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VIA EMAIL August 15, 2010

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Consolidated Audit Trail
File No. S7-11-10

Dear Ms. Murphy:

The purpose of this correspondence is to respond to your request for comment regarding the Consolidated Audit Trail (CAT) Project.

In short, the objectives of your proposal are noble. Unfortunately the actions proposed are not only misguided and overzealous, they are dangerous.

In an Op Ed for Forbes last month, we gave great praise to the SEC for its response to the Flash Crash and strongly support actions taken to include the now-extended circuit breaker requirements. However, in that Op Ed (extract included below) we state the specifics of our objections to the CAT project, as proposed. In the simplest of terms, the following things need to happen:

- The specific business objectives of the project need to be more clearly and realistically defined – and within practical limits.
- A diagnostic review of existing systems and capabilities should be an integral part of the solution.
- <u>Issuer participation</u> in the design and implementation of the system is paramount to ensuring that the Sarbanes-Oxley monster is <u>not</u> recreated.

Please allow me to close with a very fundamental question: Since the overwhelming effectiveness of the circuit breaker pilot has proven that predetermined price parameters can be effectively electronically policed, why not use this same technology to disallow the errant trade/print in the first place? Hence, there would be no need to halt the stock.

Thank you for the opportunity to comment.

Kindest Regards.

Patrick J. Healy, CEO

Forbes.com

Commentary

Life After The Flash Crash

***Patrick Healy,** 07.01.10, 12:50 PM ET*

***Extract from Forbes Op Ed*……….....Despite the sunny nature of the above developments, there are some storm clouds brewing. Conspicuously absent during the Flash Crash autopsy was a central database for the purpose of reconstructing the day's events.**

Indeed, the root cause of the crash remains an enigma. A Consolidated Audit Trail (CAT) that serves as a central repository that brings all of the fragmented trading data into one place for surveillance purposes is clearly needed. Few investors realize that no exchange executes even so much as a third of the volume in its own listings and, therefore, the trading data is scattered across multiple venues including the exchanges themselves, ECNs (electronic communications networks that match buyers and sellers) and so-called "dark pools of liquidity." With the NYSE having now moved its surveillance function to the Financial Industry Regulatory Authority (FINRA), an industry self-regulatory body, most market surveillance is at least housed under one roof. But, an integrated, centralized data base (the CAT project) is still needed in order to fully police trading.

To address these issues, in late May the SEC formally proposed the CAT project. SEC officials estimate that the CAT project will cost a whopping $4 billion to build, take three years to complete and will require $2 billion a year to operate. While the project is conceptually very worthy, these financial parameters are beyond ridiculous; they're dangerous. For publicly traded companies, a project of this size and scope brings back bad memories of the governmental idealism that gave us 2002's Sarbanes Oxley Act (Sarbox). Despite its good intentions--Sarbox was enacted in reaction to a slew of corporate scandals (WorldCom, Enron, Arthur Andersen)--the bill is now widely seen as a failure. Without regard to cost or practicality, Sarbox imposed an enormous financial and operational burden upon corporate America. To avoid a similar fate, the size and scope of the CAT project must be significantly reduced and aligned with the ultimate objectives of the initiative. This will require participation from many market participants, including stock issuers. Surely, the failure to do so will result in an albatross around the financial industry's neck with significant long term economic and liquidity consequences to listed companies and their investors.

While it has become fashionable of late to take shots at the SEC, I disagree. The agency has shown remarkable skill in addressing the Flash Crash incident. To conceptualize and successfully implement the circuit breakers in the span of five weeks is unprecedented. Ditto for their efforts to quickly expand the pool of covered companies. To hold the competing exchanges' feet to the fire in terms of defending and modifying their respective trading models in light of the Flash Crash is spot on. It's about time that the SEC received some credit for their swift and decisive responses. I have every confidence that they will create a unified standard for trading halts across all markets in short order and will reign in the bloated scope and cost of the proposed CAT project. In an era of understandable skepticism, such diligent and successful efforts are essential to rebuilding investor confidence.

***Patrick Healy is CEO of Issuer Advisory Group, corporate America's leading issuer advocate and market expert. Mr. Healy serves on the Board of Directors of Direct Edge (the country's third largest stock exchange, which trades but does not list stocks). He holds a CPA and an M.B.A. and spent eight years on the faculty of the Georgetown University McDonough School of Business*.**