



BIDS Trading, L.P.  
111 Broadway, Suite 1603  
New York, NY 10006  
212.618.2075  
tim.mahoney@bidstrading.com

Timothy J. Mahoney  
Chief Executive Officer

July 8, 2013

**VIA EMAIL**

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

Re: File No. S7-01-13: Securities and Exchange Commission; Regulation Systems Compliance and Integrity

Dear Ms. Murphy:

BIDS Trading, L.P. ("BIDS") appreciates the thoughtful and comprehensive efforts of the staff and the Commissioners of the Securities and Exchange Commission ("SEC" or the "Commission") in the creation of the proposed rule Regulation Systems, Compliance and Integrity ("Regulation SCI" or "SCI"), and submits this letter in response to the Commission's request for comments.

BIDS Trading, L.P. is a registered broker/dealer and the owner and operator of the BIDS ATS. The BIDS ATS is an open, flexible utility designed to attract liquidity through an innovative market structure. The BIDS ATS brings buy-side traders, sell-side traders and algorithms together into one single pool of non-displayed liquidity, allowing participants to interact anonymously with each other to trade blocks of equity securities.

Technology and the markets have been symbiotic partners for decades. Each innovation in hardware, software and telecommunications has increased the velocity at which the markets operate. Technology has allowed electronic trading and markets to replace person-to-person trades and hand written tickets. Technology and innovation have and will continue to push the markets inexorably forward. The SEC has recognized the potential of technology to increase competition and reduce barriers to entry to the marketplace by amending the Order Handling Rules to permit price

competition on NASDAQ in 1996 and later through its approval of Regulation Exchanges and Alternative Trading Systems (“Reg ATS” or “Regulation ATS”) in 1998. The evolution of modern market structure reflected in Regulation National Market Structure (“Reg NMS”) (approved in 2005 and implemented in 2007) could not have been accomplished without technological advancements.

The U.S. equity markets are a complex sociotechnical system where people and machines work together in various capacities for different purposes creating a resilient, interconnected and transparent market place. The commercial viability of a market participant is aligned with its technological stability. Occasionally, a part of the sociotechnical system fails, but the local consequences of such a failure in the system, which have sometimes been severe, are contained. And, in all cases the rest of the interconnected market place continued to operate without interruption. Technology failures are a fact of modern life, and there is a certain irreducible amount of risk that comes with our society’s intense dependence upon technology. No rulemaking, no matter how extensive or how costly, will prevent failure. However, apart from any regulatory standards, no organization has a greater stake in assuring the effective operation of their systems than the owners and operators of the entities that participate in the market structure. By that we mean that no regulatory body has a greater interest in the continued operation of the BIDS ATS than BIDS itself. Apart from any regulatory standard that the SEC might impose, market participants are highly motivated to assure that their systems work properly.

BIDS agrees with former SEC Chairman, Mary Schapiro, that the industry should “endeavor to reduce the likelihood of technology errors and limit their impact when they occur.” However, we also believe that proposed Regulation SCI is too universal in its application, too ambitious in its scope and too costly in its implementation to achieve the hoped for reduction in risk to the markets without simultaneously diminishing other important SEC accomplishments, such as increased competition, improved innovation, increased consumer choice, lower barriers to entry into the

industry and reduced transaction costs to the consumer.<sup>1</sup> We also believe that the costs associated with the implementation of SCI will divert funds otherwise available for investment in expansion and innovation and that diversion of resources will have a negative effect on job creation in the financial services industry.

BIDS believes that Regulation SCI should not include ATSS in its scope because: 1) Regulation ATS and Rule 15(c)(3-5) already provide the foundation for rules sufficient to protect the marketplace, particularly when combined with Financial Industry Regulatory Association (“FINRA”) rules; 2) all of the active ATSS taken together are a very small part of equities trading market share; and, 3) ATSS and exchanges are fundamentally different and should be regulated in a manner that considers those differences.

Section 1-D of the SCI proposal (“recent events”) cites many recent examples of market-influencing events. However, it does not include a single example of a market disruption caused by an ATS. When systems issues do occur in ATSS, they are isolated and contained, and do not affect the overall market. If the Commission believes there should be a new, stricter standard for ATSS, we feel very strongly that, at the very least, the rulemaking should come as a modification to Regulation ATS, and not in a broad, sweeping regulation like SCI. ATSS, Exchanges and market data providers play very different roles in the market and any rulemaking should acknowledge the differences, and treat each type of function accordingly.

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<sup>1</sup> As you know, the five national market system goals of the 1975 Amendments to the Exchange Act, set forth in Section 11A, were:

- (a) the economically efficient execution of securities transactions;
- (b) fair competition among brokers and dealers, among exchange markets, and between exchange markets and markets other than exchange markets;
- (c) the availability to brokers, dealers, and investors of information with respect to quotations and transactions in securities;
- (d) the practicability of brokers executing investors’ orders in the best market; and
- (e) an opportunity, consistent with efficiency and best execution, for investors’ orders to be executed without the participation of a dealer.

**1. SCI ALTERNATIVE TRADING SYSTEM DEFINITION**

The proposed definition of an ATS in SCI is very prominent in our concerns. The proposed Regulation SCI defines SCI alternative trading systems (“ATS”) as *any trading system that for four of the preceding six months had (1) with respect to NMS stocks - (i) five percent or more in any single NMS stock, and 0.25 percent or more in all NMS stocks, of the average daily dollar volume reported by an effective transaction reporting plan, or (ii) one percent or more, in all NMS stocks, of the average daily dollar volume reported by an effective transaction reporting plan; (2) with respect to equity securities that are not NMS stocks and for which transactions are reported to a self-regulatory organization, five percent or more of the average daily dollar volume as calculated by the self-regulatory organization to which such transactions are reported; or (3) with respect to municipal securities or corporate debt securities, five percent or more of either - (i) the average daily dollar volume traded in the United States, or (ii) the average daily transaction volume traded in the United States.*

We feel strongly that the SCI standards, as proposed, should not apply to exchanges and ATSs in the same manner. Exchanges and ATSs are different types of entities, and the same standards should not apply to both types of entities. Today, market participants have recognized benefits in these differences as they provide choices and solutions for different types of trading problems and trading objectives for both institutional and individual investors. BIDS has had a unique perspective on the differences between ATS and exchange structures. We own and operate the BIDS ATS and participated in a joint venture with the NYSE called the New York Block Exchange (“NYBX”) which was a facility of the NYSE. The economic differences between exchanges and ATSs are significant: exchanges can derive revenue from listings and from the sale of market data. They have self-clearing capabilities and a protected quote. Traditionally, exchanges have been held to a more stringent regulatory process given their potential impact on the marketplace; but balancing the regulatory requirements is the ability to derive economic benefits. While ATSs have more flexibility in the development and operation of their market model, they do not have the same ability to participate in the economic benefits available to an exchange. While some may argue with the current structure, there is a balance. As long as the different economic and qualitative distinctions

exist in the current regulatory structure, it seems inconsistent to apply the same set of standards related to technology compliance in the same way to each type of entity.

We agree with Commissioner Gallagher that it is time for a broad-based analysis of market structure which includes evaluating the roles, responsibilities, similarities and differences between exchanges and ATSS. A holistic review of relevant factors would result in a far more effective regulatory proposal which aligns requirements, costs and policy more closely with size, revenue and consequence.

We recognize, however, that the process of addressing these significant issues will take time and that the need to insure the integrity of our market requires action. In thinking about what can be done to engineer safer markets, BIDS has responded to the key themes running through SCI and respectfully submits the suggestions that follow. BIDS has also included Appendix A which contains specific suggested changes to definitions.

BIDS suggests that, rather than distinguishing venues by their reported trade volume and market share at a particular point in time, the Commission should make a qualitative assessment of market participants and categorize them by market impact potential. Regulatory compliance responsibilities should be assigned according to the potential that a venue has to disrupt the sociotechnical market system along the following lines:

1. Venues with protected quotes and primary listing markets
2. Venues with a displayed (but not protected) quote or venues that route to other venues
3. Non-displayed venues that do not route to any other venues

Each of these categories should have different requirements. A venue with a protected quote should have the highest standards because it would have the greatest impact on the overall market. In contrast, a small venue that does not display quotes and does not route orders would present the least risk to the market as a whole because it is self-contained.

While we have a general concern about volume as a single evaluating factor, we have a greater concern about the single stock threshold of 5% in four of the previous six months. Trading a block in a small cap, illiquid stock is one of the key value propositions BIDS provides customers. Under the current SCI ATS definition, BIDS could easily qualify as an SCI entity simply by trading a single block of an illiquid security. The cost of implementing the SCI requirements would far outweigh the revenues earned by BIDS from trading those securities. The economic reality is that BIDS and others would be unable to offer trading in those securities: an unfortunate result for the marketplace. If the Commission adopts this standard, we suggest applying the rule to only the 500 most active securities. This would minimize the negative impact to stocks that are already difficult to trade.

We also think that if the commission were to adopt a volume-based threshold, the calculation should be based on a rolling 12 month period and a shares traded, not a dollar value, calculation. We recognize that most of the world uses value traded but available data for the U.S. equity markets, both historical and daily, is share-based.

We believe that the proposed SCI entity definition should be replaced with categories that reflect the more qualitative test as we have described. BIDS Trading does not believe that a single, sweeping regulation should apply equally to all SCI Entities regardless of their role or potential impact on the marketplace.

## **2. TECHNOLOGY DEVELOPMENT AND TESTING**

Table A references systems development, IT operations and risk management standards that have been designed for government agencies or large financial institutions, which create costly and unworkable frameworks for small organizations such as ATSS. These standards also do not reflect the state of the art in software development and operations management. Practical and effective alternatives include disciplined Lean and Agile development and delivery methods and DevOps practices for system operations that do not rely only on a policy framework, but instead integrate risk management and governance controls directly into how software systems are created, deployed and operated. These methods minimize project risks, operational risks and technical risks by breaking work down into small, incremental steps, and take advantage of proven techniques such as iterative

and collaborate design, test driven development and exhaustive automated testing, pair programming and continuous code reviews, continuous integration and continuous delivery, regular retrospection and root cause analysis and continuous improvement, automated and audited deployment, and extensive operational monitoring and automated operational controls in addition to documented manual controls and policies. Allowance should be made for organizations following these methods and techniques or other effective alternatives, provided that the organization can demonstrate how it adequately addresses capacity, integrity, resiliency, availability and security. We believe that the Commission should allow organizations to select development and operations methodologies on the basis of their appropriateness, effectiveness and cost, and once again allow the category that the market participant is in, as well as the participant's resources, determine which methodology is appropriate.

As examples, there are several up-to-date alternatives for defining software security practices to NIST Special Publication 800-645 Revision 2. These include the freely available "BITS Financial Services Roundtable Software Assurance Framework (January 2012)" and the "Build Security In Maturity Model" (BSIMM), a practice framework that is free and available publicly at <http://www.bsimm.com>, and which reflects leading software security practices actively followed and found to be effective by numerous organizations. Another alternative is Microsoft's SDL and simplified variants of this SDL – also freely available and well known to the industry. Other freely available resources for defining secure software development practices are available from organizations such as OWASP, WASC and SAFECode. Organizations should be able to choose which of these guidelines and best practices (or subsets of them) is most effective for their business.

### **3. BUSINESS CONTINUITY**

By approving Regulation ATS and causing the market place to implement Reg NMS, the Commission achieved more than obtaining the best prices for investors. The Commission created a resilient, naturally redundant and already geographically diverse system. At present, there are 13<sup>2</sup> registered exchanges and 24 meaningful ATSS trading U.S. equities. No single venue dominates the

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<sup>2</sup> Research according to Rosenblatt Securities as of March 2013.

market. In fact, all of the trading volume in those 24 ATSs combined represents only 14.67% of the Consolidated Tape.

If any ATS was out for a day, the ATS' business would suffer a loss, but the equities marketplace would not suffer. Orders would flow to different venues. The point is that in the context of business continuity for an ATS, the risk of a failure is a risk to the business not to the market. The fact that one or several ATSs are shut down for a period of time does not cause the market to shut down. The sociotechnical system can adapt to the change and orders are routed to other venues accordingly.

Consequently, we believe that the regulations that apply to business continuity should be based upon the results of the market analysis suggested in Section 1 of this letter. Each category of market participant should have its own standards for readiness. These standards for business continuity should be pre-defined and predictable so that businesses can plan for and fund the expense.

However, if the Commission were to approve the rule as proposed, we firmly believe that an ATS should not have a mandatory testing requirement. It is reasonable to require mandatory testing for market participants of an exchange with protected quotes since the markets participants must access that quote if it's the best available bid or offer in the market. In contrast, only a small number, if any, quotes provided by an ATS may be considered subject to fair access standards and protected under Regulation NMS. There is no regulatory obligation for a participant to route orders to a specific ATS for any reason. The commercial and regulatory relationship between an ATS and their subscribers is different than the relationship between an exchange and its members. Exchanges have more market power and a protected quote, and thus can compel market participants to test with them. ATSs do not have that same market power. Testing and back up connections are expensive. The expense of those connections could outweigh the value, or the utilization of the value that certain venues provide. Broker/dealers have multiple FINRA requirements that include best execution responsibilities. Those requirements should put the decision to test with a particular venue, along with the decision to route to a particular destination, in the hands of the broker/dealer who owns the responsibility for the result. We firmly believe that it should be the broker/dealer's decision whether they connect and test with venues that do not have a protected quote.

ATSS are also registered broker/dealers and already subject to FINRA Rule 4370. We are concerned that SCI and FINRA Rule 4370 may compete or conflict and consequently a protocol for compliance will be difficult and costly to implement. Size and the potential to harm the marketplace are factors that should determine the scope and extent of business continuity plans.

Regulation SCI makes reference to the Interagency Paper on Sound Practices to Strengthen the Resilience of the U.S. Financial System (“Interagency Paper”) which followed the September 11, 2001 attacks on the United States of America. As is practice, a White Paper was published prior to the rulemaking. The initial White Paper approached the problem of business continuity in the context of settlement and clearance with a broad “one-size-fits-all” standard which was ultimately adjusted along the lines of size of organization and criticality to the marketplace and consequence for failure, as we have suggested here. We believe that the application of Interagency Paper standards is not appropriate and not necessary in today’s U.S. equity markets. As we have stated, Reg NMS has provided the markets with a natural redundancy and geographic diversity, particularly with respect to ATSS.

We would also like to comment on the Commission’s position on Super Storm Sandy. We support the industry’s actions during the aftermath of the storm. As important as the capital markets may be, they are not more important than the personal safety of human beings. Sandy proved that there may be instances when the markets should be closed, and that business continuity planning is about the ability to recover quickly. The industry response to Sandy should be viewed as a remarkable success. Once the immediate danger of the storm was over, markets were able to function normally even though much of the main center of the industry, New York City and the entire New York metropolitan region, was without power. The fact that the markets recovered so quickly is evidence of the significant investments in business recovery already made since September 11, 2001.

#### **4. SCI REPORTING**

The reporting obligations contained within SCI are onerous and costly, and it is unclear that the marketplace is made safer by the required reporting. The Commission estimates that SCI Event reporting can cost an organization in excess of \$500,000 per year in administrative and legal costs

alone, in addition to the cost obligation of reporting Material Changes and other reporting requirements. We agree that sharing information is beneficial but studies have shown that sharing is most effective when the reporting results in feedback that yields actionable insights so that improvement is possible. At a minimum, regular summary level feedback from the Commission communicating the types, frequency, severity and impact of market incidents across all reporting entities and other related data on the root cause of problems would be helpful for all market participants. Market participants can learn from others about risks and areas to review and improve their own controls over time.

While the SEC has the potential to establish this kind of communication with the industry, market participants are already members of an organization called the Financial Services Information Sharing and Analysis Center (“FS-ISAC”) ([www.fsisac.com](http://www.fsisac.com)). FS-ISAC communicates timely notifications and authoritative information specifically designed to help protect critical systems and assets from physical and cybersecurity threats, and already provides a venue for voluntary disclosure and sharing of information on attacks and risks that members encounter. We note further that the SEC is already a member of FS-ISAC. Explicit support from the SEC for the enhancement of reporting under FS-ISAC to cover all events, not just those relating to security, would have the merit of promoting openness and would ensure that issues would be discussed and addressed by the broadest range of industry experts.

If the SEC does decide to move forward with SCI event reporting, we think that the proposed 24 hour written notification requirement for SCI events is too narrow a window of time to prepare a report. When an event occurs, all available resources are necessarily dedicated to understanding and recovering from the event, managing its impact on customers, and finding and resolving the root cause of the event. By the Commission’s own calculus, each SCI report will require 20 hours to prepare but must be submitted within 24 hours, making compliance with the proposed regulations extremely difficult. We believe that five business days is a more reasonable period of time to assess and clearly and correctly report an event, its remediation, root cause and the plan for corrective and preventative actions.

Alternatively, as a business matter, in the event of a service interruption, subscribers are informed of service status. It would significantly reduce incident reporting costs (which could be as high as \$500,000 per year simply to file paper) if the Commission would accept the same notifications of service interruptions that an ATS already provides to its subscribers.

## **5. CYBERSECURITY**

We agree that cybersecurity is a vital factor in operating a resilient and safe market system.

We are also mindful that the topic of cybersecurity is being hotly debated in the House and the Senate. We note that Senator Jay Rockefeller called upon the SEC to require companies to reveal more information about their ability to defend against attacks on computer systems. Furthermore, the President of the United States has signed an Executive Order pertaining to cybersecurity and the financial services industry is within the scope of that Order. We anticipate that regulations will soon emerge as a result.

We believe that some additional rulemaking in the cybersecurity area is appropriate. However, we think that the cybersecurity topic is so important that it should be the subject of a rulemaking by itself, informed by whatever regulations emerge from the broader analysis that is already under way.

## **6. AUDITS**

As a registered broker dealer, BIDS Trading, like all other ATSS, is already subject to extensive internal audit requirements, financial control audits, and regular examinations by the SEC and FINRA, in addition to continuous internal operational reviews, security reviews, risk management reviews, and software development retrospectives and continuous improvement initiatives required by management in order to ensure a high level of service to our market participants. SCI would impose additional policy auditing requirements and additional direct costs of \$250,000 as well as other additional indirect costs without any clear additional benefit to BIDS Trading or to our market participants or the marketplace at large.

## 7. SUMMARY

The original intent of Regulation ATS was to reduce barriers to entry in the industry, encourage innovation and reduce transaction costs. We believe that as proposed, SCI will diminish the Commission's accomplishments. The SEC has been successful in increasing competition, reducing transaction costs, fostering innovation and shrinking barriers to entry in the markets. It has given investors choices; different, specialized venues can handle specific trading needs effectively yielding better outcomes for the investor. SCI creates a cost structure that will reduce investment in innovation, increase transaction costs and ultimately reduce competition, which will negatively impact job growth in the financial services industry.

BIDS recognizes that the current regulatory differences between an exchange and an ATS have created a variety of conflicts in market structure. There are well known advantages and disadvantages in both structures. We believe that the Commission should undertake an extensive analysis of these issues and make a potentially significant change to the fundamental equity market structure in order to create a level playing field for competition between exchanges and ATSs. Our concern is that this is the second proposal, the first was the new Rule 15c3-5 adopted in November 2010, that imposes the same regulatory impact on such different types of entities. We believe that combining exchanges and ATSs in one regulation will create more instability and add complexity to what is already a complex but highly functioning market structure. SCI will increase the costs of regulation to an ATS without creating an opportunity for an ATS to participate in the economic benefits that exist for exchanges.

In the words of Commissioner Gallagher in his speech of March 21, 2013 entitled *Building a Financial System for the 21st Century*, "Smart regulation today requires, at a minimum, that we keep pace with the evolution of global markets, but that we do so without adding unnecessary costs - that we avoid imposing layers of complex, overlapping, and, to that extent, incoherent regulation. We must not look in isolation at the potential benefits of regulation, but also in each instance at whether they are sufficient to justify the costs that they entail. And we can, I submit, increasingly keep pace with developments in the industries and markets we regulate, while reducing the burdens we impose on those we regulate, by deferring to our peer regulators in appropriate situations."

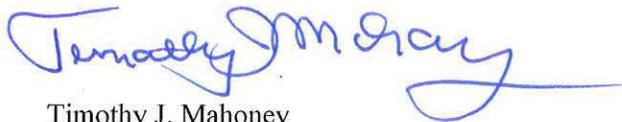
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BIDS Trading thanks the Commission and the staff for its careful stewardship of the markets and for its efforts in creating the draft proposed Regulation SCI. We encourage the Commission to undertake an analysis and classification of market participants as we have suggested here and to revise proposed Regulation SCI with a more focused and cost effective path toward engineering a safer marketplace.

Sincerely,



Timothy J. Mahoney

Chief Executive Officer

cc: Mary Jo White, Chairman  
Elisse B. Walter, Commissioner  
Luis A. Aguilar, Commissioner  
Troy A. Paredes, Commissioner  
Daniel J. Gallagher, Commissioner  
John Ramsay, Acting Director, Division of Trading and Markets  
James R. Burns, Deputy Director, Division of Trading and Markets  
David S. Shillman, Associate Director, Division of Trading and Markets  
Vivian A. Maese, Dechert LLP

## APPENDIX A

Below are BIDS Trading's comments on selected material definitions as provided in proposed Regulation SCI.

1. ***“Material systems change”** means a change to one or more: (1) SCI systems of an SCI entity that: (i) materially affects the existing capacity, integrity, resiliency, availability, or security of such systems; (ii) relies upon materially new or different technology; (iii) provides a new material service or material function; or (iv) otherwise materially affects the operations of the SCI entity; or (2) SCI security systems of an SCI entity that materially affects the existing security of such systems.*

BIDS Trading agrees that a **“material systems change”** presents a company with a higher technology risk profile. Regulation ATS already imposes the obligation to report material changes to the operation of the system 20 calendar days prior to implementation.

When thinking about what defines “material,” we strongly believe that small changes made over time are not the equivalent of a **“material systems change.”** Breaking up large tasks into smaller ones is by itself an extremely effective risk management tool. Small changes can be planned, designed, tested and delivered without the same risks of a potential negative consequence as large, “big bang” changes.

Proposed Reg SCI also suggests that “reconfigurations of systems that would cause a variance greater than five percent in throughput or storage” sets the bar too low. A five or a ten percent change in throughput or storage is a relatively minor improvement in the category of standard operating procedures. BIDS suggests that a 50 percent variance is more representative of a **“material systems change”**.

BIDS encourages the SEC to consider defining a **“material systems change”** as a large-scale architectural upgrade, or the implementation of

industry-wide rules or other market structure changes, or other technology changes that may be required because of changes in trading rules defined in the exchange's or the ATS' trading rule book.

2. *“SCI event” means an event at an SCI entity that constitutes: (1) a systems disruption; (2) a systems compliance issue; or (3) a systems intrusion.*

BIDS suggests that there should be exceptions to “SCI events.” For instance, losses of common industry infrastructure support such as power, water, telecommunications or a superstorm that have a broad impact should not need to be reported by each SCI Entity.

3. *“SCI system” means all computer, network, electronic, technical, automated, or similar systems of, or operated by or on behalf of, an SCI Entity, whether in production, development, or testing, that directly support trading, clearance and settlement, order routing, market data, regulation, or surveillance. SCI Systems cover all systems of an SCI Entity that directly support trading clearance and settlement, order routing, market data, regulation and surveillance.*

BIDS Trading believes that the proposed definition of SCI System is unnecessarily broad. An “SCI system” should only include production systems. We believe that setting standards for the process of development and testing is not appropriate. We believe that separating production environments from development and testing environments should be part of the standard system development requirements that SCI could require. Development and testing are iterative processes and the full weight of proposed Reg SCI and the associated reporting should not apply to systems that do not constitute a part of the marketplace. To impose the full weight of regulation on development and testing environments is costly with no appreciable benefit to the marketplace. In fact, the purpose of testing is to find ways to cause the system to fail and fail repeatedly until all test scenarios have been run through. In addition, an “SCI system” should be

defined as a production system that connects to and is a part of the electronic network that comprises the market. Simply reporting trade executions to the tape from a venue that does not route orders should not be enough to qualify as an “**SCI system**.” Also, BIDS believes that the definition of an “**SCI system**” should distinguish between systems that connect to the markets and systems used to run a business.

Many parts of the technical infrastructure that constitute the market are provided by third parties - telecommunications routers, data centers, backup data centers, developers of customized interfaces, etc. It is critically important that market participants have access to specialized capabilities and technology provided by these third parties, in order to reduce technical risks and operational risks, as well as operational costs. Availability, reliability, security and quality should all be important factors in the selection of third party products and services. However, applying the extraordinarily rigorous requirements of proposed Reg SCI to subordinate suppliers will not only drive up costs but it will reduce choices, increase operational risks and create barriers to entry into the marketplace.

BIDS believes that all SCI entities should be held accountable for managing disruptions, securing themselves against intrusion and other integrity problems even if they are caused by a third party or outsourced provider. The SCI entity should be responsible for managing their third party relationships through due diligence, well drafted contracts, good governance and continuous monitoring of vendor performance and testing.

4. *“**SCI security system**” means any systems that share network resources with SCI systems that, if breached, would be reasonably likely to pose a security threat to SCI systems.*

BIDS Trading agrees that “**SCI System**” and “**SCI Security System**” should be distinguished for the purpose of triggering the various provisions

of proposed Regulation SCI. We believe that the definition of “**SCI Security System**” should include only systems that directly share network resources with a “**SCI System**.”

5. “*Systems intrusion*” means any unauthorized entry into the SCI systems or SCI security systems of an SCI entity.

BIDS Trading believes that the SEC is correct to exclude intrusion attempts that do not actually breach systems or networks. Most market participants are members of the Financial Services Information Sharing and Analysis Center (FS-ISAC), which exists for the purpose of sharing information concerning information security risks.