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Mary Shapiro, Chairwoman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

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September 24, 2009

Dear Ms. Shapiro,

Please consider this a public response to the SEC's proposed rule banning flash trading.

I am a private investor who has never used flash trading or algorithmic trading.

I have however in my consulting capacity implemented algorithmic trading strategies for one of my clients.

My understanding is that the impetus for the proposed ban on flash trading is twofold:

1) The perception that flash orders are limited to one or several ECN's and are not visible or tradable by the broader market thus putting some market participants at a disadvantage.
2) The perception that the extremely short duration of flash orders prevents retail investors (and perhaps many institutional investors) from acting on them before they are withdrawn.

My response:
I believe that 1) is definitely an issue. Orders on publicly traded equities should be tradable by the broad market without favoring those who subscribe to certain ECN's over those who do not.

I believe that 2) is a red herring. As a private investor, I have never acted on a momentary appearance of a quote on my computer screen. Rather I analyze the equity in question, talk to my broker, and may in fact wait minutes, hours, days, or weeks before I send an order to trade that equity if ever I do. Flash trading (and algorithmic trading) does in no way put me at a disadvantage.

My concern about the proposed ban:
My concern is degraded liquidity caused by a ban on flash trading. The liquidity I currently enjoy when I do enter tradable orders could be degraded. When I enter an order, if there are no flash orders entering the market on exchanges to which my broker subscribes, then I have less of a chance of getting my order filled and getting it filled at the best possible price. Flash orders definitely enhance market liquidity.

The question that you should be asking is the following:

1) Will the proposed ban cause a material degradation of liquidity in the equity markets for retail investors?

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Only when you have an objectively verifiable negative answer should you allow the ban to become effective. If the answer is affirmative, then by allowing the ban to become effective, you have a cure which is worse than the disease.

Perhaps a better rule would be to allow flash trades, but only if they are disseminated to all exchanges (both public and private) so that the entire market can see them and trade on them. The only worry here is the possibility of "manipulative" flash quotes, but there are already rules in place to punish those who put quotes into the market with no intent to trade or with the intent to manipulate or deceive the market.

Yours truly,

Jeff Mantel

Jeffrey Hunt Mantel, Ph.D.
CEO

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