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June 9, 2010

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

Re: Comments Regarding Rule Filings for Market-Wide Circuit Breakers

Dear Ms. Murphy:

GETCO

Global Electronic Trading Company ("GETCO" or "firm") appreciates the opportunity to comment on the above captioned rule filings ("Rule Proposals") related to market-wide trading pauses for individual securities that reach a circuit breaker threshold.[1] GETCO supports the Rule Proposals as a measure that will help restore investor confidence in how our equity markets function. We believe that over the long term, other market structure changes are necessary including: (i) implementing trading limit functionality similar to the futures market that allows markets to continuously trade within the limit, and (ii) imposing market order collars to better prevent destabilizing market events.

I. Introduction

GETCO is a leading electronic trading and technology firm providing liquidity on over 50 markets in North and South America, Europe, and Asia. We are a registered market maker on various equity and option exchanges[2] and a Designated Market Maker (DMM) and Supplemental Liquidity Provider ("SLP") on the New York Stock Exchange ("NYSE"). From offices in Chicago, New York, London, and Singapore, the firm transacts business in cash and futures products across four asset classes –

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1 *See* Release No. 34-62121; File No. SR-BATS-2010-014; Release No. 34-62122; File No. SR-EDGA-2010-01; Release No. 34-62123; File No. SR-EDGX-2010-01; Release No. 34-62124; File No. SR-BX-2010-037; Release No. 34-62125; File No. SR-ISE-2010-48; Release No. 34-62126; File No. SR-NYSE-2010-39; Release No. 34-62127; File No. SR-NYSEAmex-2010-46; Release No. 34-62128; File No. SR-NYSEArca-2010-41; Release No. 34-62129; File No. SR-NASDAQ-2010-061; Release No. 34-62130; File No. SR-CHX-2010-10; Release No. 34-62131; File No. SR-NSX-2010-05; Release No. 34-62132; File No. SR-CBOE-2010-047; Release No. 34-62133; File No. SR-FINRA-2010-05.

2 Registered Equity Market Maker: Nasdaq, NYSE Arca, and BATS; Designated Market Maker and Supplemental Liquidity Provider: NYSE; Registered Option Market Maker: Chicago Board Options Exchange, Nasdaq Options Market, BATS Options, and NYSE Arca Options.

equities, fixed income, currencies and commodities. We also provide investors with access to dedicated liquidity through an Alternative Trading System ("ATS"), GETCO Execution Services, or GES. GETCO's primary trading strategy is market making—posting two sided markets—to help investors efficiently transfer the risk commonly associated with assets such as stocks, bonds, commodities and options contracts.[3] Our trading strategies employ advanced technology, real time information, transparent risk management systems and continuous innovation.

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II. The Events of May 6, 2010

The Rule Proposals are in direct response to the market events of May 6, 2010. Fair, orderly and efficient markets are fundamental to our financial system and economy. Something is clearly wrong when nearly one trillion dollars of value can be erased in five minutes without materially new information occurring. This type of irrational market activity is dangerous for both long term investors and market makers like GETCO.

The Commission must balance the need to maintain the benefits we have accrued from decades of good policy, which fostered competition, transparency and choice, while also approving rules that will minimize the likelihood of another destabilizing market event. We commend the Commission for its swift response in trying to determine the cause of the May 6th market disruption, and for the care it has shown in trying to find realistic solutions to complex challenges that will preserve the benefits of our markets.

As continued evaluation has shown, the May 6th market disruption resulted from a multi-faceted series of events that exposed the shortcomings of our current market structure--both in the cash and futures markets. We believe the Commission can find sensible solutions that will reassure investors that our marketplace is fundamentally sound while still maintaining the many advantages of our modern markets. As we will discuss in more detail below, the implementation of circuit breakers as outlined in the Rule Proposals are an important policy change in ensuring our markets are fair, orderly, and efficient.

III. The Rule Proposals

The Rule Proposals generally provide for a uniform market-wide circuit breaker for individual securities in the S&P 500 Index that experience a significant price movement over a short period of time. Under the Rule Proposals, trading in a stock would pause across U.S. equity markets for a five-minute period in the event that the

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3 In GETCO's view, one of the primary purposes of a financial market is to allocate risk to those persons or entities best able to bear it. As those entities do not necessarily meet in time, place, size and counter preference, market makers and liquidity providers such as GETCO commit their own capital and assume a variety of financial risks until a natural counterparty can be found.

stock experiences a 10 percent change in price over the preceding five minutes. The rules are intended to go into effect on a six month pilot basis.

GETCO supports the adoption of a uniform market-wide circuit breaker and views it as an important investor protection tool. A ten percent price move over five minutes is significant enough that pausing for five minutes will allow market participants to better digest the information associated with the subject security to determine if the price move is driven by market fundamentals or some other reason that should have not necessarily moved the security by such a large amount.

As discussed below, GETCO believes an optimal permanent solution would incorporate the concept of continued trading within appropriate pre-set limits rather than a halt or pause in trading. GETCO recognizes that it may be appropriate to expand the scope of the Pilot and in determining whether to do so, the Commission should consider the following issues:

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Simplicity of Implementation. If implementing the circuit breakers becomes too complicated, firms with greater technological sophistication will be at a significant competitive advantage. Firms such as ours will be far better positioned than smaller traders or average investors to understand, for example, when and how a halt may be triggered. This problem may be exacerbated if other regulatory changes are implemented such as abolishing market orders. Retail investors, for example, who may not be able to easily discern how to set a price such that their order is filled may not understand how or when they can trade once a circuit breaker is triggered.

The Magnet Effect. The Commission should closely study whether or not the Rule Proposals will exacerbate the so called "magnet effect." Some academic research indicates circuit breakers may have the perverse effect of increasing price variability and exacerbating price movements by causing participants to sub-optimally advance trades in time. We believe the potential for manipulation is magnified if the halts are too easily triggered.

Clearly Erroneous Executions. A potential consequence the Commission should study during the Pilot is clearly erroneous executions around the circuit breaker triggering price. A circuit breaker is triggered by a trade at or beyond the circuit breaker price and additional trades may occur after that point before the trading halt is in effect across all markets. The latter trades are "latency" trades because the halt only goes into effect after the primary exchange has informed the Securities Industry Processor ("SIP") that the circuit breaker has been triggered. The SIP communicates to the exchanges that the circuit breaker has been triggered and the exchanges halt trading. Both the triggering trade and all of the transactions that occur after that trade could be reviewed as potentially clearly erroneous by measuring the clearly erroneous thresholds in the exchange's rules against the price of the triggering trade of the circuit breaker. As a result, it is possible—particularly on volatile days—that numerous circuit breakers are hit and then hundreds if not thousands of potentially clearly erroneous trades would need to be addressed by the exchanges. Such a scenario could be exacerbated by measures such as NYSE's Liquidity Replenishment Points and Nasdaq's new Volatility Guard. We believe that individual exchange measures may have the unintended consequence of removing liquidity from the market when it is most needed, resulting in a larger than anticipated number of circuit breakers triggered and clearly erroneous transactions.

Circuit Breakers to the Upside. Given that the goal is to maintain fair and orderly markets, unwarranted price moves in either direction should be discouraged. While long term investors like to see prices move higher, spikes to the upside followed by a return to normal prices would do just as much to undermine confidence in our financial markets.

IV. Additional Regulatory Initiatives

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While GETCO believes that the implementation of the Rule Proposals will help restore investor confidence, the Commission recognized in its May 18, 2010 Joint Report with the CFTC ("Joint Report")[4] that additional measures may be warranted to mitigate the chance of another May 6th market event. GETCO would like to discuss some of these measures, as we believe that they will help achieve the Commission's long-term goal of reducing the potential for another destabilizing event.

A. Trading Limits

We believe that over the long term a better alternative to the circuit breaker trading halt approach would be a futures-style limit up/down functionality. Under the currently drafted Rule Proposals, trading would halt temporarily after a circuit breaker was triggered and the exchanges would need to review and address any potentially clearly erroneous transactions that may have occurred. In lieu of a trading halt, a limit up/down functionality -- where trading continues but executions may only occur within an acceptable pre-set range or limit -- would allow for continuous trading and prevent clearly erroneous trades from occurring. This functionality would be most valuable on particularly volatile days, where dozens of circuit breakers might otherwise be hit and many potentially clearly erroneous trades would need to be addressed.

B. Market Orders

We believe that unrestricted market orders are problematic and should be addressed because they create potential for unsophisticated retail investors to receive executions at unfair prices. Although banning market orders (and stop orders that turn into market orders) would be the easiest way to prevent such a scenario, we believe a less intrusive but equally effective measure would be to require exchanges to implement

[4] Preliminary Findings Regarding the Market Events of May 6, 2010--Report of the Staffs of the CFTC and SEC to the Joint Advisory Committee on Emerging Regulatory Issues, (May 18, 2010).

some form of a market/stop order collar. It is our understanding that at least one exchange has a market order collar in place that limits the likelihood an order will be executed at an erroneous price or one that is substantially away from the current market. Requiring all exchanges to implement a similar mechanism would be useful in preventing dramatic and unwarranted swings in prices from print to print, while still preserving investors' ability to send market/stop orders.

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GETCO appreciates the opportunity to submit these comments. Please do not hesitate to contact me at 312-931-2200 if you have any questions.

Sincerely,

John A. McCarthy
General Counsel

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