Friday September 28, 2012

The Honorable Chairman Schapiro
U.S. Securities and Exchange Commission

RE: -File #4-652 *Technology and Trading Roundtable*

Dear Chairman Schapiro:

We appreciate the efforts by the SEC to continuously update (improve) the regulation that promotes free market competition and innovation, and the opportunity to submit comments and suggestions.

As a leading global provider of electronic trading services, the following comments and suggestions for the upcoming Technology and Trading Roundtable are based on usability, implementation, and adoption by the members of the financial services industry.

Limit Up-Limit Down:

Firms have been implementing several variations of the risk management price protection rule to comply with the SEC "naked access" 153c-3 rule – some of the implementations are more restrictive than others; the current price protection offers a protection against "fat finger" errors limiting how far a Limit price is away from the current inside market.

The proposed Limit Up-Limit Down rule offers the following:

- Protects against a "fat finger" limit price errors.
- Limits some financial risks by applying a trading pause/halt should the specific security's price - experience severe volatility (trade outside its specified price bands). -

Institutions may calculate the security's average price over the preceding 5 minutes differently. Such difference may cause one institution's client orders to be held/paused, while other institution's client orders are executed; standardizing the 5 minutes average price may limit such difference. It could be advantages for the market data vendors to include the average price of the preceding 5 minutes in the market data pricing feed.

Kill Switch and Trade Breaks:

The industry needs a more efficient industry wide ***Kill Switch***. Currently most Execution Management Systems (EMS) offer a kill switch that prevents the clients from trading further and cancels all the outstanding order leaves placed at the ATSs and Exchanges (Execution Venues) – however many Execution Venues may not cancel the remaining leaves instantaneously and continue to fill the orders for a short span (microsecond to milliseconds); this microseconds delay can be eternal (in the high frequency trading world) and can be financially fatal.

Execution Venues need to update their technology to offer the industry an immediate out on trades when the kill switch is applied or be forced to break the trade if they do not comply; this would force a natural Execution Venues improvement, consolidation, and attrition – similar to the Execution Venues consolidation experienced as a result of the 2007 Reg NMS (Rule 610 and 611).

Volume Control:

Implementing risk management controls to detect and prevent similar debacles, such as the Knight Capital August 1, 2012 event, can be accomplished via variations of volume control measures, such as:

Order throttling limits the number of orders a client can send directly to the Execution Venues during the pre specified time period. The order throttling limits can be setup according to the clients' normal trading profile and can be tweaked for anomalies or abnormal trading days to give the ability to detect and prevent erroneous spikes in number of orders from being sent to the Execution Venues.

Volume Limits is a more comprehensive volume control that can detect and prevent spikes in trading volume. The volume limits can be setup according to the clients' ADV during specific periods of the trading session and can alert and detect clients' specified percentage of volume spikes above their normal trading profiles for the same period.

Regulation or Limitation:

It is clear that our industry is in need of tighter regulations and controls of the trading technology policies and procedures. However, additional regulations or any technology limitations can possibly widens the technology advantage gap between the high frequency trading firms (with the very large technology budget) and the smaller firms (with the moderate technology budget). As previously stated regarding the recent industry debacles, the "technology" did what it was told by humans to do; the debacles were solely caused by humans and enforcing top-down accountability for erroneous trades and rouge traders might be more effective. Perhaps we can take a page out of the Sarbanes Oxley Act and make the CEOs accountable where "I didn't know" becomes unacceptable defense.

We do appreciate the opportunity to provide comments on regulations that impact our industry and clients.

Sincerely,

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