November 20, 2009

Elizabeth Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: File No. S7-21-09

Dear Ms. Murphy:

Casey Securities, LLC ("Casey Securities")\(^1\) appreciates the opportunity to comment on the proposed rule change by the U.S. Securities and Exchange Commission (the "Commission" or "SEC") eliminating the flash order exception from Rule 602 of Regulation NMS Reg ("Reg NMS"). Casey is not submitting this comment letter to take a position on the flash orders as defined by the SEC proposal, but rather, Casey would like to state that it is in favor of the Commission’s preliminary assessment for certain open outcry orders and their display in the published quotation. As the Commission acknowledges, the execution of certain orders would be impaired if those orders would be required to be displayed. Casey strongly urges the Commission to codify its preliminary assessment of certain orders as not needing to be displayed in the quotation.

Casey operates its brokerage operation on the trading floor of NYSE Arca Options. Despite a perception held by some that the manual, open-outcry trading floors are becoming obsolete, the trading floors continue to endure because there is still significant value in what the open outcry system provides; a negotiated market where buyers, sellers, and liquidity providers and seekers meet to more effectively negotiate and obtain best price, especially for certain types of orders such as complex and large orders.

In today’s environment, most retail public customer orders are executed via electronic execution platforms that provide for best execution and have little or no human interaction. The majority of Casey’s business, however, is executing orders for other broker dealers. These orders that are entered manually to Casey are large contract

\(^1\) Casey Securities is one of the most active independent order execution firms on the floor of the NYSE Arca options exchange providing quality executions for both institutional and public customer orders. Founded in 1976, Casey Securities, on an average day, accounts for approximately 23% of the daily volume of the NYSE Arca Options.
volume which are often multi-legged, multi-exchange orders, complex in nature and executed on a net debit/credit or delta basis (“complex orders”). These complex orders do not have a limit price but instead, the customer wishes to execute with a contingency; an if/then, condition, if you will. For example the customer who wishes to execute a QPY April 45 put/ April 55 put spread at $0.50 credit, is concerned with obtaining a specific price difference between or among option prices and not necessarily a specific limit price on specific legs of the order.

In addition, Casey will execute large contract size orders on behalf of broker dealers that are crossed or facilitated between Casey’s broker dealer customer and the broker dealer’s customer (“facilitated orders”). Facilitated orders can also be multi-legged, multi-exchange orders executed on a net debit or credit basis.

The Commission appears to acknowledge that complex and facilitated orders would not need to be displayed in the national quotation, and therefore would still be outside the requirement of Rule 602. Casey would like to re-affirm that the Commission is correct in its preliminary assessment. Given that most exchanges have rules in place that protect market participants, including the instance when a floor broker is facilitating or crossing orders on behalf of their customer, it would seem unwarranted to require display of facilitated and complex orders, especially given that these orders have designated protection via rules of the exchange upon which the order is represented, or because the order could not be naturally displayed because of the contingent nature of the order.

Finally, as you are aware, display of any large volume, non-complex discretionary trade would most certainly result in market participants reacting in opposition to the customer’s order and best interests. It is likely the order would be executed at incremental prices above the buy price or below the displayed sell price.

Casey encourages the Commission in its preliminary assessment of certain non-displayed orders to carve out an exception to its proposal for both large volume and complex trade orders. It is our belief that these orders, in part, were the intended recipients of the Rule 602 exemption, and they should not be penalized because of the hyper-extended electronic marketplace activity.

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See Proposal page 26 and 27, “The Commission recognizes that a number of exchanges currently offer a variety of trading services other than flash orders that conceivably could be affected by the elimination of the paragraph. These may include price improvement auctions and various types of facilitation and exposure mechanisms for large orders. The Commission preliminarily believes that the status of these trading mechanisms under Rule 602 would not be altered by the proposed amendment. For example the Commission preliminarily believes that orders exposed as part of a competitive auction that provided an opportunity to obtain better prices than displayed quotations generally would not constitute bids and offers that must be provided to the consolidated quotation stream, nor would the responses to those order if they were actionable only with respect to the exposed order.”
We thank the Commission for the opportunity to comment on the proposal. If you have any questions concerning these comments or would like to discuss these comments further, please feel free to contact me at 415-544-9100.

Sincerely,

George Gasparini
President
Casey Securities, LLC