

492

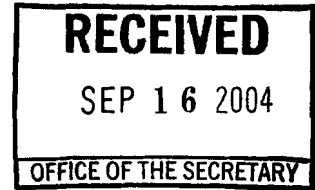
MEMORANDUM

TO: File No. S7-10-04

FROM: Dan Gray
Division of Market Regulation

DATE: September 16, 2004

RE: Meeting with Representatives of Ameritrade Holding Corporation



On September 9, 2004, Division of Market Regulation staff met with Phylis Esposito, Bryce Engel, Steve Woodward, Christopher Nagy, and John Markle of Ameritrade Holding Corporation. Also present were Joe Hall, counsel to Chairman Donaldson, and Susan Ameel, counsel to Commissioner Atkins. The representatives of Ameritrade discussed their views on the Regulation NMS proposals, as reflected in the comment letter submitted by Ameritrade and in the attached hand-out.

Attachment

AMERITRADE 

HOLDINGS CORP. 31001

**Presentation to the Securities and Exchange Commission
September 9, 2004**

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Agenda

- Introduction to Ameritrade & Our Retail Investor Clients
- Our Clients' Trades and Marketplace Trades
- Live Trading Demonstration – From a client perspective
 - NASDAQ
 - NYSE
 - AMEX
- What Ameritrade Clients Want
- Retail Investors and Regulation NMS
- NYSE Hybrid Model Proposal



Introduction to Ameritrade & Our Clients

Low cost, fast and efficient trades

Founded in 1975; Pioneered discount and online brokerage for retail investors; Headquarters in Omaha, Nebraska; Call Centers in Omaha and Ft. Worth; Technology Centers in Omaha, Kansas City, Baltimore and Jersey City

Self-directed, self-service, independent online retail investors
Fastest growing segments: 25-30 and 55-60 year old investors

Approximately 3.49 million total client accounts from all 50 states *

\$68 billion *

135,000 average client trades per day *

* As of July 2004. As to client accounts, all open client accounts (funded and unfunded) including approximately 1.7 million accounts with a net liquidation value of \$2,000 or more, excluding clearing accounts.



Our Clients' Trades

NASDAQ market securities

➤ 63% of Ameritrade trades

NYSE listed market securities

➤ 32% of Ameritrade trades

AMEX listed market securities

➤ 5% of Ameritrade trades

Source: Ameritrade Data provided by Market Systems Inc. representing market orders for the month of July 2004.

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Marketplace Trades

NASDAQ market securities

- 87.8% of shares are executed at or better than the quoted price
- 2.8 seconds is the average execution time

NYSE market securities

- 78.8% of shares are executed at or better than the quoted price
- 13 seconds is the average execution time

AMEX market securities

- 83% of shares are executed at or better than the quoted price
- 17.4 seconds is the average execution time

Source: Public SEC 11Ac 1-5 data representing market orders from 100-1999 shares for July 2004.



Demo: Quotations

Account: 162082986

Equity: 10,315.87
 Cash: 1,856.80
 SP: 500 1,118.74

STREAMER AMERITRADE

Stock Lists: + Add

Symbol	Description	Bid	Ask	Last	High	Low	Net Chg	Volume	Trade Trend	Shares	Value	Gain/Loss
INTC	INTEL CORP COM	20.02	20.03	20.03	20.25	19.97		29,794,877		0.00	0.00	0.00
MSFT	MICROSOFT CORP COM	27.27	27.28	27.27	27.35	27.19		15,092,898		0.00	0.00	0.00
IBM	INTEL BUSINESS MACHINES	85.11	85.13	85.13	85.44	84.70		1,482,800		0.00	0.00	0.00
GE	GENERAL ELECTRIC CO C	33.25	33.26	33.25	33.3215	33.03		6,470,900		0.00	0.00	0.00
QQQ	NASDAQ-100 SHARES IN	34.38	34.39	34.38	34.55	34.294		36,536,900		0.00	0.00	0.00
SPY	SPDR TR UNIT SER 1	112.57	112.58	112.57	112.89	112.45		12,604,000		0.00	0.00	0.00
Total										0.00	0.00	0.00

QQQ - Last Sale

Time	Price	Shares
11:17:06	34.387	500
11:17:06	34.387	500
11:17:03	34.388	1,800
11:16:59	34.39	100
11:16:59	34.39	100
11:16:59	34.39	100
11:16:59	34.39	100
11:16:59	34.39	100
11:16:59	34.39	6,000
11:16:59	34.39	1,400
11:16:57	34.39	1,000
11:16:54	34.38	400
11:16:54	34.39	500
11:16:48	34.39	1,400
11:16:48	34.39	100
11:16:48	34.39	100
11:16:48	34.39	100
11:16:48	34.39	200
11:16:48	34.39	400

QQQ - Listed Regional

Symbol	Volume	Last	High	Low
QQQ	36,534,900	34.387	34.55	34.294

Size	Each	Bid	Size	Each	Ask
993	PACX	34.38	105	PACX	34.39
484	CINN	34.38	87	CINN	34.39
223	AMEX	34.38	4	NASD	34.39
67	NASD	34.38	111	AMEX	34.40
10	MMVSE	34.38	58	NYSE	34.40
3	NYSE	34.38	20	BOSX	34.40
10	BOSX	34.37	20	MMVSE	34.40
20	PHIX	34.35	5	PHIX	34.40
10	CBOE	34.13	10	CBOE	34.64

MSFT - Market Depth

Symbol	Volume	Last	High	Low
MSFT	15,124,487	27.27	27.35	27.19

Size	MPID	Bid	Size	MPID	Ask
288	arox	27.27	278	arox	27.28
202	BRUT	27.27	227	BRUT	27.28
116	SIZE	27.27	222	cinn	27.28
106	cinn	27.27	100	amex	27.28
90	NOCI	27.27	85	NOCI	27.28
22	ATTN	27.27	72	SIZE	27.28
2	LEHM	27.27	22	ATTN	27.28
100	amex	27.26	7	BTRD	27.28
3	TMER	27.26	2	PERT	27.28
1	BEST	27.26	2	LEHM	27.29
10	UBSW	27.25	1	FBCO	27.29
1	BOFA	27.25	37	SCHB	27.30
1	NITE	27.25	15	NITE	27.30
1	BARD	27.25	10	mwse	27.30
1	COWN	27.25	5	MADF	27.30

GE - Market Depth

Symbol	Volume	Last	High	Low
GE	6,497,100	33.28	33.3215	33.03

Size	Each	Bid	Size	Each	Ask
40	PACX	33.28	29	BOSX	33.29
1	MMVSE	33.26	23	PACX	33.30
200	NYSE	33.25	11	CINN	33.30
7	NASD	33.25	9	MMVSE	33.30
10	BOSX	33.20	7	PHIX	33.30
1	PHIX	33.20	1	NYSE	33.30
1	CINN	33.15	9	NASD	33.31

Demo: NASDAQ Order

Microsoft® Secure Trading System - Microsoft Internet Explorer powered by the Tech Station Engine

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Placing a stop order for a volatile stock does not guarantee order execution at or near the stop price. Once activated, your order competes with all current market orders.

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Buy/Sell Stock

Action: <input checked="" type="radio"/> Buy <input type="radio"/> Sell <input type="radio"/> Buy to Cover <input type="radio"/> Sell Short	Number of Shares: <input type="text" value="100"/>	Symbol: <input type="text" value="MST"/>
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Term:

Good for:

Special Instructions:

BASIC **ADVANCED** Basic | Advanced

Please review special margin requirements for certain securities. Orders for OTCBB securities are subject to the OTCBB Securities Trading Rules.

Symbol: <input type="text" value="MST"/> <input type="button" value="Quote"/> <input type="button" value="Trade"/> <input type="button" value="Buy"/> <input type="button" value="Sell"/> <input type="button" value="Estimate"/> <input type="button" value="Help"/>	Symbol: <input type="text" value="MST"/> <input type="button" value="Quote"/> <input type="button" value="Trade"/> <input type="button" value="Buy"/> <input type="button" value="Sell"/> <input type="button" value="Estimate"/> <input type="button" value="Help"/>
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Symbol: GE Last Change: 32.601 0.001 0.31% Vol: 32.28 8023200

NYSE

Buy State Equities Help

AMERITRADE

Important Message!

Placing a stop order for a volatile stock does not guarantee order execution at or near the stop price. Once activated, your order competes with all current market orders.

Buy/Sell Stock

Actions: Buy Sell Buy to Cover Sell Short

Number of Shares: 100

Symbol: GE

Terms: Market

Good for: Day

Special Instructions: No Special Instructions

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Account: 162082986

Tue Jul 13 2004 12:04:20 PM EDT

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Demo: AMEX Listed Order

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Type your question here.

Account: 162082986

Tue Jul 13 2004 12:17:02 PM EDT

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Buy/Sell Stock

Action: Buy Sell Buy to Cover Sell Short

Number of Shares: Symbol:

Term:

Good for: Special Instructions:

BASIC **ADVANCED**

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Please review **special margin requirements** for certain securities. Orders for OTCBB securities are subject to the **OTCBB Securities Trading Rules**.

Symbol	Last	Change	Bid	Ask	Vol	UPT	Time	Exchng	View
000	36.58	-0.02	36.58	36.59	33016800		12:21:46	AMEX	Quote

Real-Time Information

Done

What Ameritrade Clients Want:

- Firm Quotes:
Our clients want the price they see
- Immediate Execution:
So they get the price they see
- Choice:
The right to choose for themselves
the market where they trade



RETAIL INVESTORS AND REGULATION NMS

- ✓ Uniform, consistent trading.
- ✓ Quotes that are “real” – accessible and automated.
Answer: Automated Execution Alternative.
- ✓ Executions at price displayed.
- ✓ No *de minimis* trade throughs.
- ✓ Competing market centers.
- ✓ Investor choice – where/how to route orders.
- ✓ No stepping ahead by professional traders using sub-penny quotes.
- ✓ Low cost market data – public utility. Costs that are transparent.



NYSE HYBRID MARKET PROPOSAL

- > Impacts Reg. NMS – must be carefully considered.
- > Many important questions remain:
 - How does the retail investor benefit from interrupted electronic trading? Does it provide enough certainty for investors?
 - Who has the authority to turn off auto-ex?
 - How often will auto-ex be turned off?
 - How often will the LRP be hit in today’s markets? Available statistics?
 - How did NYSE derive the 5-9 cents sweep points?
 - Does the LRP lead to the trade through of other market center limit orders?
 - What about the display of depth-of-book to retail investors?



Conclusion

On behalf of Ameritrade, we thank you for meeting with us and allowing us to present retail investors' views concerning Regulation NMS.

