

MEMORANDUM

TO: File No. 4-631, Notice of Filing of a National Market System Plan to Address Extraordinary Market Volatility

FROM: Nicholas Shwayri
Division of Trading and Markets

DATE: December 1, 2011

RE: Staff Meeting with the Security Traders Association (“STA”)

On December 1, 2011, James Toes, President & CEO of the STA met with staff from the Division of Trading and Markets (David S. Shillman, Associate Director; Richard Holley III, Assistant Director; Andrew Madar, Senior Special Counsel; and Nicholas Shwayri, Attorney-Advisor) to discuss the filing by self-regulatory organizations of a National Market System Plan to Address Extraordinary Market Volatility. The STA submitted the enclosed document.

Enclosure



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WHO IS STA?

We are comprised of 23 local affiliates covering the US and Canada. The STA National Board of Governors is comprised of past presidents and industry specific leaders.

Our membership represents INDIVIDUALS from every business model – buy-side, sell-side, hedge funds, exchange traders and market makers- dealing in equity and derivative trading.

The STA DOES NOT: represent any single business model or industry group, we are NOT lobbyists and we have no agenda or special interest except to advocate policies that improve the marketplace and foster investor trust, marketplace integrity, and capital formation.

STA brings knowledge on the whole “life cycle” of an equity or derivative transaction. Issues are vetted through our national committees on: Compliance; Trading Issues and Institutional Trading.

STA Talking Points

- Discuss the letter to the SEC from Participants of the Plan dated November 2, 2011 titled: “Response to Comments on Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934 (the “Plan), “Letter”
- Update on “Large Trader Reporting”

General Comments on “Letter”:

1. Participants of the Plan state it is “unnecessary” to have “non-voting” advisors on the Plan’s Operating Committee. In their letter, the Participants accurately point out that any changes to the Plan by its Operating Committee require SEC approval; and therefore, market participants will have the ability to comment. STA still stands by its opinion that a User Advisory Committee would be an effective vehicle for users, investors and agents of investors in the ongoing review and evaluation of the Plan’s effectiveness.
2. Price Bands around Open and Close. In its letter, the Participants “believe that the proposed doubling of the Percentage Parameters is appropriate” around the open and/or close of the trading day. In our comment letter, STA expressed support for the overall process of the Plan. We have stated that certain details of the plan, such as the percentage parameters for the price bands, cannot properly be evaluated until the pilot has begun and experience with actual activity can be monitored today. STA stands by that statement. We would also highlight that a high percentage of retail order flow is executed at the market open. Thus, we urge the SEC and Plan Participants to closely monitor the impact of Limit Up-Limit Down on retail order flow during market open.

General Comments on Large Trader Reporter

1. The partnership between STA and FIF continues to work well, as highlighted by the FTEN webinar that attracted 330+ attendees.
2. STA continues to look for ways to improve its distribution capabilities around this topic.
3. With the December 1 compliance deadline here, any additional feedback on the number of LTIF filings would help STA and FIF in raising awareness.
4. FIF will be communicating a list of FAQs and suggestions. STA has seen this document and feels that it accurately represents many of the firms’ issues at hand.
5. Issues would jeopardize the April 30th compliance date that do NOT involve the EBS layout or an FAQ on a specific question, are the general issues of: execution time reporting obligation and average price processing accounts. We are aware the FIF has been discussing both issues with the Commission staff and are preparing additional documentation highlighting the issues and proposed solutions.