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June 28, 2010

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

**Re: Comments Regarding Establishment of Large Trader Reporting System;  
Release No. 61908 (File No. S7-10-10)**



GETCO

Dear Ms. Murphy:

Global Electronic Trading Company (“GETCO” or “Firm”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (the “Commission”) proposed new rule to establish a large trader reporting system (the “Proposal”).<sup>1</sup> GETCO supports the Commission in its ongoing efforts to promote fairness and efficiency in our markets.

### **I. Introduction**

GETCO is a leading electronic trading and technology firm providing liquidity on over 50 markets in North and South America, Europe, and Asia. We are a registered market maker on various equity and option exchanges and a Designated Market Maker (DMM) and Supplemental Liquidity Provider (“SLP”) on the New York Stock Exchange (“NYSE”).<sup>2</sup> From offices in Chicago, New York, London, and Singapore, the firm transacts business in cash and futures products across four asset classes – equities, fixed income, currencies and commodities. We also provide investors with access to dedicated liquidity through an Alternative Trading System (“ATS”), GETCO Execution Services, or GES. GETCO’s primary trading strategy is market making—posting two sided markets—to help investors efficiently transfer the risk commonly associated with assets such as stocks, bonds,

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<sup>1</sup> Large Trader Reporting System, Securities Exchange Act Release No. 34-61908 (April 14, 2010) 75 FR 21456 (April 23, 2010).

<sup>2</sup> Registered Equity Market Maker: Nasdaq, NYSE Arca, and BATS; Designated Market Maker and Supplemental Liquidity Provider: NYSE; Registered Option Market Maker: Chicago Board Options Exchange, Nasdaq Options Market, BATS Options, and NYSE Arca Options.

contracts. Our trading strategies employ advanced technology, real time information, transparent risk management systems and continuous innovation.

## **II. Discussion Regarding the Proposal**

The Commission is proposing new Rule 13h-1 and new Form 13H to establish a large trader reporting system. The new rule would require any person who engages in a substantial level of trading activity – a so called “large trader”<sup>3</sup> – to register with the Commission by filing Form 13H and obtain a unique large trader identification number (“LTID”). The new rule would also require broker-dealers to maintain transaction records for each customer identified as a large trader, report this information to the Commission upon request on a same day basis, and monitor their customer trades to determine if those customers should be filing as large traders.

According to the Proposal, the Commission would use the LTIDs to collect information about the orders and transactions of large traders across broker-dealers, analyze their activity and monitor the impact of their trades on the markets. It also envisions using the information to reconstruct trading activity following periods of unusual market volatility.

The Commission currently relies on the electronic blue sheet (“EBS”) system to collect basic trade information from broker-dealers. As noted by the Commission in the Proposal, the EBS is limited in that it only provides data involving trading in a particular security and not conducive to large scale investigations and market reconstructions across numerous securities during peak trading volume periods. Further, EBS data submission is often subject to lengthy delays and the data generated by EBS fails to include such critical information as time of trade and customer identity.

As a market participant who would meet the identifying activity level thresholds and thus be considered a large trader under the new rule, GETCO fully supports the Proposal. As noted above, the EBS system is insufficient in today’s trading environment. Thus, GETCO agrees that regulators need additional levels of transparency into the trading practices of all firms with significant activity. We suggest below, however, one point of clarification and several minor revisions that we believe are necessary for the Commission to achieve its stated goal of promoting greater fairness and efficiency.



GETCO

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<sup>3</sup> A *large trader* is defined as a person who (i) directly or indirectly exercises investment discretion over one or more accounts, and (ii) effects transactions for the purchase or sale of NMS securities for or on behalf of such accounts, by or through one or more registered broker-dealers in an aggregate amount equal to or greater than the identifying activity level. The *identifying activity level* is (i) two million shares or shares with a fair market value of \$20 million in a single day; or (ii) twenty million shares or shares with a fair market value of \$200 million in a single month.



**Clarify the Monitoring Obligations of Market Centers.** While GETCO supports the Proposal, there are certain issues the Commission should address when adopting a final rule. First, the Commission should clarify the reporting obligations of broker-dealers with respect to handling orders from other broker-dealers that may also have a reporting obligation under the new rule. For example, GETCO operates an ATS market center -- similar to an exchange -- that only includes registered broker-dealers as subscribers. Just as an exchange would not have an obligation to monitor its broker-dealer members' compliance with proposed Rule 13h-1, a broker-dealer that operates an ATS should not be required to monitor whether or not broker-dealer subscribers are complying with the requirements of the rule.

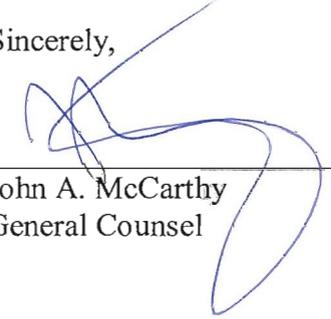
**Unique MPID.** The Commission notes that the assignment of LTIDs should prove useful with respect to tracking and analyzing the trading activity of large traders who employ sponsored access arrangements. GETCO believes, however, that the Commission should go further. As described in our recent comment letter regarding Risk Management Controls for Broker-Dealers with Market Access, all market participants should be required to have and use a unique MPID when entering orders on market centers, either directly or through sponsored market access arrangements. Thus, the Commission should prohibit the sharing of MPIDs by broker-dealers or other market participants.<sup>4</sup>

**Regulatory Coordination.** The new rule would require broker-dealers to use the EBS infrastructure to submit large trader information to the Commission on an expedited basis. Therefore, it is important that there be uniformity and a high level of coordination among regulators using the EBS system to request trade information from broker-dealers.

### **III. Conclusion**

GETCO appreciates the opportunity to submit these comments. Please do not hesitate to contact us at (312) 931-2200 if you have any questions regarding any of the comments provided in this letter.

Sincerely,



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John A. McCarthy  
General Counsel

<sup>4</sup> See Letter to Elizabeth Murphy, Secretary, Securities and Exchange Commission, regarding Risk Management Controls for Broker-Dealers with Market Access (April 1, 2010).