Bloomberg
T R A D E B O O K LLC
Member NASD/SIPC

June 28, 2006

Via e-mail: colbyr@sec.gov

Robert L. D. Colby, Esq.
Acting Director
Division of Market Regulation
U.S. Securities and Exchange Commission
Station Place
100 F Street, N.E.
Washington, DC 20549-9303

Re: The Bloomberg Tradebook System

Dear Mr. Colby:

On behalf of Bloomberg L.P., a Delaware limited partnership ("BLP"), and its affiliate, Bloomberg Tradebook LLC, a Delaware limited liability company ("Bloomberg Tradebook"), we respectfully request that the Division of Market Regulation (the "Division") extend its current no-action position regarding Bloomberg Tradebook activities. Bloomberg Tradebook is registered with the Securities and Exchange Commission (the "Commission") as a broker-dealer and operates a computerized, proprietary trading system (the "Bloomberg Tradebook System"). The Division has already taken a no-action position with respect to Bloomberg Tradebook and the Bloomberg Tradebook System, most recently extended on November 17, 2005.

Request for No-Action Relief

Bloomberg Tradebook respectfully requests that the Division advise Bloomberg Tradebook that:

1.   The Bloomberg Tradebook System is an electronic communications network (an "ECN") within the meaning of paragraph (b)(23) of Rule 600 of Regulation NMS for purposes of Rule 602 (the "Quote Rule") of Regulation NMS under the Securities Exchange Act of 1934;

2.   The Bloomberg Tradebook System's method of operation with respect to NMS securities (as that term is defined in paragraph (b)(46) of Rule 600) for

which a linkage between the Bloomberg Tradebook System and an SRO trading facility (as that term is defined in paragraph (b)(72) of Rule 600), or an SRO display-only facility (as that term is defined in paragraph (b)(71) of Rule 600) is operational and is in compliance with paragraph (b)(5)(ii) of the Quote Rule (the "ECN Display Alternative"); and

        3.   The Division will not recommend that the Commission take enforcement action under the Quote Rule against any exchange market maker (as that term is defined in paragraph (b)(24) of Rule 600) or OTC market maker (as that term is defined in paragraph (b)(52) of Rule 600) and will not recommend that the Commission take enforcement action under Rule 604 of Regulation NMS (the "Limit Order Display Rule") against any specialist or member of an exchange authorized by that exchange to perform functions substantially similar to those of a specialist ("Exchange-Authorized Member") or OTC market maker, as those terms are used in paragraph (a) of the Limit Order Display Rule, if such exchange market maker, specialist, Exchange-Authorized Member or OTC market maker transmits orders to the Bloomberg Tradebook System in reliance on the assumption that the Bloomberg Tradebook System is in compliance with the ECN Display Alternative and paragraph (b)(5) of the Limit Order Display Rule with respect to such orders and if such exchange market maker, specialist, Exchange-Authorized Member or OTC market maker omits to take any other action that would otherwise be required if the Bloomberg Tradebook System were not so in compliance with such provisions.

Description of the Bloomberg Tradebook System

        The Bloomberg Tradebook System provides broker-dealers and institutional clients with execution, clearance and settlement of trades in NMS securities and certain other securities via either the BLOOMBERG PROFESSIONAL Service or a computer-to-computer connection.[1] The broker-dealer participants currently include OTC market makers and other broker-dealers and may in future include exchange specialists and other registered broker-dealers. Orders displayed over the Bloomberg Tradebook System are available for execution in whole or, where permitted under the terms of the order, in part. Within the Bloomberg Tradebook System, orders entered by participants are disseminated to all other participants. There is not any provision for certain specialist or market-maker priced orders to be entered but not included in the quotations furnished by the Bloomberg Tradebook System. In connection with the Bloomberg Tradebook System, Bloomberg Tradebook acts as introducing broker in arranging transactions in NMS securities and certain other securities.

---

[1]   The BLOOMBERG PROFESSIONAL service is a worldwide, proprietary, electronic network available by subscription to investment firms and other professionals via more than 250,000 open-architecture computer links worldwide.

Representations by Bloomberg Tradebook

In connection with its request for no-action relief, Bloomberg Tradebook makes the following representations with respect to all NMS securities in which it seeks to operate as an ECN and to satisfy the requirements of the ECN Display Alternative pursuant to the rules of a self-regulatory organization (an "SRO"):

1.   The Bloomberg Tradebook System is an ECN within the meaning of paragraph (b)(23) of Rule 600 for purposes of the Quote Rule and allows subscribers, including exchange market makers and OTC market makers, electronically to enter orders in NMS Securities;

2.   The Bloomberg Tradebook System's method of operation with respect to NMS securities for which a linkage between the Bloomberg Tradebook System and an SRO trading facility or an SRO display-only facility is operational and is in compliance with the ECN Display Alternative;

3.   Bloomberg Tradebook will maintain a linkage with at least one SRO trading facility or SRO display-only facility. With respect to any SRO trading facility or SRO display-only facility with which Bloomberg Tradebook has established a linkage, Bloomberg Tradebook transmits to such SRO trading facility or SRO display-only facility for display in the SRO's montage the best-priced orders entered by, among others, OTC market makers and exchange market makers for those NMS securities in which they make markets (or act as specialists). With respect to orders displayed in an SRO trading facility, Bloomberg Tradebook provides to any registered broker-dealer access to such orders that is functionally equivalent to the access that is generally available for quotations displayed by an SRO trading facility.[2] With respect to orders displayed in an SRO display-only facility, Bloomberg Tradebook provides to any registered broker-dealer, directly or through a third party, a level and cost of access to such quotations that is substantially similar to the level and cost of access to quotations displayed by SRO trading facilities in that stock;

4.   Bloomberg Tradebook responds and intends to continue to respond to orders in NMS securities in which it publishes its best bid and offer and associated sizes in SRO trading facilities and SRO display-only facilities delivered by non-subscribers as promptly as it responds to orders received from subscribers to execute against orders displayed in the Bloomberg Tradebook System and in any event in substantially less than one second. With respect to the SRO trading facility, in which

---

[2]   Functional equivalence does not mean identical functionality. Bloomberg Tradebook is now and may in future remain an order-delivery ECN. As a result, it accepts orders, rather than executions, from the Nasdaq Market Center and may do so in future from other SRO trading facilities.

Bloomberg Tradebook participates as an order-delivery firm, access for non-subscribers to Bloomberg Tradebook's quotations displayed in the SRO trading facility is via the SRO trading facility's order-entry functionality. Bloomberg Tradebook does not now have a linkage with an SRO display-only facility, but if it were to establish any such linkage, it would not deliver any quotation in an NMS security to such facility unless (a) it delivered the same quotation to an SRO trading facility at the same time, or (b) Bloomberg Tradebook would contract with an established party engaged in the securities industry that would be able to provide order-delivery services on behalf of the Bloomberg Tradebook System. In the latter case, such a relationship would be established to provide meaningful access to the Bloomberg Tradebook System's quotations displayed in such SRO display-only facility;

5. Bloomberg Tradebook has in place procedures for monitoring response times for both subscribers and non-subscribers to the orders it displays in any of the SROs to which it has established a linkage and Bloomberg Tradebook takes prompt action if it observes any variance between the two;

6. In connection with its highest-priced published buy orders and lowest-priced sell orders, Bloomberg Tradebook will charge non-subscriber broker-dealers a rate that does not exceed the then current rate charged to a substantial proportion of its active broker-dealer subscribers, and in any event, no more than the maximum fee permitted under Rule 610 of Regulation NMS;

7. The Bloomberg Tradebook System has sufficient capacity to handle the volume of trading reasonably anticipated to be conducted in the Bloomberg Tradebook System. In addition, Bloomberg Tradebook will conduct periodic review and testing to: (i) ensure future capacity; (ii) identify potential weaknesses; and (iii) reduce the risks of system failures and threats to system integrity;

8. Bloomberg Tradebook continuously and systematically monitors its connections to each SRO trading facility and/or SRO display-only facility with which it has established a linkage. If the Bloomberg Tradebook system loses connectivity with any SRO trading facility and/or any SRO display-only facility, Bloomberg Tradebook personnel will immediately contact the relevant facility to determine what action to take and will, as appropriate, cancel all quotations previously published by the system in such facility and notify its subscribers to advise them of such interruption;

9. Bloomberg Tradebook has and will maintain procedures to ensure that only certain designated employees of Bloomberg Tradebook or B-Trade Services LLC will have access to information entered into the system. Bloomberg Tradebook does not maintain a proprietary trading desk nor does it trade for its own account. Those designated personnel will not disclose such information to persons other than such designated employees and will not use such information for trading in Bloomberg Tradebook's own customers' accounts or their own personal trading accounts. Operation of the system will be kept separate from other businesses of BLP; and

10.   Bloomberg Tradebook will comply with all rules of each SRO trading facility and/or SRO display-only facility with which it has established a linkage regarding use of the SRO's facilities and obligations imposed by the SRO to provide access to orders entered into the SRO's facilities.

Conclusion

On the basis of the foregoing, we respectfully request that the Division advise Bloomberg Tradebook as requested above under "Request for No-Action Relief".

*   *   *

If you have any questions or seek any additional information regarding this request, please contact either me at (212) 617-3917 or Joseph Zangri at (212) 617-4345.

Very truly yours,

John Byrne

3014918.