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October 1, 2010

Via e-mail to: rule-comments@sec.gov

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

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

Dear Ms. Murphy:

As long-term, value-oriented investors increasingly concerned with recent market developments, we are writing to provide our input in connection with your ongoing examination of equity market structure.

By way of background, First Manhattan Co. ("FMC") is an investment adviser and broker-dealer registered with the U. S. Securities and Exchange Commission ("SEC") with approximately $11 billion under management as of June 30, 2010. Since 1964, we have provided professional investment management services to individuals, partnerships, trusts, pension plans and institutional clients. The firm manages investments on a fully discretionary basis for accounts which range in size from under $1 million to over $100 million. We are long-term, value-oriented investors who emphasize the fundamentals of investing; we consider the preservation of our clients' capital our highest priority.

For the past several months the SEC has been "investigating" the causes of the May 6, 2010 "flash crash". Volume that day was 10,727,000,000 shares, more than twice the average daily trading volume. During that afternoon the Dow Jones Industrial Average declined 1,000 points and then recovered 600 points, all in a very short period of time for no readily apparent fundamental reason. Many observers believe that that event was rooted in the actions of so-called "high frequency traders" who employ sophisticated and exceptionally fast computer systems and programs (often referred to as algorithmic or program trading) to execute market trades.

We believe that the "flash crash" was a strong indicator of what we see as the decline of the U.S. security markets. For more than 50 years, the U.S. stock market was considered the model for the world, providing orderly trading, transparent pricing and the ability to provide liquidity under all conceivable circumstances. Unfortunately, that reputation has become severely tarnished.

Supporters of high frequency traders claim that they have replaced traditional market makers as the providers of liquidity and narrower of spreads. While this may be true under "normal" market conditions, it is not the case if market conditions move against the interests of high frequency traders. These traders are not obligated to make markets and are free to withdraw from the market altogether. As a result, liquidity often disappears just when it is needed most as the exits get mobbed. That is precisely what appears to have occurred on May 6th. It is hard to believe that high frequency traders, who trade in and for fractions of a penny and hold positions for fractions of a second (if that long), serve society, let alone other investors, corporate managements, or the capital markets. Concerns that high frequency traders are benefiting their own positions by utilizing old techniques (front running) and new techniques ("quote stuffing") are aggravating the situation further. Stock markets are becoming casino-like enterprises similar to Las Vegas, except that the public perceives that the odds are better in Las Vegas than they are on Wall Street.

Scared off by the unprecedented resulting volatility, traditional investors are either heading for the sidelines or turning to Index Funds, ETFs or other proxies. In a front page story this past summer, The New York Times documented the fact that individual investors are fleeing the stock market, losing their appetite for risk even as corporate earnings improve. Since the "flash crash", equity mutual funds have experienced net redemptions, notwithstanding the stock market's positive performance.

The fact is that public companies and indeed our free market system depend upon equity investors who focus on fundamentals of the companies in which they invest. Such investors provide stability to markets which allows for or encourages capital formation and long-term economic growth. The growing influence of high frequency trading on the equity markets has exaggerated volumes, giving the illusion of liquidity and healthy capital markets, when in fact such activity risks undermining those markets.

We have had the opportunity to review and consider the April 28, 2010 letter submitted to the SEC by Southeastern Asset Management, Inc. ("SAMI"), and the comments and analysis on equity market structure provided to the SEC by SAMI. We agree with both the thrust of SAMI's concerns regarding the impact of high frequency traders on the markets, and the need to address these concerns.

We strongly urge you to consider implementing changes designed to restore the confidence of investors in the U.S. equity markets. We need transparency to ensure that the capital markets remain strong and functioning fairly. At a minimum, the unfair structural advantages currently enjoyed by high frequency traders must be eliminated. We look forward to the restoration of more fair and balanced capital markets.

We would be pleased to discuss these matters with you further at your convenience.

Very truly yours,

Robert W. Gottesman
Chief Executive Officer

Charles Rosenthal
Senior Managing Director

Neal K. Stearns
Senior Managing Director