



GLOBAL ELECTRONIC TRADING COMPANY

May 9, 2006

Mr. Johnathan G. Katz, Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20459-0609

Re: Rule Filing (SR-NSCC-2006-04) - Modification of Trade Submission Practices and Clearing Fee Revisions

Global Electronic Trading Company (“GETCO”) appreciates the opportunity to comment on the NSCC’s proposed modifications for trade submission practices and clearing fee revisions.

You may recall that GETCO, through its broker/dealer OCTEG, is a liquidity provider / market maker on major electronic communications networks (“ECNs”) and equity exchanges. OCTEG uses automated electronic systems to trade in excess of one billion shares a month. How we add value to the investing public is through adding liquidity and thereby reducing the spread between the bid and offer on all equities we trade. As the spread narrows, all market participants including retail investors, mutual funds, institutions, foundations, and pension funds benefit.

An example of the difference firms like GETCO make is demonstrated in the reduction of the bid / offer spread that can be seen in post-decimalization activity in Microsoft (MSFT). Post-decimalization, the spread on MSFT has gone from \$0.03 to \$0.01. The savings to the investing public just over the past three months in this one stock is approximately \$79 Million (with average daily volume at 66,000,000 shares and a savings of \$0.02 per trade for \$1,320,000 per day or \$79 Million per quarter). For a year with 240 trading days, GETCO and firms like GETCO assist the general public in saving over \$300 Million in MSFT trading alone. In short, NASDAQ costs over the years for large cap stocks have declined in large part due to automated electronic firms like GETCO that have passed on reduced costs to trading to the public.

What the NSCC is proposing, though noble in its intention, will dramatically increase costs for liquidity providers / market makers like GETCO. This will have a negative impact on the market overall, especially the investing public. Adding costs to liquidity providers / market markets will mean the investing public will not see as narrow a spread in equities across the all exchanges. It will mean less efficiency in the marketplace - and that certainly is not the SEC’s intention.

Though GETCO sees the benefits outlined in the proposal, including business continuity, straight through processing, risk mitigation, and trade reconciliation, GETCO is not in favor of the proposal due to capacity concerns and the lack of transparency surrounding the process and the current technological capabilities of the NSCC. The amount of compression that is taking place in the marketplace is substantial and may in fact be substantially underestimated. We estimate that millions of trades are compressed into hundreds. Does the NSCC have the capacity to handle the additional millions of trades that will be created? Will the NSCC impact the industry negatively due to its own systems limitations?

Mr. Johnathan G. Katz, Secretary  
Securities and Exchange Commission  
Page 2 of 2

The increasing number of algorithmic traders in the marketplace will strain the capacities of the NSCC as it attempts to ramp up technologically to meet its real-time requirements. This will again lead to additional expense and maintenance and will eventually translate into increased fees that will be passed on to the investing public. We think the NSCC ought to prove first that it has adequately thought through these issues and has the capacity to handle the increased trade volumes it expects. In turn, the SEC ought to work with the industry to determine what is a reasonable figure of additional trades to expect as a result of a lack of compression and then request data from the NSCC that prove it has the capacity to handle the increases, whether it's a 10-fold increase or a 40-fold increase. This is of grave concern to the industry.

There are additional concerns around transparency. Currently, there is a lack of transparency around how the NSCC perceives and prices risk for trades. What are the methodologies employed by the NSCC to determine risk levels? What criteria are applied in the determination? We do not have transparency in this important area and we do not fully understand the impact this will have on liquidity providers and the investing public.

Lastly, the way the NSCC invoices is opaque. A discount rate is applied and the basis and consistency of that discount rate is unclear. Under the new fee structure, the NSCC states that the end result will be revenue neutral. However, how the fees will be redistributed exactly is in question. Broadly speaking, Trade Recording, Correspondent Clearing and Flip Trades decrease fee levels while Trade Clearance Fees increase. How will the fee increases be distributed around trade clearance? What are the standards that will be applied? Will the discount rates remain the same, increase or decrease? This is not clear today and will be no clearer once the proposed changes are made.

Transparency issues aside, there is a lack of clarity regarding means of delivery and the implementation timeframe. The NSCC is asking firms to take on two projects with their implementation timeline - no netting (among other changes) after July 1st, 2006 and only real-time processing after January 1st. Why not push netting to January 1st to coincide with real-time processing? That would lower costs to the industry by creating a one-step process and not an intermediate process. The NSCC is proposing a massive two-step undertaking that is not necessary.

Thank you for the opportunity to comment on the NSCC proposal. If you have any questions or would like to discuss our comments further, please contact me at 312-242-4600.

Sincerely,

Stephen Schuler  
Managing Member  
GETCO, LLC.