

From: David E. Franasiak
Sent: Friday, December 09, 2011 07:30 AM
To: Cook, Robert W.
Subject: Bloomberg's SEF initiatives.

Robert,

Thank you again for meeting with Bloomberg several weeks ago [on October 26th] to discuss the Commission's SB SEF proposals and some of our concerns. We found the meeting to be very helpful.

We wanted to check on the status of the Division's current thinking on the issues Bloomberg raised given their interest in becoming a SB SEF. As you may recall Bloomberg's concerns relate to the Commission's proposed SB SEF Board composition requirements (majority of independent directors), trading protocol mandates (RFQ transactions interaction with a CLOB) and a SB SEF's use of a third-party regulatory service provider.

As discussed in our meeting with you and all of your staff, we feel that applying a restrictive governance model to an independent, privately owned company will serve to discourage the very type of "unaffiliated" entity that should be encouraged to register as a SB SEF. Where an entity is not owned by market participants proposed Regulation MC should not require a majority independent Board. Additionally, we do not believe that the Commission should mandate specific trading protocols requiring RFQ interaction with a CLOB. Flexibility in trade execution generally benefits the markets and helps to avoid unintended consequences associated with mandated trading protocols (i.e, higher costs associated with multiple trade executions and settlements). Finally, we encourage the Commission to recognize the ability of a SB SEF to use a third-party regulatory service provider for certain, limited functions that would allow for greater SB SEF cost efficiencies.

We would appreciate any thoughts you can share with us on these issues.

Bloomberg plans to visit with all the Commissioners and their staffs shortly to share the above-mentioned concerns.

Thank you again for your attention to these matters and, as always, we would be happy to come in again to discuss any of the above in further detail.

David