MONROE SECURITIES

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File No. SR-FINRA-2009-054

These comments relate to part 4 of the above referenced proposal to apply the Limit Order Display Rule to over-the-counter markets.

Monroe Securities, Inc. acts as a market maker for community bank stocks, many of which are thinly traded. While well-intentioned, the application of the Limit Order Display Rule to thinly traded stocks will likely have the unintended consequence of hurting our customers through reduced liquidity and needlessly poor executions.

The Limit Order Display Rule is predicated on the premise that interest in the stock is primarily reflected through the quoted markets. Instead, many thinly-traded markets are comprised primarily of market makers with at-risk bids and offers (i.e. no protecting orders). Currently, if a customer or market maker determines that an order will obtain a better execution by keeping the order discreet, then the market maker can find the liquidity without displaying the total size or price and by contacting interested parties whose interest might not be fully reflected in the quoted markets. In return for providing the liquidity, the market maker can earn a spread. This is a win-win-win situation for the buyer, seller, and market maker.

In a thinly traded market, the presence of a sizeable customer order affects the pricing strategy of each market maker and can act to weaken the pricing leverage of the customer order. The broadcasting of the existence of the order via the Limit Order Display Rule can thus weaken the pricing leverage of the customer. In effect, the displaying of the order may well scare away bids or offers, since in thinly traded markets, many bids and offers are at risk quotes by market makers which are risking their own capital. Thus, despite the best intentions, the Limit Order Display Rule is likely to hurt retail investors and gives them no choice as to how to handle their orders.

Current FINRA rules recognize that block orders need not be displayed for the good of the customer. Similarly, in thinly traded markets, any order substantially in excess of the tier size potentially benefits from not having to be displayed. FIRNA should retain the flexibility of the current rules to benefit customer order handling and not apply the Limit Order Display Rule to thinly traded markets.

Sincerely,

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