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March 7, 2011

By e-mail

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090
rule-comments@sec.gov

Re: File Number S7-04-10
Purchases of Certain Equity Securities by the Issuer and Others
Release No. 34-61414

Ladies and Gentlemen,

Liquidnet, Inc. appreciates the opportunity to submit this supplemental comment letter on the Securities and Exchange Commission's rule proposal on "Purchase of Certain Equity Securities by the Issuer and Others" (the "proposing release").[1] We previously submitted a comment letter on this rule proposal approximately one year ago, on February 9, 2010.[2]

We support the Commission's initiative to modernize Rule 10b-18. The Commission writes in the proposing release:

> "We believe it may be appropriate to expand the safe harbor to permit an issuer to submit a buy order that is 'pegged' to the mid-point of the NBBO at the time of execution (a 'mid-peg' order) where the issuer's mid-peg order is matched and executed against a sell order that also is pegged to the mid-point of the NBBO at the time of execution, provided certain criteria are met, as discussed below."[3]

We support an exception for issuer repurchases executed at the mid-point between the highest quoted bid price and the lowest quoted offer price in the market at the time of execution. The Commission refers to the associated orders as "mid-peg" orders because the price of any resulting execution is "pegged" to the mid-point between the national best bid and best offer in the market as of the time of execution.

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[1] Securities Exchange Act Release No. 34-61414, "Purchase of Certain Equity Securities by the Issuer and Others", File No. S7-04-10, January 26, 2010. ("Proposing Release")

[2] Letter dated February 9, 2010 from Howard Meyerson, General Counsel, Liquidnet, http://sec.gov/comments/s7-04-10/s70410.shtml(accessed March 4, 2011).

[3] Proposing Release, p. 23.

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As we wrote in our previous comment letter, mid-peg executions do not present the concerns that Rule 10b-18 seeks to address because mid-peg executions do not signal potential price increases to the market.

For all of Liquidnet's mid-peg executions during the 4th quarter of 2010, we compared the execution price to the last sale price at the time of execution. 15% of our mid-peg executions during this period were executed at the last sale; 42% of our mid-peg executions during this period were executed above the last sale; and 43% of our mid-peg executions during this period were executed below the last sale. This data makes clear that Liquidnet's mid-peg executions are market neutral.

In fact, mid-peg executions further the objectives of Rule 10b-18 because they help issuers protect their orders from short-term traders who can detect and trade ahead of these orders. This "trading ahead" activity results in upward price movement, and allowing mid-peg executions would help issuers protect themselves against this upward price movement. As stated by Kevin Cronin, global head of equity trading at Invesco, in a recent Dow Jones article:

> "When it comes to handling the corporate buyback, what's painfully obvious to us is that the corporate buyback is probably the most gameable order in the marketplace. If you pursue liquidity in a corporate buyback algorithm, other participants can easily sense how the algorithm is going to react and try to trade in front of it."[4]

An additional advantage of allowing corporate buy-backs at the mid-point is that it would make it easier for corporate issuers to interact directly with institutional investors who are the primary constituency for long-term investment in the public markets.

* * * * *

We would like to thank the Commission for the opportunity to submit this supplemental comment letter.

Very truly yours,

Howard Meyerson
General Counsel

[4] Donna Kardos Yesalavich, "Trading Venues, Companies Want Exception to 1982 SEC Guideline," *Dow Jones Newswires*, 28 January 2011. We are enclosing with this comment letter a copy of this article, along with a copy of a recent article I authored that was published in Corporate Secretary Magazine.

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Yesalavich , Donna Kardos. "Trading Venues, Companies Want Exception to 1982 SEC Guideline," *Dow Jones Newswires,* 28 Jan. 2011. Web. 14 Mar. 2011. <http://online.wsj.com/article/BT-CO-20110128-712665.html>

Meyerson, Howard. "Eliminating Buyback Costs."*Coroporate Secretary*. Dec. 2010. Web. 14 Mar. 2011. <http://www.corporatesecretary.com/articles/11414/eliminating-buyback-costs/>.