

Charles Schwab & Co. Inc., seeks to participate in the upcoming public hearings regarding the proposed Regulation NMS. The proposal addresses many important areas of our National Market System and we believe our heritage of improving opportunities for retail investors provides us with a unique and helpful perspective.

Before addressing our primary area of interest, it should be noted that Schwab supports the abolition of the Intermarket Trading System's trade-through-rule. While much of the dialogue has been characterized as a tradeoff between speed and best price, the likely outcome of repeal is that investors would enjoy not one or the other, but both faster executions and better prices. Further, the imposition of a trade-through rule within the Nasdaq market is particularly inadvisable given that it will be operationally inefficient, needlessly expensive to implement and monitor and will ultimately harm best execution.

Schwab's comments will predominately surround the market data component of Regulation NMS—an issue where we believe we can offer a particularly helpful perspective. In short, Schwab's central observation is that the proposal fails to address the central problem with the monopoly based market data system—the excessive cost to investors of market information—the very issue that gave rise to the 1999 Concept Release. The excess revenue washing around the system—the source of data rebate gaming and excessive executive pay schemes—is obvious yet not addressed by the proposal.

Investors deserve a system that provides useful market data at less cost. This outcome is eminently achievable. Schwab believes several reforms would dramatically improve the system as it exists:

- A “cost plus” approach to consolidated data pricing, with annual independent audit and review of expenses;
- Public representation on the boards of the Network Plans, and independent management of the Exclusive Processors; and
- Open architecture and access to depth of book data for all vendors (including broker-dealers) on the same terms given to the exchanges' own processors.

Meaningful reform of the National Market System is needed if our markets are to reach their potential for investors. Many of the issues are incredibly difficult to address, not so much due to their technical nature, but because upending monopoly interests is inherently difficult. Schwab stands ready to offer any assistance necessary to help the Commission focus our National Market System back onto individual investor interests.