



**April 18, 2022**

Submitted via email to: rule-comments@sec.gov

Vanessa Countryman, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: Notice of Proposed Amendments to Exchange Act Rule 3b-16 Regarding the Definition of “Exchange”; Regulation ATS for ATSS That Trade U.S. Government Securities, NMS Stocks, and Other Securities; Regulation SCI for ATSS That Trade U.S. Treasury Securities and Agency Securities (Release No. 34-94062; File No. S7-02-22; Fed. Reg. No. 2022-01975)**

Dear Ms. Countryman:

This comment letter is submitted on behalf of DirectBooks LLC (“DirectBooks”), which offers a SaaS platform that simplifies the primary issuance process for fixed income securities by streamlining communications workflows between underwriters and institutional investors. DirectBooks writes in response to the request for comments by the Securities and Exchange Commission (the “SEC”) with respect to its proposal to amend the interpretation of the definition of “exchange” in Rule 3b-16 of the Securities Exchange Act of 1934 (the “Exchange Act”) and to make certain other amendments to Regulation ATS and Regulation SCI under the Exchange Act (the “Proposal”).<sup>1</sup>

DirectBooks appreciates the SEC’s review of these rules and regulations and its desire to ensure that the appropriate platforms are properly captured by the referenced definition and interpretation of an exchange under the Exchange Act. We are grateful for the opportunity to comment on the Proposal, and we write to seek clarification regarding the boundaries envisioned by the SEC under the Proposal. For the reasons cited herein, we respectfully believe that the Proposal should not apply to the business of DirectBooks, or to other similarly situated communication system operators, and alternatively, that additional clarity, including exemptive

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<sup>1</sup> See Amendments to the Definition of Exchange; Alternative Trading Systems That Trade U.S. Government Securities, National Market System Stocks, and Other Securities; etc., Fed. Reg. No. 2022-01975 (Mar. 18, 2022) (the “Proposal”).

relief where appropriate, is needed to enable DirectBooks and such operators to better understand how to comply with both existing and the envisioned future regulation.

**A. The Proposal should not apply to a primary market transaction communication system such as that operated by DirectBooks**

The DirectBooks software platform streamlines the communications process involved in primary corporate bond issuances through structured data and the standardization of workflows between sell-side broker-dealers and their existing buy-side institutional clients. The communications facilitated by DirectBooks are directly between a syndicate of underwriting broker-dealers (on behalf of the relevant issuer) and their institutional clients that wish to be allocated newly issued corporate bonds in a primary offering. All deals announced by the underwriter broker-dealers on DirectBooks' platform are ultimately effected through such underwriter broker-dealers' direct relationship with their institutional investor clients and are confirmed and executed directly and bilaterally between those parties, in each case away from DirectBooks' platform.

DirectBooks' platform essentially streamlines the workflow involved in an issuer selling its securities to investors, consistent with the Proposal's Rule 3b-16(a) exclusion, through bilateral interactions of a single proposed seller (the underwriter acting on the issuer's behalf) and a single proposed institutional buyer. DirectBooks' platform also markedly differs from the communication protocol system examples cited in the Proposal.

Further, the SEC has traditionally granted no-action relief from both broker-dealer and alternative trading system registration for platforms that do not collect transaction-based compensation and merely facilitate communications between underwriters and institutional buy-side investors in primary market transactions.<sup>2</sup>

While DirectBooks supports the SEC's efforts to promote transparency for investors through registration and reporting requirements, we do not believe that additional relevant information would become available to market participants should DirectBooks and similarly situated systems register as an alternative trading system and broker-dealer. The broker-dealers that utilize the DirectBooks platform are already subject to a wide array of reporting requirements related to the offering and underwriting activity in which they engage and to other regulatory oversight. We do not believe that the resulting largely duplicative reporting of information would either protect investors or support the SEC's goal of capital formation.

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<sup>2</sup> See, e.g., Neptune Networks, Ltd., SEC No Action Letter (Mar. 4, 2020) (the "Neptune NAL") (recommending no enforcement action against a communications protocol that provides "a passive electronic data connectivity and communication system for institutional participants in the fixed-income market").

Based on the operation of DirectBooks' platform and for the foregoing reasons, as further elaborated upon below, we do not believe that the Proposal should apply to systems such as that operated by DirectBooks.

**1. Regulation ATS has traditionally been understood to be directed at secondary market platforms rather than primary issuance communication systems such as that provided by DirectBooks**

Regulation ATS ("Reg ATS"), in its current form, has been generally interpreted as focused on secondary market transactions. Notably, to the extent a trading platform must register as an alternative trading system, it is because it fulfills the function of an "exchange" as defined under Section 3(a)(1) of the Exchange Act. Exchange Act Section 3(a)(1) defines an "exchange," in relevant part, as "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."<sup>3</sup> As such, the definition appears to contemplate a system where numerous purchasers and sellers can transact with one another, rather than a primary market platform system through which underwriters can communicate in relation to an issuer's primary offering with their institutional clients. This understanding has historically been supported by the SEC's discussion of its rationale for adopting Reg ATS in its 1998 adopting release.<sup>4</sup> Moreover, primary securities offerings are generally not effected through national securities exchanges since exempt offerings are not eligible to trade on such exchanges and in registered offerings underwriters essentially uniformly do not sell securities into an anonymous market but rather allocate securities to their existing customers' accounts.<sup>5</sup> Despite the fact that securities offered in initial public offerings are nearly simultaneously listed on registered exchanges and can subsequently be traded on such exchanges, the offerings themselves are not conducted through such exchanges.

The current version of Rule 3b-16(a) appears to align with DirectBooks' understanding of the SEC's historic position regarding Section 3(a)(1)'s focus on secondary market transactions. Rule 3b-16 interprets the "exchange" definition to refer to a platform that (i) "brings together the orders for securities of multiple buyers and sellers" and (ii) "uses established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders

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<sup>3</sup> 15 U.S.C. § 78c(a)(1).

<sup>4</sup> See Regulation of Exchanges and Alternative Trading Systems 63 Fed. Reg. 245 at 70845 (Dec. 22, 1998) (noting that "market participants have developed a variety of alternative trading systems that *furnish services traditionally provided solely by registered exchanges*," and "operate markets *similar to the registered exchanges and Nasdaq*") (emphasis added); see also *id.* at 70847–88 (explaining that if "an alternative trading system with five percent or more of the trading volume in any national market system security chooses to register as a broker-dealer—instead of as an exchange—the Commission believes it is in the public interest to integrate its activities into the national market system," including compliance with "the same market rules governing execution priorities that apply to members of the registered exchange or national securities association to which the alternative trading system is linked").

<sup>5</sup> The adopting release for Regulation S refers to the practice of primary offerings over an exchange, but this is not relevant to current market practice and is described in the context of markets outside of the United States. See Offshore Offers and Sales, Securities and Exchange Comm'n, 55 Fed. Reg. 18306-01 at 18310 (May 2, 1990) (noting "the infrequent practice of conducting primary offerings . . . on the offshore physical trading floors of established foreign securities exchanges").

interact with each other, and the buyers and sellers entering such orders agree to the terms of a trade.”<sup>6</sup> The Reg ATS adopting release explains that the phrase “multiple buyers and sellers”<sup>7</sup> in Rule 3b-16 is meant to exclude “systems in which there is only a single seller, such as systems that permit issuers to sell their own securities to investors.”<sup>8</sup> The SEC elaborates in the Reg ATS adopting release: “while such systems have multiple buyers (i.e., investors), they have only one seller for each security (i.e., issuers) and, therefore, do not meet the multiple buyers and sellers test.”<sup>9</sup>

The Proposal states that the SEC intends to remove the term “multiple” from Rule 3b-16(a) because, although the term was initially added “to help reinforce that single counterparty systems were not included in the definition of ‘exchange,’” the term “could be misconstrued to mean that RFQ systems, for example, do not meet the criteria of Rule 3b-16(a) because a transaction request typically involves one buyer and multiple sellers or one seller and multiple buyers.”<sup>10</sup> The Proposal, however, retains the issuer system exception by adding to Rule 3b-16(a) an exclusion “for systems that allow an issuer to sell its securities to investors.”<sup>11</sup>

As noted above, the DirectBooks software platform effectively assists in automating a portion of the workflow involved in the primary offering of corporate bonds. As a result, it would be natural to characterize DirectBooks’ activities as operating a communication system that “allow[s] an issuer to sell its securities to investors,” as described in the Proposal.<sup>12</sup> Due to the structure of the corporate bond market, it is standard for primary issuances to be underwritten by regulated broker-dealers — communications facilitated by DirectBooks are therefore between the syndicate of underwriting broker-dealers (on behalf of the relevant issuer) and their institutional clients that wish to be allocated newly issued corporate bonds in a primary offering. Moreover, because each offering is made by a single issuer through a unified syndicate of underwriters, we believe that the communications workflow facilitated by DirectBooks does not involve “multiple sellers.” We therefore believe that DirectBooks’ primary issuance communication system should not be captured by Rule 3b-16 as expanded by the Proposal (or alternatively, DirectBooks’ system should be subject to the Proposal’s issuer system exclusion). As a more general matter, because it does not appear that the SEC intends to regulate or capture primary market communication systems given the nature of the existing rules and the Proposal itself, DirectBooks does not believe that the Proposal should so apply in this regard. However, given that the SEC did not expressly address in the Proposal primary market communications systems such as the one operated by DirectBooks, and given the potential ambiguity that may be caused by the removal of the term “multiple” from, and other expansions being made to, Rule 3b-16(a), DirectBooks respectfully requests that the

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<sup>6</sup> 17 C.F.R. § 240.3b-16(a).

<sup>7</sup> 17 C.F.R. § 240.3b-16(a) (emphasis added).

<sup>8</sup> Regulation of Exchanges and Alternative Trading Systems 63 Fed. Reg. 245 at 70849 (Dec. 22, 1998).

<sup>9</sup> Regulation of Exchanges and Alternative Trading Systems 63 Fed. Reg. 245 at 70849 (Dec. 22, 1998).

<sup>10</sup> Proposal at 38.

<sup>11</sup> Proposal at 39.

<sup>12</sup> Proposal at 39.

SEC clarify, either through a change to the Proposal itself or to its guidance in relation thereto, that primary market communications systems will not be captured by the proposed amended version of Rule 3b-16.

## **2. The Communication Protocol System examples provided in the Proposal differ from the services offered by DirectBooks**

The Proposal notes that “Communication Protocol Systems perform similar market place functions as registered exchanges and ATSS and have become venues for investors to discover prices, find a counterparty, and agree upon the terms of a trade.”<sup>13</sup> The Proposal cites numerous examples, including “Request-for-Quote” systems,<sup>14</sup> “stream axes” in which a party may indicate a transactional direction (buy or sell) as “a starting point for negotiation,”<sup>15</sup> and systems that offer the use of non-executable trading interests, facilitate negotiations, improve price discovery or allow for “auctions where the respondents compete to offer the best price.”<sup>16</sup>

DirectBooks does not operate a Request-for-Quote system. It further does not allow parties to indicate transactional directions, as all deals announced by the underwriter broker-dealers on DirectBooks’ platform are primary offerings ultimately effected through such underwriter broker-dealers’ direct relationship with their institutional investor clients. As noted above, any transaction ultimately entered into between the underwriter(s) and those institutional investor clients on the basis of information exchanged on DirectBooks’ platform is confirmed and executed directly between those parties, in each case away from DirectBooks’ platform. Finally, DirectBooks’ platform does not allow for auctions, price quoting or negotiation, does not offer price discovery in any form, and does not perform any actions to which the best execution requirement would apply.

In sum, while we recognize that the communication protocol system examples cited in the Proposal provide for a non-exclusive list, it is difficult for us to envision a space for DirectBooks or similar platforms in the regulatory scheme contemplated by the Proposal.

## **3. The SEC has historically exempted platforms such as those operated by DirectBooks from having to register as a broker-dealer or an exchange**

While we understand the desire on the part of the SEC to ensure that it is appropriately capturing and regulating all platforms that perform exchange functions, we do not believe that the Proposal is intended to extend registration requirements to primary market communication systems

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<sup>13</sup> Proposal at 25; *see also id.* at 413 (“The fact that ATSS are subject to numerous regulatory requirements that Communications Protocol Systems, *which may perform a similar market place function*, are not subject to may place ATSS at a competitive disadvantage compared to Communication Protocol Systems as a result of the associated compliance costs and potentially higher barriers to entry. Furthermore, one commenter stated that the different regulatory treatment of fixed income trading platforms, with some platforms regulated as ATSS, some regulated as broker-dealers, and others not regulated at all, leaves room for regulatory arbitrage.”).

<sup>14</sup> Proposal at 19.

<sup>15</sup> Proposal at 20.

<sup>16</sup> Proposal at 19–24.

such as DirectBooks' platform that are not otherwise currently required to be registered as broker-dealers or exchanges. That is, for primary market communication platforms that do not offer any type of matching functionality and where all communications take place under the full auspices of registered broker-dealers and are limited to communications between them and their institutional clients with which they have existing customer relationships, there would already appear to be sufficient regulatory oversight and trade reporting transparency.<sup>17</sup>

While we recognize that the Proposal intends to supersede any prior SEC guidance and relevant no-action relief,<sup>18</sup> we note that, as stated earlier, the SEC has traditionally granted no-action relief from both broker-dealer and alternative trading system registration for platforms that do not collect transaction-based compensation and merely facilitate communications between underwriters and institutional buy-side investors in primary market transactions. The same is true for similar platforms with respect to secondary markets.<sup>19</sup> While DirectBooks recognizes that the Proposal may intend to supersede such no-action relief granted to secondary market platforms, DirectBooks does not believe that the Proposal should also supersede prior no-action letters, such as the Neptune NAL, in the primary market space. Such no-action relief granted to primary market communication systems is consistent with, and thus should not be superseded by, the spirit of the Proposal. Accordingly, DirectBooks respectfully requests that the SEC confirm that the Neptune NAL and similar no-action letters applicable to primary market communication systems will continue to be valid upon adoption of the Proposal.

Alternatively, if the SEC does intend to supersede such no-action letters, per the following section, DirectBooks does not believe that a number of rules (that are currently tailored to secondary market trading) would apply, or would be capable of applying to impacted firms in the primary market communication system space. Accordingly, as further described in Section B below, DirectBooks respectfully requests that, to the extent that such primary market communications systems are captured under the Proposal, they should receive exemptions from such requirements.

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<sup>17</sup> Specifically, all U.S. buy-side users that communicate with broker-dealers using DirectBooks' platform qualify as "Qualified Institutional Buyers" as defined under Rule 144A of the Exchange Act, and all non-U.S. buy-side users of DirectBooks' platform qualify similarly under the foreign sophistication correlate (e.g., "professional client" under Directive 2014/65/EU (MiFID II) in the case of EU users).

<sup>18</sup> See Proposal at 45 n.117 ("To the extent that a system is currently operating consistently with the circumstances described in a staff no-action letter, a system that falls within the scope of Rule 3b-16(a) and seeks to rely on the ATS exemption would need to register as a broker-dealer to comply with the broker-dealer registration requirement under Regulation ATS, regardless of any prior staff statement. Upon the adoption of any final rule, some letters and other staff statements, or portions thereof, may be moot, superseded, or otherwise inconsistent with the final rule and, therefore, would be withdrawn or modified.").

<sup>19</sup> See, e.g., Evare, LLC, SEC No-Action Letter (July 29, 1998) (recommending no enforcement action against "an on-line communication system . . . linking professional money managers, broker-dealers, and custodians that would enable managers to obtain quotes from, and enter orders with, broker-dealers, and to communicate information to custodians for settlement of trades.").

**4. Incremental investor protection, if any, from applicability to primary markets operators comes with a large compliance burden at the expense of capital formation**

If adopted, the Proposal would require communication protocol systems to register either as an exchange or as an alternative trading system (and broker-dealer) under Reg ATS. Assuming that DirectBooks would be captured by the proposed expansion of Rule 3b-16, it would effectively be required to register as an alternative trading system under Reg ATS, and thus also as a broker-dealer, despite similar platforms traditionally not having been considered to be alternative trading systems or broker-dealers by the SEC.<sup>20</sup> As the Proposal recognizes, and we agree, this would subject DirectBooks and other communication protocol systems that are not currently registered to significant and burdensome restructuring costs in connection with regulatory compliance efforts.<sup>21</sup> While DirectBooks supports the SEC's efforts to promote transparency for investors through registration and reporting requirements, DirectBooks does not believe that additional relevant information would become available to market participants should DirectBooks and similarly situated systems register as an alternative trading system and broker-dealer. The broker-dealers that utilize the DirectBooks platform are already subject to a wide array of reporting and other regulatory requirements, including extensive trade reporting and consolidated audit trail requirements, as well as net capital regulatory reporting and regulatory requirements related to the offering and underwriting activity in which they engage. Existing reporting requirements therefore provide regulators and the marketplace with the requisite information required by the SEC and applicable self-regulatory organizations to ensure transparency and promote investor protection. In light of the SEC's position that "compliance costs could be passed through (e.g., via higher fees) to market participants, resulting in higher trading costs," DirectBooks respectfully requests that the SEC consider whether this largely duplicative reporting of information is sufficiently necessary to warrant higher transaction costs for market participants at the expense of capital formation.<sup>22</sup>

**B. If Rule 3b-16 is applicable, several key Reg ATS and broker-dealer rules and regulatory requirements should not apply**

DirectBooks does not carry on a traditional "securities business." There is no trading or other secondary market activity that occurs on the system and there are no "securities transactions" to record on the system. Securities transactions that may result from communications on the

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<sup>20</sup> See Neptune NAL (providing no-action relief for a primary market fixed income communication system that does not act as a broker-dealer).

<sup>21</sup> See Proposal at 491 (noting that "certain restructuring costs, such as costs associated with making changes to business practices to comply with the broker-dealer requirements, could be significant" and that the SEC "is unable to provide estimates on certain restructuring related costs . . . because the Commission does not have information regarding the scope of its restructuring such as the need and extent of required changes in current business practices").

<sup>22</sup> Proposal at 451.

DirectBooks platform are entered into away from the platform, bilaterally between the underwriter(s) and their institutional investor clients.

As such, to the extent that the SEC intends for the Proposal to include communication systems only involved in primary offerings of fixed-income securities through broker-dealers acting as underwriters, DirectBooks does not believe that several key Reg ATS and broker-dealer rules and regulatory requirements should apply to those systems (the following examples being non-exhaustive) and that such systems should be exempted from compliance with such requirements.

Alternative trading systems must comply with the rules outlined in Reg ATS under the Exchange Act, which include requirements relating to recordkeeping,<sup>23</sup> monitoring and reporting of platform activity,<sup>24</sup> and filings using Form ATS.<sup>25</sup> Form ATS, for example, requires (i) the listing of all securities traded on the system;<sup>26</sup> (ii) the procedures governing the entry of orders on the system;<sup>27</sup> and (iii) the procedures governing the execution, reporting, clearance and settlement of transactions on the system.<sup>28</sup> In addition, the Fair Access Rule imposes capacity and integrity requirements on alternative trading systems that are based on transaction volume, of which DirectBooks has none. The recordkeeping and trade reporting requirements under Reg ATS appear similarly designed to provide transaction-based information to the market. We do not believe that such requirements imposed by Reg ATS should apply to DirectBooks, which does not facilitate the trading of securities but rather simply facilitates communications by underwriting broker-dealers to their existing institutional investor clients regarding the primary issuance of securities. Even if it were possible to interpret these requirements as being applicable to primary market transactions, as an operator of a primary market communications system that merely facilitates communication between underwriters and their institutional buy-side customers and that is not involved in the execution or confirmation of any resulting securities transactions, DirectBooks is unclear as to how it could position itself to comply with such requirements. Such a repositioning would be a fundamental change to DirectBooks' business model and would require it to make costly changes to its systems, operations and business relationships. Accordingly, to the extent that primary market communications systems, like that of DirectBooks, are required to register as ATSS, DirectBooks respectfully requests that the SEC expressly exempt such systems from such incongruous requirements.

It is similarly unclear to DirectBooks how certain broker-dealer requirements under existing regulation would be applicable to primary market communications systems such as that which DirectBooks operates. For example, “[a] broker dealer has a legal duty to seek to obtain

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<sup>23</sup> 17 C.F.R. § 242.301(b)(8).

<sup>24</sup> 17 C.F.R. § 242.301(b)(9)

<sup>25</sup> 17 C.F.R. § 242.301(b)(2).

<sup>26</sup> Form ATS Item 4.

<sup>27</sup> Form ATS Item 8(b).

<sup>28</sup> Form ATS Item 8(d).



best execution of customer orders”<sup>29</sup> and is subject to certain reporting requirements under Regulation M, designed to “prevent manipulation by individuals with an interest in the outcome of an offering” and to “prohibit[] activities and conduct that could artificially influence the market for an offered security.”<sup>30</sup> Neither compliance with the best execution requirement nor the oversight of Regulation M align with the business of DirectBooks, which merely facilitates communications between underwriters and institutional investors but does not participate in those communications or have a stake in or exercise any type of discretion over securities transactions that may result therefrom. Rather, it is the participating broker-dealers on the DirectBooks platform that will already be responsible for compliance with such rules and regulations. Further, regulated broker-dealers must register with the SEC using Form BD and must join at least one Self-Regulating Organization.<sup>31</sup> Accordingly, to the extent that primary market communications systems, like that operated by DirectBooks, are required to register as ATs, DirectBooks respectfully requests that the SEC clarify which regulatory requirements imposed on ATs would and would not apply to such systems.

Further, to the extent that a primary market communications system, such as that operated by DirectBooks, does not itself transact in securities, recommend securities, solicit the purchase and sale of securities or maintain customer accounts or hold customer funds or securities, DirectBooks is unclear as to what authority would be required under a broker-dealer membership agreement with a self-regulatory organization were DirectBooks to so register, in order for DirectBooks, and other similar systems, to conduct its or their business. Relatedly, DirectBooks does not believe that it would be appropriate to impose securities licensing qualifications on individuals that work for such communication protocol systems given the nature of the business.<sup>32</sup> Accordingly, to the extent that such systems are required to register as ATs, DirectBooks also respectfully requests further clarity regarding the applicability of such requirements.

Finally, given the complexity of the existing regulations as applied to DirectBooks and similarly situated platform operators, and in light of the significant cost of regulatory compliance under the Proposal, to the extent the Proposal is meant to capture a primary market communication system such as DirectBooks’ platform in the definition of “exchange,” DirectBooks further respectfully requests that the SEC lengthen the time period after implementation of the Proposal within which newly captured communication protocol systems like DirectBooks, that are not currently registered as a broker-dealer or an alternative trading system, may come into compliance with existing regulations.

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<sup>29</sup> Regulation NMS, SEC Release No. 34-51808 at 159 (June 9, 2009) (<https://www.sec.gov/rules/final/34-51808.pdf>).

<sup>30</sup> FINRA, Regulation M Filings (<https://www.finra.org/filing-reporting/regulation-m-filings>).

<sup>31</sup> See Form BD, item 2 (requiring that broker-dealer applicants indicate to which self-regulating organization the applicant has applied).

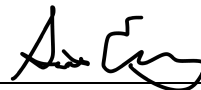
<sup>32</sup> See, e.g., Guide to Broker-Dealer Registration, Securities & Exch. Comm’n Div. of Trading & Markets (Apr. 2008) (<https://www.sec.gov/reportspubs/investor-publications/divisionsmarketregbdguidehtm.html>) (“Before it begins doing business, a broker-dealer must become a member of an SRO. . . . qualification requirements . . . include passing an SRO securities qualification examination.”).

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DirectBooks recognizes the SEC's efforts to regulate secondary market transactions on communication protocol systems where appropriate, and has every intention of complying with the final rules and regulations promulgated by the SEC to the extent that they apply to DirectBooks. The Proposal, however, expands the scope of activities subject to existing SEC regulations without making corresponding amendments to those existing rules to accommodate the variety of platforms the Proposal would ultimately capture.

In sum, DirectBooks does not believe that its service should be deemed an exchange under the Proposal based on both the spirit of existing regulations and the Proposal's apparent focus on secondary market securities transactions. The broad language of the Proposal, however, gives rise to concerns that the expanded definition of exchange could subject DirectBooks and similar platforms to regulation as a broker-dealer and ATS. DirectBooks believes that such application of the Proposal would impose substantial costs on it and similarly situated platforms and their customers, which are not justified by any real increase in transparency or reported information, as transactions and parties on the platform are already subject to extensive regulatory requirements. Further, it is not clear to DirectBooks how it, and others similarly situated, could achieve compliance with the regulatory requirements imposed on broker-dealers operating ATSS, as those regulatory requirements in their current form are incapable of being translated and applied to primary markets operations that do not involve trading or carrying on a traditional securities business. DirectBooks therefore respectfully requests that the SEC: (i) clarify that the Proposal does not apply to primary market communication systems such as the one operated by DirectBooks, through a change to the Proposal itself or to its guidance in relation thereto (or by specifying that the Proposal does not supersede previous no-action relief granted to primary market communication systems); (ii) the extent that primary market communication systems such as that operated by DirectBooks would fall within the purview of the Proposal, clarify how it envisions primary market communication platforms, such as that operated DirectBooks, that do not facilitate the trading of securities, should comply with the requirements imposed on broker-dealers operating ATSS and appropriately exempt such systems from unnecessary or irrelevant requirements; and (iii) to the extent that primary market communication systems such as that operated by DirectBooks would fall within the purview of the Proposal, extend the time period to come into compliance with such existing regulations.

Respectfully Submitted,



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DirectBooks LLC