Thank you Chairman Schapiro and honorable Commissioners, I am honored to have been invited to speak before you and my distinguished co-panelists today on the topic of High Frequency Trading. My name is Jeffrey Wecker and I joined Lime Brokerage as President and CEO in December, 2008. Previously, I’ve spent over 25 years expanding computer-assisted electronic trading in the marketplace. Lime is an independent agency broker and a leading provider of low-latency, high-throughput trading technologies to the professional trading community. Lime has been active in this space for over 10 years and a significant percentage of our clients are High Frequency Trading firms. We don’t engage in proprietary trading, we don’t internalize any orders nor do we operate any dark pools, and we feel that our independent agency-only status and acknowledged expertise with developing leading-edge trading technology provides us with a comprehensive and unique perspective about electronic trading. We are greatly appreciative that you have invited us to contribute to the conversation today.

The US equity market is the greatest in the world and financial services is one of our major exports. The U.S. is so successful because we operate in an environment which fosters creativity, innovation and direct investment in new ideas. We need to continue to deliver a fertile environment to allow firms to continue to innovate and maintain America’s advantage in market structure and regulation - regulation which promotes transparency and fairness. Today we are here to address High Frequency Trading. The issues surrounding the marketplace today, however, go well beyond HFT, the marketplace is evolving quickly and HFT is only one aspect of that evolution. One misconception I would like to address is the belief that high frequency trading is primarily conducted by very large firms with extremely deep pockets. Many of Lime’s clients are 1 or 2 person proprietorships, starting in a basement with a computer and some new ideas.

However, we at Lime believe that market access comes with obligations and as a result we applaud the SEC’s proposed regulation to curtail naked sponsored access and force real-time pre-order risk and compliance obligations under the direct and exclusive control of the sponsoring broker dealer; thereby, preventing the potential for discontinuous, destabilizing volatility in the marketplace. We agree that the rule as drafted levels the playing field for all market participants. There is currently a practice by
exchanges to discount rebates and exchange fees based on volumes. Currently, my firm enjoys these benefits and receives maximum discounts. We also operate a sponsoring consortium for broker dealers who are unable to meet the volume demands necessary to receive the best discounts. In spite of this, we believe that this practice of tiered discounts should be eliminated as unfair.

I would like to spend a few moments at this time to discuss the notion of “fair market access”. My definition of fair access is more about preserving the climate for innovation and value creation rather than forcing all participants to be equal. Fair access under this definition enhances market efficiency, drives increased competition and leads to the highest levels of direct investment in capital markets advances. Unfortunately, some proposals adopt a definition of fair access that would dramatically reduce the competitiveness of the US equities market.

Fairness, in my definition, would require execution process transparency and the disclosure by broker dealers of conflicts of interest so that investors can control whether to opt-in or opt-out of various internalization, crossing and dark pool strategies… strategies which leak a customer’s order information in the pursuit of execution quality. Full service broker dealers with the many services they offer are inherently conflicted. Many of their activities are not adequately disclosed to clients who trust them with their orders. In fact, the evolution of electronic internalization efforts, and new proprietary trading activities has happened so fast that regulations need to “catch up” to monitor adequately and prevent potential conflicts that those strategies may have with the broker dealer’s best execution obligations.

Regarding the topic of May 6th “flash crash”, it is important to point out that we saw HFT firms provide liquidity in proportion to market volume during the most volatile periods of the day – this was true of most of our high frequency customers. In most cases, those customers added liquidity rather than removed liquidity and served to dampen volatility. Last year, we advocated stock-specific circuit breakers to allow cooler heads to prevail during periods of extreme volatility. For this reason, we applaud the circuit breaker bid test in the new short sale rule and also applaud the stock-specific circuit breaker proposal in the post-flash crash discussions as a great start.

Unfortunately, there has been misplaced vilification of high frequency trading in the public spotlight. Often these opinions come from uninformed parties who don’t take the time to research market structure and understand all of the facts. At Lime, we believe the SEC is doing an excellent job of researching the key issues and understanding the facts before proposing additional regulations.

We know that the commission believes that technological innovation has been a positive development for the marketplace. High frequency trading provides a dramatic increase in liquidity, increased competition, promotes electronic efficiencies and lowers the cost of trading, both through narrower spreads and lower commissions – all of which have contributed to making the United States equity markets the best in the world. But, our lead is tenuous and depends on encouraging the best and brightest minds to invest their time and effort to invent new and improved market technology. We need all forms of investors, long-term and short-term, to provide a vibrant, efficient and innovative marketplace where price discovery and capital formation yield fruitful results for all its participants.

Thank you.