



9/26/2012

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington DC 20549-1090

**RE: File No. 4-652, Technology and Trading Roundtable**

**Dear Ms. Murphy:**

Thank you for opening dialogue on the rising level of technological risk in equity markets. My firm provides mathematical market intelligence on trading behaviors to publicly traded companies.

Since 2010, we have voiced concern in comment letters about Regulation National Market System and its debilitating impact on equity-pricing mechanisms. We don't believe markets have a technology problem; we think they have a structural problem. Market technology works as intended, but markets are pathologically interconnected, riven with rules, and dependent on transient intermediaries – three strikes.

More rules have compounded risk. Glitches including the BATS opening-auction failure in March 2012; the Facebook IPO opening-auction debacle in May 2012; and the Knight Capital Group software issue in August 2012 have happened not only in the same year but after market rules arising from the May 2010 Flash Crash meant to “prevent this from ever happening again.”

Piecemeal reactionary palliatives are no longer viable. The problem is the structure linking markets together around automated intermediation and the best national price. Nothing about this marketplace resembles a free market. Contrived markets never last.

There is a solution. Scrap Regulation National Market System. Let exchanges function as independent markets disconnected from each other. Eliminate payments for order flow. Let risk-taking market-makers determine tick sizes in concert with the public companies whose shares are the market's currency.

The burden for market function now rests unfairly on regulators. It's an impossible mission. Shift responsibility back to market participants. It will be imperfect. But it will be fair, sustainable, and far safer. And attractive once more to investment capital. We suggest a summit for representatives from each major market constituency – exchanges, broker-dealers, alternative trading systems, regulators and public companies – tasked with formulating the plan.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Timothy Quast', is written over a light gray rectangular background.

Timothy Quast  
President