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February 4, 2011

Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 10529

Re: Proposed Consolidated Audit Trail (File S7-11-10)

Dear Ms. Murphy:

Correlix, Inc. ("Correlix" or the "Firm")¹ appreciates the opportunity to comment on the Securities and Exchange Commission's ("SEC's" or "Commission's") proposed Rule 613 under the Securities Exchange Act of 1934 ("Act") which would require the securities exchanges and the Financial Industry Regulatory Authority (collectively, the "SROs") to develop a consolidated audit trail.² A consolidated audit trail would centralize all order and transaction data in exchange-listed equities and options.

Correlix supports the Commission's proposal to build a consolidated audit trail across all U.S. securities markets. Given the fragmentation of equities and options trading across dozens of trading venues, creating a consolidated audit trail will be a major industry initiative but one that is necessary to maintain fair and orderly markets and permit prompt, efficient inquiries and regulatory reviews.

As a financial services technology company, Correlix has direct experience in designing, building and operating complex electronic order and trade monitoring systems. Correlix is a technology provider of real-time analytical tools that measure the timing and latency of

¹ Correlix offers an objective latency measurement service that allows trading firms to manage and share real-time latency data with their customers as well as receive objective real-time latency data from execution venues. Customers rely on Correlix to monitor, measure, and minimize latency in trade execution and market data flow in real-time. This empowers clients to execute a trade or deliver and act on market data in fastest possible manner. The company's global client base encompasses the world's largest high frequency trading firms and market centers as well as low latency service providers.

² Consolidated Audit Trail, Exchange Act Release No. 34-62174 (May 26, 2010), available at <http://www.sec.gov/rules/proposed/2010/34-62174.pdf> (the "Proposing Release").

equity and options orders to and from execution venues. The Firm's clients include the majority of the U.S.'s exchanges for both equities and options.³

We believe that the ultimate success of a consolidated audit trail will turn on the technology, design, and the time to implementation of the system. It is critical that the consolidated audit trail be built with technology and an architecture that is scalable to handle growing trading volumes and additional trading venues. As well, the system must be flexible enough to allow for new products and market models. Given Correlix's unique experience, existing installation footprint and technological capabilities, we believe that we can provide a significant component of the consolidated audit trail requirement while drastically reducing time to market and implementation risk.

The SEC estimates the cost for the initial implementation of the consolidated audit trail at approximately \$4 billion, which includes the estimated costs to be incurred by the SROs and member firms. The SEC further estimates the costs for maintaining the consolidated audit trail system at \$2 billion annually for the SROs and member firms. Correlix believes that these cost estimates can be reduced if the SROs select a proven and already implemented technology solution within the majority of the equities and options exchanges. Similarly, Correlix believes that meaningful cost and time savings can be achieved by harnessing existing infrastructure where possible.

Since Correlix's solution monitors every order as it enters the exchange, Correlix's technology can provide complete transparency for regulators by showing all orders including non-displayed orders (that may not appear on the market data stream).

In contrast to other technology providers, Correlix is uniquely positioned to participate in building the consolidated audit trail. Unlike other technology providers, Correlix has designed and installed data monitoring solutions for both market participants *and* the execution venues to provide objective accurate order execution timing. In this way, Correlix already has tracked and stored the data elements relevant for an order audit trail. Furthermore, the Correlix solution approach does not introduce additional latency into the exchange and participant environments and has been proven to work on the largest scale equities and options full daily trading volumes (such as NYSE, NASDAQ and CBOE).

For market participants, Correlix technology traces orders from the point a firm receives (or generates) an order to the point that the order is routed to an execution venue. The order is traced within the market participant's infrastructure. To the extent that a market

³ Among exchanges, Correlix provides data monitoring services to the Nasdaq Stock Market, Nasdaq OMX BX, Nasdaq Options Market, Nasdaq PHLX, NYSE, NYSE ARCA, NYSE AMEX, NYSE ARCA Options, Chicago Board Options Exchange ("CBOE"), CBOE C2, CBOE Futures Exchange, DirectEdge EDGA and EDGX, and the Chicago Stock Exchange.

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participant uses disparate systems or messaging protocols within the firm, Correlix can trace the order across these disparate systems and protocols.

Following the order flow process to execution venues, Correlix monitors order and data flows once an order reaches an execution venue and then throughout the execution venue's systems to the matching engine and back through the process all the way to the market participant that generated the order. The data that the Correlix system monitors is highly granular and provides an analysis of the order timing through gateways and matching engines.

When the data monitoring of a market participant and an execution venue are linked, the result is a complete end-to-end history of message and order data from the market participant to the execution venue's matching engine and back to the originator. All order and execution data is stored and maintained so that the client can create customized reports and queries against the data.

Not only has Correlix solved the complexity of providing data monitoring across unrelated and dissimilar trading systems, Correlix technology is already deployed at many market participants and execution venues. Correlix technology is widely accepted and proven among some of the most highly sophisticated trading firms and execution venues.

It is important to note that Correlix has provided its data monitoring solutions for the trading of both equities and options. This permits Correlix to provide even more insight into how to best build an order audit trail for both types of instruments and even more varied products in the future. The solution will enable regulators to correlate events that occur simultaneously across assets as well as within the same asset class.

As an example of how Correlix would envision its technology solution as part of the consolidated audit trail, the Firm has enclosed a diagram that illustrates at a high level the data flows from market participants and market venues to the consolidated audit trail. Given the Firm's experience in the industry, we believe Correlix has significant, relevant expertise and understanding of how to build a system to capture and store the data elements for a consolidated audit trail. We look forward to working with the industry and the Commission on the development of a consolidated audit trail.

Sincerely,



Daniel J. Connell
Chief Executive Officer

Attachment

Attachment to Correlix, Inc. SEC Comment Letter re Proposed Consolidated Audit Trail (File S7-11-10)

