

United States Senate

WASHINGTON, DC 20510

May 10, 2010

Mary Schapiro, Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Duncan Niederauer, CEO
NYSE Euronext
11 Wall Street
New York, NY 10005

Joseph Ratterman, CEO
BATS Exchange
8050 Marshall Drive
Lenexa, KS 66214

Gary Katz, President and CEO
International Securities Exchange
60 Broad Street
New York, NY 10004

Craig Donohue, CEO
Chicago Mercantile Exchange
20 South Wacker
Chicago, Illinois 60606
May 10, 2010

Gary Gensler, Chairman
U.S. Commodity Futures Commission
3 Lafayette Centre
1155 21st St. NW

Robert Greifeld, CEO
NASDAQ OMX
One Liberty Plaza
49th Floor
New York, New York 10006

William Brodsky, CEO
Chicago Board Options Exchange
400 South LaSalle Street
Chicago, IL 60605

William O'Brien, CEO
Direct Edge
545 Washington Boulevard, 6th Fl.
Jersey City, NJ 07310

CHAIRMAN'S
CORRESPONDENCE UNIT
2010 MAY 10 1:09
RECEIVED
ES/LS73

Dear Chairmen Gensler and Schapiro, and Messrs. Niederauer, Greifeld, Ratterman, Brodsky, Katz, O'Brien and Donohue:

I write you out of deep concern for the highly unusual and dramatic activity in our equity markets this past Thursday. I understand that the causes are still being investigated, and remain largely unknown, but what we do know is that last Thursday the Dow Jones Industrial Average suffered a several hundred point drop AND similarly large recovery in the span of only a few minutes. A panic that started in one corner of the markets spread like wildfire to the rest of the markets, causing a massive sell-off. Our markets should have better safeguards in place to prevent such volatile swings.

Accordingly, I respectfully ask that the major exchanges work together with the SEC and CFTC to implement the following two proposals:



1. Coordinated Circuit Breakers Across All Markets for Individual Financial Instruments

Currently, securities exchanges and other trading venues have inconsistent circuit breaker policies with respect to individual stocks. So, even if trading in a particular stock is halted on one exchange, it is not necessarily halted on other exchanges, exacerbating the run. The increasing fragmentation of our equities markets brings with it certain benefits, but there are clearly costs as well, and it appears that our fragmented market structure may very well have contributed to the difficulties we experienced last Thursday. Coordination and consistent safeguards between trading venues – and across markets – is essential.

Accordingly, I respectfully suggest that all trading venues, including equities, options and futures exchanges and alternative trading platforms, adopt consistent and coordinated circuit breakers with respect to individual stocks that would be triggered when the circuit breaker on the listing exchange is triggered.

2. Consolidated Audit Trail and Market Surveillance

Last October at the Banking Committee's hearing on market structure, I called for consolidated market surveillance of our equities markets. The events of last Thursday – and the continuing efforts of your respective agencies to get to the bottom of what happened – highlight the need to bring our market surveillance structures in line with our various markets. In light of the speed with which trades are executed, and how quickly panic spread Thursday, the need is crystal clear for the establishment of a centralized consolidated system of monitoring for risk and market abuse that includes all trading activity and looks across all markets, including futures exchanges. This would reduce the likelihood of repeating events like we experienced last Thursday, and will also make it easier to investigate any such incidents to determine the cause.

Furthermore, as part of consolidated market surveillance system there should be a consolidated audit trail, also for all markets, that would allow regulators to quickly see and understand what happened. I understand the SEC is working on developing a consolidated audit trail, and I encourage its efforts in that regard.

I greatly appreciate your consideration of the above proposals and look forward to working with you and your respective staffs on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles E. Schumer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Senator Charles E. Schumer