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July 5, 2011

VIA ELECTRONIC MAIL (rule-comments@sec.gov)

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

Re: Comments regarding the Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934

Dear Ms. Murphy:

Scottrade appreciates the opportunity to comment on the “Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS Under the Securities Exchange Act of 1934” by FINRA and the securities exchanges (the “Proposed Plan”).¹ Scottrade supports the goals of the Proposed Plan, which would: 1) prevent trades in NMS stocks from occurring outside of specified trading price bands; and 2) pause trading in individual NMS stocks to limit destabilizing price moves and attract additional liquidity to the market. The goals of the Proposed Plan would most likely be beneficial to our customers and enhance their confidence in the equity markets. However, we are struck by how implementing these two straightforward concepts will be incredibly complex and detract from the goals of the Proposed Plan.

To our knowledge, the limit up/limit down mechanism is untested in the U.S. equity markets and no data exists to understand the impact of the Proposed Plan on the NMS equity market structure. We understand that a similar mechanism has been in place in the futures markets for years, yet it is untested in NMS market structure. The Proposed Plan lacks detail on how it would interact with existing marketplace rules that could also halt, pause or restrict trading. While the two main purposes of the Proposed Plan are straightforward and seemingly beneficial to our customers, we would favor additional details in the Proposed Plan prior to approval and a steady, measured rollout, which would help us educate our employees and customers on the complex changes to the NMS market.

¹ Scottrade is a leading online broker and has over 2 million active customer accounts, most of whom are individual retail investors.

I. The Proposed Plan is Beneficial but Complex

Adopting a trading range to prevent clearly erroneous trades would be an extremely beneficial protection for our customers in volatile markets. The trading range concept is straightforward and, we believe, easy to explain to our customers. However, we have some concerns that we state below about how the Proposed Plan will be implemented.

Limit State Timing. Scottrade believes that the time period allotted under the Proposed Plan for a NMS stock to exit a Limit State should be reduced. Under the Proposed Plan, when the National Best Offer is equal to the Lower Limit Band or a National Best Bid is equal to the Upper Limit Band for an NMS stock, the Processor will distribute such National Best Bid or National Best Offer with a flag identifying it as a Limit State Quotation. Once a stock has entered a Limit State, the processor will cease calculating and disseminating price bands for the stock until trading exits the Limit State or there is an opening or reopening in the stock. Trading in an NMS stock exits a Limit State if, within 15 seconds of entering the Limit State, the entire size of all Limit State Quotations is executed or cancelled. Once a stock has exited a Limit State, the Processor will resume calculating and disseminating limit up-limit down price bands. In our view, the 15 second Limit State period is too long and could confuse some of our customers seeking execution of their orders during this period. For example, during the Limit State an investor may unwittingly enter a market order to buy or sell when there is a meaningful reason for the stock to be up or down and has yet to halt. After exiting the Limit State or Halt, the price of the stock could quickly move away from the price at which the unwitting investor may have just bought or sold. We believe that less time in the Limit State will greatly aid in protecting these investors, as well as help to maintain their confidence in the market. We note that the similar mechanism in the futures markets – namely, the CME stop loss logic – provides for a five second liquidity replenishment period, and was found by both the Commission and CFTC staffs to have worked well during the May 6, 2010 flash crash. We are confident, with the available technology in today's markets, that stocks that enter the Limit State Quotation erroneously will be addressed within a 5 second threshold, allowing the security to continue trading. Therefore, we urge that the Proposed Plan be modified to reduce the time of the Limit State period.

Opening & Closing of Trading. Scottrade believes that greater clarity is needed with respect to how the Proposed Plan may impact the open and close of daily trading. At the opening based on the Proposed Plan, it appears that there may be no limit up – limit down price bands in effect for a NMS stock during the first five minutes of trading if the opening price for the stock does not occur on the primary market (i.e. where the stock is listed) within that period because there will be no reference price under such circumstances. Scottrade believes that it would benefit the market if price bands were not established until after a single price opening occurs at the primary exchange. We believe that this will allow for full price discovery and greatly reduce confusion around the details of the open. We also believe that further clarity needs to be provided on the

impact of the Proposed Plan on the markets at and around the end of regular trading hours each day. There is significant trading in most NMS stocks at and around the close. Notwithstanding the doubling of the price bands prior to the close each day under the Proposed Plan, we are concerned that the Proposed Plan will impede what we believe is currently a fair and orderly process for determining a closing price for a security. It would seem to us that at or around the close of trading continuous trading should be permitted 10 minutes prior to the close of trading in NMS stocks, and that the price band and trading pause restrictions of the Proposed Plan would be unnecessary during this period.²

II. Operational Considerations Relating to the Proposed Plan

Scottrade is concerned that the Proposed Plan is not detailed enough for it to be approved. Even after more details are revealed, the Proposed Plan should not be rolled out for wholesale implementation until a thorough analysis of data obtained from a pilot program is conducted. Scottrade would also be an advocate of a second comment period before Phase 2 of the Proposed Plan commences in order for firms to provide updated first hand evidence and feedback as to the effectiveness of various settings and workings of the plan. The following are more examples of some of the areas in need of additional clarity:

Interaction with Existing Marketplace Rules. The Proposed Plan lacks detail on how it would interact with existing marketplace rules that could also halt, pause or restrict trading. The marketplace rules that could halt, pause or otherwise restrict trading based on market movements are: 1) NYSE Liquidity Replenishment Points; 2) NASDAQ's Volatility Guards; 3) Alternative uptick rule under Regulation SHO; 4) Stock-by-stock circuit breakers; and 5) Market-wide circuit breakers. Knowing how the Proposed Plan and the above marketplace rules interrelate and interact is vitally important to the NMS market structure.

Order Handling and Execution Quality Statistics. Under the Proposed Plan, when the National Best Bid is below the Lower Limit Band or a National Best Offer is above the Upper Limit Band, such bids and offers are not eligible for execution. Such circumstances raise the issue of broker-dealers responsibility for "held" orders. Other rules similarly based on the existence of a NBBO – such as the order protection rule under Regulation NMS and the market center execution quality statistics of Rule 605 – also will need to be considered and addressed by regulators given that certain bids and offers will be non-executable under the pricing band

² We note that, during Phase I of the Proposed Plan implementation, no price bands will be calculated and disseminated less than 30 minutes before the end of regular trading hours and trading shall not enter a Limit State less than 25 minutes before the end of regular trading hours. We believe that this approach should be taken with respect to the Proposed Plan generally. At a minimum, the Commission should consider whether price bands and trading pauses are necessary at the close of trading based on its experience at the conclusion of Phase I of the implementation of the Proposed Plan.

provisions of the Proposed Plan. Similarly, the Proposed Plan will preclude the calculation and dissemination of an NBBO when a Limit State is in effect for an NMS stock, which will also impact the operation of the OPR and execution quality statistics.

Quote Feeds and Market Data. Scottrade believes it is important for the Proposed Plan to address the impacts of the changes to the consolidated quote feed. The new components of the consolidated quote feed will be critical to achieving the primary goals of the Proposed Plan. In our view, the Proposed Plan should describe: a) the projected capacity requirements for the new data elements of the feed; b) increases in distribution bandwidth; c) expected upgrades in internal processing capabilities; d) the impact on the delivery speed of the consolidated quote feed; and e) procedures for how trading should proceed in the event that technical problems prevent the dissemination or accuracy of the new data elements.

III. Cost/Benefit Considerations.

Although the two main purposes of the Proposed Plan would most likely benefit our customers and enhance their confidence in the equity markets, implementing the Proposed Plan appears to be extremely costly. In order for a full debate on the Proposed Plan to occur, Scottrade believes that a cost/benefit analysis of the Proposed Plan should be conducted to address:

- The anticipated costs of implementing the Proposed Plan;
- Who will pay for the new system and will processors be allowed to charge more than their costs for the new data components of the consolidated feed; and
- What incremental benefit will be incurred over the existing halt rules from implementing the Proposed Plan?

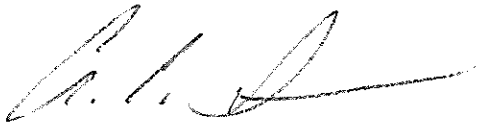
In conclusion, Scottrade appreciates the opportunity to offer our comments. As we stated above, we support a market structure that would prevent trades in NMS stocks from occurring outside of specified trading price bands and pause trading in individual NMS stocks to limit destabilizing price moves and attract additional liquidity to the market. We think that these two main purposes would most likely be beneficial to our customers and enhance their confidence in the equity markets. However, we believe that more work needs to be done before we can support the Proposed Plan. Scottrade believes that the Commission should evaluate the effectiveness of the Proposed Plan and ensure that it is meaningful, impactful, and addresses the ultimate rationale behind enacting the rule. We would welcome the opportunity to discuss our comments further.

Ms. Elizabeth M. Murphy

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Very truly yours,

A handwritten signature in black ink, appearing to read 'A. C. Small', with a long horizontal flourish extending to the right.

Andrew C. Small

Executive Director and General Counsel

Scottrade, Inc.

cc: Hon. Mary L. Shapiro

Hon. Kathleen L. Casey

Hon. Elise B. Walter

Hon. Luis Aguilar

Hon. Troy A. Paredes