention of the Trading Pauses from 3:35 p.m. to 4:00 p.m. is not warranted, ITG requests that the Trading Pauses be prevented from 3:50 p.m. to 4:00 p.m. ITG asserts that it is critical to allow unobstructed trading during the period leading up to the market close, which enables investors to discover price without the risk of loss of access to liquidity.

We appreciate the opportunity to comment on the Proposed Plan. Apart from our concern set forth above, we believe that the Proposed Plan is a reasonable and effective solution to mitigate the risk of volatile, erratic, and/or erroneous pricings in the equities markets. Should you require further clarification or have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Jamie Selway
Managing Director
ITG Inc.

Patrick Chi
Chief Compliance Officer
ITG Inc.

cc: Robert Cook
Division of Trading and Markets

James Brigagliano
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