WOLVERINE
TRADING, LLC

175 W. Jackson Blvd.
Suite 200
Chicago, IL 60604

312.884.4000
312.884.3050 fax

Sent via rule-comments@sec.gov

April 21, 2010

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

Re: Release No. 34-61358; File No. S7-02-10:
Concept Release on Equity Market Structure

Dear Ms. Murphy:

Wolverine Trading, LLC ("Wolverine" or the "Firm") appreciates the opportunity to comment on the concept release, as referenced above, provided by Securities and Exchange Commission ("SEC" or "Commission") generally addressing the current equity market structure ("Concept Release"), and for which the Commission seeks comments from market participants, both public and professional.

In short, Wolverine supports any and all actions by the Commission and other market participants that provide enhanced transparency, remove impediments to the marketplace, and that lead to greater and more stable price discovery. Overall, Wolverine commends the SEC for taking this time to step back and review or reassess the overarching methods of the market to ensure the principals of the Securities Exchange Act of 1934 ("Exchange Act") are continually met. While all of the topics discussed in the Commission's Concept Release are not directly applicable to the business of Wolverine, we do wish to discuss those topics that are directly related, namely, the speed of the current markets, actual or implied volatility, fairness and open access to information, and the varying strategies noted.

Executive Summary

As it stands, and as supported by materials presented by other commenters[1] on the Concept Release, the direction of the financial markets has been overwhelmingly positive, the cause of

[1] *See* "Equity Trading in the 21st Century" by James J. Angel, Associate Professor, McDonough School of Business, Georgetown University; Lawrence E. Harris, Fred V. Keenan Chair in Finance, Professor of Finance and Business Economics, Marshall School of Business, University of Southern California; and Chester S. Spatt, Pamela R. and

which may be attributed to one defining aspect – enhanced technology. Most importantly, Wolverine believes the current technology framework proved to be highly efficient, for both the exchanges and market participants, during the extreme market volatility experienced during the fall of 2008. Our general view is the market structure that has evolved is effective and beneficial, especially with a view towards the public investor. The securities marketplace has witnessed a growth of technology in concert with regulatory reforms that have proven to equalize access to all investors, both professional and retail, reduce latency, narrow spreads and lower costs. Many of the concerns raised by the Commission and other commenters do not appear to stem from the market structure, but from the potential for manipulative activities, which already are addressed and prohibited by many existing laws, rules and regulations. While adjustments may be warranted for a few aspects of our industry, Wolverine believes the regulatory tools and authority exist to ensure continued market integrity without the need to limit the progress technology has witnessed. We caution that some of the aspects of the market we will discuss, or that have been addressed by other commenters (e.g., quote spreads), may have effects similar to those found in a Laffer Curve[2] – a trend of favorable results may not always continue as you move towards a desired goal. Therefore, we believe emphasis for the immediate future should be placed on greater transparency and the efficiency of information made available to all investors.

Balancing Transparency and Anonymity

Wolverine can appreciate the need to be cautious when liquidating a large position. Discretion for large orders can be critical to maintain market stability, and balancing the need to maintain this price continuity while favoring transparency can be difficult. As evident by statistics provided by Professors Angle, Harris and Dunn,[3] as of December 2009, approximately thirty percent (30%) of all volume for stocks listed on the New York Stock Exchange ("NYSE") were effected by "Other" market centers (e.g., internalization by dealers or executions by "dark pools"). This percentage of market share is the single largest among the six venues listed, including the NYSE itself. We believe this is a glaring indication that transparency is not prevalent, incentives for displaying information have diminished, and that the current allowances for such "dark" liquidity do not fully foster competition as contemplated by Regulation NMS.

Kenneth B. Dunn Professor of Finance, Director – Center for Financial Markets, Tepper School of Business, Carnegie Mellon University (February 23, 2010). Wolverine does not support all arguments or conclusions drawn from this article.

[2] Generally, a Laffer Curve is an inverted curve used to illustrate the correlation of revenue raised by a government in relation to the taxation rate of its citizens.

[3] *See supra* Note 1, at 24.

Separately, the Firm does not believe the full intent of Regulation NMS is being adhered to when participants may step in front of other willing liquidity providers when it is convenient or opportunistic to do so. Resting orders may be those of retail customers, and the ability for sophisticated dealers or other professionals to effect a transaction at a minimally improved (i.e., sub-penny) price, or worse yet, at a price equal to the best prevailing bid or offer does little, if anything, to improve market integrity or quality.

Based on the above, the Firm believes two elements of the securities market warrant further review by the Commission for consideration of amendments through rule making or formal guidance in order to promote consistent and efficient practices. Generally, these elements related to (a) Undisplayed Interest or Internalization and (b) Display Thresholds of an Alternative Trading System ("ATS"). With regards to the former, the Firm believes the current practices of failing to display material interest and internalizing orders does not incentivize market participants that display liquidity, who directly or indirectly encourage orders to enter the marketplace. Put simply, if a broker or dealer is willing to effect a transaction at a price at or better than the National Best Bid or Offer, such broker or dealer should be obligated to notify all participants of their intent or willingness. Absent this transparency, we continue to have a fragmented, selective marketplace. For the latter, an ATS will unlikely, if ever meet the display requirements of Rule 301(b)(3)(i)(B)[4] for highly liquid securities due to the unintended consequences of Regulation NMS and Regulation ATS, each of which fostered tremendous growth and competition by and between trading centers, but that also further diluted trading volumes rendering it highly unlikely that the current thresholds will be met by a single ATS.

Market Automation and Price Stability

The recent age of technology has born a new type of trader, those labeled as "high frequency traders." For years, market participants and retail investors yearned for tighter spreads and reasonable price discovery, aspects that were in stark contrast to the virtual monopolies evident at one or more of the legacy trading centers. The expanse of technology and a new regulatory framework allowed other dealers to become more involved, greatly adding to competition and offering what the markets needed to achieve their primary goals – price discovery and liquidity.

[4] Rule 301(b)(3)(i)(B) of Regulation ATS states, in relevant part, that an alternative trading system ("ATS") "shall provide to a national securities exchange or national securities association the prices and sizes of the orders at the highest buy price and the lowest sell price for such NMS stock, displayed to more than one person in the alternative trading system, for inclusion in the quotation data made available by the national securities exchange or national securities association to vendors pursuant to §242.602." This obligation is only met by an ATS when such ATS, "[d]uring at least 4 of the preceding 6 calendar months, had an average daily trading volume of 5 percent or more of the aggregate average daily share volume for [an] NMS stock as reported by an effective transaction reporting plan."

Some would argue that pricing by certain exchanges or electronic communication networks ("ECNs") promote inefficient liquidity by offering liquidity rebates or by facilitating a "make-take" market structure. Wolverine believes that varying pricing strategies encourage competition among exchange as well as liquidity providers, which benefits all investors. These new market structures, primarily if not entirely electronic, were the catalyst that invited new participants that offered liquidity, that spread out the market share of securities and that encouraged new trading centers to come into existence.[5] Now, high frequency traders and their strategies are under scrutiny for the very benefits to which they have directly contributed – the ability to recognize immediate price discrepancies and equalize pricing of securities to help promote a more true valuation for all participants. Similar to other strategies that have existed for decades, namely short selling, that are cast in a negative light when bear markets return, high frequency traders have contributed to necessary price discovery where benefits, by all accounts and studies, appear to far outweigh the implied negative aspects of these strategies. Of course, further enhancements to the rules of the exchanges where these traders participate may be warranted to ensure this price discovery is consistent, but we believe it is these very trading strategies that have contributed to the Commission's and the public's requests for better markets. The overarching question is: Are the markets better off? The answer is undoubtedly, yes. Rapid liquidity providers have given the markets price accuracy, while features such as co-location, enjoyed by brokers and dealers alike, have allowed prompt responses to investors and the exchanges.

Disclosure of Market and Execution Quality

Many commenters have noted the need to improve information that is regularly disseminated and required to be made publicly available. This information is commonly produced through reports mandated by SEC Rules 605 (executions) and 606 (routing of orders). Wolverine agrees that the general premise of these reports is essential. The Firm also believes the information currently required by these reports is not as meaningful in the context of today's markets. Generally, we agree that additional elements could be added that would contribute more value, and that such reports could be consolidated and made public by the Commission for additional comparison purposes. We leave it up to the staff to determine if and how this may be done, but we strongly urge the Commission to reconsider the requirements of these rules, and how investors may be better served through the improvement of information. This information may be one of the key barometers the Commission seeks for determining quality and equality in the marketplace.

---

[5] Recently, the Firm was presented with materials relating to the Canadian markets in which statistical information illustrated the recent and rapid narrowing of spreads following the Canadian markets' aggressive push to attract liquidity through the offering of liquidity-providing rebates.

Conclusion

Similar to other industries where both professionals and consumers exist (e.g., the automobile industry), professionals continually invest in new technology to increase their performance and to gain an edge in competition. The effects and benefits are reaped by the consumer when that technology proves to be efficient, becomes more widely available and is cost-effective. To the benefit of our financial marketplace, we may see immediate benefits through added liquidity, tighter spreads and lower costs when this technology is implemented and proves to be effective. While various groups within our industry may argue that significant changes may still be needed, by taking a step back, we believe a balance has been struck that will serve the interests of short-term and long-term investors for the foreseeable future.

Wolverine truly believes the markets and its participants are far better off from where they were just a short time ago. Retail investors have the benefit of dramatically lower trading costs and unprecedented access to information. Professional investors have been granted fair access and equal treatment, leveling the playing field. The term "milliseconds" is now common in our vernacular and used in terms of a reference point, not a goal. While improved technology has recently spread rapidly through our industry, Wolverine believes the benefits of recent technology advancements has done more than any other one thing to improve upon the seventy-six-year-old intentions of the Exchange Act - *To remove impediments to and perfect the mechanisms of a national market system ... and to insure the maintenance of fair and honest markets*. Therefore, we caution the Commission from taking any further, dramatic actions that would contravene this progress.

We thank the Commission for the consideration of our comments, and welcome the opportunity to discuss this matter further.

Best regards,

Greg O'Connor
Compliance Manager