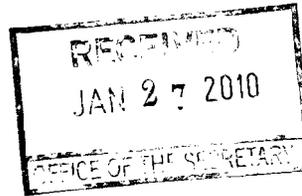


January 26, 2010

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



**Re: Comments to Securities Exchange Act Release No. 60999**  
**File No. SR-Finra-2009-077**

Dear Ms. Murphy:

E\*TRADE Capital Markets LLC ("ETCM"), a FINRA registered market maker located in Chicago, Illinois, respectfully submits the following comments regarding the proposal by the Financial Industry Regulatory Authority, Inc. ("FINRA") to restructure quotation collection and dissemination for OTC Equity Securities ("QCF Proposal"). ETCM strongly opposes the proposed rule changes and urges the Securities and Exchange Commission to reject the QCF Proposal.

As outlined in the proposed rule change, the QCF Proposal attempts to:

- create a consolidated quotation facility for regulatory and transparency purposes,
- cease operation of the OTC Bulletin Board Service ("OTCBB"), and
- modify the position charge fee structure.

In regard to each of these objectives set forth in the QCF Proposal, ETCM offers the following comments.

#### **Consolidated Quotation Facility**

Currently, the dissemination of a national best bid or offer ("NBBO") in OTC equity securities is being effectively accomplished by Pink OTC Markets, Inc. ("Pink OTC") via Pink Quote, a real time inter-dealer quotation system for OTC Equity Securities for market makers and other broker-dealers registered with FINRA. Pink Quote consolidates the marketplace and includes securities quoted on the OTCBB in addition to those quoted solely on the Pink OTC.

Pink OTC provides to FINRA all of the market data generated by its inter-dealer quotation system for all of its broker-dealer customers. At the present time, this market data is being provided by Pink OTC to FINRA for regulatory purposes through a real-

time market data feed. Broker-dealers can also view this data by obtaining a license from Pink OTC to view the consolidated NBBO in their OTC Dealer or OTCQuote.com products. In addition, broker-dealers can obtain this market data through multiple market data vendors that offer their customers the ability to consolidate Pink OTC, NASDAQ Level One quotations and other pricing sources.

Due to the above, we believe that the current system provides sufficient transparency and provides the necessary available data for FINRA to effectively regulate the marketplace.

### **OTC Bulletin Board Service**

ETCM does not oppose FINRA's proposal to cease operation of the OTC Bulletin Board. However, if FINRA ceases operation of the OTC Bulletin Board, there would be no other inter-dealer quotation system for OTC equity securities therefore making it unnecessary for FINRA to establish the QCF to achieve the goal of consolidated quotations.

### **Position Charge Fee Structure**

We believe that the QCF Proposal will significantly increase the cost of quoting OTC equities. According to the QCF Proposal, a mandatory position charge will be assessed for any quotation in an inter-dealer quotation system without providing for a system to allow other broker-dealers to interact with that quotation. This fee structure effectively results in a tax on the industry for displayed liquidity that is unrelated to any service offering. It is important to note that this proposed charge is directed to broker-dealers that submit quotations into Pink Quote which will result in higher fees assessed by FINRA and/or Pink OTC. In regard to Pink OTC, the loss of the current quote distribution fees as a result of the rule proposal will most likely result in an increase in Pink OTC user fees. As with any fee associated with trading, ultimately it will be passed on to the customer thereby creating a higher cost of execution.

Due to the above, we believe the proposed fee structure would result in an increase in the overall fee related to trade execution without any added value.

Thank you very much for the opportunity to comment on this matter and please contact me at 312-663-7148 if you have any questions.

Regards,



Christopher Meyer  
Chief Compliance Officer  
E\*TRADE Capital Markets, LLC