

June 23, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Instinet's Comments on June 2, 2010 Market Structure Roundtable

Dear Ms. Murphy,

Instinet appreciates the opportunity to comment on certain issues raised during the Commission's Market Structure Roundtable held on June 2nd. We applaud the Commission for its ongoing and longtime efforts to provide the most fair and efficient framework for U.S. equities transactions, a task whose difficulty is compounded by the speed of technological evolution today. By providing the public with the opportunity to comment on these issues, we hope that the Commission will be able to make well-informed decisions on any potential rule changes and their effect on the U.S. equity markets.

We feel that Instinet, founded in 1969, brings a unique perspective to this process. For over 40 years, our firm has provided institutional investors around the world with electronic, agency-only trading services and technologies, including the first electronic trading platform, the first U.S. crossing network, the first pan-European MTF and some of the market's earliest examples of direct market access and smart order routing technologies. Throughout our history and continuing today, our agency-only model has allowed us to focus solely on helping our clients achieve best execution.

We respectfully provide the following thoughts on select issues raised during the roundtable and in recent public comment opportunities:

Dark Pool Reporting

Instinet runs multiple dark pools in the U.S. and around the world. We believe they provide considerable value to our clients by allowing them to protect the information associated with their large orders (or child orders of large orders) from the market. As we are an agency-only broker, the primary purpose of our dark pools is to match two client orders. Additionally, our business is not built around our dark pools, but instead upon our provision of sales trading expertise and trading technologies that help our clients achieve best execution.

We agree with the Commission's ultimate goal, as indicated in the "Regulation of Non-Public Trading Interest" proposal (File No. S7-27-09), of providing enhanced transparency of dark pool trading volumes. However, we feel this transparency should be provided to the market on an end-of-day basis and in aggregate rather than in a real-time, stock-by-stock basis.

We believe that a real-time, stock-by-stock attribution requirement would leak valuable information about large institutional orders in the market. A significant benefit of dark pools is that they allow liquidity normally left on an institutional trader's blotter to be exposed to the market while minimizing information leakage. This brings desirable liquidity to all market participants. After discussions with our clients, we believe a real-time reporting requirement will

result in those orders simply moving back to the blotter – which will remove liquidity from the market – while the institutional trader waits for a natural counterparty to present itself.

Further, we do not believe that the real-time identification of trading venue will materially improve access to this liquidity for institutional or retail investors. Most of today’s institutional investors already leverage dynamic liquidity aggregation algorithms that can effectively access both dark and displayed liquidity without the benefit of real-time dark pool attribution. And although we do not have retail investors as our direct customers, we believe that the brokers who are handling their orders and institutions who are managing their funds have access to both dark pools and liquidity aggregation algorithms.

We recognize the need for transparency of dark pool trading, and would strongly support an end-of-day, aggregate reporting structure.

Trade-At Rule

In executing client orders, our focus is primarily around liquidity discovery and price discovery. As stated previously, we believe that dark pools have done much to aid in liquidity discovery. We agree that the Commission needs to ensure that the volume level executed in dark pools does not harm price discovery, but we do not feel we are at that point. In May 2010, Rosenblatt Securities found that only 12.87% of consolidated U.S. volume was executed in dark pools, a figure that is in-line with historical norms when considering the prevalence of internalized, “upstairs” trading of the past. Additionally, we would point out that printing to the tape – which is required for all dark pool executions today – also contributes to the price discovery process.

The implementation of a “Trade-At” rule would create, in effect, a synthetic CLOB (central limit order book) for all U.S. equity orders, an idea presented in the past but not embraced by the marketplace. The issue with a market-wide CLOB, in our estimation, is that a bid or offer at a displayed market is actually an inferior price to an equally priced order on a dark pool once the market access fees are factored in.

For example, if a dark pool were forced to honor a displayed bid on NASDAQ in Citigroup (C) of \$4.00 for 25,000 shares, the increased cost to execute would be \$75.00 (25,000 shares x NASDAQ’s \$0.003 per share “take” fee), or 7.5 basis points. Quite likely, this cost would ultimately be passed back to the customer in the form of higher commissions.

With price discovery not currently being harmed by dark pools, and the additional costs that we believe would result from a “Trade At” rule, we see no reason why a dark pool with a matchable buy and sell order in its book should not be able to provide those clients with a certainty of execution, regardless of whether that same price is quoted elsewhere.

Sub-Penny Quoting

As a technology-leveraged brokerage firm whose systems rapidly process extremely large quantities of data, we generally do not oppose changes that result in additional data demands. However, we would argue that the modification of Regulation NMS’ Rule 612 to allow sub-penny quoting and ranking for stocks of all prices would produce de minimis benefits yet add considerable cost and harm investor confidence.

First, we believe that sub-penny quoting would result in increased execution costs; brokers and other market participants would be forced to incur considerable additional technology costs

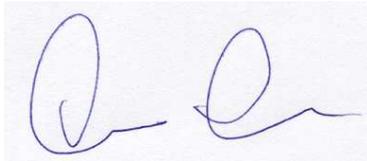
related to the distribution, processing and retention of data, as well as the expense associated with added bandwidth the data would require.

Second, we regularly hear from investors who express frustration after quoting at a penny increment and then see stock trade better by only a tenth of a cent while their order remains unfilled. We believe this does much to erode the investor's overall confidence in the market's fairness.

For these reasons, we generally believe that Rule 612 is effective as written. While it may be useful to evaluate whether the threshold for sub-penny quoting should be expanded to stocks priced below \$5.00, we would be extremely wary of extending it to all stocks.

We once again thank you for your continued efforts to provide a fair and efficient market structure, as well as the opportunity to comment.

Sincerely,



Anthony Abenante
Co-Chief Executive Officer
Instinet Incorporated



Jonathan Kellner
President
Instinet, LLC

cc: Hon. Mary L. Schapiro, Chairwoman
Hon. Luis A. Aguilar, Commissioner
Hon. Kathleen L. Casey, Commissioner
Hon. Troy A. Paredes, Commissioner
Hon. Elisse B. Walter, Commissioner
Robert W. Cook, Division of Trading & Markets
James Brigagliano, Division of Trading & Markets
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