Knight

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June 4, 2010

Ms. Elizabeth M. Murphy
Secretary
Office of the Corporate Secretary
U.S. Securities and Exchange Commission
100 F Street, N.W.
Washington, D.C. 20549-1090

Re: Trading Halts Due to Extraordinary Market Volatility Rules
File Numbers: SR-BATS-2010-014, SR-BX-2010-037, SR-NASDAQ-2010-061, SR-NSX-2010-05, SR-NYSE-2010-39, SR-NYSEArca-2010-41, SR-NYSEAmex-2010-46, SR-ISE-2010-48, SR-EDGA-2010-01, SR-EDGX-2010-01, SR-CBOE-2010-047, SR-FINRA-2010-025

Dear Ms. Murphy:

Knight Capital Group, Inc.[1] ("Knight") welcomes the opportunity to comment on the "Trading Halts Due to Extraordinary Market Volatility Rules."

The lead up of events to the market disruption on May 6, 2010 ("May 6") is well documented. The actual mechanics of the precipitous market decline and subsequent rebound will be discussed for months, if not years. What is clear, however, is there appears to have been a confluence of events that created a situation where the normal instantly available liquidity temporarily evaporated giving the appearance of a market collapse, with certain stocks trading, not only beyond fundamental valuations, but beyond levels found in highly volatile situations. We believe that action is needed to address the technical aspects of the liquidity dislocation that occurred, and it appears that single stock circuit breakers might offer an effective means to accomplishing that end. However, we respectfully disagree with the viewpoint that volatility should be regulated or mandated out of existence, or that we should introduce safeguards to protect market participants from periods of high volatility. Volatility can be an unpleasant fact, but it is a byproduct of the dynamism of our capital markets and reflects periods of strongly differing views on valuation and the state of companies.

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[1] Knight Capital Group, Inc., through its subsidiaries, is a major liquidity center for foreign and domestic equities, fixed income securities, and currencies. On active days, Knight can execute in excess of five million trades, with volume exceeding ten billion shares. Knight's clients include more than 3,000 broker-dealers and institutional clients. Currently, Knight employs more than 1,100 people worldwide. For more information, please visit: www.knight.com.

While Knight generally supports minimal transactional frictions and trading stoppages, Knight believes that in theory, a well designed single stock circuit breaker is a possible means of preventing future occurrences similar to that of May 6. Hence, we welcome a limited pilot in the S&P 500 to test the hypothesis of the circuit breakers and ensure that they will perform according to expectation and not cause any unanticipated consequences. We believe that the concept of a single stock circuit breaker has the potential to best perform in situations where technical glitches, clearly erroneous trades and trading errors are the cause of rapid price changes; we are less convinced that the circuit breaker will be an effective tool when there are fundamental reasons for an equity security to re-price.

The operational issues around halting and re-opening securities under the various rules as well as an analysis of the data from individual security halts will be crucial to determine the best way forward for the single stock circuit breaker (e.g., the reopening by the primary listing exchange and potential delays that might cause a disruptive opening at other venues). Another area of particular concern in assessing the circuit breaker program, and, perhaps, even greater concern in practice, is the interaction with regulatory halts and the various other halts currently in place or proposed. More specifically, in addition to the proposed single stock circuit breakers, there are four other potential restrictions on trading based on market movements – the NYSE Liquidity Replenishment Points (LRPs), NASDAQ's recently proposed "Volatility Guards", the recently instituted alternative uptick rule, and the standing market-wide circuit breakers. These five different trading frictions could all be triggered during volatile market periods, creating a great deal of confusion and uncertainty. Furthermore, there are operational issues relating to the reopening of a large number of halted securities at different intervals should another market-wide downturn like May 6 occur.

As we look closely at the possibility of instituting single stock circuit breakers, Knight believes that the frequency of such an occurrence should not become part of the fabric of the market on a daily basis. Hence, we believe that one of the key variables to be tested is the acceptable percentage bands to be utilized across the entire spectrum of U.S. equities, given the strong variability in such things as liquidity, average daily volume ("ADV"), market capitalization, and bid/offer spread. Knight believes that the 10% band might be too restrictive, even in S&P 500 stocks, and is certainly too restrictive for the broader universe of NMS stocks. By example, according to analysis performed by Knight, a 10% band (year-to-date) would have been triggered at least 203 times in S&P500 stocks and over 10,000 times in the broader universe of NMS stocks.[2] In fact, we have run similar analysis at 5%, 15% and 20% bands.

[2] Data accounts for YTD 2010 through May 21, 2010 (97 trading sessions). We analyzed intra-day instances (both up and down) according to the following bands 5%, 10%, 15% and 20%. We used a conservative approach such that in moves greater than the percentage band, we assumed the stock would reopen at the fully adjusted price.

The following two tables show the results of that study:

Table 1: Circuit Breaker Instances through May 21, 2010

Band Percentage	*S&P 500 Instances*		*Total Instances*	
	Tape C	Tape A & B	Tape C	Tape A & B
5%	72	295	24,997	11,696
10%	23	170	3,934	6,884
15%	21	34	1,662	993
20%	15	29	814	663

Table 2: Circuit Breaker Instances through May 21, 2010 (ex-May 6, 2010)

Band Percentage	*S&P 500 Instances*		*Total Instances*	
	Tape C	Tape A & B	Tape C	Tape A & B
5%	24	101	23,281	9,393
10%	13	19	3,534	1,207
15%	13	15	1,475	447
20%	11	14	704	218

As the data indicates, in bands of less than 15%, in S&P500 stocks, and certainly in the broader equity universe, the frequency of circuit breaker occurrences is quite high. One approach to consider is different percentage bands for different classes of equities, where the classes could be determined by dollar price, ADV, market capitalization, or another metric. We believe that the exchanges and the Commission should carefully consider additional variables that can be used to help improve the criteria used in triggering a stock by stock circuit breaker. The availability of two sided liquidity in a security with a narrow spread and falling price may not be a situation to impose a circuit breaker halt. Overall, Knight would recommend expanding the single stock circuit breaker to a minimum band of 15%.

Whatever the final single stock circuit breaker program looks like, Knight believes a consistent approach among all venues is absolutely crucial to the success of this program. Hence, we are concerned about attempts to implement non-standardized halts or pauses. The potential exists for various venues to introduce bespoke halts that may cause operational disruptions or confusion among individual and institutional investors. Hence, we believe that the Commission should carefully weigh the various non-standard proposals that are sure to be discussed. As noted previously, we urge the Commission to move carefully in allowing too many different instances of market halts or pauses until a unified single stock circuit breaker can be tested and perfected.

In sum, Knight believes unencumbered market forces are preferable to the implementation of artificial trade frictions wherever possible. Importantly as well, such frictions should only be attempted during periods of severe market dislocation.

Thank you for providing us with the opportunity to comment on these rule proposals. We would welcome the opportunity to discuss our comments with the Commission.

Respectively submitted,

Leonard J. Amoruso

cc SEC Chairman Mary L. Schapiro
SEC Commissioner Kathleen L. Casey
SEC Commissioner Elisse B. Walter
SEC Commissioner Luis A. Aguilar
SEC Commissioner Troy A. Paredes
Robert W. Cook, Director, SEC Division of Trading and Markets