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April 20, 2010

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

Re: Comments of Equinix, Inc., on the Commission's Concept Release on Equity Market Structure
File No. S7-02-10

Dear Ms. Murphy:

Please find below the comments of Equinix, Inc., on the Commission's Concept Release on Equity Market Structure and Request for Comments.

I. About Equinix, Inc.

Equinix is a leading global provider of colocation and interconnection services, operating in 18 markets across the United States, Europe and Asia. The company is a mission-critical Internet infrastructure provider with more than 2,500 customers, including leading networks, cloud providers, content companies, financial institutions and enterprises.

II. Executive Summary: Position of Equinix on SEC Concept Release

Regarding the Commission's Concept Release on Equity Market Structure and the Request for Comments, we offer the following key points, which are explained in greater detail in this submission. These comments focus on Section IV.B.2 of the concept release.

- *Independent data centers such as Equinix, which offer many benefits to customers that are both financial and non-financial institutions, should not be the subject of Commission regulatory action that negates such benefits.*
- *Subjecting exchanges and trade centers that obtain colocation services to affirmative obligations with respect to their trading behavior is a more appropriate and equitable response than seeking to directly regulate a third-party data center such as Equinix.*

- *The long-term investor community and many smaller brokerage firms that serve them need Equinix (and companies like Equinix) – which are not associated with exchanges – to provide competitive services and alternative electronic ecosystems.*

III. The Benefits Offered by Equinix Data Centers

Equinix provides colocation and interconnection services that result in significant benefits to its customers, which span a wide range of industries. While Equinix does serve customers in the financial services industry, the company also supplies these critical services to a broad array of industries, including leading Internet service and cloud providers, content companies, global enterprises, social networking sites, and Web commerce companies. Equinix offers its customers a place to reliably run their operations and securely exchange critical information. This colocation results in various benefits to customers, foremost of which are:

- increased operational reliability,
- exceptional physical and computer security,
- choice and competitive pricing, and
- enhanced network connection speed, all with reduced operational costs.

Equinix data centers are designed to ensure that customers' businesses operate in a continuous and seamless fashion. This permits customers to focus on their core business, leaving Equinix to safeguard the facility and maximize customers' uptime. For instance, the robust power and cooling systems utilized by Equinix help secure the continuity of a customer's business operations. Each customer licensing space in an Equinix data center is served usually by a first line of utility power and a second line of emergency generators that will often have greater capacity to operate independently than individual companies can afford to promise. Our data centers also possess the technology required to cool these high power systems. Data center customers, therefore, benefit from a less interruptible flow of power. In most cases, there are a multitude of network service providers located within our data centers, which reduce another possible point of operational failure. For example, businesses that rely on only one or two local network providers risk an inability to access information, in the event the local provider(s) fails. Directly connecting to numerous network providers in an Equinix data center helps prevent such failure. Additionally, the company's expert staff is available to respond to customers' needs 24 hours a day, seven days a week.

Equinix customers also benefit from the enhanced security of housing their operations in a well-fortified physical and computer security infrastructure. Entry into an Equinix data center includes multiple layers of security, including a series of biometric readings. An individual's identity is verified by a security officer and his/her movements are then tracked by a multilevel security system, which consists of high-grade video surveillance and additional biometrics. The computer security arrangements permit the most sophisticated industry practices to be available to those using the data center. This level of security is important to financial institutions and is provided today by Equinix. Regulation is not necessary to provide this critical infrastructure as it exists not only at Equinix but also many of the established independent data center providers in the market today.

Furthermore, Equinix data centers often provide a diverse set of network providers, presenting their customers with the important benefit of choice. Connecting through an Equinix data center may grant customers direct access to hundreds of carriers and network service providers, often including top global networks. Further, Equinix does not require its customers to purchase a specific type of connectivity, nor does it favor certain providers by offering high-priced bundled products or services. Direct service contracts between customers and network service providers located within an Equinix data center afford customers the opportunity to strategize and tailor these relationships to the distinct needs of their business. Competition for business among the numerous network service providers at independent data centers, including Equinix, can result in lower prices and additional savings to customers. Additionally, Equinix and other independent data centers, which have several competitive networks, help fulfill Congress's mandate for a national market system by providing competitive "links" between multiple market centers.

Connecting directly to numerous network service providers and business partners that are within the same building also increases transaction speed, while reducing its cost. The enhanced speed and reliability of these direct connections provides customers with an opportunity to increase their profitability. Aggregating a customer's business partners and network service providers in a single location also eliminates the costs that a customer would incur in purchasing connections to its partners and providers in multiple locations.

Market participants have access to the benefits of Equinix data centers.

It should be noted that Equinix data centers offering colocation are openly marketed and available, directly or indirectly, to all investors (including brokers and long-term investors). Participants in electronic trading can access multiple trading venues within a single Equinix data center without discrimination or limitation by size, perceived importance or volume of trading. Smaller trading firms have the same access to Equinix and other colocation facilities that their larger multi-national counterparts do. It is unclear whether exchange-controlled or sponsored data centers offer comparable access to all market participants.

Finally, Equinix and other stakeholders in the data center industry are highly competitive and their customers demanding. This combination ensures Equinix is highly motivated to provide high quality, highly secure, competitively-priced servicing to all market participants.

III. The Potential Pitfalls Of SEC Regulating Equinix and Third-Party Data Centers, or Permitting Exchanges Broad Latitude in This Policy Area

As a threshold issue, it must be noted that colocation is an infrastructure tool and *is not a trading practice.* Thus, it is not appropriate to consider Equinix data centers as "facilities" of an exchange or trading center, even if exchanges have good reason to consider them as a potential new profit center. Furthermore, Equinix data center services are used by a wide variety of customers outside the financial services industry, and traders are not the exclusive clientele. Thus, SEC policymakers and regulators should understand that any regulation of Equinix data centers as "facilities" of an exchange or trading center would necessarily interfere and potentially negatively affect many more customers that have nothing to do with the financial services industry than those which do.

In fact, SEC regulation of third-party data center colocation facilities could harm competition and increase risks to financial markets. Permitting our company's data centers to be treated as facilities of an exchange-owned or -controlled data center would result in non-exchange data centers being regulated by our competition. There is little question that if exchanges and trading centers expand into the data center colocation industry, it will increase the risk of additional tying and bundling of services with resulting price discrimination and increased restriction of fair access to competing products and services such as market data, news feeds, financial networks and technology service providers that are heavily utilized by investors and smaller brokerage firms.

SEC or exchange regulation of the activities of Equinix data centers may limit our ability – as well as the ability of other independent data centers – to compete for business with exchange-run data centers, thereby increasing costs to investor participants in the equity markets who cannot colocate their operations in an exchange sponsored data center. It should be noted that lesser capitalized exchanges and ECNs may not be able to build their own data center if they are forced to do so if current data center operators find it too burdensome to comply with SEC regulations. Without competition from Equinix and other independent data centers, exchange-run data centers would not lose customers by engaging in bundling and tying practices. Exchange sponsored customers and investors may also be forced to purchase additional services in order to gain the benefits inherent in data center colocation and interconnectivity. In fact, one exchange-run data center already requires its customers to purchase connectivity from its own network in order to use its colocation services. The impact of this, of course, is a reduction in choice while also potentially driving up costs for market participants. If some exchange sponsored data center's connectivity is being sold to customers at increased prices, which are higher than the prices that market participants would find in an Equinix data center, the SEC should evaluate such facts.

Equinix colocation facilities, therefore, will continue to serve as a critical market check on the potential market power of securities exchanges' colocation services, fostering continued competition and innovation, which should result in lower costs and greater value to all market participants. Eliminating this role would remove any existing motivation of exchange-run data centers' market practices and innovation, including, for example, the right of their customers to pick and choose the colocation and interconnection services that best suit their operational needs, without pre-selection and reduction of choice from the data center provider. These important benefits to data center customers, and ultimately investors, could be eliminated if the Commission decides to restrict the activities of Equinix data centers. Accordingly, the Commission should be doubly cautious in taking actions that might limit the ability of Equinix data centers to provide this competitive check and guard against such potential concerns.

In addition, extending greater authority to exchange-sponsored hosting providers could increase systemic risk to the markets by exposing exchanges to the business risks of operating a data center, including security failures and an inability to maintain the highest operational reliability standards. Independent data centers successfully offer this expertise today to many smaller exchanges and Alternative Trading Systems that either cannot afford the capital expenditures required to build a center, do not want to suffer the delay associated with building their own data center, or do not want to take on the operational risk inherent in running a center. Again, these services are offered today by Equinix data centers on a non-discriminatory basis to all financial services providers.

Regulation of latency reporting requirements would be overly burdensome and impracticable for independent data center providers such as Equinix.

Latency disclosure would be impractical, of little utility and potentially misleading. There are no generally accepted standards for calculating and disclosing latency. As a result, the risk of confusing or misleading investors outweighs any marginal benefit. It would be particularly inappropriate to require colocation providers such as Equinix to provide this data, as they do not monitor the content of the traffic within a customer's installation. A financial services institution may have a disaster recovery installation, a front office trading desk installation or a combination of the two. As a result, asking Equinix and colocation providers to disclose latency is overly burdensome and may not always be applicable. In fact, it may be impossible for an Equinix data center to comply with multiple sets of potentially conflicting regulations from multiple regulators. In addition, there may be multiple asset classes trading within one facility (e.g., options and equities) which are regulated by different agencies.

In conclusion, if the Commission determines that regulatory action is necessary, it should target the underlying trading behavior, not an infrastructure tool that is utilized by financial institutions and non-financial institutions alike.

John Knuff
General Manager, Financial Services
Equinix, Inc.