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U.S. Securities and Exchange Commission

FROM: P. Georgia Bullitt
Michael A. Piracci
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DATE: July 28, 2011

SUBJECT: Retail Foreign Exchange Transactions

Thank you for taking the time to speak with us two weeks ago about the concerns expressed by many Securities Industry and Financial Markets Association (“SIFMA”) broker-dealer members regarding retail foreign exchange transactions. Per your request, we have gathered estimated numbers regarding the volume and size of retail foreign exchange transactions from five broker-dealers that were present on the call.

Attached as Exhibit 1 is a compilation of estimates reflecting data we collected from these broker-dealer firms. Four firms provided annual estimated data while one firm provided estimated data for a snapshot in time. Although three of the four firms that provided annual data did so on a calendar year basis (i.e., Jan. 1, 2010 through Dec. 31, 2010), one of the firms provided the data on a rolling twelve month basis (i.e., June 2010 through June 2011). Although the time periods used differ, we combined the annual estimates for the four firms since the numbers provided were estimates only and the estimates provided by the outlier firm that provided data for the rolling twelve month period were not at the high or low end of the range and were consistent with the group’s average. Nevertheless, in reviewing the data, the Staff should bear in mind that: (i) these are estimates only, (ii) include only a small sampling of firms, (iii) were compiled from data provided by firms having very different business models, including two clearing firms, one large warehouse, one high net worth platform that is part of a large global banking firm and one retail-oriented on-line platform and (iv), as discussed above, are, in the case of the annual numbers, based on somewhat different time periods. These are provided to give the Commission and the Staff a general overview of the magnitude of the retail foreign exchange business conducted by registered broker-dealers that are SIFMA members and should not be relied upon as firm data. We would be happy to work with the Staff to collect additional information. We would also be happy to include other SIFMA members in our survey and to meet with the Staff or participate in a round table forum to discuss the retail foreign exchange business as well as the policies and procedures in place to ensure that it is conducted in a safe and sound manner focused on serving the best interests of the customers.

As reflected on the exhibit, for the four firms that provided annual data, the annual estimated number of foreign exchange conversion trades was over 120,000 and the total number of affected accounts exceeded 17,000. These reflect all transactions effected through the foreign exchange clearing and retail desks for the firms that provided data. The data does not reflect trades done through the firms' institutional desks. Although none of the trade data differentiates between trades with non-eligible contract participant ("ECP"¹) clients and ECP clients, in general, trades with ECPs are effected through the institutional FX desk and trades with non-ECPs are effected through the clearing and retail desk. Accordingly, the firms believe that this data accurately estimates trades done for non-ECPs. However, because the firms did not maintain data in a manner that differentiated between ECPs and non-ECPs, the estimated numbers may be somewhat higher than they would be if data regarding non-ECP transactions only had been collected.

We thank the Staff for the consideration of this issue and welcome the opportunity to discuss these matters further. If the Staff has additional questions regarding the data provided, we are happy to organize calls with the firms. Please do not hesitate to contact P. Georgia Bullitt at 212-309-6683 or Michael A. Piracci at 212-309-6385 if you have any questions regarding this memorandum or need any additional information.

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¹ 7 U.S.C. 1a(18).

EXHIBIT 1

Estimates on Retail Foreign Exchange Transactions from 5 Broker-Dealer Firms

Note: The data shown does not differentiate between trades with and accounts carried for non-ECP clients and those for ECP clients.

| Metric | Estimated Aggregate Provided by Four Firms* |
|--|---|
| Estimated Annual Number of Foreign Exchange Conversion Trades (in connection with purchase or sale of a security or in connection with a corporate action/distribution tied to a security) | 121,813 ² |
| Estimated Annual Number of Accounts Involved in Foreign Exchange Conversion Trades | 17,600 ³ |
| Estimated Annual Number of Foreign Exchange Non-Conversion Accounts | 187 ⁴ |
| Estimated Notional Value of Foreign Exchange Conversion Trades | \$13.55 billion ⁵ |
| Estimated Notional Value of Foreign Exchange Non-Conversion Trades | \$1.43 billion ⁶ |
| Estimated Notional Value of Purchases and Sales of Foreign Fixed Income Securities and Foreign Equity Securities for Non-ECPs over a one year period | Fixed Income: \$1.46 billion ⁷ Equity: \$30.41 billion ⁸ |

*Three of the firms provided data for the calendar year of 2010 and one firm provided data for the most recent rolling 12-month period (i.e., June 2010-June 2011). As a result, the aggregate estimates reflect composites based on different time periods.

| Metric | Estimated Data Provided by One Firm |
|--|--|
| Estimated Number of Foreign Exchange Trades Per Day | 250 |
| Estimated Number of Client Accounts with Positions in Foreign Securities based on 2011 account positions | 600,000 |

² Estimated aggregate for four firms.

³ Estimated aggregate for three firms.

⁴ Estimated aggregate for two firms.

⁵ Estimated aggregate for three firms.

⁶ Estimated aggregate for two firms.

⁷ Estimated aggregate for two firms.

⁸ Estimated aggregate for two firms.