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June 24, 2011

Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

GETCO

Re: National Market System Plan to Address Extraordinary Market Volatility (File No. 4-631)

Dear Ms. Murphy:

GETCO appreciates the opportunity to comment on the proposed joint industry plan filed by the securities exchanges and FINRA ("Proposed Volatility Plan").[1] Under the Proposed Volatility Plan, all trading centers, as defined in Rule 600(b)(78) of Regulation NMS, would be required to prevent trades at prices outside uniformly established Limit Up-Limit Down Requirements and to comply with Trading Pauses. GETCO supports the Proposed Volatility Plan as a constructive regulatory mechanism that would allow market participants to digest information during periods of high volatility and potentially offer additional liquidity.

I. INTRODUCTION

GETCO is a leading electronic trading and technology firm providing liquidity on over 50 markets in Nrth and South America, Europe, and Asia. From offices in Chicago, New York, London, and Singapore, the firm transacts business in cash and futures products across four asset classes – equities, fixed income, currencies and commodities. GETCO's primary trading strategy is market making—posting two sided markets—to help investors efficiently transfer the risk commonly associated

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1 Joint Industry Plan; Notice of Filing of a National Market System Plan to Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE Amex LLC, and NYSE Arca, Inc., Securities Exchange Act Release No. 64547 (May 25, 2011), 76 FR 31647 (June 1, 2011).

with assets such as stocks, bonds, commodities and options contracts. We are a registered market maker on various equity and options exchanges and a Designated Market Maker (DMM) and Supplemental Liquidity Provider ("SLP") on the New York Stock Exchange ("NYSE").[2]

GETCO also provides investors with access to dedicated liquidity through an alternative trading system, GETMatched. In May, GETCO announced the launch of GETAphas, an execution algorithm for US equity securities. GETAlpha provides professional investors with a tool to mimic the order execution behaviors of a dedicated market maker, thus minimizing order detection and information leakage and providing superior executions.

II. DISCUSSION

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In response to the market events of May 6, 2010, the securities exchanges and FINRA proposed uniform, market-wide trading pauses for individual securities that experience a ten percent price move over five minutes. GETCO supported these individual security circuit breaker rules as an important investor protection measure that would allow market participants to better digest information when a security's price moves significantly over a short period of time.[3] These circuit breakers are currently in place on a pilot basis.

The Proposed Volatility Plan would apply the concept of continued trading within appropriate pre-set limits, which GETCO believes offers the opportunity for a more permanent solution than the current single security circuit breaker rules.

A. Description of Proposed Volatility Plan

The Proposed Volatility Plan would require all securities exchanges and FINRA to adopt rules that require their members to comply with applicable provisions of the Proposed Volatility Plan. Under the Proposed Volatility Plan, all trading centers in NMS stocks would have to establish policies to comply with the proposed Limit Up-Limit Down Requirements and the Trading Pauses:

- *Limit Up-Limit Down Requirements*. Trading centers would be required to prevent trades at prices outside of Price Bands, which would change dynamically throughout a trading day based on an average of reported trade prices.

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2 Registered Equity Market Maker: Nasdaq, NYSE Arca, and BATS; Designated Market Maker and Supplemental Liquidity Provider: NYSE; Registered Option Market Maker: BATS Options, C2, Chicago Board Options Exchange, International Securities Exchanges, Nasdaq Options Market, NYSE Amex Options, and NYSE Arca Options.

3 See Letter from John A. McCarthy, General Counsel, GETCO to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, dated June 9, 2010 (comments regarding rule filings for market-wide circuit breakers).

- *Limit State*. Trading would enter a Limit State when the national best offer equals the lower price band or the national best bid equals the upper price band. The processor responsible for consolidation of information for a security would disseminate an identifier indicating when a security is in a Limit State. A Limit State would be exited if all quotes at the Limit State are executed or cancelled.

- *Trading Pauses*. If trading is in a Limit State for 15 seconds, the primary listing exchange for a security would be required to declare a Trading Pause. Then, the primary listing exchange would be required to attempt to re-open trading five minutes after declaring a Trading Pause using established re-opening procedures.

B. Comments on Proposed Volatility Plan

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1. Minimizing Clearly Erroneous Trades

One of the significant benefits of the Proposed Volatility Plan in comparison to the current single stock circuit breakers is that the Proposed Volatility Plan does not rely on potentially clearly erroneous trades as the trigger for a trading pause.

Under the single stock circuit breakers in place today on a pilot basis, trading is halted in a security after a trade is executed at a price at or beyond the circuit breaker price. This triggering trade, as well as trades that may occur shortly after the triggering trade but before the primary listing exchange notifies the Processor that the circuit breaker is triggered, are subject to review as potentially clearly erroneous trades.

By requiring trading centers to prohibit trades outside of specified Price Bands, the Proposed Volatility Plan would eliminate (or at least minimize) clearly erroneous trades. GETCO believes that breaking trades undermines investors' confidence in the fairness and orderliness of markets and that, therefore, the Proposed Volatility Plan is a significant improvement over the current single stock circuit breakers.

2. Reference Price

The Proposed Volatility Plan would require trading centers to prevent trades at prices outside of Price Bands. These Price Bands would be based on a Reference Price, which would be defined as the arithmetic mean price of reported trades over the preceding five minutes. Accordingly, the Reference Price (and the Price Bands) would change dynamically throughout a trading day.

GETCO believes that the Commission should carefully consider the potential that pauses in trading based on a dynamically calculated Reference Price are overly complex. This complexity will not impact our proprietary trading. However, we are concerned that if retail investors do not understand or anticipate trading halts, it could undermine their confidence in the markets.

In the futures markets, price bands are based on static percentage changes from the prior day's closing prices. The closing price is readily understood and available to all investors. Further, the percentage by which the price of a security or index changes during a trading day is easily understood and the common way in which news reports characterize the market. For this reason, GETCO believes the Commission should consider the benefits of basing the Proposed Volatility Plan's Price Bands, which potentially trigger trading halts, on a static percentage change in price from the prior day's close.

Importantly, however, there is a trade-off in choosing to use static percentage declines from the prior day's closing prices, rather than the dynamic Reference Price proposed. Specifically, using static percentages from the prior day's close would require that the Price Bands in the Proposed Volatility Plan be wider than currently proposed.

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The Price Bands in the Proposed Volatility Plan would be 5% above and below the Reference Price for liquid stocks[4] priced $1.00 and above. A security would enter a Limit State and trading potentially halted if the security's trade prices move more than 5% over a five minute period. If, instead of the proposed Reference Price, a static percentage were used to determine Price Bands, it would be critical that a security's prices be allowed to move more than 5% from the prior day' close before a trading halt were required. A 5% price move from the prior day's closing price is not a significant percentage change and would occur too frequently to justify a trading halt.

3. Operation of Proposed Volatility Plan with other Volatility Controls

We understand that the Proposed Volatility Plan would replace the existing single stock circuit breakers, which are currently approved on a pilot basis.[5] GETCO supports the elimination of the single stock circuit breakers following implementation of limit up-limit down requirements, such as those in the Proposed Volatility Plan. Keeping the single stock circuit breakers in place would be unnecessary and confusing.

In addition, GETCO believes that market integrity and investor confidence are supported by uniformity in trading pauses. We strongly believe that competition in the U.S. equity markets drives innovation that benefits investors. Nevertheless, the Commission should balance its goals of fostering competition with the need for consistency in such areas as trading halts during periods of extreme market volatility.

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4 Specifically, the 5% Price Band would apply between 9:45 am ET and 3:35 pm ET to NMS Stocks priced $1.00 or more included in the S&P 500 Index, the Russell 1000 Index, and the exchange-traded products currently subject to the single stock circuit breakers.

5 Our understanding is based on the Commission's April 5, 2011 press release announcing the securities exchanges' and FINRA's filing of the Proposed Volatility Plan.

III. CONCLUSION

GETCO appreciates the opportunity to submit these comments. Please do not hesitate to contact us at (312) 931-2200 if you have any questions regarding any of the comments provided in this letter.

Sincerely,

John A. McCarthy
General Counsel

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