



**June 28, 2013**

**Via email: rule-comments@sec.gov**

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

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

Ladies and Gentlemen:

Bloomberg Tradebook LLC<sup>i</sup> appreciates the opportunity to provide the Securities and Exchange Commission ("Commission") with feedback from a workshop we held with members of equity trading desks of 37 asset managers representing over \$10.6 trillion<sup>ii</sup> of assets under management (the "buyside representatives"). The workshop focused on the "Future of Trade Execution" and discussed the theory that the market microstructures across different asset classes and geographies are converging to resemble one another and the U.S. equity market. In this workshop, buyside representatives expressed their desire and need for additional transparency with the handling of their equity orders.

### **1. Transparency Drives Trust**

In general, the buyside representatives with whom we met are looking for more transparency in trading. They believe that the Commission should strive to provide additional transparency and a more standardized disclosure process.

### **2. Disclosure — ATs and Exchanges Should Be Held to Similar Transparency Standards**

Although Bloomberg Tradebook and the buyside representatives generally believe that it is the broker's responsibility to protect a client's order in the marketplace, the buyside representatives were clear that they believed that they have an overriding obligation and fiduciary responsibility to their shareholders to monitor market structure and understand how their orders interact in the marketplace.

To that end, the buyside representatives all said that they periodically send out questionnaires to their brokers seeking information / additional transparency on order handling and internalization (dark pool) matching protocols. Although the buyside representatives, in their capacity as (buyside) customers of broker dealers can demand this information from their brokers, they are not members of the national exchanges and may not be customers of all the ATs and, thus, they are not able to assess the order interaction that occurs across the market structure. Through this letter, Bloomberg

Tradebook is recommending that the Commission consider some measures that would improve transparency.

We would like to submit for the Commission’s consideration the following format for an “Exchange and ATS Overview”. This “overview” would be filled out by each exchange and ATS and could be posted on the Commission’s website for public evaluation. As part of Regulation SRO and Regulation ATS, the Commission could require each ATS / exchange to ensure that the overview is accurate and to amend the overview promptly to reflect any changes.

Profile		Yes	No
<b>Affiliations</b>			
1.	Does the exchange / ATS have any affiliates?	If yes, please list	
2.	Does the exchange / ATS or affiliate(s) act as principal to transactions on the exchange / ATS (e.g., Pipeline) ?		
3.	Does the exchange / ATS or affiliate(s) act as riskless principal (universal counterparty) to transactions on the exchange / ATS?		
4.	Does the exchange / ATS or affiliate(s) effect trades in a proprietary capacity?		
5.	During the prior calendar quarter, what were the exchange / ATS’s or affiliate(s)’ riskless principal trades as a percentage of all trades on the exchange during such quarter? Measured by dollar volume what percentage of all trades were riskless principal trades effected by the exchange / ATS as a universal counterparty?		
<b>Order Information Handling</b>			
6.	Does the exchange / ATS share orders / order information with any affiliate or another Exchange / ATS? (e.g., Level)		
7.	Is the sharing in the form of a conditional order or actionable IOI?		
8.	Is the sharing in the form of a “last look” IOI?		
9.	Is the sharing of the order /order information automatic?		
10.	Is the sharing of the order /order information directed by the entity that submitted the original order?		
11.	Does the exchange / ATS or affiliate(s) receive compensation for order flow / transmission of the order handling information?		

12.	Does the exchange / ATS or affiliate(s) operate a Smart Order Router (SOR)? Does the SOR preference the exchange / ATS or affiliate(s)?		
<b>Matching methodology</b>			
13.	Is price / time priority the matching methodology?		If no, please list
14.	Is there any matching logic that preferences certain customers?		
15.	Are there any order types that enable customers to gain preference in the queue?		
16.	Are there any special fees or rebates which lead to a preference of one order over another?		
17.	Does the exchange / ATS engage in any independent third-party audit to validate the claims in this overview?		

The buy-side participants with whom we discussed these matters believe that this standardized grid of information, if accurate and kept up to date, could provide to investors generally a greater understanding of the market structure and of the role of each exchange/ATS in that structure.

### 3. SRO Disclosure Process

The buy-side participants are also looking for more order type disclosure from the exchanges. This concept is currently embedded in the Commission's website<sup>iii</sup>. As a service, a list of order types is displayed and explained so that investors can understand how the different types of orders work because, as the Commission explains, "Understanding how different types of orders work may make a difference in whether your trade gets executed and at what price."<sup>iv</sup> The buy-side participants believe that the service should be extended to all the exchange order types. Currently, transparency and disclosure are, in our judgment, inadequate. For example, many exchanges do not list their order types on their website. Although all exchange order types are approved by the Commission, an interested party would have to comb through the immense Federal Register in order to find them and learn how they work. Rather than a rules-based approach, the buy-side participants would like the Commission to set forth a principle of disclosure and transparency that exchanges should follow.

The NASDAQ OMX family of exchanges (Nasdaq) is the best example of the type of transparency that the other national exchanges should follow. Nasdaq, on their website has clearly defined their order types and provided examples for interested parties to understand how they operate.<sup>v</sup> Some buy-side participants wanted to see more complex examples—such as how the order types and the matching engine handle display with reserve orders. The buy-side participants commended Nasdaq for releasing statistics on the usage of the different order types.<sup>vi</sup>

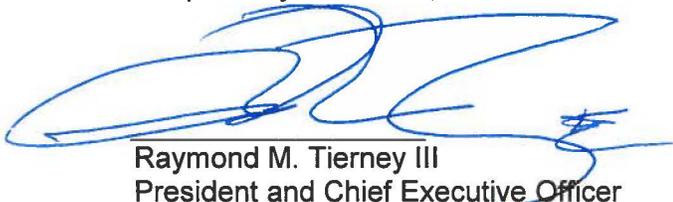
When exchanges file for rule changes to offer new order types, buy-side participants would like a standard matrix of information and disclosure including:

Name of the new order type.	
Description of the order type.	
Example(s) of how the order type operates.	
What is the problem that the order type is seeking to solve?	
Who benefits from this order type?	
How many exchange members requested the functionality?	

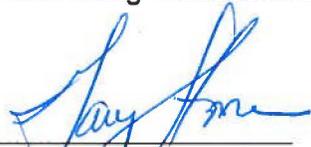
The participants also believed that the Commission may want to consider a review of the order types after a period of time and ask for additional disclosure concerning usage. If the functionality isn't being used then it should be withdrawn from the system in order to reduce system complexity.

We appreciate the opportunity to offer Bloomberg Tradebook's views to the Commission on these important issues. We hope our comments prove useful to the Commission and its staff in their ongoing deliberations regarding market structure. If the Commission or any members of the staff wish to discuss these matters with us, please let us know.

Respectfully submitted,



Raymond M. Tierney III  
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 Bloomberg Tradebook LLC



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 Chief Strategy Officer  
 Bloomberg Tradebook LLC

<sup>i</sup> Bloomberg Tradebook LLC is a registered broker-dealer, operates an ATS registered with the SEC, is a member of FINRA, Inc., and is a wholly-owned subsidiary of Bloomberg L.P.

<sup>ii</sup> As of 12/31/12.

<sup>iii</sup> <http://www.sec.gov/answers/orderbd.htm>

<sup>iv</sup> <http://www.sec.gov/answers/orderbd.htm>

<sup>v</sup> <http://www.brainshark.com/nasdaqomx/vu?pi=zF7zJ6aUZzoG0z0>

<sup>vi</sup> <http://www.nasdaqtrader.com/trader.aspx?ID=ordertypeusage>