

--- On Wed, 10/24/12, mike stein <[REDACTED]> wrote:

From: mike stein <[REDACTED]>

Subject: Fw: Dear Chairman Mary L. Schapiro

To: rule-comments@sec.gov

Cc: chairmanoffice@sec.gov

Date: Wednesday, October 24, 2012, 4:07 PM

Thank you for considering changing the rule this week, I'm sorry if I wasn't clear I asked you to CHANGE THE RULE this week not CONSIDER changing the rule, simply insist the BD have sufficient assets vested in the spin off and IF I MAY QUOTE YOUR RULE *"The Nasdaq Exchange's proposed rules also prohibit Exchange members and persons associated with Exchange members from beneficially owning more than 20 percent of the then-outstanding **voting** securities of the Nasdaq Holding Company. Members that trade on an exchange traditionally have ownership interests in such exchange."*

IF ONE WOULD SUGGEST TO CREDIT SUISSE ET AL THAT THEY ALSO UPHOLD THE LETTER OF THE LAW

AND OWN LIMITED PARTNERSHIP OR prefer TO OWN OTHER NON-VOTING SHARES IN THEIR SPIN OFF IN A RATIO THAT MEETS SEC GUIDELINES THAT IS TO SAY A DIFFERENT CLASS OF PREFERRED STOCK OR GESSELSCHAFT MIT BESCHRACTER HAFTUNG .AKTIENGESELLSCHAFT FUR CS...I havent rally thought this through but given I just read this 10 minutes ago I could say regarding *Other brokers serving institutional investors such as Goldman Sachs or Morgan Stanley would not be likely to "trade on a platform that was owned by a single broker" such as Credit Suisse, Tabb said.* I would have to say IF THEY SIMPLY OPENED AN INSTITUTIONAL ACCOUNT AND BECAME CUSTOMER OF THE ATS OWNING BD THEN THEY WOULD HAVE THE FIRST OF MANY VENUES TO OVERCOME THIS HURDLE...

This is not difficult...making the spread as thin as possible drives the stockbrokerage industry into the dirt and ruins the economy...and SEC and FINRA have no control over the program traders

The most popular explanation for the 1987 crash was selling by program traders. Congressman Edward J. Markey, who had been warning about the possibility of a crash, stated that "Program trading was the principal cause."

If you wanted to create a market where blue chips trade from a penny to 100 thousand dolalrs in a day because the

traders have the advantage I'd say change the system look at all these examples of how the SEC has no clue what really is going on because of the fragmentation of the system the NYSE lost half its sales volume as did the NASDAQ

and when the spread is thin enough and enough financial professionals are fired instead of fired up

about the market a depression not a recession shall ensue...of the hundreds of firms trading trillions a day

ideas like frontrunning and churning are all high tech and hidden in mass electronic orders and non provable so

making the SEC obsolete perhaps we dont need a SEC just the states securities regulators to step to the plate?

So instead of trying to enforce an impossible law..I suggest you change the system as you are bleeding the country dry in negligence and creating a recession...IMHO

Either change the 20% rule or show the BD;s how to legally and ethically dodge the rules protect the consumer and the other brokers and make this mess more enforcable and less likely to burst like a 777 trillion dollar notational value bubble.

Grey List

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55 Broadway, New York, NY 10006

<http://broker-dealers.minyanville.com/>

https://nationalfinancial.fidelity.com/advisor/portal/content?deeplink=yes&pageUniqueName=afc.content&itemCode=RD_13569_19412&renditionType=HTML

<http://www.phoenixpartnersgroup.com/>

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www.qwixx.com
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www.bonddeskgroup.com

(redacted addendum list for your secretary)

Hello Im sorry I wanted to send this to the correct email where they take comments and put them into the official records but i cant find the website address appropriate perhaps a secretary Dear Chairman Mary L. Schapiro could file this for me in the appropriate place?

With all due respect to the SEC I'd like to suggest they get rid of the 20% rule prohibiting owning exchanges governing broker dealers this week and permit those worth over a set amount (perhaps a billion dollars of non borrowed assets) to spin off exchanges with appropriate comptroller regulation as already provided for by law* and suggest the you do so in concert with the state securities regulators provide for that in NY and NJ immediately.

Thats all I wanted to say for the record the comments in red
Yours M A Stein Retired

RETIRED FINRA 3 7 63 65 TITLE INS AGENT MORTGAGE BROKER BUSINESS BROKER
COMMERCIAL REAL ESTATE BROKER VENCAP BROKER

ps

Credit Suisse is not likely to be able to register its Light Pool trading system as a national exchange and retain sole or even majority ownership in it.

Larry Tabb, namesake founder of the Tabb Group consultancy, said Friday he is "not sure you can do that from a regulatory perspective as a single entity. They may have to sell it off, spin it out."

The *Wall Street Journal* [Thursday evening reported](#) that the Credit Suisse Group "is quietly pushing to turn one of its trading venues into an exchange, an unusual bid that, if successful, would create the only U.S. stock exchange owned outright by a Wall Street bank."

The Securities and Exchange Commission in the past decade has at least twice indicated that it would not approve the registration of a national exchange in which a single broker such as Credit Suisse owned more than 20 percent. The financial news organization said Daniel Mathisson, Credit Suisse's U.S. stock-trading chief, confirmed that "preliminary talks" had been held with federal securities regulators about the idea. Mathisson, who is traveling, could not be reached for comment Friday.

When national exchanges such as the New York Stock Exchange and the Nasdaq Stock Market started to convert themselves to for-profit entities, the SEC in a [policy statement](#) on "self-regulatory organizations" (another name for national stock exchanges, reflecting their responsibilities to surveil the trading conducted on their markets):

"The Commission preliminarily believes that a member ownership and voting limit of 20% is an appropriate threshold because it precludes situations where a member would have a realistic probability of being able to exert undue influence over its SRO, yet refrains from interfering in an SRO's organizational processes or the desire by members to acquire equity interests in their markets. In some Commission rules, a 10% ownership threshold is used to determine "control."

And, in 2006, when it approved the registration of the Nasdaq Stock Market, in its for-profit form, [the SEC said](#):

"The Nasdaq Exchange's proposed rules also prohibit Exchange members and persons associated with Exchange members from beneficially owning more than 20 percent of the then-outstanding voting securities of the Nasdaq Holding Company. Members that trade on an exchange traditionally have ownership interests in such exchange."

The point: That a broker or any other member would have an inherent conflict if it owned a sizable piece of an

exchange. The broker, according to one regulatory official familiar with the law, would have an inherent conflict. The broker would be incented to favor orders that generated fees for itself or a related part of its organization, over orders that generated fees for other parties. "If we were to receive such a proposal, we would weigh the potential impact on investors and markets just as we do with any other proposal," said spokesman John Nester.

Light Pool was [started up last year](#), the first new electronic communications network in five years. The trading system was designed to give long-term, institutional investors such as mutual funds, hedge funds, pensions and endowments the means to trade openly in U.S.-listed stocks, but [escape the clutches](#) of high-frequency traders, with their extremely short-term buy-and-sell horizons.

Credit Suisse also operates one of the world's largest dark pools for anonymous trading in stocks, [Crossfinder](#).

If Credit Suisse somehow were able to gain approval for Light Pool to become a national exchange, the financial services firm based in Switzerland would still not have clear sailing.

Other brokers serving institutional investors such as Goldman Sachs or Morgan Stanley would not be likely to "trade on a platform that was owned by a single broker" such as Credit Suisse, Tabb said.

And, if Credit Suisse got approval to turn its alternate trading system into a registered stock exchange, other brokers running similar systems would want the same status, he said.

"I think you would see a whole rush for the brokers to turn their (alternative trading systems) into exchanges, and fight for the market data rebates," he told *Traders Magazine*.

The SEC Friday was not dismissing the prospect of a broker-owned exchange.