June 25, 2010

By Electronic Mail (rule-comments@sec-gov)

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

Re: Market Structure Roundtable; File No. 4-602

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association ("SIFMA")[1] welcomes the opportunity to comment on the range of issues raised during the Securities and Exchange Commission's ("SEC" or "Commission") Market Structure Roundtable. The following comments add to and complement the comments SIFMA has submitted on the SEC's recent market structure Concept Release[2] as well as the SEC's various market structure rule proposals, including those related to market access,[3] non-public trading interest,[4] consolidated audit trail,[5] and large trader reporting.[6] We appreciate the Commission's commitment to improving the national market system, and look forward to a continued dialogue with the Commission as it examines the equity markets and their regulation.

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1 The Securities Industry and Financial Markets Association ("SIFMA") brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association ("GFMA"). For more information, visit. www.sifma.org.

2 Securities Exchange Act Rel. No. 61358 (Jan. 14, 2010), 75 Fed. Reg. 3594 (Jan. 21, 2010); Letter from Ann Vlcek, SIFMA, to Elizabeth M. Murphy, SEC re: Concept Release on Equity Market Structure (Apr. 29, 2010) ("SIFMA Concept Release Letter").

3 Securities Exchange Act Rel. No. 61379 (Jan. 19, 2010), 75 Fed. Reg. 4007 (Sept. 23, 2009); Letter from Ann Vlcek, SIFMA, to Elizabeth M. Murphy, SEC re: Risk Management Controls for Brokers or Dealers with Market Access (Apr. 16, 2010) ("SIFMA Market Access Letter").

4 Securities Exchange Act Rel. No. 60997 (Nov. 13, 2009), 74 Fed. Reg. 61208 (Jan. 23, 2009); Letter from Ann Vlcek, SIFMA, to Elizabeth M. Murphy, SEC re: Regulation of Non-Public Trading Interest (Feb. 18, 2010).

5 Securities Exchange Act Rel. No. 62174 (May 26, 2010), 75 Fed. Reg. 32556 (June 8, 2010) ("CAT Release"); SIFMA Concept Release Letter at 18-19.

6 Securities Exchange Act Rel. No. 61908 (Apr. 14, 2010), 75 Fed. Reg. 21456 (Apr. 23, 2010) ("Large Trader Release"); Letter from Ann Vlcek, SIFMA, to Elizabeth M. Murphy, SEC re: The Large Trader Reporting System (June 24, 2010) ("SIFMA Large Trader Reporting Letter").

A. Preventing Price Gaps and Erroneous Trades

The market disruption of May 6th highlighted the need to prevent price gaps and erroneous trades. The preliminary report ("Report") of the Commission and the Commodity Futures Trading Commission ("CFTC") regarding the events of May 6th points to a variety of often inter-related potential causes for the "temporary, breakdown in the market's price setting function when a number of stocks and ETFs were executed at clearly irrational prices."[7] We encourage the Commission to clarify the responsibility of trading venues to prevent price gaps and erroneous trades from occurring, thus reducing the need for declaring halts.

1. Stock-by-Stock Circuit Breaker Rules

The events of May 6th also highlighted inconsistencies regarding the circumstances in which trading may be paused in the various markets. The SEC responded quickly by approving stock-by-stock circuit breakers that pause trading in S&P 500 stocks across all U.S. equity markets for a five-minute period in the event that the stock experiences a 10 percent change in price over the preceding five minutes.[8] SIFMA supports these rules as a first step in addressing the structural issues highlighted on May 6th. However, we would encourage the SEC to ensure that all trading pause rules are the same across all markets going forward.

a. Expansion of Stock-by-Stock Circuit Breaker Rules

As noted, the stock-by-stock circuit breaker rules are limited in scope, as they only apply to the stocks in the S&P 500. We encourage the SEC to act expeditiously – and in advance of the conclusion of the 6-month pilot period – to expand the scope of the rules to other securities, particularly ETFs.[9] In this regard, we note that ETFs experienced significant volatility on May 6th and also would benefit from uniform pauses in trading.[10] We are also concerned that, as the pilot is expanded to more symbols, the current circuit breaker parameters will not be appropriate for low priced securities. We therefore suggest that securities priced below $5.00 be excluded from coverage under the pilot. Finally, we support further analyses of the linkages between the various financial markets; specifically, the SEC should continue to work with industry participants to explore how circuit breaker trading pauses should be treated across related markets, including the options and futures markets.

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[7] SEC Approves New Stock-by-Stock Circuit Breaker Rules, SEC Press Release 2010-98 (June 10, 2010) ("Circuit Breaker Press Release").

[8] See Securities Exchange Act Rel. No. 62251 (June 10, 2010), 75 Fed. Reg. 34183 (June 16, 2010) (approval of FINRA single stock circuit breaker); Securities Exchange Act Rel. No. 62252 (June 10, 2010), 75 Fed. Reg. 34186 (June 16, 2010) (approval of equity exchanges' single stock circuit breaker rules).

[9] See Circuit Breaker Press Release (stating SEC's intention to expand the circuit breaker rules to other securities).

[10] Preliminary Findings regarding the Market Events of May 6th 2010, Report of the Staffs of the CFTC and SEC to the Joint Advisory Committee on Emerging Regulatory Issues (May 18, 2010) ("May 6th Report") at 5-6.

b. Single Uniform Intermarket Trading Pause Rule

Various exchanges and FINRA have or are contemplating their own unique volatility rules that would permit those markets to halt trading in their markets under circumstances other than those set forth in the recently adopted stock-by-stock circuit breaker rules. For example, the NYSE's trading system incorporates liquidity refreshment points ("LRPs"), which, when one is triggered, pauses trading for a time to permit additional liquidity to enter the market.[11] Similarly, Nasdaq has proposed expanding its Volatility Guard rules which are similar to the NYSE LRPs.[12] SIFMA is concerned that, as noted in the SEC's preliminary report on the May 6th events, the imposition of disparate volatility rules may have the effect of exacerbating, rather than dampening, price volatility since orders may be routed to other, less liquid venues for immediate execution rather than waiting out the pause in trading.[13] In light of these concerns and the general need for regulatory consistency, SIFMA believes that a single, uniform intermarket rule should govern such stock-by-stock trading pauses and that any market-specific volatility rules should be eliminated.

2. Other Methods for Preventing Price Gaps and Erroneous Trades

SIFMA encourages the SEC to evaluate whether methods other than, or in addition to, trading halts would better serve the markets in limiting price gaps and erroneous trades. In particular, SIFMA believes that the following approaches are worth further consideration. These approaches would virtually eliminate the need to halt a security due to aberrant trading.

a. Limit Up/Down Approach

The SEC should consider the benefits of a "limit up/down" approach to controlling trading during volatile markets, similar to that utilized in the futures markets. In the futures markets, certain instruments may only trade within established price bands that are based on the prior day's close, known as limit up and limit down. Applying this concept to the securities context, once a designated stock price threshold is reached, trading could still continue but only within appropriate pre-set limits. Such an approach would largely eliminate erroneous trades and minimize the costs associated with interrupting continuous trading and denying market participants access to a continuous flow of market data during critical periods of time while still ensuring orderly market conditions. The key to the proper functioning of a limit up/down approach, of course, is the adoption of the correct trading band for various securities. We encourage consideration being given to establishing thresholds based upon market frequency (similar to the current single stock circuit breaker triggers) as opposed to using a static prior night's close. SIFMA encourages the Commission to compare the relative merits of this limit up/down approach with those associated with the use of circuit breakers.[14]

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[11] See NYSE Rule 1000.

[12] See SR-NASDAQ-2010-0066.

[13] May 6th Report at 4.

[14] We note that, if implemented effectively, the limit up/down approach would eliminate the possible need for market collars and the need to regulate stub quotes, as discussed below.

b. Collars on Market Orders

As the SEC described in its Report, some of the most inexplicable executions on May 6th resulted from the use of market orders during the period of extreme volatility.[15] As we saw, an unusually large influx of such orders can quickly use up all available liquidity across all markets, resulting in orders breaking through many price levels in an effort to obtain an execution at any price. SIFMA does not believe that the SEC should prohibit the use of market orders; such orders remain a valuable tool for investors seeking immediate liquidity, notwithstanding the risks associated with their use during volatile trading periods. However, the SEC should consider ways to minimize the risks related to the use of market orders, including their potential to contribute to sudden price moves. In this regard, SIFMA encourages the SEC to pursue initiatives to educate investors about the risks of market orders. In addition, the SEC should consider whether the imposition of collars on market orders would provide benefits to investors, or would detract from the trading flexibility that investors currently enjoy. We note that, like the limit up/down approach, the efficacy of market order collars would depend on the ability to establish the correct benchmark for the collar.

c. Stub Quotes

Stub quote executions were another source of erroneous trades on May 6th. As nominal quotes entered by market makers to meet their two-sided quote requirements, stub quotes are not intended to indicate actual trading interest. As a result, SIFMA recommends the elimination of stub quotes. Instead, we would encourage the SEC to consider other auto-quoting mechanisms, including establishing collars on quotes,[16] or material incentives for market makers to maintain their quotes.

B. Market-Wide Circuit Breakers

None of the existing market-wide circuit breakers, which apply across all equity trading venues and futures markets, were triggered by the events of May 6th. We support the SEC staff's efforts to evaluate how the market-wide circuit breakers should be recalibrated to be effective in today's fast paced electronic trading environment. In particular, the SEC should analyze how often the triggers have been hit, how often they should have been hit, and whether limitations on trading short of a trading pause may be beneficial under certain circumstances, and then introduce a reasonable proposal based on that data. Any modifications, however, should be coordinated between the securities and futures markets.

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15 Id. at 75.

16 In considering such measures, the SEC should evaluate the potential impact on message traffic in the marketplace to mitigate inefficiencies.

C. Market Center Obligations

1. Accurate and Accessible Market Data

SIFMA believes that it is critical for market centers to ensure that their market data is both accurate and accessible. Market centers should establish mechanisms for checking, verifying and reporting their market data. In doing so, they should have the means to handle their order flow so as to avoid redundant prices and extraneous prints. Moreover, rules applying any clearly erroneous policy should be very limited; permitting trades at an inappropriate price caused by preventable market data issues and addressing this problem by later breaking the trade should not be permitted. This is particularly troubling in light of the fact that, in many instances, trades do not occur in isolation. For example, broker-dealers may enter hedging or other offsetting transactions based on another trade in both the equities and derivatives markets. Thus, breaking one aspect of such related transactions as clearly erroneous but not the other may have significant consequences for firms. Finally, the market center's market data procedures should require the market center to pull its quote, or group of affected quotes when applicable (e.g., a given letter range), if the data becomes delayed, inaccessible or otherwise inaccurate.

2. Clearly Erroneous Policies

SIFMA supports the SEC's recent efforts to clarify the equity exchanges' and FINRA's processes for breaking erroneous trades.[17] We applaud the decision to curtail the markets' discretion in breaking erroneous trades and to impose uniform rules for breaking such trades. We urge the SEC, the exchanges and FINRA, however, to continue to work to ensure uniformity and consistency in the application of their clearly erroneous policies. In addition, we believe that the options exchanges should handle erroneous trades in a manner consistent with the equity markets. SIFMA looks forward to reviewing the SROs' recently proposed clearing erroneous trade rules.

3. Invocation of Self-Help

The SEC has identified the self-help remedy as another potential contributor to the May 6th market disruption.[18] Exchanges are entitled to exercise the self-help remedy under the Order Protection Rule when another exchange repeatedly fails to respond within one second. A declaration of self-help frees the declaring exchange from its obligation to route orders to the affected exchange. The self-help remedy was invoked against NYSE Arca during the disruption, thereby further limiting the available liquidity (although the provision of liquidity may have been

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17 See Securities Exchange Act Rel. No. 62333 (June 21, 2010) (NYSE proposal); Securities Exchange Act Rel. No. 62331 (June 21, 2010) (NSX proposal); Securities Exchange Act Rel. No. 62336 (June 21, 2010) (CHX proposal); Securities Exchange Act Rel. No. 62337 (CBSX proposal); Securities Exchange Act Rel. No 62341 (June 21, 2010) (FINRA proposal); Securities Exchange Act Rel. No. 62334 (June 21, 2010) (NASDAQ Proposal); Securities Exchange Act Rel. No. 62330 (June 21, 2010) (ISE proposal); Securities Exchange Act Rel. 62340 (June 21, 2010) (BATS proposal); Securities Exchange Act Rel. No. 62338 (June 21, 2010) (EDGA proposal); Securities Exchange Act Rel. No. 62339 (June 21, 2010) (EDGX proposal); Securities Exchange Act Rel. No. 62342 (June 21, 2010) (NASDAQ OMX BX proposal); Securities Exchange Act Rel. No. 62332 (June 21, 2010) (NYSE Amex proposal). See also SEC to Publish for Public Comment Proposed Rules for Clearly Erroneous Trades, Press Release 2010-104 (June 17, 2010).

18 May 6th Report at 5.

impaired in any event in light of apparent system issues at NYSE Arca). In light of the significant effect of declaring self-help – that is, the loss of liquidity of an entire market, SIFMA encourages the SEC to carefully analyze how it could tighten the self-help process by imposing uniform standards on when and how self-help may be utilized. For example, we would advocate more specific and uniform standards for when a market may invoke self-help on its own behalf as well as when one market may declare self-help against another market. Additional procedures should govern, at a minimum, how long the self-help period will last, how markets should be contacted, how market participants should be alerted to self-help being invoked, and how the self-help period will end. Indeed, the SEC may wish to consider the value of independent evaluations of the accessibility of the exchanges' quotes, both in real-time as well as in connection with self-help declarations.

4. Additional Market Center Disclosure

SIFMA believes that market participants would benefit from additional disclosures from market centers about their trading arrangements and practices. Such information would provide valuable information to market participants seeking to obtain best execution.[19]

5. ATS vs. Exchange Issues

More recently, there have been discussions about the extent to which alternative trading systems ("ATSs") may have more flexibility to engage in various practices than national securities exchanges. SIFMA believes the SEC should consider this issue, as well as others involving the relative costs and benefits of exchange vs. ATS designation, and whether the balance between these market centers is appropriate or needs to be adjusted. In doing so, the SEC should take into account differences between ATSs that operate as electronic communication networks, and those that operate as non-display trading venues. Moreover, any such assessment needs to be balanced and should not focus solely on benefits accruing to ATSs. We note, for example, that national securities exchanges receive significant benefits not available to ATSs, including benefits related to the use and sale of market data, lower clearing costs and no net capital requirements.

D. Market Maker Obligations

1. Definition of Market Maker

With the rise of high frequency trading, some have questioned whether the definition of a market maker should be expanded to include certain high frequency traders in light of some of the possible advantages such traders enjoy. As discussed in our comment letter on the SEC's Concept Release, SIFMA does not believe that there is a need to redefine a "market maker" at this time or to impose market maker obligations on high frequency traders.[20] It may, however, be useful for the Commission to consider how to better promote market liquidity by incentivizing market makers.

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[19] For a more detailed discussion, see SIFMA Concept Release Letter at 7.

[20] See SIFMA Concept Release Letter at 7.

2. Market Maker Obligations

As the events of May 6th highlighted, the current market maker obligations do not operate to ensure liquidity, particularly in volatile markets. SIFMA encourages the SEC to consider how best to enhance liquidity in those moments when it is most needed. The SEC should work with the exchanges to improve market maker auto-quoting mechanisms to better provide liquidity in times of duress (e.g., imposing collars on quotes). In addition, the SEC and the self-regulatory organizations should ensure that market makers are making appropriate use of their market making privileges (e.g., relying on their short sale exemption only if they are providing liquidity). The SEC also should consider more generally ways to ensure that liquidity does not flee the market, as discussed above, rather than looking to market makers to hold back the floodgates during volatile trading.

E. High Frequency Trading, High Speed Trading and Related Issues

SIFMA recognizes the value of high frequency trading in today's markets, particularly the significant liquidity provided to the market by such trading. However, as high frequency trading has increased, questions have arisen regarding the fairness of high frequency trading as well as the degree to which such trading exposes the equity markets to an unreasonable amount of systemic risk. As discussed in our comment letter on the equity markets Concept Release, SIFMA believes that the market would benefit from more disclosure about high frequency trading practices and how they affect the markets.[21]

1. Direct Market Data Feeds vs. Consolidated Data Feeds

SIFMA believes that it would be a significant step backward for the SEC to impose restrictions on the availability of market data or the content and transmission speed of such data. Rather than considering an approach that would slow technology or progress, the SEC should consider how to make direct market data feeds available to a broader universe of market participants, including retail investors, on fair and reasonable terms, and how to enhance the speed and content of consolidated market data. For example, the SEC might consider requiring market centers that sell their direct market data feeds to invest more heavily in ensuring that market data generated by the Consolidated Quotation System, Consolidated Tape Association and Nasdaq securities information processors is distributed efficiently, in a timely manner and with appropriately useful content.[22]

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[21] For a more detailed discussion, see SIFMA Concept Release Letter at 5-11.

[22] For a more detailed discussion, see SIFMA Concept Release Letter at 8.

2. Ensuring Appropriate Use of Direct Market Data Feeds

Direct market data feeds, which generally are faster and more detailed than the consolidated data feeds, provide market participants with valuable information. SIFMA notes, however, that such feeds may be used by third parties to attempt to derive more information about the markets than the providers of the data realize or intend to permit. For example, member firms state that direct market transaction information may be linked to particular displayed quotations and, in some instances, direct market data may be used to help discern the presence of reserve orders. SIFMA urges the SEC to consider whether it would be beneficial for market participants to have a better understanding of the ways in which their market data, if provided to a trading center publishing direct market data, might be used by other market participants. Better disclosure of these practices would facilitate the ability of market participants to opt-in or opt-out of the use of their data in this manner.[23] The SEC also should consider whether the level of implicit information provided by various market centers in direct market data feeds rises to a level akin to that of providing a quote or actionable indications of interest to the recipients of the data feed and, if so, what the implications of providing such data are under the SEC's Quote Rule.

3. Co-Location

SIFMA does not believe that firms participating in co-location arrangements, including the use of specialized data, lower latency data, or higher bandwith consumption, should have affirmative or negative obligations solely as a result of such arrangements. As noted in our Concept Release comment letter, we view co-location arrangements as sufficiently distinct from exchange specialist status that such obligations are not warranted.[24]

4. Minimum Duration for Quotes/Orders

In response to concerns about trading interest that is available for only very brief periods of time, some commenters have suggested imposing a minimum duration for quotes and orders. SIFMA opposes any such minimum duration requirements and, instead, encourages the SEC and the markets to explore other ways to incentivize longer display periods.[25]

F. Internalization and Undisplayed Liquidity

SIFMA believes that undisplayed liquidity, including internalization practices of broker-dealers, provides genuine benefits to the markets and their participants without detracting from the overall vibrancy of the displayed markets. As the SEC is aware, non-displayed liquidity often is used by market participants seeking to avoid adverse market impact when executing their trades. In addition, internalized executions by broker-dealers, in particular, provide investors – often retail investors – with speedy executions and, frequently, price improvement, mainly

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[23] For a more detailed discussion, see SIFMA Concept Release Letter at 8.

[24] For a more detailed discussion, see SIFMA Concept Release Letter at 7.

[25] For a more detailed discussion, see SIFMA Concept Release Letter at 9.

because broker-dealers retain control over the order execution process. Moreover, internalized orders that are not executed immediately are subject to display obligations where appropriate, thereby furthering the national quotation system. We note also that there is no current evidence to suggest that non-displayed liquidity would become displayed liquidity should the use of non-displaying trading venues be restricted.[26] In fact, it is possible that restricting the use of non-displayed trading venues would reduce the overall amount of available liquidity in the marketplace at any given time.

Indeed, the most recent studies we have seen – including a study concluded subsequent to the close of the Concept Release comment period – demonstrate that the availability of non-displayed liquidity venues have not, in fact, adversely impacted the displayed markets by impairing price discovery or execution quality. To the contrary, displayed markets remain healthy. For example, a very recent working paper on the impact of dark pools on market quality concludes that "a higher amount of dark pool activity is associated with lower quoted and effective spreads, lower price impacts, and lower short-term volatility. In other words, more dark pool activity is generally associated with higher market quality."[27]

G. Trade-At Rule

SIFMA strongly opposes the adoption of a trade-at rule. A trade-at rule would prohibit any trading center from executing a trade at the NBBO unless the trading center was displaying that price at the time it received the incoming contra-side order. Under such a rule, even reserve orders on exchanges would be required to protect away quotes before receiving an execution. As discussed in more detail in our comment letter on the Concept Release, [28] a trade-at rule would have detrimental effects on the speed and cost of execution, the liquidity currently available in the market, and the ability of investors to control their trading interests. Indeed, a trade-at rule comes very close to a consolidated limit order book or "CLOB" – a concept that has been repeatedly rejected by the SEC and market participants for many years as a threat to competition and innovation in our markets.[29] Given the absence of compelling evidence that non-displaying trading venues are impairing public price discovery – indeed, as discussed above, recent research suggests that more dark pool activity is generally associated with higher market quality, SIFMA does not believe that such a significant change in market structure is warranted. Moreover, while proponents of this idea view it as a way to stimulate greater display of limit orders, it is not at all clear that trading interest that an investor or broker-dealer has deemed is best represented on a non-displayed basis will, in fact, be sent for display in a trade-at environment. We note that there are already incentives for displaying liquidity, such as rebates, trade-through protection and minimum price variations.

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[26] For a more detailed discussion, see SIFMA Concept Release Letter at 11-12.

[27] Sabrina Buti, Barbara Rindi and Ingrid M. Werner, Diving into Dark Pools, Fisher College of Business Working Paper (available at http://fisher.osu.edu/fin/faculty/werner/working_papers.htm).

[28] SIFMA Concept Release Letter at 12-14.

[29] See, e.g., Securities Exchange Act Rel. No. 51808 (June 9, 2005); 70 Fed. Reg. 37496(June 29, 2005).

H. Access Fees and Sub-Penny Quoting

SIFMA continues to believe that quoting in sub-penny increments would not contribute to the maintenance of orderly markets. Sub-penny quoting would encourage market participants to "step ahead" of competing limit orders by submitting an order with an economically insignificant price enhancement to gain execution priority. Sub-penny quoting also poses both operational and technological challenges. Moreover, sub-penny quoting has implications in light of the existing "maker-taker" fee structures of various markets. For example, sub-penny quoting would be particularly problematic in the event market participants were to charge fees in excess of the spread for a stock. Thus, SIFMA believes that the SEC should study access fees and maker-taker rebate incentives and their potential effect on rebate arbitrage and execution quality.[30]

I. Market Data

As we have discussed on numerous occasions, SIFMA believes that the lack of competition with respect to the availability of market data continues to be a pressing concern for retail and institutional investors. We urge the SEC to study ways in which the content of market data may be enhanced and be made available to all investors on fair and reasonable terms.[31]

J. Risk Management – Market Access

As SIFMA discussed in greater detail in its comment letter on proposed Rule 15c3-5,[32] SIFMA, as a general matter, supports the use of pre- and post-trade controls on market access, and the general principle underlying the SEC's proposed Rule 15c3-5 that such controls and procedures are appropriate in market access arrangements. If, however, proposed Rule 15c3-5 is to be effective, certain significant, complex issues regarding market access and related credit risk must be addressed before the SEC adopts a final rule. For example, proposed Rule 15c3-5 does not appropriately distinguish market access arrangements involving multiple broker-dealers, each of which undertakes a different role in a transaction. Similarly, because many broker-dealers rely on third-party risk management technology, the SEC should clarify that a third-party vendor may control the underlying software of such risk management technology, so long as the broker-dealer is able to control the software's applied parameters and thresholds.

K. Regulatory Consistency

The current regulatory structure is beset by many conflicting or duplicative rules and regulations, regulatory initiatives and systems programming demands. This places unnecessary burdens on regulators and market participants alike, and poses significant risks to market efficiency and meaningful investor protection. As a result, we recommend that the SEC, SROs and other market participants undertake a comprehensive review of existing market structure and

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[30] For a more detailed discussion, see SIFMA Concept Release Letter at 14-16.

[31] For a more detailed discussion, see SIFMA Concept Release Letter at 22-23.

[32] See SIFMA Market Access Letter. See also SIFMA Concept Release Letter at 10-11.

trading rules to identify conflicting or duplicative requirements that could be harmonized or eliminated. In addition, the regulators and firms must find ways to better coordinate and streamline system programming demands associated with regulatory changes. Moreover, in recognition of enhanced global connections of financial participants, SIFMA also believes that the SEC should pursue greater global regulatory coordination.[33]

L. Consolidated Audit Trail and Large Trader Reporting

SIFMA believes that an efficient, harmonized and market-wide regulatory consolidated audit trail would be a significant step in improving oversight of the markets and, therefore, supports the concept of a consolidated audit trail proposal.[34] For similar reasons, SIFMA supports the concept of large trader reporting.[35] However, we believe that the SEC's large trader reporting proposal should be part of the process of creating a consolidated audit trail, rather than a distinct process, in order to ensure that any large trader reporting regime implemented before the consolidated audit trail would be folded into the consolidated audit trail, once it is operational.[36] SIFMA recently filed a comment letter on the large trader reporting proposal, and looks forward to commenting on the consolidated audit trail proposal later this summer.

M. Rules 605 and 606: Market Quality and Order Routing Data

As discussed more fully in our Concept Release comment letter, we believe that Rules 605 and 606 could be improved upon in light of market developments in favor of more informative tools. For example, we believe that there is value in disclosing broker-dealers' potential conflicts of interest regarding order routing, as required by Rule 606; however, such disclosures could be provided by means other than Rule 606 reports, such as through broker-dealer websites.[37]

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[33] For greater detail on regulatory consistency issues, <u>see</u> SIFMA Concept Release Letter at 20-21.

[34] CAT Release.

[35] Large Trader Release.

[36] For a more detailed discussion of the consolidated audit trail and large trader reporting proposals, <u>see</u> SIFMA Large Trader Reporting Letter.

[37] For a more detailed discussion of Rules 605 and 606, <u>see</u> SIFMA Concept Release Letter at 16-18.

SIFMA appreciates the opportunity to comment on the issues raised at the Market Structure Roundtable. We look forward to further discussions about specific regulatory initiatives and equity market structure more generally with the Commission and its staff. If you have any comments or questions, please do not hesitate to contact me at 202-962-7300 or alvcek@sifma.org.

Sincerely,

Ann L. Vlcek
Managing Director and
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SIFMA

cc: Mary L. Schapiro, Chairman
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