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To the Securities and Exchange Commission:

I am writing to support adoption of the Commission's Proposed Rule to establish a Large Trader Reporting System, SEC File No. S7-10-10, as a Final Rule.

The establishment of such a system, authorized by federal law for the past 20 years, is long overdue. As the SEC's Notice of Proposed Rulemaking (NPRM) indicates, Congress enacted provisions authorizing the SEC to establish a Large Trader Reporting System as part of the Market Reform Act of 1990, P.L. 101-432. That enabling legislation responded to the SEC's inability to obtain timely or adequate information for analysis following major declines in the U.S. securities markets in 1987 and 1989. That Act added a new Section 13 (h) to the Exchange Act expressly authorizing the SEC to establish a Large Trader Reporting System through rulemaking. While the SEC issued an NPRM to establish such a System in 1991, SEC File No. S7-24-91, and an amended NPRM in 1994, the SEC never issued a final Rule or established such a system, notwithstanding the express statutory authorization. Instead, the SEC adopted a much more limited proposal, a new Rule 17a-25 under SEC File No. S7-12-00, to make some limited and very modest revisions to the SEC's existing Electronic Blue Sheets (EBS) system. Rule 17a-25 has clearly proven grossly inadequate to provide the SEC with timely or adequate information to evaluate how the activities of large traders affect the transparency, stability and integrity of U.S. securities markets.

During the intervening period, the need for analyzing how large traders' activities affect the transparency, volatility and integrity of securities markets has grown exponentially. When Congress enacted the Market Reform Act in 1990, the New York Stock Exchange (NYSE) and other major regulated public markets handled the great majority of all securities transactions executed in U.S. securities markets. The nature of market activities has changed greatly during the intervening 20 years. Manual execution of securities transactions by human securities traders has been supplanted to a significant extent by automated execution of securities transactions under the control of computer algorithms. The NYSE reportedly now handles only about 30 percent of securities transactions executed in U.S. markets. Roughly 70 percent of such transactions are now handled by other markets, including proprietary high-speed electronic trading corporations. Deregulation and the consolidation of formerly separate securities, investment banking, commercial banking, insurance, and mortgage services industries into a single undifferentiated "financial services industry" have left huge gaps in regulatory coverage of securities trading. Hedge funds, which are only loosely regulated and face far fewer transparency requirements than other categories of securities firms, have come to account for a large portion of securities trading. A significant portion of all securities transactions in the U.S. now appear to be executed in largely unregulated and opaque "dark pools," about whose operations the SEC, other regulatory agencies, Congress and investors have little if any information. When Congress enacted the Market Reform Act in 1990, the majority of securities transactions involved the buying or selling of stocks (equity securities) and bonds (debt securities). In the intervening 20 years, there has been a huge shift to trading in derivative securities such as collateralized debt obligations (CDOs), which represent volatile and unproductive bets against market movements, rather than productive investments in genuine economic activity. The cumulative impact of these changes has been to reduce the transparency of U.S. securities markets to investors, to place an increasingly large portion of U.S.

securities markets beyond the effective reach of the SEC and other regulatory agencies, to increase greatly the quantity and speed of securities transactions, to increase the volatility and degree of systemic risk posed by securities markets, and to reduce the integrity of U.S. securities markets.

The establishment of a Large Trader Reporting System doubtless involves technical challenges, costs, and the imposition of administrative burdens upon regulated entities. Like any other government agency, the SEC finds its ability to pursue proposed actions affected by intense lobbying and political pressures. For the past two decades, however, while major and radical changes have been transforming U.S. securities markets, the SEC's failure to implement Section 13(h) of the Exchange Act, as enacted by Congress in 1990, has undermined the ability of SEC staff to provide informed advice to the Commission, by depriving SEC staff of timely and adequate access to information concerning the impacts of the activities of large traders on securities markets. As a result, the SEC's failure to establish a Large Trader Reporting System has also deprived markets and investors of the benefits in terms of increased transparency, reduced volatility, enhanced stability and greater integrity which the SEC might be able to deliver based upon acquisition and analysis of such information as a basis for modernizing regulation of radically transformed securities markets. As just one among many considerations, the SEC's failure to establish such a system has deprived not only the SEC but also Congress of timely and accurate information regarding the growing volatility of U.S. securities markets, as illustrated by the difficulty of obtaining and analyzing information about the events of May 6, 2010.

There is an immediate and pressing need for the SEC to bring to fruition its long-stalled efforts to do what Congress authorized it to do 20 years ago: establish a Large Trader Reporting System in order to collect and analyze timely and adequate information concerning the impacts of large traders' activities upon the transparency, stability and integrity of U.S. securities markets. The need for such a system is unquestionably far greater than it was when Congress first granted the SEC express statutory authority to establish such a system in the Market Reform Act of 1990.

Like Rip Van Winkle, the SEC has slept for 20 years on its express statutory authority to establish a Large Trader Reporting System, while the world changed and deteriorated around it. Excessive and unwarranted reliance upon self-regulation by self-interested private entities has inflicted extensive damage on U.S. securities markets and, more broadly, on the U.S. economy. The transparency of securities markets, upon which investors used to rely, is long gone, vanished in an opaque haze of high-speed trading firms, loosely regulated hedge funds and unregulated dark pools. The stability of securities markets is long gone, sacrificed on the altar of deregulation to the activities of "financial services" conglomerates operating without adequate capital reserves in the absence of regulatory requirements. The integrity of U.S. securities markets is long gone, replaced by a system in which firms engaged in large-scale proprietary trading can withhold material information about securities issues from their clients while holding themselves out as "advisors" without being held to any fiduciary duties or responsibilities. The cumulative impacts of these changes have thoroughly destabilized U.S. securities markets, and with them the financial underpinnings of the U.S. economy.

I urge the SEC to adopt its proposed Large Trader Reporting System, SEC File No. S7-10-10, as a Final Rule. It is expressly authorized by statute, badly needed, long overdue, and an

essential prerequisite for SEC efforts to analyze how transparency, stability and integrity can be restored to U.S. securities markets.

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