Knight

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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: Self-Regulatory Organizations: Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Amend FINRA Rule 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities): Release No. 34-62341; File No. SR-FINRA-2010-032

Dear Ms. Murphy:

Knight Capital Group, Inc.[1] ("Knight") welcomes the opportunity to comment on the proposed rule to amend Clearly Erroneous Transactions in Exchange-Listed Securities.

Knight generally believes that markets should function in the most transactionally fluid way, with a minimum of trading disruptions. We recognize, however, that there are times when trades are incorrect and must be broken and unfortunately, the current system of rectifying clearly erroneous ("erroneous") trades does not work efficiently or in a consistent manner. Changes need to be made to erroneous trade rules.

The need for an appropriate and consistent methodology for handling erroneous trades is clear. However, while unifying the handling of erroneous trades on a market-wide basis seems to make sense, in practice it could not be easily implemented and may have negative implications for the overall equity market.

From a strict price perspective, the percentage moves that are proposed are well thought out and appropriate. However, hard and fast rules in the realm of erroneous trades may be impractical because they could lead to broken trades without regard to the nature of

[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 3,500 broker-dealers and institutional clients. Currently, Knight employs more than 1,200 people worldwide. For more information, please visit: www.knight.com.

the trade or the type of stock involved. Establishing numerical rules for stocks of different prices, without allowing for additional discretion and without considering other factors such as average daily volume ("ADV"), liquidity or circumstances, could lead to occurrences of legitimate trades being broken.

One concerning aspect of a numerical based approach to erroneous trades is the danger the proposal presents to liquidity by creating undefined risks for market liquidity providers. Liquidity providers and market makers are willing to risk their capital to take the other side of trades in fast moving markets. In return for stepping in and buying or selling in fast moving markets, liquidity providers need to know that they can get in and out of a security quickly and efficiently.

Typically the process of buying a stock with rapidly declining prices and reselling takes seconds or minutes. If the original purchase is busted as an erroneous trade 30 minutes after the initial trade, the liquidity provider is now short of the stock and is potentially at great risk. Rather than penalizing the liquidity provider who risked capital for liquidity provision, as is the case with the current and proposed erroneous trade rule, we respectfully submit that it should be the liquidity provider's prerogative to adjust the price rather than have a trade busted during a sudden period of rapidly moving prices. The ability to "adjust rather than bust" is particularly important in cases where market participants route an oversized order to the market due to faulty technology or inadequate risk controls.

Another example of a problem with fixed numerical percentage targets involves illiquid stocks. In the case of illiquid stocks, there is less threat to the market than the loss of liquidity provision, but the problem would occur very often. Fixed rules with regard to percentage moves in the case of illiquid stocks would cause numerous instances where a trade that crosses the spread would automatically be broken. For example, stock ABC with an ADV of 4,000 shares is bid at 10 and offered at 11.5 with a last trade at 11.5. If a seller enters the market and hits the bid at 10, a numerical-based regime would automatically break that trade as it would be 15% below the last trade (the target for stocks below $25 is 10%). There are thousands of NMS stocks that are infrequently traded with spreads greater than the numerical bands.

Yet another example where discretion is required, rather than numerical rules, would be the dissemination of news or a fundamental change that requires a significant reevaluation of underlying business conditions. News or fundamentals that are released without a halt during market hours can easily create rapid price dislocations, which must be considered in addition to the 3%, 5% or 10% move.

Another area of concern in assessing erroneous trade rules is the interaction between the circuit breaker program and the ever increasing trading pauses that are taking the U.S. equities markets continually further from an operationally smooth and continuous marketplace.

In sum, Knight believes that market forces are preferable to the implementation of artificial trade frictions wherever possible. With regard to erroneous trade rules, we suggest a principles-based approach that would allow for discretion in application, especially in the case of illiquid stocks and fundamental news.

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