CENTER FOR CAPITAL MARKETS COMPETITIVENESS

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April 21, 2010

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

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

Dear Ms. Murphy:

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions. The Chamber's Center for Capital Markets Competitiveness ("CCMC") works to ensure that our nation's capital markets are the most fair, efficient, and innovative in the world. The CCMC supports the U.S. Securities and Exchange Commission ("SEC" or "Commission") in undertaking this review of the current U.S. equity market structure and appreciates the opportunity to comment on this concept release.

The CCMC recently published a study that describes how today's modern, highly-liquid markets are a core competitive advantage for our nation that benefits U.S. businesses, all investors, and the overall American economy.[1] The study finds that evolution and innovation have made our markets fairer today than ever before for all investors. Today's highly-liquid markets make it possible for average investors to get the best price and pay dramatically lower transactions costs when they buy and sell stocks. With more investment, our markets fuel the capital needs of businesses of every size driving the engine of our 21st century economy and strengthening our global competitiveness.

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[1] Charles M. Jones and Eric R. Sirri, *Examining the Main Street Benefits of our Modern Financial Markets*, http://www.uschamber.com/publications/reports/1003financial.htm, March 2010.

As discussed below, the CCMC supports innovative aspects of our current equity market structure that facilitate these benefits. First, high frequency trading ("HFT") provides liquidity to the capital markets, facilitates capital formation for U.S. businesses, and reduces trading costs for retail investors. Second, although we strongly support the transparency provided by exchange traded platforms, undisplayed liquidity is an important tool that reduces execution costs for investors moving large blocks of shares. This results in better prices for retail investors.

We believe it is proper to examine these aspects of our constantly evolving market structure. However, it is imperative that any regulatory changes preserve and promote these innovative and modern tools and mechanisms. This is essential to strengthening the benefits our modern markets provide to businesses and investors of all sizes and our nation's economic competitiveness.

I. Main Street Benefits of Our Modern Equity Markets

America's vibrant capital markets fuel the financial needs of businesses, provide investment opportunities for American families, and enhance U.S. global competitiveness. Over the last 20 years, technology and competition have dramatically reduced the cost of investing and facilitated efficient capital formation. These advances have democratized our markets, giving retail investors easier access to reduced spreads and the best prices. Such advances have made U.S. markets more liquid and accessible, thereby reducing the cost of capital for businesses of every size and industry.

- ***Individual Investors and American Families*** – Our modern liquid, transparent, and fair markets reduce the cost of investing and provide unparalleled opportunities for the investment objectives of all investors, including American families saving for college or retirement. Twenty years ago, buying stock would take several minutes and cost over $100. Today, this same trade could happen in seconds with the click of a mouse and likely cost less than $10. The innovative nature of our capital markets has also given investors many more choices. For example, the growth in Exchange Traded Funds ("ETFs") has given investors many new investment opportunities that allow them to invest for retirement and other purposes with low transactions costs and to achieve diversification at low cost.

- ***American Businesses*** – Stocks, bonds, and mutual funds channel the discrete savings of millions of individuals to fund everything from large corporations to young startups. This means higher stock prices and lower bond yields, which allows for more investment, higher growth, and greater job creation. Widely accessible capital markets also incorporate the maximum amount of market information, giving us the most accurate prices. The liquidity and transparency of our modern capital markets provides American businesses with access to capital at a lower cost. As businesses seek capital to invest and expand, our markets enable job creation, economic recovery, and growth.

- ***Global Competitiveness of the U.S. Economy*** – America's well-regulated, efficient, and transparent markets promote economic growth and prosperity while also maintaining the U.S. as the premier global financial center. Our equity markets are the foundation of the U.S financial services sector – an industry that extends into every corner of our nation and far beyond the most well-known financial centers, contributes to around 20 percent of GDP, and supports more than 7.6 million jobs. During the recent financial turbulence, America's modern equity markets performed well from both an operational and structural perspective. When market liquidity dried up and credit markets froze, the equity markets continued to operate efficiently and effectively as the anchor of our economy.

II. High Frequency Trading Plays a Critical Role in our Modern Markets

Innovative advancements in electronic trading have produced new, enhanced trading platforms, strategies, and investment opportunities that benefit all market participants. HFT refers to a trading approach in which professional traders engage in strategies that generate a large number of trades on a daily basis. Firms that use HFT strategies utilize sophisticated computer systems in order to execute automated trades to the benefit of investors, market quality, and the capital formation process.

Firms engage in HFT on a proprietary basis as well as execute trades on behalf of institutional and retail investors. Technology infrastructures built by these firms are capable of processing millions of trades per day, in a fast, reliable, and cost effective manner, while providing superior execution quality and service. These technology platforms connect to nearly every source of liquidity in the equities market that enable minimal trade times and secure the best execution on behalf of brokers and, therefore, retail investors.

High frequency trading has automated conduct that has existed in the markets for years. Prior to the growth in HFT, human specialists and market makers smoothed out trading through their willingness to post public bids and offers at all times. This added liquidity allowed investors to enjoy lower trading costs and faster execution speeds. In our modern markets, electronic market makers use computers with HFT technology to do the same thing, providing faster and cheaper executions to investors. Today's markets are now more open and competitive, allowing many more participants to compete directly with other market makers and specialists using HFT technology.

High frequency trading supports many of the benefits our modern markets provide to Main Street investors and businesses – liquidity is enhanced, superior execution is achieved, and greater stability and price discovery is maintained at a lower cost to investors. Simple metrics of market quality demonstrate these benefits. For example, trading volume has increased from about three billion shares per day in 2003 to nearly 10 billion shares per day in 2009 making our markets more liquid than ever before. Average trade size has fallen substantially as automated trading systems have enabled firms to easily divide large blocks into smaller pieces providing superior execution. Firms that engage in HFT have the ability to react quickly to pricing discrepancies adding stability to our markets and keeping prices of ETFs in proper alignment with their underlying portfolio securities.

III. Preserving Undisplayed Liquidity Ensures Better Prices for All Investors

The CCMC supports policies that sustain and promote transparent markets that are fair for all investors. Most of the equity trading in the U.S. occurs on transparent exchange platforms where price and other important information is displayed to the marketplace. Ten percent of trading occurs on off-exchange platforms, referred to as undisplayed liquidity. While we generally favor the transparency provided by displayed liquidity, off-exchange orders play an important role in ensuring better prices for all investors. Eliminating undisplayed liquidity could cause large money managers such as mutual funds and pension funds to get worse prices when they buy or sell large amounts of stock. This would directly and negatively impact smaller investors in these funds.

Displayed liquidity is critical in creating the public reference price that is the cornerstone of our current national market system. This public reference price is used by all market participants as the basis for pricing all orders. Broker-dealers have an obligation to refer to that consolidated price in almost every order they place and every trade they make, whether or not the order will be displayed or undisplayed. However, moving large blocks of shares in the open market can be costly for large institutional investors since prices will quickly rise or fall based on a large buy or sell order that is displayed to the market. The anonymity provided by off-exchange trading reduces the additional costs associated with moving large blocks of shares in the open market. While we believe it is important for the SEC to examine this aspect of the market and make appropriate changes to ensure market integrity, the Commission should ultimately preserve this important tool that benefits all investors.

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The CCMC is dedicated to working with the Chamber's diverse membership to provide the Commission with broad-based input on these and other aspects of our current equity market structure. We emphasize that any reform of our financial markets must be designed to strengthen our nation's capital markets and appropriately consider the costs and benefits of new regulation and any negative effects on capital formation.

Policy formation in this area should embrace and encourage competition, innovation, and mechanisms that move our markets forward, providing the average American investor broad access to innovative financial products and American businesses of all sizes with efficient access to capital.

We would be happy to discuss these issues further with you or the appropriate SEC staff.

Sincerely,

David T. Hirschmann

cc: The Honorable Mary L. Schapiro, Chairman, U.S. Securities and Exchange Commission
The Honorable Kathleen L. Casey, Commissioner, U.S. Securities and Exchange Commission
The Honorable Elisse B. Walter, Commissioner, U.S. Securities and Exchange Commission
The Honorable Luis A. Aguilar, Commissioner, U.S. Securities and Exchange Commission
The Honorable Troy A. Paredes, Commissioner, U.S. Securities and Exchange Commission
Mr. Robert W. Cook, Director, Division of Trading and Markets