



July 22, 2010

By US Mail: Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE.
Washington, D.C. 20549-1090

By email: rule-comments@sec.gov

Re: File No.: S7-11-10
Consolidated Audit Trail
Release 34-62174

Dear Ms. Murphy,

On behalf of Noetic Partners, I am pleased to provide public comment concerning the Securities and Exchange Commission's (SEC) proposed rule (New Rule 613) to "require the self-regulatory organizations (SROs) to develop, implement, and maintain a consolidated order tracking system, or consolidated audit trail" that would enable "regulators to have efficient access to a more robust and effective cross-market order and execution tracking system." The proposed rule was announced by the SEC on May 26, 2010 and published in the Federal Register on June 8, 2010.

Trading volumes in auction markets around the world are surging, and the volume of real-time market data is exploding. Daily market data volume in U.S. markets alone is currently in the hundreds of millions of trades, tens of billions of shares traded, and hundreds of billions of trades quoted, and is growing at a rate of approximately 100 percent each year. To give some perspective, on the record-setting "Flash Crash" day, May 6th of this year, peak data market volume across all trading locations in North America exceeded 2.8 million new quotes and trades per second, and more than 20 billion shares changed hands. A month later, on June 29, US markets set a new peak record with more than 3.2 million new trades and quotes per second.

Because of its already massive and growing quantity and complexity, market participants—including regulators, exchanges and SRO's, market makers, brokers, investors, and academics—tend to capture only slices and samples of the total market data. In fact, most organizations can only gather market data sufficient to analyze "top of book" order information, generally collecting a subset of available data fields at the end of each day for users to load into non-standard, complex and proprietary databases that are based upon legacy technologies.

Since there is no consolidated transaction database showing the *complete* history of trades and quotes, regulators and compliance officials are challenged to detect market manipulation and outright fraud, ensure best execution or measure broker performance. This lack of transparency also inhibits the ability of other market participants to meet their objectives.

A system that would provide the necessary consolidated audit trail must include:

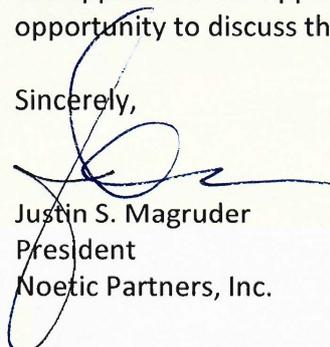
- Complete and accurate data from *all* exchanges and trading places;
- Current and historical data about trades and quotes;
- Allow all users, at a glance, to know what was real and true at any given moment in time, up-to-the-minute, on a continuous basis.

There appears to be a widespread view held by a variety of individuals in business, government, and academia that an operational system is years away and will cost billions of dollars. According to media stories, SEC staff estimates the cost of building the database to be as much as \$4.0 billion and annual maintenance to be \$2.1 billion. We believe the solution can be implemented at a fraction of the cost that has been estimated, in months for \$ millions rather than in years for \$ billions, by using innovative techniques and proven new technologies.

In our opinion, the issues are clear. First, the lack of a comprehensive consolidated audit trail creates a wide variety of problems for regulators and others participating in markets. Second, the volume of activity poses a considerable challenge to creating and maintaining an audit trail complete and robust enough to be of value. Third, the perception that having a comprehensive consolidated audit trail is years away and will cost billions is not correct.

We appreciate the opportunity to provide these comments to the SEC and look forward to the opportunity to discuss them in detail with the Commission.

Sincerely,



Justin S. Magruder
President
Noetic Partners, Inc.