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Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commissions
100 F Street,
Washington, DC 20549-1090 July 18, 2010

Re: Proposed Exchange and FINRA Circuit Breaker Pilot Expansion

File No. SR-NYSE-2010-49
File No. SR-NASDAQ-2010-079
File No. SR-NSX-2010-08
File No. SR-NYSEAmex-2010-63
File No. SR-NYSEArca-2010-61
File No. SR-BATS-2010-018
File No. SR-CBOE-2010-065
File No. SR-EDGA-2010-05
File No. SR-EDGX-2010-05
File No. SR-FINRA-2010-033
File No. SR-ISE-2010-66
File No. SR-BX-2010-044
File No. SR-CHX-2010-14

Dear Ms. Murphy:

We appreciate the opportunity to comment on the proposals of the twelve national securities exchanges and the Financial Industry Regulatory Authority, Inc. ("FINRA") to adopt rules to expand the number of securities included in a six month circuit breaker pilot (the "Pilot") to include component stocks of the Russell 1000 Index and certain Exchange Traded Products, including Exchange Traded Funds.

In response to the strong action taken by the SEC following the "Flash Crash" of May 6, 2010, we wrote an Op Ed for Forbes. In that article we stated our strong support for the proposed expansion of the pilot to include the Russell 1000 stocks. We also state our strong concerns about the size, scope and cost of the proposed Consolidated Audit Trail (CAT) project and the need for heightened issuer involvement. So that you will have the full context of our remarks, we are submitting our Op Ed in response to your request for comment.

Below you will find a copy of our Op Ed. Again, our sincere thanks for the opportunity to share our views.

Kindest Regards,

Patrick J. Healy, CEO

Forbes.com

Commentary

Life After The Flash Crash

***Patrick Healy,** 07.01.10, 12:50 PM ET*

It's been less than two months since the "Flash Crash" of May 6 in which the Dow suddenly dropped nearly 1,000 points only to largely recover within 20 minutes. This precipitous drop briefly wiped out nearly a trillion dollars in market value. Although the ultimate cause of the crash remains a mystery, in an unrivaled display of leadership the SEC has attacked the problem across multiple fronts and early indications are that the solutions are working very well.

Within days of the event, SEC chairwoman Mary Schapiro convened a not-so-subtle meeting of the exchange industry chieftains in what you might call a "Come to Jesus" session. The message was clear: This will not happen again. In relatively short order single stock circuit breakers--which halt trading in an individual stock if its price moves by more than 10% in any five minute period--became a reality for all S&P 500 stocks. And they work. On just the third day of operation, the circuit breakers halted trading in the Washington Post within seconds of some ridiculous pricing. In the

past couple of days, similar incidents happened with Citigroup and Boeing. More successes are sure to follow.

One of the major shortcomings of this initial effort has been that many potentially vulnerable stocks are not in the S&P 500 and, thus, do not enjoy circuit breaker protection. Indeed, Accenture, which traded for a penny during the flash crash and served as the poster child for such silly trading, is not part of the S&P 500 and thus is not included in this first wave of circuit breakers. The SEC has again moved swiftly. Building upon its early success, the Commission just announced today that they are proposing doubling the covered stock list to include the Russell 1000 stocks. Comments on this proposal will be received for 10 days following publication in the Federal Register and then, we expect, a quick implementation. This is more good news for many companies and their investors. Still, stocks like Dendreon, which lost over half of its multibillion-dollar market cap in less than a minute in 2009 due to some hocus pocus trading, are anxious to see this list expanded even further.

Not one to miss a competitive opportunity, Nasdaq announced Volatility Guard, a souped-up version of the SEC's automated circuit breaker program. This approach calls for trading halts in individual stocks based upon very narrow percentage price movements within thirty second timeframes. This method stands in stark contrast to the NYSE's Liquidity Replenishment Points which do not halt the trading in a stock but rather slow it down by moving from an electronic-trading mode to non-electronic with a human reasserting control of the trading. Both markets contend that they have a superior trading methodology. Many experts argue that having such multiple standards was at the heart of the flash crash and could lead to similar calamities. You can expect that the SEC will mandate a more unified standard in the coming months.

Despite the sunny nature of the above developments, there are some storm clouds brewing. Conspicuously absent during the Flash Crash autopsy was a central database for the purpose of reconstructing the day's events. Indeed, the root cause of the crash remains an enigma. A Consolidated Audit Trail (CAT) that serves as a central repository that brings all of the fragmented trading data into one place for surveillance purposes is clearly needed. Few investors realize that no exchange executes even so much as a third of the volume in its own listings and, therefore, the trading data is scattered across multiple venues including the exchanges themselves, ECNs (electronic communications networks that match buyers and sellers) and so-called "dark pools of liquidity." With the NYSE having now moved its surveillance function to the Financial Industry Regulatory Authority (FINRA), an industry self-regulatory body, most market surveillance is at least housed under one roof. But, an integrated, centralized data base (the CAT project) is still needed in order to fully police trading.

To address these issues, in late May the SEC formally proposed the CAT project. SEC officials estimate that the CAT project will cost a whopping $4 billion to build, take three years to complete and will require $2 billion a year to operate. While the project is conceptually very worthy, these financial parameters are beyond ridiculous; they're dangerous. For publicly traded companies, a project of this size and scope brings back bad memories of the governmental idealism that gave us 2002's Sarbanes Oxley Act (Sarbox). Despite its good intentions--Sarbox was enacted in reaction to a slew of corporate scandals (WorldCom, Enron, Arthur Andersen)--the bill is now widely seen as a failure. Without regard to cost or practicality, Sarbox imposed an enormous financial and operational burden upon corporate America. To avoid a similar fate, the size and scope of the CAT project must be significantly reduced and aligned with the ultimate objectives of the initiative. This will require participation from many market participants, including stock issuers. Surely, the failure to do so will result in an albatross around the financial industry's neck with significant long term economic and liquidity consequences to listed companies and their investors.

While it has become fashionable of late to take shots at the SEC, I disagree. The agency has shown remarkable skill in addressing the Flash Crash incident. To conceptualize and successfully implement the circuit breakers in the span of five weeks is unprecedented. Ditto for their efforts to quickly expand the pool of covered companies. To hold the competing exchanges' feet to the fire in terms of defending and modifying their respective trading models in light of the Flash Crash is spot on. It's about time that the SEC received some credit for their swift and decisive responses. I have every confidence that they will create a unified standard for trading halts across all markets in short order and will reign in the bloated scope and cost of the proposed CAT project. In an era of understandable skepticism, such diligent and successful efforts are essential to rebuilding investor confidence.

Patrick Healy is CEO of Issuer Advisory Group, corporate America's leading issuer advocate and market expert. Mr. Healy serves on the Board of Directors of Direct Edge (the country's third largest stock exchange, which trades but does not list stocks). He holds a CPA and an M.B.A. and spent eight years on the faculty of the Georgetown University McDonough School of Business.