

12800 Corporate Hill Dr.
St. Louis, MO 63131-1834
314-965-1555 • 1-800-888-1980

August 9, 2010

By **Electronic Mail** (rule-comments@sec.gov)

Elizabeth M. Murphy
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

**RE: Proposed Exchange Act Rule 613
Exchange Act Release No. 34-62174; File No. S7-11-10**

Dear Ms. Murphy:

Scottrade, Inc. ("Scottrade") appreciates the opportunity to comment on the above proposal to create Exchange Act Rule 613. Scottrade generally supports the Commission's proposal to create a Consolidated Audit Trail system to monitor and analyze trading across all markets. Scottrade believes that a comprehensive surveillance system will enhance the effectiveness of regulatory oversight of trading, and increase investor confidence in the integrity of the markets. However, Scottrade has serious concerns about the costs of the Commission's proposal and we question the need for real-time reporting. In addition, we respectfully urge the Commission to study *all* reasonable alternatives to its proposal in the context of a comprehensive cost-benefit analysis *before* deciding how to proceed. Finally, in light of the numerous complexities involved in creating, implementing and maintaining a Consolidated Audit Trail system, Scottrade urges the Commission to extend to one year the time for SROs to file their single NMS plan. In our view, 90 days is simply not enough time, given the complexities, for the SROs to generate a feasible plan.

Proposed Rule 613 would, for the first time, require significant trade data to be reported real-time. Scottrade questions the need for real-time reporting in light of the substantial associated costs, significant components of which are almost certainly unknown. For example, to provide unique customer identifier information, the industry would have to implement a completely new, market-wide customer identifier system, which may not be feasible on the proposed timeline. Real-time reporting would also likely force the industry to dramatically expand its bandwidth, storage, and back-office processes beyond current batch processing requirements, and we question whether the industry could leverage existing trading infrastructure for purposes of the Consolidated Audit Trail system given the fact that existing systems are committed to trading during the core session. Thus, the proposed real-time reporting requirement would likely force Scottrade and the industry to build entirely new systems the costs of which may dramatically exceed the Commission's projections. End-of-day processing and relaying of trade data, on the

Elizabeth M. Murphy
August 9, 2010
Page 2

other hand, would dramatically reduce the costs associated with building a Consolidated Audit Trail system, improve the accuracy of the transmitted trade data, and allow the industry to leverage significant parts of existing record-keeping and communications infrastructure and systems to fulfill its requirements.

Scottrade also questions the benefits a real-time audit trail system would provide over end-of-day reporting. Whenever trade alerts are triggered, follow-up investigation is invariably required before judgments can be drawn and appropriate actions taken. In Scottrade's view, it is far from clear, at least at this point, that the dramatic incremental costs involved in building, implementing and maintaining a real-time reporting system are justified by the limited incremental benefits any such system would yield.

Scottrade also believes that, before the Commission decides how to proceed, it should carefully study whether any of the existing audit trail systems, or any combination of these systems, could be leveraged to achieve the same results as the proposed Consolidated Audit Trail system. We recognize that no existing audit trail system, including OATS, is comprehensive and that the Commission does not believe that enhancing existing audit trail systems is a reasonable option. However, Scottrade believes that the Commission should at least solicit alternative proposals that contemplate leveraging existing systems and infrastructure, since any such proposals would almost certainly yield tremendous cost and other savings and likely result in earlier points of arrival.

Scottrade also has serious concerns about security and customer privacy. The Commission's proposed Consolidated Audit Trail system contemplates customer identifying information being transmitted real-time through the entire life cycle of orders. We have concerns that trading strategies and confidential customer information could be at risk as a result of cyber-attacks and/or accidental data breaches. A data breach could seriously damage the industry, particularly impacted firms, if investors conclude, as a result of any such breach, that their confidential trade strategies and personal account or trade identifying information are at risk. Scottrade thus respectfully urges the Commission to further study the relevant privacy and security issues before proceeding.

Sincerely,

Handwritten signature of Andrew C. Small in blue ink, with the initials 'KB' at the end.

Andrew C. Small
General Counsel
Scottrade, Inc.
12800 Corporate Hill Drive
St. Louis, Missouri 63131
Email: asmall@scottrade.com
Phone: (314) 965-1555 Ext. 1379