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November 12, 2013

Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Comment Letter on FINRA's Proposal to Require Alternative Trading Systems to Report Volume Information to FINRA and Use Unique Market Participant Identifiers (FINRA SR–2013–042)

Dear Ms. Murphy

On September 30, 2013, FINRA filed a proposed rule change designed to enhance FINRA's regulatory and automated surveillance efforts and enhance transparency in the over-the-counter (OTC) market (Proposal).[1] The Proposal has two main components:

- First, the Proposal would require each alternative trading system (ATS) to acquire and use a single, unique market participant identifier (MPID) when reporting information to FINRA.
- Second, the Proposal would require each ATS to report to FINRA weekly volume information and number of trades regarding securities transactions within the ATS. ATSs would be required to report this volume information for NMS stock, OTC equity securities, and TRACE-eligible debt securities. FINRA would make the ATSs' reported volume for NMS stock and OTC equity securities available on its website on a delayed basis.

KCG supports the Proposal's requirement that ATSs use unique MPIDs for reporting of trades to FINRA. We also support FINRA making ATSs' aggregate trading volume in each NMS stock publicly available. KCG appreciates FINRA's

[1] Securities Exchange Act of 1934 Act Release No. 70676 (Oct. 11, 2013).

recognition that delayed public dissemination of this additional information about trading on ATSs is important to prevent potential information leakage of sensitive trading decisions, particularly in less liquid securities. However, as discussed in more detail below, we request that FINRA consider an alternative and less burdensome approach to making this volume information available to the public.

I. Background

KCG is a global financial services firm employing more than 1400 people worldwide and offering investors a range of services designed to address trading needs across asset classes, product types and time zones. As an independent market maker, KCG combines advanced technology with exceptional client service to deliver greater liquidity, lower transaction costs, improve pricing, and provide execution choices.

KCG is a registered market maker on numerous US cash equity and options exchanges, including a Designated Market Maker and Supplemental Liquidity Provider on the New York Stock Exchange ("NYSE"), and a Lead Market Maker on NYSE Arca. As a market maker, KCG commits its capital to facilitate trades by buyers and sellers on exchanges, ATSs, and directly to our clients.

KCG offer clients multiple opportunities to interact with our market making operations. In addition, KCG's institutional clients have access to algorithms and experienced trading desks to access liquidity, maintain anonymity and minimize market impact. KCG also operates three Commission-registered ATSs.

II. Discussion

A. KCG Supports the Goals of Enhancing FINRA's Automated Surveillance Efforts

Currently, off-exchange trades are reported to FINRA and are identified with the reporting broker-dealer's MPID. Trades executed on an ATS are not identified separately from other off-exchange trades executed by the broker-dealer operating

the ATS. FINRA has indicated that, to further enhance its regulatory and automated surveillance efforts, the Proposal would require a broker-dealer to obtain and use an MPID for reporting trades executed on each ATS it operates that is separate from the MPID the broker-dealer uses to report off-exchange trades executed otherwise than on an ATS. KCG supports this part of the Proposal.

B. KCG supports the proposal to publicly report, on a delayed basis, aggregate weekly volume in each security traded on an ATS

Currently, ATS trades are generically disseminated to the public by FINRA on a real-time basis with a designation of "OTC." Also, reported as "OTC" trades are other off-exchange trades executed by broker-dealers and reported to FINRA. Accordingly, the consolidated tape does not reveal the ATS or other OTC market center that executed a particular trade.

KCG supports FINRA's proposal to increase post-trade transparency of ATS trading. The proposed unique ATS MPID and the requirement that ATSs report aggregate weekly volume, which would then be disseminated by FINRA on a delayed basis, are both designed to provide more information to the public about the market center. We believe the aggregate and delayed reporting is a measured approach that respects the desire of investors that use ATSs to limit the disclosure of their trading intentions, while improving the transparency of activity on ATSs.

While KCG is very supportive of the proposal to increase transparency around ATS trades, we want to suggest that, once ATSs have incorporated into their trade report a unique MPID, it will no longer be necessary for ATSs to report aggregate volume weekly to FINRA. ATSs will be reporting to FINRA on a real-time basis each executed trade and such trades will have an ATS MPID. This information will allow FINRA to calculate the aggregate, weekly volume information for each ATS and then disseminate it on a delayed basis, as proposed. For this reason, KCG believes FINRA should amend its proposal to sunset the requirement that ATSs report weekly volume to FINRA after ATSs are using a separate MPID for reporting their trades to FINRA.

C. Fixed Income ATSs

We understand that FINRA's proposal would require members to report for each TRACE-Eligible Security, as defined in FINRA Rule 6710, the weekly aggregate par value of, and the number of trades, executed in such securities on each ATS operated by the member.

As FINRA is aware, it is common practice on fixed income ATSs, including KCG BondPoint, for many trades to be given up to the broker-dealer counterparties to the trade and then reported by those counterparties to FINRA. In these cases, trades would not be reported to FINRA with an ATS MPID, but with the MPIDs of the broker-dealer counterparties.

We believe FINRA's efforts to enhance its regulatory and automated surveillance would be substantially improved by creating a new field in its trade reports that would allow reporting counterparties to indicate the MPID of an ATS on which a trade may have been executed. By adding this information to the trade reports it receives, FINRA would immediately collect the information about whether and which ATS a trade may have been executed. In addition, by adding this information to trade reports, FINRA could calculate the aggregate, weekly information for fixed income ATSs, eliminating the need for ATSs to separately provide this information.

D. KCG supports future expansion of proposal to other OTC venues

Though not part of their current proposal, FINRA requests comment on the benefits and burdens of future expansion of its proposal to non-ATS over-the-counter (OTC) execution venues. KCG believes that additional transparency of the venue on which trades are executed may improve investors' ability to make informed routing decisions. In such cases, KCG would support a proposal to provide the public with additional transparency.

However, KCG also believes that additional transparency has the potential to inappropriately reveal investors' trading interest and investment decisions. Customers use trading venues that do not display trading interest prior to execution for a variety of reasons, including minimizing the customers' total execution costs. Changes that impact transparency while trading interest remains present could reduce these cost savings and should be considered carefully.

Finally, KCG cautions FINRA that additional transparency requirements should be applied across all market centers that provide comparable execution services. For example, exchanges execute some portion of their trades against undisplayed trading interest. We understand that FINRA does not have authority to make changes to the transparency of trades executed on exchange. Nevertheless, KCG believes that, to maintain a level playing field, any consideration of an expansion of FINRA's ATS transparency proposal to other OTC market centers should be done in conjunction with a review of the portion of exchange trades that are the result of executions against undisplayed trading interest. Requiring more transparency of trading on OTC venues and not also of trading on exchange venues could encourage investors to trade using non-transparent exchange order types. Such a result would reduce or eliminate the benefits of additional transparency requirements and create an unfair competitive playing field between exchange and OTC venues.

Yours Sincerely,

Elizabeth K. King
Global Head of Regulatory Affairs