Pipeline
Unleash The Power

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

Re: Regulation of Non-Public Trading Interest
File No. S7-27-09

Dear Ms. Murphy:

Pipeline Trading Systems LLC ("**Pipeline**") appreciates the opportunity to comment on the Security and Exchange Commission's (the "**Commission**") proposal to regulate Non-Public Trading Interest (the "**Proposal**").

Pipeline is a registered broker-dealer with the Commission and operates an Alternative Trading System ("**ATS**") that enables institutions and brokerage firms to quickly and efficiently trade blocks of exchange-listed and OTC securities including ADRs and Exchange Traded Funds. Trades on the Pipeline ATS are made in minimum amounts of 10,000, 25,000 or 100,000 shares, depending on the average daily trading volume of the particular stock that is traded. Pipeline's average trade size in its ATS is 52,000 shares. Pipeline is a venue for institutional investors to place large orders that cannot be executed on traditional displayed liquidity markets.

Our comments are focused on the "size discovery" exceptions proposed by the Commission as part of the Proposal. The Proposal amends the definition of "bid" or "offer" in Regulation NMS to apply to actionable indications of interest, lowers the order display threshold in Regulation ATS, and requires real-time disclosure of the identity of ATSs on their reports of executed trades. In each case, the Commission proposed an exception for block orders or trades of at least $200,000 that are communicated only to those who are reasonably believed to represent current contra-side trading interest of at least $200,000.

We support the Commission's reasons for including exceptions for block orders and trades in the Proposal. As a venue that serves institutional investors that are seeking to execute large orders with minimum price impact, Pipeline is well aware of the need of these investors to control the information flow concerning their transactions.

The size discovery exception is limited to orders with a market value of at least $200,000. In contrast, the definition of block size in Rule 600(b)(9) covers orders of at least 10,000 shares ***or*** orders of at least $200,000. The limits of the proposed definition undermines the value of the exception – to protect the needs of institutional investors that trade in blocks.

We recommend that a block order be defined for purposes of the Proposal as any order that represents a market value of at least $200,000, at least 10,000 shares, or at least 1% of the average daily trading volume. To avoid orders in low-priced stocks from satisfying the exception for blocks even if the order represents a relatively insubstantial dollar amount, the Commission could set a higher share threshold for stocks priced below a specific amount. These changes would better advance the Commission's intent, and would avoid unnecessary complications inherent in a market value threshold, such as arbitrary and different treatment for stocks hovering in a price range on the cusp of meeting the threshold.

Trading large orders is critical for institutional investors, including mutual funds and pension funds that invest retirement savings for millions of Americans. Such investors use Pipeline and similar ATSs to find the block-size liquidity they need and to minimize information leakage. The large-size orders that these investors need to execute cannot be executed on traditional public venues. Indeed, even though the average trade on the Pipeline ATS is 52,000 shares, in many cases block orders that are executed on the Pipeline ATS are smaller pieces of much larger orders. If information suggesting the precise size of a large order leaks into the market, the trading cost for the institutional investor will increase. Thus, the Proposals with just the restrictive block exception would increase trading costs for institutional investors because information revealing many block orders will be made public. A revised block order exception would avoid this problem.

Therefore, we encourage the Commission to adopt the Proposal with a revised definition for block orders.

Sincerely yours,

Richard L. West
General Counsel

cc: Hon. Mary Schapiro, Chairman
Hon. Luis A. Aguilar, Commissioner
Hon. Kathleen L. Casey, Commissioner
Hon. Troy A. Paredes, Commissioner
Hon. Elisse B. Walter, Commissioner
Robert W. Cook, Director, Trading and Markets
James Brigagliano, Deputy Director, Trading and Markets
David Shillman, Associate Director, Trading and Markets