

February 5, 2007

**By Email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov) and Overnight Mail**

Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F. St. N.E.  
Washington, D.C. 20549-0609

Re: In the Matter of NetCoalition, File No. SR-NYSE Arca-2006-21

Dear Chairman Cox and Commissioners:

Citigroup Global Markets Inc. ("Citigroup") appreciates the opportunity to express its support for The Securities Industry and Financial Markets Association ("SIFMA") letter of January 17th ("SIFMA Letter") regarding the above matter, and for the willingness of the Securities and Exchange Commission ("Commission") not only to review its recent approval of the NYSEArca's "Arcabook" market data product, but also and more importantly, address the many systemic issues regarding market data pricing discussed in the SIFMA Letter.

In particular, we urge the Commission to consider market developments, including (i) the transformation of exchanges from self-regulating member organizations, having the historic purpose to provide equal and widespread access to market data fairly to all investors, into for-profit public corporations, (ii) the increasing needs of member firms and investors for market data and market transparency, including the increasing regulatory requirements concerning market data (such as depth of book data that will become even more important upon implementation of Regulation NMS), and (iii) the lack of competition and inability to obtain such data from any other source. The authority to operate an exchange is a privilege accorded pursuant to statutory mandates for protecting the interests of the public and investors, and in the new market context, the Commission should act to preserve the free flow of information and the market transparency necessary to fulfill those statutory mandates.

Exchanges should be able to charge fees to recover their costs to pay for the aggregation and dissemination of market data (but not the origination since the data is

actually created by the activities of broker dealer firms themselves before being aggregated by the exchanges). Exchanges should not impose undue burdens on the availability of information which is critical to the efficiency and integrity of the securities markets. More generally, we believe the overall changes occurring within the structure of data creation and provision, as identified in the SIFMA Letter, warrant a thorough review of the market data distribution process affecting both the interests of investors and the ability for U.S. markets to compete with non-U.S. markets in terms of efficient pricing and execution.

As noted in Section VI.D of the SIFMA Letter, the review should also progress beyond pricing issues to include the exchange agreements with data users, which include restrictive provisions reflecting the market power of exchanges in the current structure. As an example, many such agreements require subscribers to acknowledge the exchange's ownership of the data (including further analytical information that may be developed from the original price distributed by the exchange); this claim of intellectual property right is tenuous at best. Carrying these assertions further, exchange data contracts contain various limitations on the use and dissemination of market data provided under the contracts, potentially impairing the flow and further analysis of such information, as well as imposing significant administrative and technological burdens on financial institutions to comply with the terms of the contracts.

Citigroup urges the Commission to conduct a broader review, which should consider not just the fee concerns providing initial focus for this matter, but also the underlying issues of market structure, market power, transparency, and ease of dissemination and analysis of market data. We further ask for a moratorium on approving any other exchange data pricing rulings while this review is ongoing, as described in the SIFMA Letter.

We applaud your review of this important topic and look forward to working with you and SIFMA to create more consistency and fairness in the standards for determining and imposing market data fees in the future.

Respectfully submitted,



James A. Forese  
Managing Director

cc: Chairman Christopher Cox  
Commissioner Annette L. Nazareth  
Director Erik Sirri, Division of Market Regulation

(all by regular mail)