January 26, 2005

Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Reproposal of Regulation NMS, Securities Exchange Act Release No. 50870 (File No. S7-10-04)

Dear Mr. Katz,

Introduction

Inet ATS, Inc. ("INET")[1] appreciates the opportunity to provide the U.S. Securities and Exchange Commission ("SEC" or "Commission") with its comments on reproposed Rule 612 of Regulation NMS ("Reproposal"), which would prohibit market centers from displaying, ranking, or accepting from any person orders in any NMS stock equal to or greater than $1.00 in an increment smaller than a penny.[2]

Summary

One proposal within Regulation NMS that seems to enjoy almost overwhelming industry support is the fixing of the minimum increment to one penny and to prohibit any market center from displaying, ranking, or accepting an order priced at $1.00 or more in an increment less than a penny. Despite its popularity, INET believes that this uniform approach to minimum increments is misguided and will harm investors. In our opinion, the best approach is to leave the decisions to the minimum trading increment to the various marketplaces that are better positioned than regulators to evaluate the most appropriate trading increment. Further, and as important as preserving the ability of markets to trade in sub-pennies, we believe that the only way that investors can truly benefit from sub-penny spreads is to ensure that sub-penny quotations are included in the official Consolidated Quotation. Permitting sub-penny trading to continue in certain securities but not reflecting the better prices in the public quote allows market participants executing investor orders to ignore better prices, to the detriment of investors.

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[1] INET is a subsidiary of Instinet Group Incorporated. INET, the electronic marketplace, provides its U.S. broker-dealer customers one of the most robust liquidity pools in Nasdaq equities, substantial liquidity in U.S. exchange-listed securities, and routing access to other major U.S. trading venues. Additional information regarding INET can be found at *http://www.inetats.com*.

[2] Exchange Act Rel. No. 50870 (Dec. 16, 2004), 69 FR 77424 (Dec. 27, 2004) ("Reproposing Release"). The SEC originally proposed Rule 612 of Regulation NMS in Exchange Act Rel. No. 49325 (Feb. 26, 2004), 69 FR 11126 (Mar. 9, 2004) ("Proposing Release").

While it may be true that some securities may be better traded in pennies (or an even larger increment), actual experience on the INET market center shows that certain securities are better suited for trading in sub-penny increments. INET believes that regulations that artificially fix the spread in just these 23 securities may cost investors anywhere from $342 million to as much as $1.9 billion, amounts at least as large as the $300 million in savings that is being cited as justifying the adoption of a market wide trade-through prohibition. In addition to artificially widening spreads, an arbitrary one-size-fits-all approach to the complex question of the proper minimum increment fosters internalization, payment for order flow, and price matching, activities that have long been troublesome to the Commission.

The following FAQ explains INET's position on the value of sub-penny trading and quoting:

FAQ's:

Don't sub-penny increments discourage limit orders?

No. Sub-pennies allow market participants to enter their true best prices, facilitating more transactions and greater liquidity in the marketplace.

But what about institutions that claim sub-pennies are only used to step ahead of their limit orders?

We believe that many of the institutions that have complained about the reduced liquidity since decimalization actually are referring to their experience trading in NYSE-listed securities in penny increments. Finer increments are a problem for NYSE-listed securities because of the market structure of the NYSE that gives specialists and floor brokers the ability to use their time and place advantages to step ahead of limit orders. The NYSE refers to this practice as price improvement. Thus, the problem of stepping ahead of orders with sub-penny increments is really a problem with the market structure of the NYSE and not with the minimum increment. In general, market participants taking priority by publicly displaying a better price, even if it is a sub-penny better, is behavior that should be promoted, not prohibited.

What about the findings of the SEC's Office of Economic Analysis that suggested that sub-penny trading was primarily used to take priority using economically insignificant amounts because of clustering around $.001 and $.009?

The study by OEA is incomplete. The OEA study does not look at specific stocks to determine if there is clustering around the $.001 and $.009. Instead, like the proposed solution, the study lumps all securities together. The study did not attempt to identify securities that did not have clustering. For example, a review of the three over-the-counter securities that INET has traded in sub-pennies over the last few months (QQQQ. JDSU, and SIRI) reveals no significant clustering. If the assumption is that clustering proves the harm of sub-pennies then, using the same rationale, the lack of clustering on

INET in certain securities should be considered evidence that sub-penny increments are appropriate in these securities.

Please See Exhibit A for data on clustering in JDSU, SIRI and QQQ.

Won't sub-penny quotes confuse investors?

No. Investors are familiar with interpreting numbers that are in base ten. For example, currencies are quoted out to four decimal places and there is no widespread confusion among investors in the currency market.

Why not permit sub-penny trading but continue to only permit the Consolidated Quote to only reflect prices to the nearest penny?

Sub-penny quotes that are rounded to the nearest penny deny investors the benefits of the better prices available at sub-penny increments. Most investor orders are executed at the prevailing National Best Bid or Offer regardless of whether a market center, such as INET, is reflecting a better sub-penny price. Not only does this mean that an investor is incurring unnecessarily higher transaction costs, but it also preserves the ability of market makers and specialists to internalize and pay for order flow. For example, currently the quoted spread in JDS Uniphase is $.01 in the official Consolidated Quote. INET, however, trades JDSU in sub-penny increments and the average quoted spread is 10 times narrower or just $.001. Throughout the trading day, however, investor orders in JDSU are being executed at the nearest round penny even though a better price is often available at that moment on INET. In short, both the investor whose order is being internalized at an inferior price and the market participant that aggressively narrowed the spread are harmed when the official quote fails to reflect the true best price in JDSU.

Isn't the monetary value of the sub-penny price improvement irrelevant?

No. Not unless annual savings of anywhere between $342 million to $1.9 billion for just permitting 23 of the most appropriate securities to be quoted and traded in sub-pennies is irrelevant.

Won't sub-penny quotations cause massive technological problems due to flickering sub-penny quotes?

No. Actually, INET is the only market to move back and forth between penny and sub-penny increments. INET has found that its quotation traffic **decreases** when it reduces the minimum increment from a penny to a sub-penny. Just to be sure this is clear – INET has found that reducing the increment to sub-pennies actually significantly **decreases** the quote traffic associated with a change in the highest bid or lowest offer. In other words, by introducing more price points there are fewer inside quote changes. What is often overlooked is that although a stock in a penny increment may not change price as frequently, the size of the quote changes much more frequently. For example, the amount of shares bid or the quotation size in JDS Uniphase changes multiple times per

second even though the price does not change. In reviewing trading in JDSU, INET found that after changing to sub-penny increments there is much less size flickering, causing an overall decrease in quotation traffic. In fact, for JDSU, INET found that quote traffic associated with inside quote updates decreased by more than 50%.

Please See Exhibit C for more information.

Hasn't displayed size at the National Best Bid or Offer decreased as a result of decimalization?

Yes, but that is the wrong question to ask. Since the Consolidated Quote only reflects the highest bid and lowest offer and ignores depth, the increase in price points that naturally results from finer increments will always lead to less liquidity displayed at the best price. Market quality, however, should not be measured solely by how many shares are displayed at the best price or other similarly simplistic notions. Market quality is a multi-dimensional concept that varies from security to security. If market quality were only a measure of size at the inside then the most logical policy would be to make the minimum increment as large as possible. In general, the larger the minimum increment, the larger the displayed size at the "best" price. Further, while a sub-penny increment may reduce quoted size in some stocks that are high priced or inactive, this effect is much less pronounced in lower priced or higher volume securities and is offset by the benefits from the decrease in the spread.

Shouldn't one goal of regulation be to promote greater quoted size?

Of course, but not in a way that actually increases transaction costs for investors. Too much size at the inside can signal an increment that is too wide, needlessly costing investors money. For example, assume that a house was put up for sale for $100,000 and multiple offers were received within minutes. While one could be impressed by how liquid the housing market is, while another, perhaps more rational conclusion is that the house was under-priced. Similarly, too much liquidity at the inside may actually an indication that a security is not efficiently priced and the minimum increment is too large.

Isn't a penny increment a proper balance of market efficiency from finer increments and the need to restrain trading in increments that discourage the display of limit orders?

No. A uniform penny increment for all stocks over $1 fails to consider the fact all securities have different trading characteristics. For example, there is no reason to believe that the minimum increment for Google that trades at around $180 per share should be set at the same level as Lucent that trades at around $3 per share. A one size fits all approach, while being easy to apply, harms investors and reduces market efficiency.

Why not prohibit sub-penny quoting but allow the Commission to identify stocks that may be suitable for sub-penny quoting on a case-by-case basis?

This is not the best approach. Determining the proper minimum increment is a complex issue. By definition, government is not nimble enough to constantly adjust increments on a security-by-security basis. Further, since a large majority of the industry is more profitable the larger the increment, there will be constant opposition to any reduction of the minimum increment through an exemptive process. In contrast, market centers will be better positioned to determine the best increment and introduce innovations that will provide the best result for investors.

If the Commission, nevertheless, wanted to exempt certain securities from the uniform one-penny increment, what factors should be considered?

If the Commission wanted to permit only certain stocks to be quoted and traded in sub-penny increments, the main factor that should be considered is the average spread and the quoted size. If a security always trades with a penny spread and there is tremendous liquidity available on both sides of the market, this is a strong indication that the minimum increment is too wide.

For example, INET recently noted that JDS Uniphase regularly traded with a penny spread with considerable quoted size on both the bid and ask, indicating demand for finer increments. As a result, INET changed the minimum increment of JDSU from 1 penny to 1 tenth of a penny. Immediately after the reduction in the increment went into effect, the average spread in JDSU fell from 1 penny to one-tenth of a penny. The transactions in sub-penny increments in JDSU occur almost uniformly across each sub-penny increment and are not materially clustered around $.001 and $.009. INET estimates, using the most conservative method, that if the entire market traded in sub-pennies at the same frequency as on INET, investors would see an annual reduction of transaction costs in only JDSU of $14.9 million.

Won't sub-pennies compromise the Manning's rule and other protections that prevent professional traders from taking advantage of individual investors?

The issues involving Manning's and other similar protections that are intended to prevent market makers that are simultaneously acting as principal and agent from violating their fiduciary duties are irrelevant to the determining the proper increment. The conflict of interest of market maker or specialist has been troubling to regulators for decades. In fact, the first draft of what became the Securities Exchange Act of 1934 actually contained a ban on this conflict. It is not logical to allow the decision of the proper increment to be influenced by this fundamental conflict of interest that no amount of regulation or SRO governance reforms can eliminate. Despite Manning's and other protections, nearly every major SRO action brought by the Commission over the past few years involves the inability of regulators to prevent a person that, on one hand has a fiduciary duty of best execution, and, on the other hand, is simultaneously permitted to trade for personal profit, from neglecting their fiduciary duty in order to make a trading profit.

INET believes that finer increments will help alleviate this conflict of interest and many of the enforcement actions it precipitates by making spreads so narrow that it will be unprofitable in many of the most actively traded securities to internalize or pay for order flow. It would be ironic to prohibit sub-penny quoting when it offers the best hope of finally virtually eliminating through competition rather than regulation the troubling conflict of interest that has lead to countless enforcement actions over the years.

Won't sub-pennies cause flickering quotes that make it harder for market makers to fulfill their duty of best execution?

No. Just as with the proposed trade-through rule, brokers should be responsible for knowing what the best price is at the moment of execution. More importantly, INET is surprised that the Commission would be adverse to sub-penny quotations because it makes it harder to engage in price matching behavior. Indeed, one of the main stated purposes of Regulation NMS is to encourage limit orders. To the extent that sub-pennies make it more difficult to price match, that should be considered a benefit to the marketplace, not a problem.

What does sub-penny quoting have to with internalization and payment for order flow?

Everything. Setting the minimum increment too wide facilitates internalization and payment for order flow. Payment for order flow is simply, in large part, a rebate of the excess spread. For example, when the minimum spread was set at 1/8 or 12.5 cents per share market makers were able to pay 3 or 4 cents of the spread back to the retail firm selling the order flow. But with the reduction of the minimum increment to a penny, payment for order flow has been dramatically reduced though not eliminated. In fact, recent Rule 11Ac1-5 reports indicate that the average payment from one of the largest market makers is now approximately $.001, or many times less than the previous amounts. This reduction is directly attributable to a decrease in the minimum increment.

Is there a relationship between increments and the level of internalization, payment for order flow and price matching?

Absolutely. The most obvious example of the penny increment facilitating internalization is reflected in the trading of the shares of Lucent Technologies and Nortel Networks. These securities both trade at under $5 per share yet are among the most actively traded NYSE securities every day. Surprisingly, however, the NYSE has less than 50% market share in each security when the NYSE's overall market share is approximately 80%. INET believes that market centers that internalize order flow, such as NASDAQ and the Chicago Stock Exchange, are responsible for a disproportionately large percentage of market share in these securities because the minimum increment of a penny spread is too wide. Market makers in LU and NT will internalize as many shares as they can trade at the "fat" penny spread and send very little, if any, volume to the floor of the NYSE.

The effects of fixing an increment at an artificially wide level are similar to when the minimum commission was fixed prior to 1975. When the commission was artificially fixed at too high of a level, brokers found creative ways to rebate portions of that commission back to the customer. The same thing has been happening for years with the minimum increment. Rather than investors benefiting from competition by seeing the sub-penny payments for order flow reflected in the quotes, the convention of only quoting in pennies creates what is in effect an underground market where better prices are remitted back to certain firms through payment for order flow relationships but not reflected in any quotation.

To the extent that sub-pennies cause spreads in actively traded securities to fall below a penny and possibly as low as just $.001, it will be very difficult, if not impossible, for market makers to continue to internalize or pay for order flow in those securities.

How do you know certain stocks should be traded in sub-pennies?

We have tried it. INET has recently introduced sub-penny trading to 8 securities that are priced over $1.00 and has found that nearly all the securities immediately traded with a $.001 (an immediate 10-fold decrease in spread) while still retaining significant quoted size.

For example, prior to reducing the minimum increment for Sun Microsystems, the quoted spread in SUNW was almost always a penny with large size available on either side of the market. The multiple market participants stand willing to either buy or sell SUNW in significant size created what was, in effect, a large line of liquidity providers waiting for somebody to interact with their market. Since these liquidity providers could not compete on price by quoting in increments finer than a penny, some have started to look for other ways to gain time priority on competing liquidity providers. Two of the most common ways to move to the front of the line is to either pay for order flow or internalize orders of an affiliate. By reducing the minimum increment, liquidity providers on INET can now reflect their true best prices. Unfortunately, investors cannot see the best prices and many are still executed at the nearest penny rather than at the better price available on INET because the better prices are not represented in the official Consolidated Quotation.

As noted above, INET believes that if the Commission artificially fixed the increment at a penny in these securities, INET conservatively estimates that investors would lose $342 million annually. INET believes this estimate is conservative because INET assumed that only 23 stocks should trade in sub-pennies when there are likely hundreds of stocks that would benefit from sub-penny trading.

How did you calculate the total potential savings to investors from the 23 securities being traded and quoted in sub-pennies?

To calculate the likely savings, INET identified 23 securities (13 from Nasdaq and 10 from the NYSE) that INET believes should be traded in sub-pennies. INET identified the

securities based on stock price, volume, and the average quoted spread. INET then used the following methodology:

First, since some of the securities INET identified already trade on the INET system in sub-penny increments, INET calculated the frequency of sub-penny executions for JDSU, SIRI and QQQQ . For example, INET found that approximately 75% of the shares in JDSU were executed in a sub-penny increment.

Second, INET calculated the average number of shares executed at each of the 9 increments between the pennies (i.e. the number of shares executed at $.001, the number of shares executed at $.002 etc.) for each of SIRI, JDSU, and QQQ.

Third, INET assumed that if JDSU were quoted and traded in the entire market in sub-pennies as it is currently on INET, it would follow the same pattern in terms of shares traded in sub-pennies and at the various sub-penny increments. The actual distribution used for JDSU (and all stocks) was the average distribution for SIRI, QQQQ, and JDSU.

Fourth, INET took the actual total number of shares traded in JDSU in 2004 and spread them along the various sub-penny price points as if all had traded on INET. This allowed INET to calculate the annual dollar amount that would have been saved by investors had all markets traded and quoted JDSU in sub-pennies.

Fifth, in calculating the savings, INET used a very conservative methodology, which only assumed that one side of the trade benefited from the sub-penny increment and then only by the amount rounded to the nearest penny. For example, if an execution occurred at $.001, the calculated benefit was $.001 even though both sides of the trade benefited. Similarly, if the trade occurred at an increment of $.004 INET calculated the benefit as $.004 only for one side. When the trade occurred at $.008 INET very conservatively calculated the total saving as $.002 by rounding to the nearest penny.

Finally, INET used the same procedure for all 23 stocks and assumed that all securities would trade roughly with the same distribution as the average of JDSU, SIRI and QQQQ.

The specific calculations are attached to this comment letter. It should be noted that the amount of investor harm would be many times greater using a less conservative assumption. For example, it could be argued that the net savings on every transaction is one penny. Specifically, if a transaction occurred at $.002, it could be assumed that the buyer would have paid up to the next highest penny, thus saving $.008. Similarly, it could also be assumed that the seller would have sold at the nearest penny bid, saving $.002. Using this methodology the savings on every sub-penny trade would be a penny. INET calculates that just for the 23 securities, the total savings using this methodology is $1.9 billion annually.

Please See Exhibit B for more information on INET's calculation of the annual savings.

If you have any questions regarding our comments, please do not hesitate to contact me directly at 201.231.50 or Cameron Smith at 212-231-5018.

Sincerely yours,

Alex Goor
President
INET ATS, Inc.

cc: The Honorable William J. Donaldson, Chairman
The Honorable Cynthia A. Glassman, Commissioner
The Honorable Harvey J. Goldschmid, Commissioner
The Honorable Paul S. Atkins, Commissioner
The Honorable Raol C. Campos, Commissioner

Annette L. Nazareth, Director, Division of Market Regulation
Robert L.D. Colby, Deputy Director, Division of Market Regulation

Giovanni Prezioso, General Counsel, Office of General Counsel

EXHIBIT A

Distribution of minimum increment (subpenny) on INET Trade Prices

DATA SOURCE: INET ITCH FEED
DATE RANGE: 01/03/2005 - 01/14/2005
TIME RANGE: 9:30 - 16:00

JDSU / SIRI / QQQQ

Increment	JDSU % Volume At Increment	SIRI % Volume At Increment	QQQQ % Volume At Increment	Average
0	25.08	43.20	31.10	33.13
1	9.64	7.97	8.34	8.65
2	8.65	5.90	7.45	7.33
3	8.66	5.81	7.26	7.24
4	8.22	5.06	7.21	6.83
5	8.87	5.95	7.43	7.42
6	7.54	5.72	7.03	6.76
7	7.79	6.23	7.43	7.15
8	7.00	6.10	7.76	6.95
9	8.55	8.06	8.99	8.53

JDSU

Increment	INET Volume At Increment	INET Total Volume	% Volume At Increment
0	30,162,766	120,270,018	25.08
1	11,597,620	120,270,018	9.64
2	10,407,126	120,270,018	8.65
3	10,417,060	120,270,018	8.66
4	9,887,290	120,270,018	8.22
5	10,670,486	120,270,018	8.87
6	9,066,532	120,270,018	7.54
7	9,369,236	120,270,018	7.79
8	8,413,934	120,270,018	7.00
9	10,277,968	120,270,018	8.55

SIRI

Increment	INET Volume At Increment	INET Total Volume	% Volume At Increment
0	97,056,876	224,649,876	43.20
1	17,898,986	224,649,876	7.97
2	13,253,630	224,649,876	5.90
3	13,048,212	224,649,876	5.81
4	11,367,076	224,649,876	5.06
5	13,365,204	224,649,876	5.95
6	12,843,866	224,649,876	5.72
7	14,002,272	224,649,876	6.23
8	13,697,464	224,649,876	6.10
9	18,116,290	224,649,876	8.06

QQQQ

Increment	INET Volume At Increment	INET Total Volume	% Volume At Increment
0	143,824,716	462,415,464	31.10
1	38,555,056	462,415,464	8.34
2	34,440,580	462,415,464	7.45
3	33,574,192	462,415,464	7.26
4	33,351,916	462,415,464	7.21
5	34,365,780	462,415,464	7.43
6	32,511,738	462,415,464	7.03
7	34,340,578	462,415,464	7.43
8	35,901,210	462,415,464	7.76
9	41,549,698	462,415,464	8.99

EXHIBIT B

Savings if the same distribution of shares across subpenny increments for JDSU, QQQQ, and SIRI were applied against 2004 market volume in 23 select stocks.

Symbol	Increment	Save	Avg Shares % At Increment	2004 MKT Volume	2004 MKT Volume At Increment	Savings
AMAT	0	0	33.13	8,209,510,070	2,719,810,686	0
AMAT	0.001	0.001	8.65	8,209,510,070	710,122,621	710,123
AMAT	0.002	0.002	7.33	8,209,510,070	601,757,088	1,203,514
AMAT	0.003	0.003	7.24	8,209,510,070	594,368,529	1,783,106
AMAT	0.004	0.004	6.83	8,209,510,070	560,709,538	2,242,838
AMAT	0.005	0.005	7.42	8,209,510,070	609,145,647	3,045,728
AMAT	0.006	0.004	6.76	8,209,510,070	554,962,881	2,219,852
AMAT	0.007	0.003	7.15	8,209,510,070	586,979,970	1,760,940
AMAT	0.008	0.002	6.95	8,209,510,070	570,560,950	1,141,122
AMAT	0.009	0.001	8.53	8,209,510,070	700,271,209	700,271
AMD	0	0	33.13	2,750,857,700	911,359,156	0
AMD	0.001	0.001	8.65	2,750,857,700	237,949,191	237,949
AMD	0.002	0.002	7.33	2,750,857,700	201,637,869	403,276
AMD	0.003	0.003	7.24	2,750,857,700	199,162,097	597,486
AMD	0.004	0.004	6.83	2,750,857,700	187,883,581	751,534
AMD	0.005	0.005	7.42	2,750,857,700	204,113,641	1,020,568
AMD	0.006	0.004	6.76	2,750,857,700	185,957,981	743,832
AMD	0.007	0.003	7.15	2,750,857,700	196,686,326	590,059
AMD	0.008	0.002	6.95	2,750,857,700	191,184,610	382,369
AMD	0.009	0.001	8.53	2,750,857,700	234,648,162	234,648
CHTR	0	0	33.13	1,747,092,528	578,811,755	0
CHTR	0.001	0.001	8.65	1,747,092,528	151,123,504	151,124
CHTR	0.002	0.002	7.33	1,747,092,528	128,061,882	256,124
CHTR	0.003	0.003	7.24	1,747,092,528	126,489,499	379,468
CHTR	0.004	0.004	6.83	1,747,092,528	119,326,420	477,306
CHTR	0.005	0.005	7.42	1,747,092,528	129,634,266	648,171
CHTR	0.006	0.004	6.76	1,747,092,528	118,103,455	472,414
CHTR	0.007	0.003	7.15	1,747,092,528	124,917,116	374,751
CHTR	0.008	0.002	6.95	1,747,092,528	121,422,931	242,846
CHTR	0.009	0.001	8.53	1,747,092,528	149,026,993	149,027
CIEN	0	0	33.13	3,216,893,169	1,065,756,707	0
CIEN	0.001	0.001	8.65	3,216,893,169	278,261,259	278,261
CIEN	0.002	0.002	7.33	3,216,893,169	235,798,269	471,597
CIEN	0.003	0.003	7.24	3,216,893,169	232,903,065	698,709
CIEN	0.004	0.004	6.83	3,216,893,169	219,713,803	878,855
CIEN	0.005	0.005	7.42	3,216,893,169	238,693,473	1,193,467
CIEN	0.006	0.004	6.76	3,216,893,169	217,461,978	869,848
CIEN	0.007	0.003	7.15	3,216,893,169	230,007,862	690,024
CIEN	0.008	0.002	6.95	3,216,893,169	223,574,075	447,148
CIEN	0.009	0.001	8.53	3,216,893,169	274,400,987	274,401

Exhibit B pg 2

Symbol	Increment	Save	Avg Shares % At Increment	2004 MKT Volume	2004 MKT Volume At Increment	Savings
CMGI	0	0	33.13	1,436,631,333	475,955,961	0
CMGI	0.001	0.001	8.65	1,436,631,333	124,268,610	124,269
CMGI	0.002	0.002	7.33	1,436,631,333	105,305,077	210,610
CMGI	0.003	0.003	7.24	1,436,631,333	104,012,109	312,036
CMGI	0.004	0.004	6.83	1,436,631,333	98,121,920	392,488
CMGI	0.005	0.005	7.42	1,436,631,333	106,598,045	532,990
CMGI	0.006	0.004	6.76	1,436,631,333	97,116,278	388,465
CMGI	0.007	0.003	7.15	1,436,631,333	102,719,140	308,157
CMGI	0.008	0.002	6.95	1,436,631,333	99,845,878	199,692
CMGI	0.009	0.001	8.53	1,436,631,333	122,544,653	122,545
CNXT	0	0	33.13	3,022,872,507	1,001,477,662	0
CNXT	0.001	0.001	8.65	3,022,872,507	261,478,472	261,478
CNXT	0.002	0.002	7.33	3,022,872,507	221,576,555	443,153
CNXT	0.003	0.003	7.24	3,022,872,507	218,855,970	656,568
CNXT	0.004	0.004	6.83	3,022,872,507	206,462,192	825,849
CNXT	0.005	0.005	7.42	3,022,872,507	224,297,140	1,121,486
CNXT	0.006	0.004	6.76	3,022,872,507	204,346,181	817,385
CNXT	0.007	0.003	7.15	3,022,872,507	216,135,384	648,406
CNXT	0.008	0.002	6.95	3,022,872,507	210,089,639	420,179
CNXT	0.009	0.001	8.53	3,022,872,507	257,851,025	257,851
CPN	0	0	33.13	2,869,857,700	950,783,856	0
CPN	0.001	0.001	8.65	2,869,857,700	248,242,691	248,243
CPN	0.002	0.002	7.33	2,869,857,700	210,360,569	420,721
CPN	0.003	0.003	7.24	2,869,857,700	207,777,697	623,333
CPN	0.004	0.004	6.83	2,869,857,700	196,011,281	784,045
CPN	0.005	0.005	7.42	2,869,857,700	212,943,441	1,064,717
CPN	0.006	0.004	6.76	2,869,857,700	194,002,381	776,010
CPN	0.007	0.003	7.15	2,869,857,700	205,194,826	615,584
CPN	0.008	0.002	6.95	2,869,857,700	199,455,110	398,910
CPN	0.009	0.001	8.53	2,869,857,700	244,798,862	244,799
CSCO	0	0	33.13	13,856,682,015	4,590,718,752	0
CSCO	0.001	0.001	8.65	13,856,682,015	1,198,602,994	1,198,603
CSCO	0.002	0.002	7.33	13,856,682,015	1,015,694,792	2,031,390
CSCO	0.003	0.003	7.24	13,856,682,015	1,003,223,778	3,009,671
CSCO	0.004	0.004	6.83	13,856,682,015	946,411,382	3,785,646
CSCO	0.005	0.005	7.42	13,856,682,015	1,028,165,806	5,140,829
CSCO	0.006	0.004	6.76	13,856,682,015	936,711,704	3,746,847
CSCO	0.007	0.003	7.15	13,856,682,015	990,752,764	2,972,258
CSCO	0.008	0.002	6.95	13,856,682,015	963,039,400	1,926,079
CSCO	0.009	0.001	8.53	13,856,682,015	1,181,974,976	1,181,975
EMC	0	0	33.13	3,421,459,300	1,133,529,466	0
EMC	0.001	0.001	8.65	3,421,459,300	295,956,229	295,956
EMC	0.002	0.002	7.33	3,421,459,300	250,792,967	501,586
EMC	0.003	0.003	7.24	3,421,459,300	247,713,653	743,141
EMC	0.004	0.004	6.83	3,421,459,300	233,685,670	934,743

Symbol	Increment	Save	Avg Shares % At Increment	2004 MKT Volume	2004 MKT Volume At Increment	Savings
EMC	0.005	0.005	7.42	3,421,459,300	253,872,280	1,269,361
EMC	0.006	0.004	6.76	3,421,459,300	231,290,649	925,163
EMC	0.007	0.003	7.15	3,421,459,300	244,634,340	733,903
EMC	0.008	0.002	6.95	3,421,459,300	237,791,421	475,583
EMC	0.009	0.001	8.53	3,421,459,300	291,850,478	291,850
GE	0	0	33.13	5,483,719,500	1,816,756,270	0
GE	0.001	0.001	8.65	5,483,719,500	474,341,737	474,342
GE	0.002	0.002	7.33	5,483,719,500	401,956,639	803,913
GE	0.003	0.003	7.24	5,483,719,500	397,021,292	1,191,064
GE	0.004	0.004	6.83	5,483,719,500	374,538,042	1,498,152
GE	0.005	0.005	7.42	5,483,719,500	406,891,987	2,034,460
GE	0.006	0.004	6.76	5,483,719,500	370,699,438	1,482,798
GE	0.007	0.003	7.15	5,483,719,500	392,085,944	1,176,258
GE	0.008	0.002	6.95	5,483,719,500	381,118,505	762,237
GE	0.009	0.001	8.53	5,483,719,500	467,761,273	467,761
INTC	0	0	33.13	16,548,000,505	5,482,352,567	0
INTC	0.001	0.001	8.65	16,548,000,505	1,431,402,044	1,431,402
INTC	0.002	0.002	7.33	16,548,000,505	1,212,968,437	2,425,937
INTC	0.003	0.003	7.24	16,548,000,505	1,198,075,237	3,594,226
INTC	0.004	0.004	6.83	16,548,000,505	1,130,228,434	4,520,914
INTC	0.005	0.005	7.42	16,548,000,505	1,227,861,637	6,139,308
INTC	0.006	0.004	6.76	16,548,000,505	1,118,644,834	4,474,579
INTC	0.007	0.003	7.15	16,548,000,505	1,183,182,036	3,549,546
INTC	0.008	0.002	6.95	16,548,000,505	1,150,086,035	2,300,172
INTC	0.009	0.001	8.53	16,548,000,505	1,411,544,443	1,411,544
JDSU	0	0	33.13	8,263,914,731	2,737,834,950	0
JDSU	0.001	0.001	8.65	8,263,914,731	714,828,624	714,829
JDSU	0.002	0.002	7.33	8,263,914,731	605,744,950	1,211,490
JDSU	0.003	0.003	7.24	8,263,914,731	598,307,427	1,794,922
JDSU	0.004	0.004	6.83	8,263,914,731	564,425,376	2,257,702
JDSU	0.005	0.005	7.42	8,263,914,731	613,182,473	3,065,912
JDSU	0.006	0.004	6.76	8,263,914,731	558,640,636	2,234,563
JDSU	0.007	0.003	7.15	8,263,914,731	590,869,903	1,772,610
JDSU	0.008	0.002	6.95	8,263,914,731	574,342,074	1,148,684
JDSU	0.009	0.001	8.53	8,263,914,731	704,911,927	704,912
LU	0	0	33.13	13,633,296,000	4,516,710,965	0
LU	0.001	0.001	8.65	13,633,296,000	1,179,280,104	1,179,280
LU	0.002	0.002	7.33	13,633,296,000	999,320,597	1,998,641
LU	0.003	0.003	7.24	13,633,296,000	987,050,630	2,961,152
LU	0.004	0.004	6.83	13,633,296,000	931,154,117	3,724,616
LU	0.005	0.005	7.42	13,633,296,000	1,011,590,563	5,057,953
LU	0.006	0.004	6.76	13,633,296,000	921,610,810	3,686,443
LU	0.007	0.003	7.15	13,633,296,000	974,780,664	2,924,342
LU	0.008	0.002	6.95	13,633,296,000	947,514,072	1,895,028
LU	0.009	0.001	8.53	13,633,296,000	1,162,920,149	1,162,920

Symbol	Increment	Save	Avg Shares % At Increment	2004 MKT Volume	2004 MKT Volume At Increment	Savings
MOT	0	0	33.13	3,830,466,000	1,269,033,386	0
MOT	0.001	0.001	8.65	3,830,466,000	331,335,309	331,335
MOT	0.002	0.002	7.33	3,830,466,000	280,773,158	561,546
MOT	0.003	0.003	7.24	3,830,466,000	277,325,738	831,977
MOT	0.004	0.004	6.83	3,830,466,000	261,620,828	1,046,483
MOT	0.005	0.005	7.42	3,830,466,000	284,220,577	1,421,103
MOT	0.006	0.004	6.76	3,830,466,000	258,939,502	1,035,758
MOT	0.007	0.003	7.15	3,830,466,000	273,878,319	821,635
MOT	0.008	0.002	6.95	3,830,466,000	266,217,387	532,435
MOT	0.009	0.001	8.53	3,830,466,000	326,738,750	326,739
MSFT	0	0	33.13	16,873,387,436	5,590,153,258	0
MSFT	0.001	0.001	8.65	16,873,387,436	1,459,548,013	1,459,548
MSFT	0.002	0.002	7.33	16,873,387,436	1,236,819,299	2,473,639
MSFT	0.003	0.003	7.24	16,873,387,436	1,221,633,250	3,664,900
MSFT	0.004	0.004	6.83	16,873,387,436	1,152,452,362	4,609,809
MSFT	0.005	0.005	7.42	16,873,387,436	1,252,005,348	6,260,027
MSFT	0.006	0.004	6.76	16,873,387,436	1,140,640,991	4,562,564
MSFT	0.007	0.003	7.15	16,873,387,436	1,206,447,202	3,619,342
MSFT	0.008	0.002	6.95	16,873,387,436	1,172,700,427	2,345,401
MSFT	0.009	0.001	8.53	16,873,387,436	1,439,299,948	1,439,300
NOK	0	0	33.13	3,137,324,400	1,039,395,574	0
NOK	0.001	0.001	8.65	3,137,324,400	271,378,561	271,379
NOK	0.002	0.002	7.33	3,137,324,400	229,965,879	459,932
NOK	0.003	0.003	7.24	3,137,324,400	227,142,287	681,427
NOK	0.004	0.004	6.83	3,137,324,400	214,279,257	857,117
NOK	0.005	0.005	7.42	3,137,324,400	232,789,470	1,163,947
NOK	0.006	0.004	6.76	3,137,324,400	212,083,129	848,333
NOK	0.007	0.003	7.15	3,137,324,400	224,318,695	672,956
NOK	0.008	0.002	6.95	3,137,324,400	218,044,046	436,088
NOK	0.009	0.001	8.53	3,137,324,400	267,613,771	267,614
NT	0	0	33.13	9,637,646,600	3,192,952,319	0
NT	0.001	0.001	8.65	9,637,646,600	833,656,431	833,656
NT	0.002	0.002	7.33	9,637,646,600	706,439,496	1,412,879
NT	0.003	0.003	7.24	9,637,646,600	697,765,614	2,093,297
NT	0.004	0.004	6.83	9,637,646,600	658,251,263	2,633,005
NT	0.005	0.005	7.42	9,637,646,600	715,113,378	3,575,567
NT	0.006	0.004	6.76	9,637,646,600	651,504,910	2,606,020
NT	0.007	0.003	7.15	9,637,646,600	689,091,732	2,067,275
NT	0.008	0.002	6.95	9,637,646,600	669,816,439	1,339,633
NT	0.009	0.001	8.53	9,637,646,600	822,091,255	822,091
ORCL	0	0	33.13	11,379,694,172	3,770,092,679	0
ORCL	0.001	0.001	8.65	11,379,694,172	984,343,546	984,344
ORCL	0.002	0.002	7.33	11,379,694,172	834,131,583	1,668,263
ORCL	0.003	0.003	7.24	11,379,694,172	823,889,858	2,471,670
ORCL	0.004	0.004	6.83	11,379,694,172	777,233,112	3,108,932

Symbol	Increment	Save	Avg Shares % At Increment	2004 MKT Volume	2004 MKT Volume At Increment	Savings
ORCL	0.005	0.005	7.42	11,379,694,172	844,373,308	4,221,867
ORCL	0.006	0.004	6.76	11,379,694,172	769,267,326	3,077,069
ORCL	0.007	0.003	7.15	11,379,694,172	813,648,133	2,440,944
ORCL	0.008	0.002	6.95	11,379,694,172	790,888,745	1,581,777
ORCL	0.009	0.001	8.53	11,379,694,172	970,687,913	970,688
PFE	0	0	33.13	5,847,307,400	1,937,212,942	0
PFE	0.001	0.001	8.65	5,847,307,400	505,792,090	505,792
PFE	0.002	0.002	7.33	5,847,307,400	428,607,632	857,215
PFE	0.003	0.003	7.24	5,847,307,400	423,345,056	1,270,035
PFE	0.004	0.004	6.83	5,847,307,400	399,371,095	1,597,484
PFE	0.005	0.005	7.42	5,847,307,400	433,870,209	2,169,351
PFE	0.006	0.004	6.76	5,847,307,400	395,277,980	1,581,112
PFE	0.007	0.003	7.15	5,847,307,400	418,082,479	1,254,247
PFE	0.008	0.002	6.95	5,847,307,400	406,387,864	812,776
PFE	0.009	0.001	8.53	5,847,307,400	498,775,321	498,775
QQQQ	0	0	33.13	24,430,338,273	8,093,771,070	0
QQQQ	0.001	0.001	8.65	24,430,338,273	2,113,224,261	2,113,224
QQQQ	0.002	0.002	7.33	24,430,338,273	1,790,743,795	3,581,488
QQQQ	0.003	0.003	7.24	24,430,338,273	1,768,756,491	5,306,269
QQQQ	0.004	0.004	6.83	24,430,338,273	1,668,592,104	6,674,368
QQQQ	0.005	0.005	7.42	24,430,338,273	1,812,731,100	9,063,655
QQQQ	0.006	0.004	6.76	24,430,338,273	1,651,490,867	6,605,963
QQQQ	0.007	0.003	7.15	24,430,338,273	1,746,769,187	5,240,308
QQQQ	0.008	0.002	6.95	24,430,338,273	1,697,908,510	3,395,817
QQQQ	0.009	0.001	8.53	24,430,338,273	2,083,907,855	2,083,908
SIRI	0	0	33.13	16,958,990,523	5,618,513,560	0
SIRI	0.001	0.001	8.65	16,958,990,523	1,466,952,680	1,466,953
SIRI	0.002	0.002	7.33	16,958,990,523	1,243,094,005	2,486,188
SIRI	0.003	0.003	7.24	16,958,990,523	1,227,830,914	3,683,493
SIRI	0.004	0.004	6.83	16,958,990,523	1,158,299,053	4,633,196
SIRI	0.005	0.005	7.42	16,958,990,523	1,258,357,097	6,291,785
SIRI	0.006	0.004	6.76	16,958,990,523	1,146,427,759	4,585,711
SIRI	0.007	0.003	7.15	16,958,990,523	1,212,567,822	3,637,703
SIRI	0.008	0.002	6.95	16,958,990,523	1,178,649,841	2,357,300
SIRI	0.009	0.001	8.53	16,958,990,523	1,446,601,892	1,446,602
SUNW	0	0	33.13	10,302,452,408	3,413,202,483	0
SUNW	0.001	0.001	8.65	10,302,452,408	891,162,133	891,162
SUNW	0.002	0.002	7.33	10,302,452,408	755,169,762	1,510,340
SUNW	0.003	0.003	7.24	10,302,452,408	745,897,554	2,237,693
SUNW	0.004	0.004	6.83	10,302,452,408	703,657,499	2,814,630
SUNW	0.005	0.005	7.42	10,302,452,408	764,441,969	3,822,210
SUNW	0.006	0.004	6.76	10,302,452,408	696,445,783	2,785,783
SUNW	0.007	0.003	7.15	10,302,452,408	736,625,347	2,209,876
SUNW	0.008	0.002	6.95	10,302,452,408	716,020,442	1,432,041
SUNW	0.009	0.001	8.53	10,302,452,408	878,799,190	878,799

Symbol	Increment	Save	Avg Shares % At Increment	2004 MKT Volume	2004 MKT Volume At Increment	Savings
TXN	0	0	33.13	3,271,484,900	1,083,842,947	0
TXN	0.001	0.001	8.65	3,271,484,900	282,983,444	282,983
TXN	0.002	0.002	7.33	3,271,484,900	239,799,843	479,600
TXN	0.003	0.003	7.24	3,271,484,900	236,855,507	710,567
TXN	0.004	0.004	6.83	3,271,484,900	223,442,419	893,770
TXN	0.005	0.005	7.42	3,271,484,900	242,744,180	1,213,721
TXN	0.006	0.004	6.76	3,271,484,900	221,152,379	884,610
TXN	0.007	0.003	7.15	3,271,484,900	233,911,170	701,734
TXN	0.008	0.002	6.95	3,271,484,900	227,368,201	454,736
TXN	0.009	0.001	8.53	3,271,484,900	279,057,662	279,058

EXHIBIT C

This table shows the top-of-book quotation traffic for JDS Uniphase before and after being traded in Sub-pennies on INET. Despite the fact that volume was much higher in January, top-of-book quote traffic actually would decrease in JDSU if it was traded and quoted in Sub-pennies.

Date	PennyUpdates	SubPennyUpdates	DiffUpdates	MaxPennyUpdatesSec	MaxSubPennyUpdatesSec	DiffUpdatesSec	INET Volume	MKT Volume	%MKT
11/29/04	21,781	21,781	0	406	406	0	3,459,985	20,346,155	17.0
11/30/04	14,760	14,760	0	216	216	0	3,275,887	22,428,079	14.6
12/01/04	38,580	38,580	0	457	457	0	7,805,664	40,663,164	19.2
12/02/04	26,670	26,670	0	381	381	0	6,654,064	35,619,083	18.7
12/03/04	22,285	22,285	0	273	273	0	5,893,265	37,720,850	15.6
12/06/04	34,286	18,474	15,812	143	86	57	8,333,072	37,380,929	22.3
12/07/04	40,067	17,257	22,810	118	78	40	6,893,702	34,685,702	19.9
12/08/04	32,148	16,039	16,109	142	79	63	4,557,518	20,557,435	22.2
12/09/04	63,608	35,658	27,950	176	123	53	10,555,203	41,190,480	25.6
12/10/04	36,173	17,900	18,273	124	89	35	4,764,615	23,270,496	20.5
01/18/05	125,245	57,259	67,986	366	191	175	17,556,130	51,575,189	34.0
01/19/05	86,441	41,544	44,897	346	208	138	10,176,042	33,534,724	30.3
01/20/05	83,276	40,997	42,279	381	230	151	10,786,819	30,126,204	35.8
01/21/05	78,439	37,350	41,089	265	153	112	11,680,830	31,087,723	37.6
Avg Pre	**24,815**	**24,815**	**0**	**347**	**347**	**0**	**5,417,773**	**31,355,466**	**17.3**
Avg Post	**64,409**	**31,386**	**33,023**	**229**	**137**	**92**	**9,478,215**	**33,712,098**	**28.1**

Key:

PennyUpdates shows the number of updates to the top-of-book if the stock was traded in Penny increments.

SubPennyUpdates shows the number of updates to the top-of-book if the stock was quoted and traded in Sub-pennies.

DiffUpdates shows the increase in updates before and after being traded and quoted in Sub-penny increments.

MaxPennyUpdatesSec shows the maximum number of updates per second to the top-of-book when traded in Sub-pennies.

MaxSubPennyUpdatesSec shows the maximum number of updates per second to the top-of-book when traded in Pennies.