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August 10, 2010

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

Re: Consolidated Audit Trail Proposal; Release No. 34-62174 (File No. S7-11-10)

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 consolidated audit trail (the “Proposal”).¹ GETCO supports the Commission’s goal of a single, uniform cross-market audit trail.

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”).² 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, commodities and options contracts. Our trading strategies employ

¹ Consolidated Audit Trail Proposal, Securities Exchange Act Release No. 62174 (May 26, 2010), 75 FR 32556 (June 8, 2010).

² 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.



advanced technology, real time information, transparent risk management systems and continuous innovation.

GETCO agrees that regulators need additional transparency into trading activity on securities markets and, for this reason, supports the Commission's Proposal. We offer the following comments.

II. Discussion

Unnecessary for Audit Trail Information to be Provided on a Real Time Basis

The proposal would require the exchanges, FINRA, and broker-dealers to collect and, in real time, electronically provide details about each order and specified events in the life of such order. GETCO supports the proposal to require electronic reporting of specified audit trail information because it would enhance regulators' ability to detect and investigate fraudulent, manipulative, and other improper activities. Markets that are well-regulated are more efficient and generate more confidence – qualities that GETCO believes are in all market participants' best interests.

The Consolidated Audit Trail would be an important tool for regulators to use in carrying out their responsibilities to oversee the securities markets. GETCO agrees that regulatory tools have not evolved to keep pace with changes in market structure. The surveillance system tools regulators must today rely upon are inadequate and inefficient, as they frequently require *ad hoc* requests to broker-dealers for trading data when a potential problem is identified. The Consolidated Audit Trail would be a significant improvement over existing available tools. However, because we do not believe that such information could be used in real time to stop or prevent improper trading activities, we also do not believe it is necessary for such information to be provided on a real time basis.

As stated above, GETCO agrees that a Consolidated Audit Trail would provide the Commission and SROs with valuable intermarket data to detect unusual trading activities that may be manipulative, fraudulent, or otherwise improper. But audit trail data alone would be insufficient to establish securities laws violations. Commission and SRO staff would use the audit trail data in an investigation that also includes more traditional investigative methods, such as testimony and a review of phone and electronic mail records. Thus, although Consolidated Audit Trail information would be important to identifying potentially fraudulent activity, it is not clear to us why real time data is more valuable than next day information.

On the other hand, providing and collecting audit trail information in real time is likely to be significantly more costly than providing and collecting such information on a next day basis. During the trading day, the current communications infrastructure is used for sending and receiving trading



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information. If audit trail information is to be reported to a repository in real time, additional communications capacity would need to be acquired. If, however, audit trail information were provided to a repository after trading hours, the existing communications infrastructure could be used.

Finally, it is important to distinguish audit trail information – such as the data encompassed by the Proposal – from the information an exchange uses to monitor trading in real time on its own market. This real time monitoring is important to detect problems with exchange systems and to identify unusual activity with respect to an issuer's securities and would co-exist with any Consolidated Audit Trail in the same way it co-exists with existing SRO audit trail requirements. Because information in the Consolidated Audit Trail would be unlikely to be used by exchanges to conduct real time monitoring, we do not believe it is necessary for it to be provided in real time.



New Consolidated Audit Trail Should Replace Broker-Dealer Books and Records Requirements

GETCO understands the proposed Consolidated Audit Trail to be a replacement for existing SRO audit trail requirements. The elimination of separate SRO audit trail requirements would represent a cost savings to broker-dealers.

GETCO also suggests that additional cost savings could be realized under the Proposal if the records maintained in the Consolidated Audit Trail were considered to satisfy certain broker-dealer books and records requirements. Currently, GETCO and other broker-dealers expend significant resources to satisfy Commission and SRO books and records requirements. The data stored for these purposes is, to a large extent, the same information the Commission proposes that a repository maintain in the Consolidated Audit Trail. Eliminating this redundancy would represent an important cost savings.

Alternatives

If the Commission is looking for less costly alternatives to the Proposal, GETCO offers the following suggestions:

- *Rely, in part, on SRO Quotation Feeds.* The Proposal would require that information be provided to the repository for every order and quotation in an NMS security that is originated or received by a broker-dealer. As the Commission is aware, quotation data is voluminous and, thus, expensive to transmit and retain. Instead of requiring all quotation data to be sent separately to the repository, the Commission should consider whether surveillance systems could rely on quotation information disseminated by the SROs. Quotation information is currently made available by the SROs for commercial purposes and the Commission could require that such information also be provided to the repository. The Consolidated Audit

Trail could then be limited to collecting customer order and trade information, which would reduce the costs of the Proposal.

- *Send Information to the Repository Upon Request.* The Commission should consider the frequency with which information is submitted to the repository. We have explained above why we do not believe the Consolidated Audit Trail needs to be on a real time basis. In addition, the Commission should consider whether the repository needs to collect all information with the same frequency. It is difficult to predict in advance what information will be of most interest in surveillance and investigations. The Commission could establish requirements for broker-dealers and SROs to retain and submit specified information when it is requested by the regulator. This approach would distribute the costs of retaining audit trail information across the industry. The repository would only need to retain information regulators considered important to ongoing surveillance or investigations.



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Other Information to Include in Audit Trail

The Proposal would require that, if an order is routed internally at a broker-dealer, the identity and nature of the department or desk to which an order is routed be included in the order record. However, information does not appear to be required to be included in the order record if the order is routed internally at an exchange from one execution system to another. For example, it is not clear that the Proposal would require an order record to include information that an order was flashed (or otherwise selectively displayed in a “step-up” mechanism). GETCO believes such information would be important to any effective surveillance system.

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,


John A. McCarthy
General Counsel