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October 13, 2004

**VIA ELECTRONIC DELIVERY**

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0901

**Re: Proposed Regulation NMS (S7-10-04) – Supplemental Comment**

Dear Mr. Katz:

Ameritrade Holding Corporation (“Ameritrade Holding”) submits this Supplemental Comment Letter<sup>1</sup> concerning proposed Regulation NMS to include in the public files the attached Gallup Poll of retail investors.

We believe that this poll is particularly relevant for the Securities and Exchange Commission as it considers proposed Regulation NMS because it provides important data demonstrating that retail investors want fundamental change of the national market system represented by certainty of price, speed of execution, equal access and transparency of market data information.

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<sup>1</sup> Ameritrade Holding submitted its initial comment letter on June 30, 2004. *See* Letter from Ellen L.S. Koplou, Executive Vice President and General Counsel, Ameritrade, to Jonathan G. Katz, Secretary, Securities and Exchange Commission.

Mr. Jonathan G. Katz  
October 13, 2004  
Page 2

Please contact me at the above noted number if you have any questions.

Sincerely,

*John S. Markle*

John S. Markle  
Associate General Counsel

Attachments

cc: The Hon. William H. Donaldson, Chairman  
The Hon. Paul S. Atkins, Commissioner  
The Hon. Roel C. Campos, Commissioner  
The Hon. Cynthia A. Glassman, Commissioner  
The Hon. Harvey J. Goldschmid, Commissioner  
Robert L. D. Colby, Deputy Director  
Division of Market Regulation  
Elizabeth King, Associate Director  
Division of Market Regulation  
David Shillman, Associate Director  
Division of Market Regulation  
Stephen Williams, Economist  
Division of Market Regulation  
Daniel M. Gray, Attorney Fellow  
Division of Market Regulation  
Heather Seidel, Attorney Fellow  
Division of Market Regulation



**FOR IMMEDIATE RELEASE**

At the Company:

Katrina Becker  
Senior Manager, Corporate Communications  
(402) 597-8485  
[kbecker@ameritrade.com](mailto:kbecker@ameritrade.com)

**INDIVIDUAL INVESTORS FAVOR MARKET CHANGES  
ACCORDING TO GALLUP POLL**

**OMAHA, Neb., October 7, 2004** – More than 97 percent of American retail investors would support changes in the regulatory structure of U.S. equity markets, according to a Gallup poll released today. The poll was commissioned by Ameritrade Holding Corporation (Nasdaq: AMTD).

The poll, conducted by the Gallup Organization, indicates the following:

- ***Investors want the price they see:*** 97 percent of investors say that it is important to get the exact price they are quoted on a stock; 86 percent said that it is extremely important or very important.
- ***Investors want immediate execution:*** 97 percent of investors say that it is important to complete their purchase or sale of stock as quickly as possible; 79 percent said that it is extremely important or very important.
- ***Investors want equal access:*** Two out of three investors who responded to the question say that all equity markets should be made available to all investors, regardless of whether they are retail or institutional investors (53 percent of all investors).
- ***Investors want full disclosure of fees:*** 80 percent of investors say that providers of market data quotes should be required to publicly disclose the cost of collecting the data.
- ***Investors want fairness – no “stepping ahead:”*** 80 percent of investors say that one penny should be the smallest increment for stock purchases, and 55 percent say that sub-penny quoting should be banned for most stocks.

“Investors want a marketplace that is as familiar and fair as the grocery store – a place where you are charged the price on the label, you make your purchase when you’re ready, and you can see who’s ahead of you in line,” said Joe Moglia, chief executive officer of Ameritrade. “On behalf of individual investors, we encourage the markets to adapt to meet their desires for change and to rebuild their confidence in U.S. markets. The results of the Gallup poll are aligned with Ameritrade’s views for modernizing the nation’s equity markets.”

The SEC’s proposal to modernize the national market structure has raised questions about how the more than 30-year-old rules that govern trading practices should be updated. In particular; the SEC is considering how best to integrate the traditional manual stock exchanges and the newer electronic markets. Under today’s rules, investors do not always know if they are getting the exact price quoted, and the execution of their trades can be delayed without their knowledge. Ameritrade has gone on record that market regulations should be amended so that



investors can benefit from the reduced costs and efficiencies that technology has brought to the markets.

“While the Securities and Exchange Commission debates how to rewrite antiquated securities regulations to accommodate electronic markets, the polling results are strong evidence that retail investors want fundamental change represented by certainty of price, speed of execution, equal access and transparency of market data information. This will help create a level playing field between individual and institutional investors,” said Phylis Esposito, Ameritrade Executive Vice President and chief strategy officer.

Ameritrade is a member of a coalition of competing firms representing both institutional and individual investors and various electronic markets which have come together to support market structure changes.

### **The Gallup Poll**

The Gallup poll was conducted in July 2004, surveying 1,010 investors, using Gallup’s standard definition of “investor” as an individual having \$10,000 or more of investable assets and representing approximately 40 percent of the U.S. population. The survey has a 95 percent confidence ratio margin of error of +/-3 percent.

For more than 60 years, the Gallup Organization has been a recognized leader in the measurement and analysis of people’s attitudes, opinions and behavior. While best known for the Gallup Poll, founded in 1935, Gallup’s current activities consist largely of providing marketing and management research, advisory services and education to the world’s largest corporations and institutions.

A complete copy of the poll results and methodology can be found at [www.amtd.com](http://www.amtd.com).

### **Ameritrade Holding Corporation**

*Ameritrade Holding Corporation has a 29-year history of providing investment services to self-directed individuals through its brokerage subsidiaries. Ameritrade develops and provides innovative products and services tailored to meet the varying investing and portfolio management needs of individual investors and institutional distribution partners. A brokerage industry leader, Ameritrade, Inc.<sup>1</sup>, a subsidiary of Ameritrade Holding Corporation, was recently recognized as a J.D. Power and Associates Certified Call Center, the first in the financial services industry. For more information, please visit [www.amtd.com](http://www.amtd.com).*

<sup>1</sup> Ameritrade, Inc., member NASD/SIPC

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# Modernizing the Regulatory Structure Of the U.S. Equity Markets

## A Gallup Poll of Investor Perceptions Special Report

**OCTOBER 2004**

### Introduction & Methodology

Over the period of June 29 to July 18, 2004, the Gallup Organization polled U.S. investors about their views of what is important to them when investing in the U.S. Equity Markets and how they think those markets should work. As part of the Gallup Poll, individual investors were asked basic questions about their investment knowledge, their expectations when making an investment, and their priorities for regulatory change.

In particular, investors were asked questions pertaining to the various possible changes being discussed as part of a review by the Securities and Exchange Commission in its recent proposal to modernize the regulatory structure of the equity markets (Regulation NMS). That regulatory proposal, however, was never directly mentioned in the survey.

Gallup surveyed 1,010 “investors” using Gallup’s standard definition of the “investor” which is individuals having \$10,000 or more of investable assets and representing approximately 40% of the U.S. population. For results based on this total sample of investors, one can say with 95% confidence that the margin of sampling error is  $\pm 3$  percentage points.

Gallup wishes to thank Ameritrade Holding Corporation for its financial support in conducting this survey. However, the opinions expressed in this report concerning the findings of this special survey are those of the Gallup Organization and do not necessarily reflect the views of Ameritrade or any other firm operating in the U.S. Equity Markets.

## **Investors Know How to Interpret Investment Advice**

As part of this special survey, Gallup asked investors a series of questions concerning how they perceive their role and that of other participants in the U.S. Equity Markets. Surprisingly, the results show investors to be much more knowledgeable – and far from as naive -- as many market observers often suggest.

- Ninety-seven percent of investors say they understand that they are responsible for their own investment decisions. (Chart #1)
- Ninety-four percent of investors say they understand that conflicts of interest exist in the marketplace. (Chart #2)
- Ninety-three percent of investors say they need to develop a financial plan to guide their investments. (Chart #3)
- Nine in 10 investors say they usually ask questions before they make an investment decision. (Chart #4)
- Eight in 10 investors say they make their own investments decisions. (Chart #5)
- Three in four investors say they never take investment advice at 'face value.' (Chart #6)
- Seven in 10 investors say they know why someone is recommending a particular investment before they invest. (Chart #7)
- Seven in 10 investors say they review independent research on companies before they invest. (Chart #8)
- Seven in 10 investors say they know how their investment professional or brokers is compensated. (Chart #9)
- Two out of three investors say they think financial matters have become so complicated that they need experts to advise them. (Chart #10)
- Fifty-six percent say they don't consider the statements of corporate officers, CEOs, and CFOs to be investment advice. (Chart #11)
- Fifty-three percent say they know when there is a relationship between an investment company and the stocks they recommend. (Chart #12)
- Forty-three percent of investors say they know what the regulatory roles are of the SEC, the New York Stock Exchange, and the NASD. (Chart #13)

Overall, investors are not only surprisingly knowledgeable about how to interpret investment advice but also have a lot of confidence in their ability to make investment decisions.

- Eighty-two percent of investors say they personally feel “somewhat”, ‘very’ or ‘extremely’ confident in making investment decisions. (Chart #14)
  - One in three investors says they personally feel ‘very’ or ‘extremely’ confident in making investment decisions.
  - Half of investors say they personally feel ‘somewhat’ confident in making investment decisions.

### **Investors Want Modernization of the Equity Markets**

Overwhelming, investors (97% or more) feel that getting the ‘Best Possible Price’, the ‘Exact Price Quoted’, ‘Being Able to Buy or Sell Whenever They Want’, and ‘Making a Purchase or Sale Quickly’ is important. (Charts #15)

- Ninety-eight percent of investors say being able to ‘But or Sell Whenever They Want’ is important when they buy or sell stocks.
- Ninety-seven percent of investors say getting the ‘Best Possible Price’ is important when they buy or sell stocks.
- Ninety-seven percent of investors say getting the ‘Exact Price Quoted’ is important when they buy or sell stocks.
- Ninety-seven percent of investors say getting their ‘Purchase or Sale Completed Quickly’ is important when they buy or sell stocks.

Eighty percent of investors say that one penny should be the smallest increment for stock purchases. (Chart #16)

Eighty percent of investors say that the providers of market data should be required to publicly disclose the cost of collecting that data. (Chart #17)

Seventy-nine percent of investors say that the market regulators should promote information transparency for investors. (Chart # 18)

Seventy-six percent of investors say that they should be told when their orders are being matched internally at a brokerage before they are executed. (Chart #19)

Seventy-five percent of investors say that the equity markets should be prohibited from imposing unfairly discriminatory terms that prevent or inhibit any person from accessing its quotations indirectly through a member, customer, or subscriber. (Chart #20)

Sixty-two percent of investors say that the equity markets should establish an access fee standard. (Chart #21)

Sixty-two percent of investors say that the regulators should establish a new formula that would divide market revenue equally between trading and quoting activity in order to reward markets that publish the best and most accessible quotes. (Chart #22)

Fifty-five percent of investors say that sub-penny quoting should be banned for most stocks. (Chart #23)

Fifty-three percent of investors say all equity markets should be available to all investors while 22% say the regulators should limit retail investor access to some markets. (Chart #24)

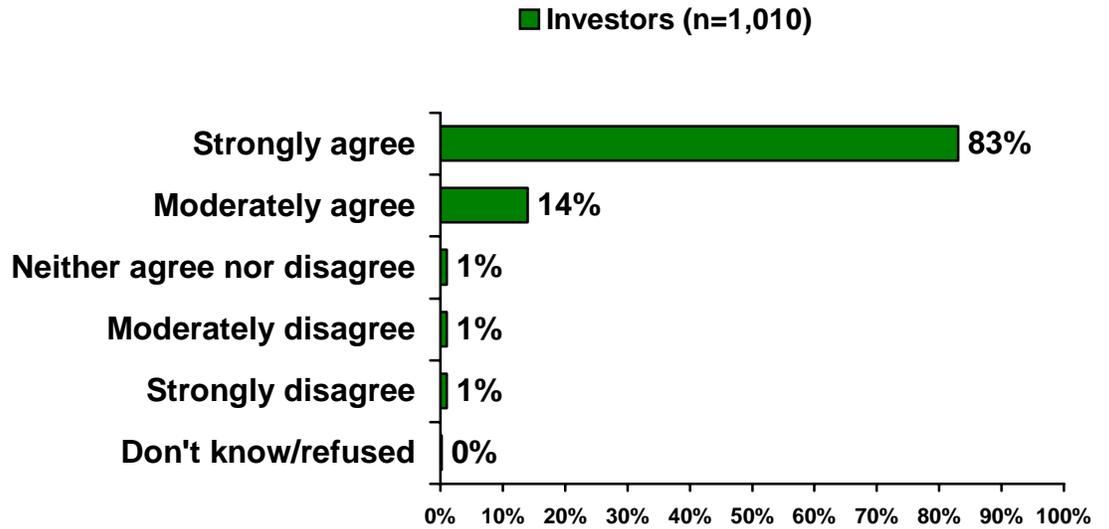
Forty-seven percent of investors would let their stockbroker decide how their purchase order is processed while 45% would prefer to decide themselves. (Chart #25)

Forty-seven percent of investors say that the regulators should set a ceiling on fees while 42% say fees should be left solely to the marketplace. (Chart #26)

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Chart 1  
AGREE OR DISAGREE?

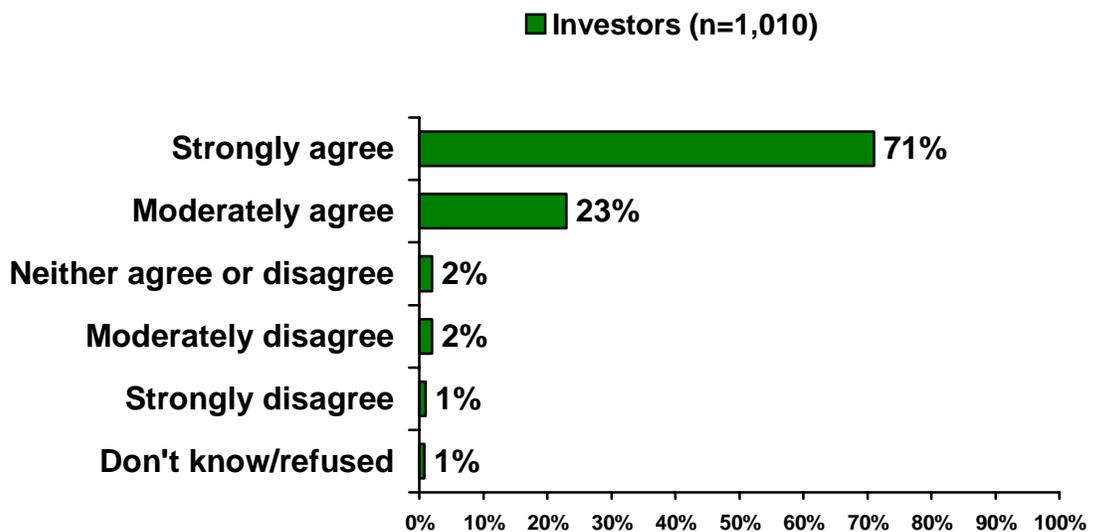
*You understand that you are responsible for your own investment decisions*



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Chart 2  
AGREE OR DISAGREE?

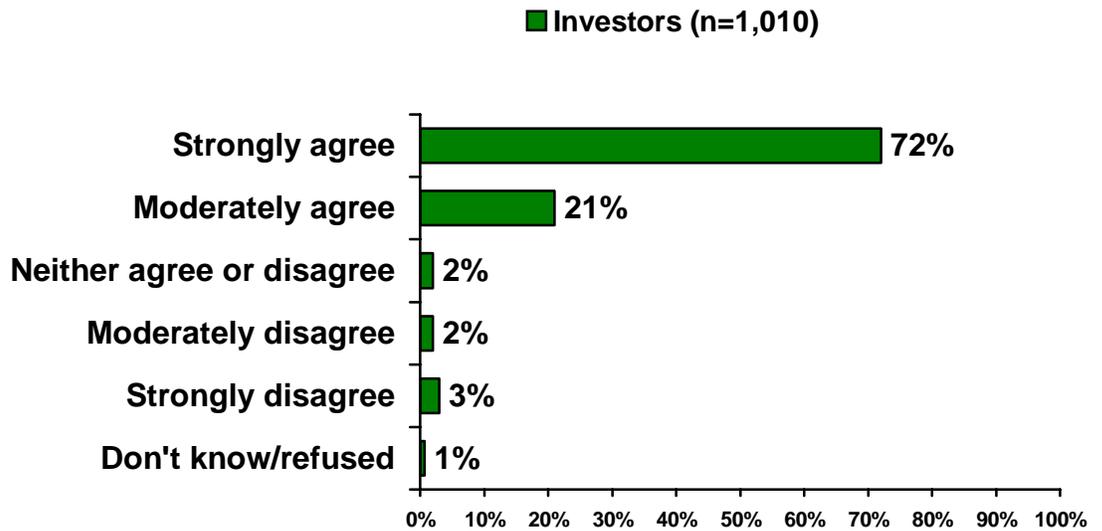
*You understand that conflicts of interest exist in the marketplace*



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Chart 3  
AGREE OR DISAGREE?

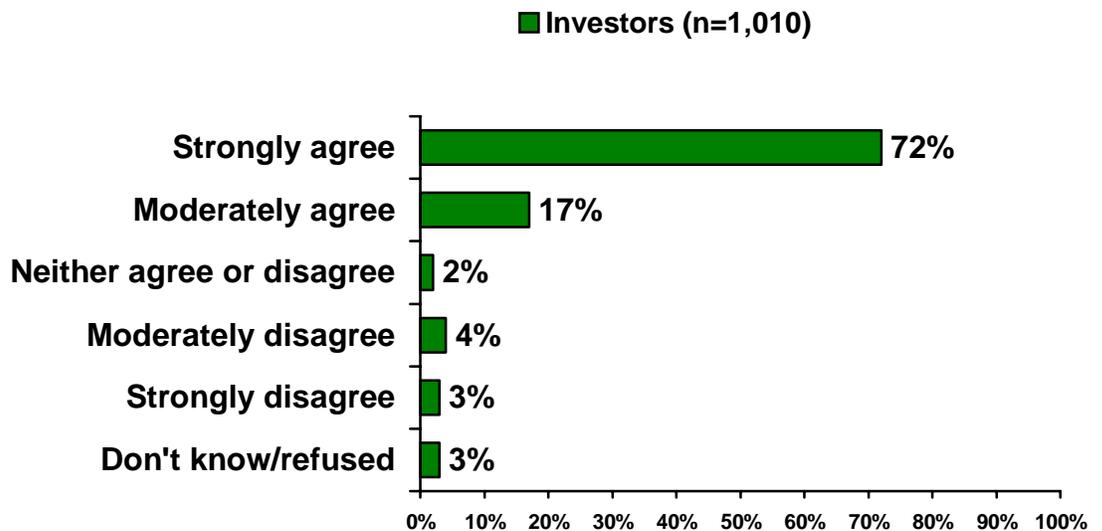
*Investors need to develop a financial plan to guide their investment decisions*



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Chart 4  
AGREE OR DISAGREE?

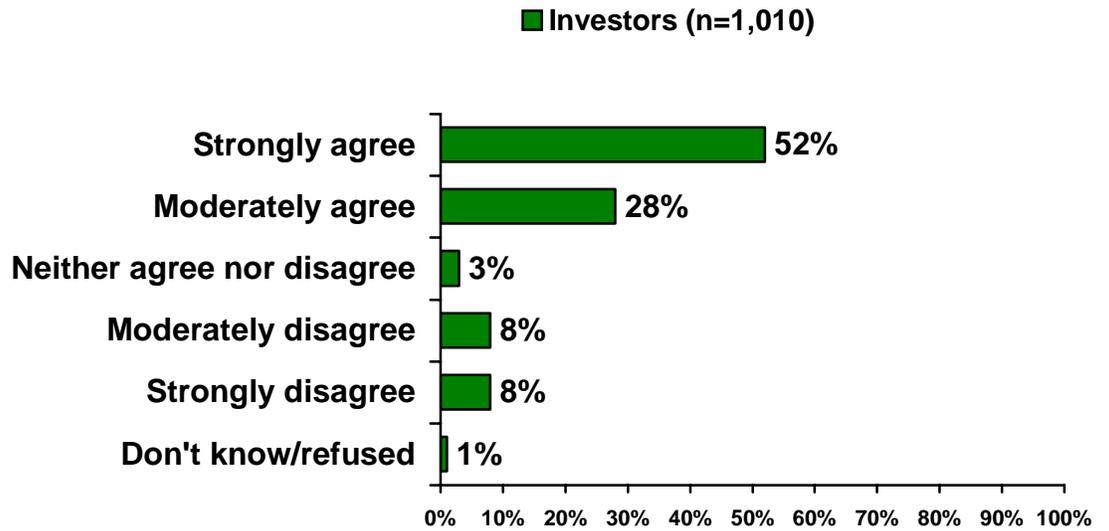
*You usually ask questions before you make an investment*



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Chart 5  
AGREE OR DISAGREE?

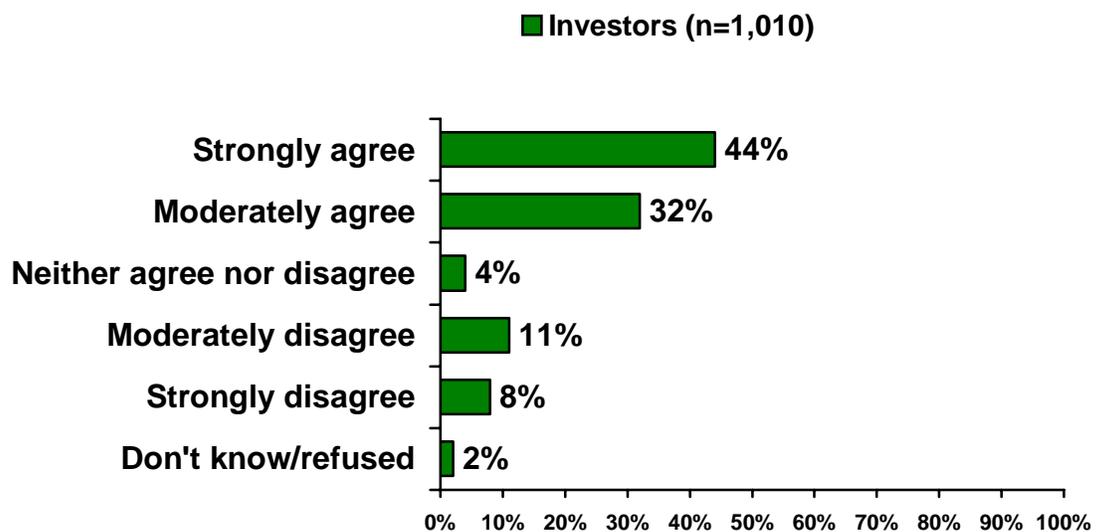
*You make your own investment decisions*



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Chart 6  
AGREE OR DISAGREE?

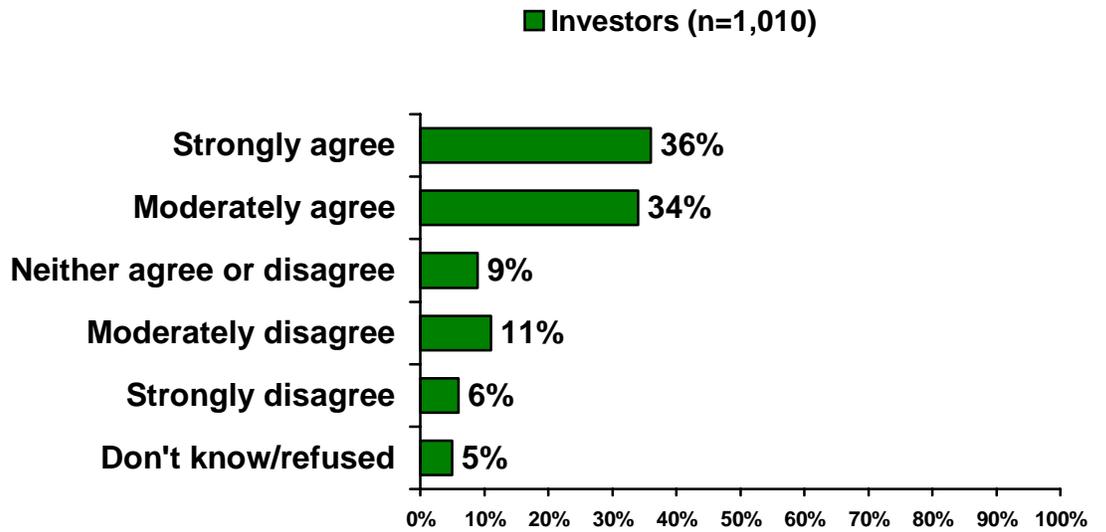
*You never take investment advice at "face-value"*



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Chart 7  
AGREE OR DISAGREE?

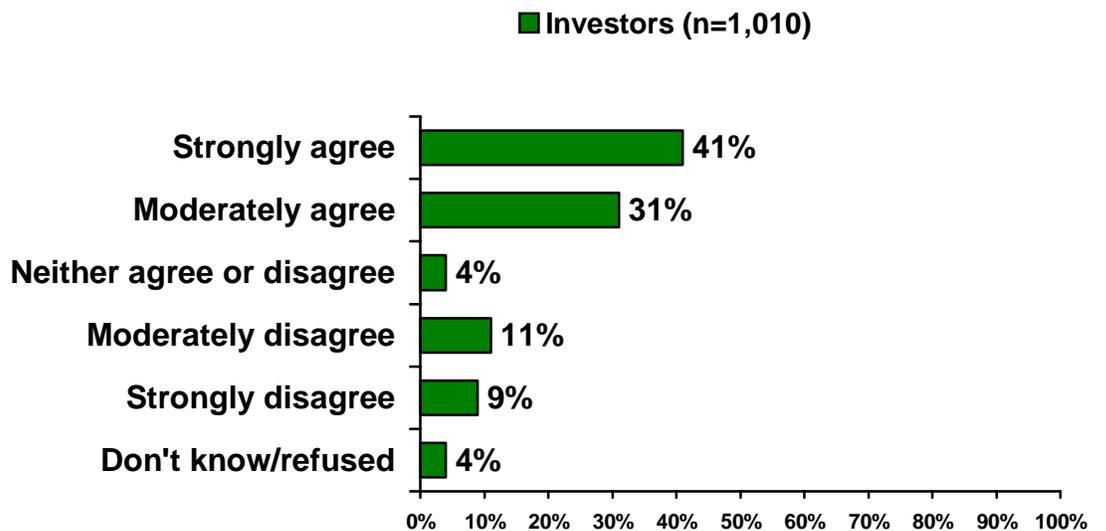
*You know why someone is recommending a particular investment to you before investing*



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Chart 8  
AGREE OR DISAGREE?

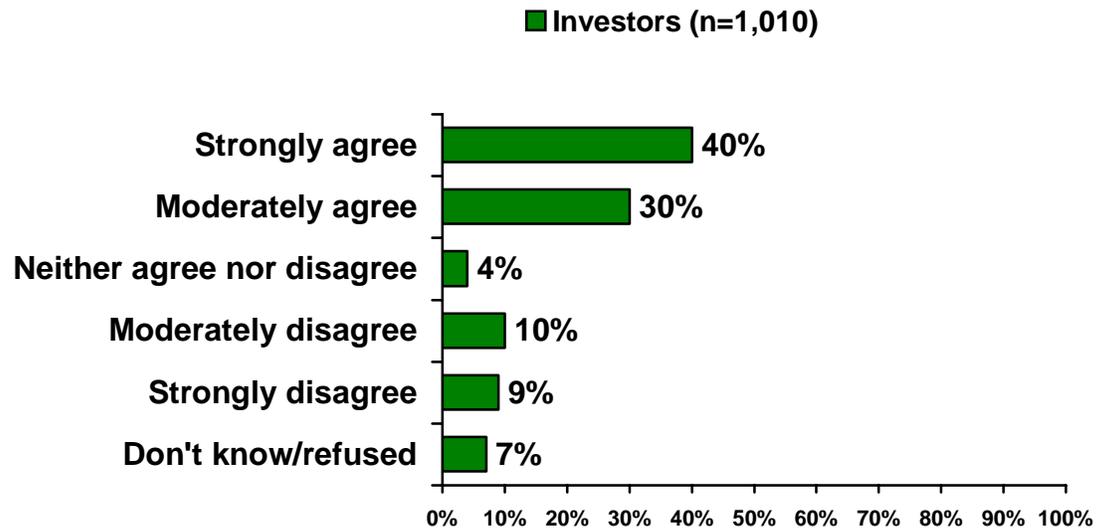
*You review independent research on the companies before you invest*



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Chart 9  
AGREE OR DISAGREE?

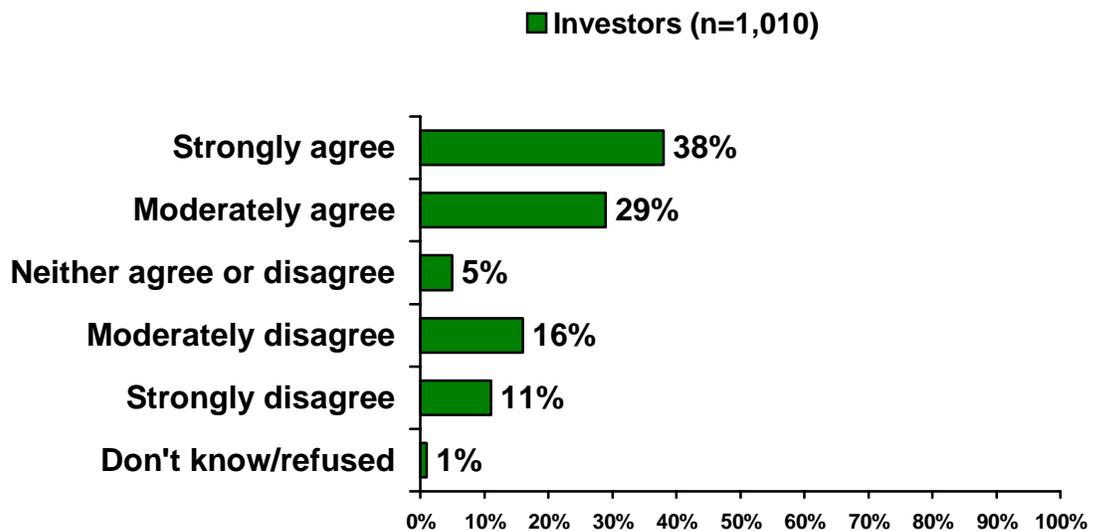
*You know how your investment professional or broker is compensated*



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Chart 10  
AGREE OR DISAGREE?

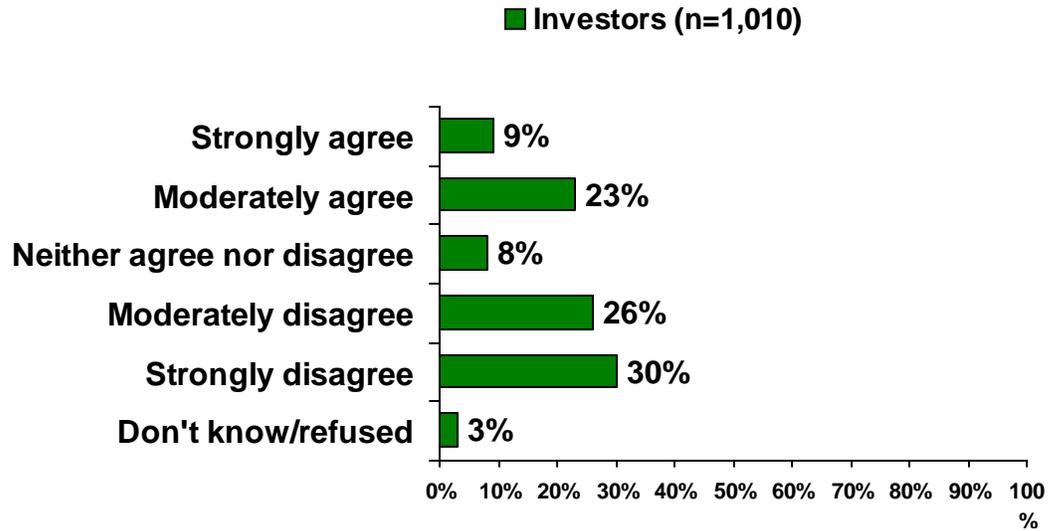
*Handling financial matters has become so complicated that you need experts to advise you*



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Chart 11  
AGREE OR DISAGREE?

*You consider the public statements of corporate officers, CEOs, and CFOs to be investment advice*



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Chart 12  
AGREE OR DISAGREE?

*You know when there is a relationship between an investment company and the stocks they recommend*

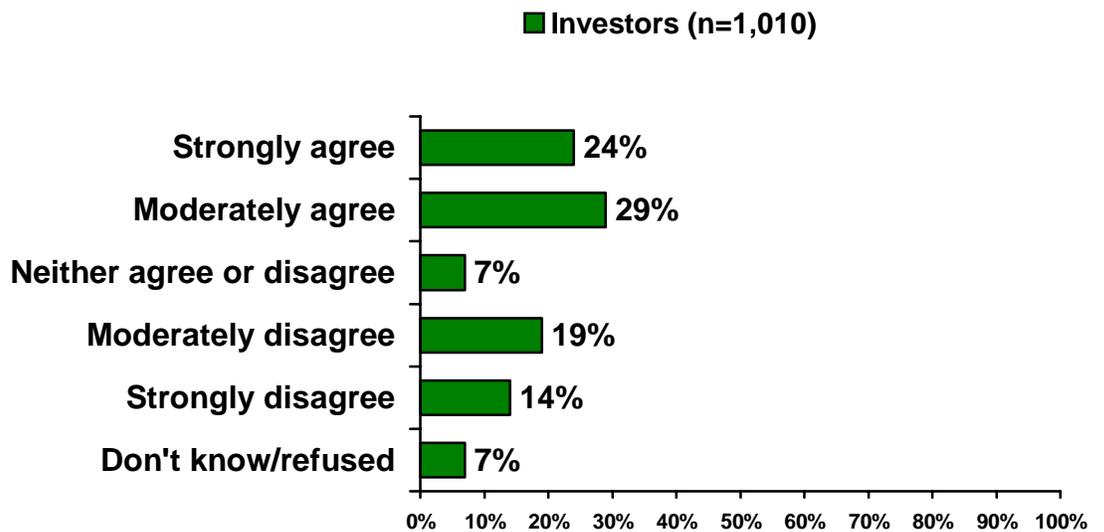


Chart 13  
AGREE OR DISAGREE?

*You know what the regulatory roles are for the SEC, the New York Stock Exchange, and NASD*

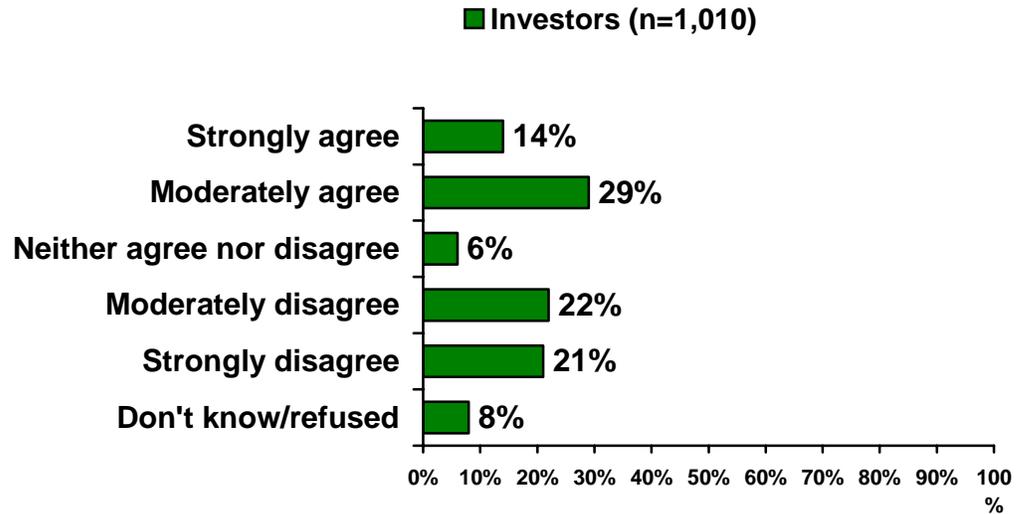


Chart 14  
INVESTMENT DECISION-MAKING

*How confident do you personally feel in making decisions about your investing?*

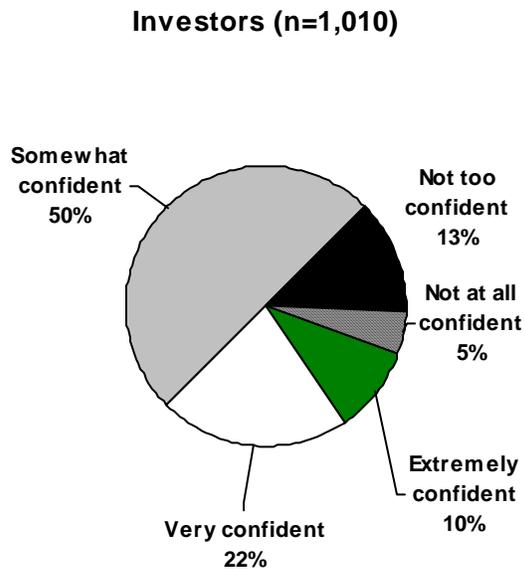


Chart 15  
 MAKING STOCK PURCHASES

*Please tell me whether you think each of the following is extremely important, very important, somewhat important, or not at all important when you are buying stocks.*

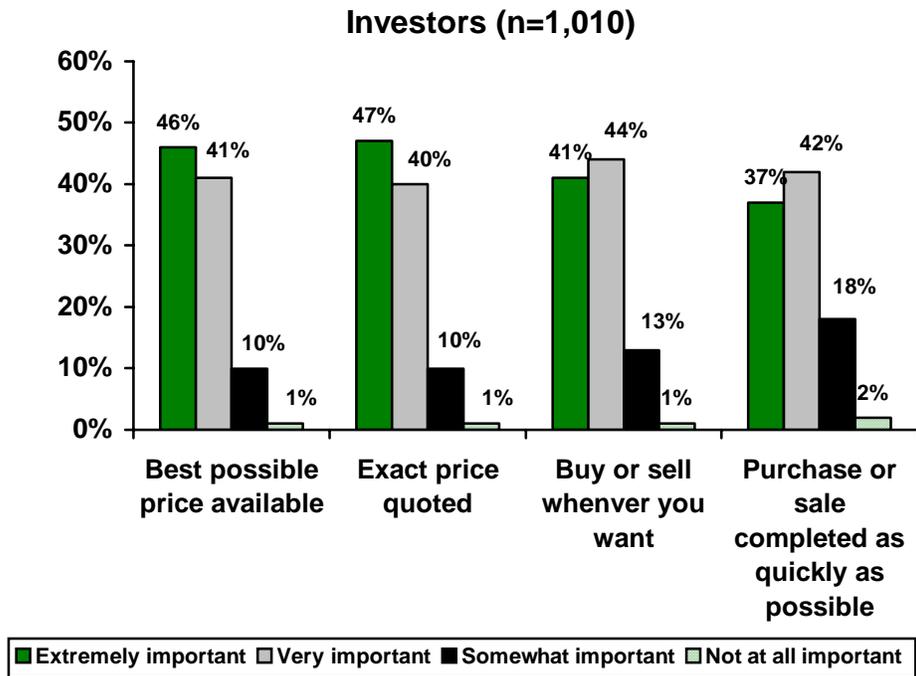
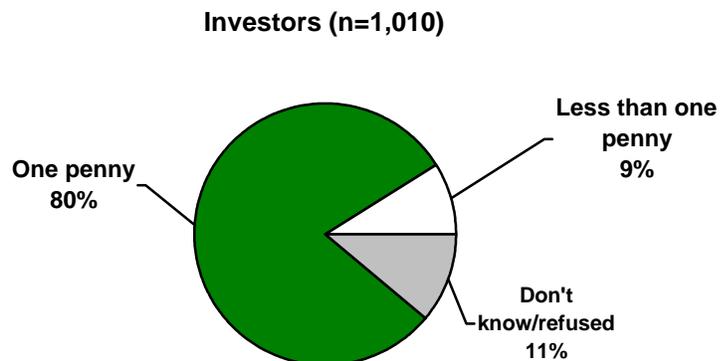


Chart 16  
 SMALLEST INCREMENT OF STOCK PURCHASES

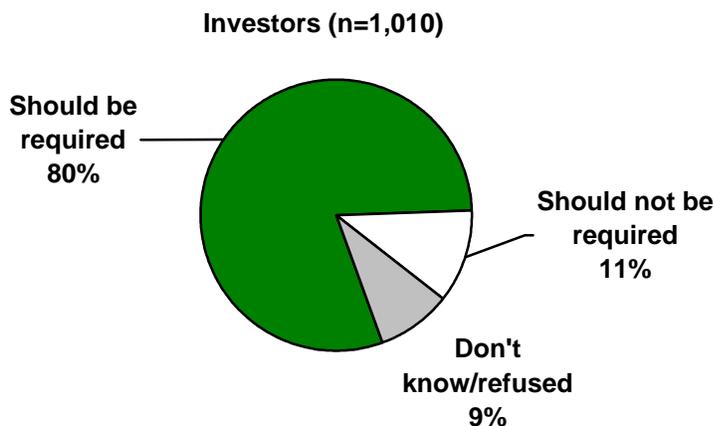
*Which should be the smallest increment of stock purchases?*



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Chart 17  
PROVIDERS OF MARKET DATA QUOTES

*Do you think providers of market data quotes should, or should not, be required to publicly disclose the cost of collecting that data?*



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Chart 18  
HOW U.S. EQUITY MARKETS SHOULD OPERATE

*Please tell me whether you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with each of the following...?*

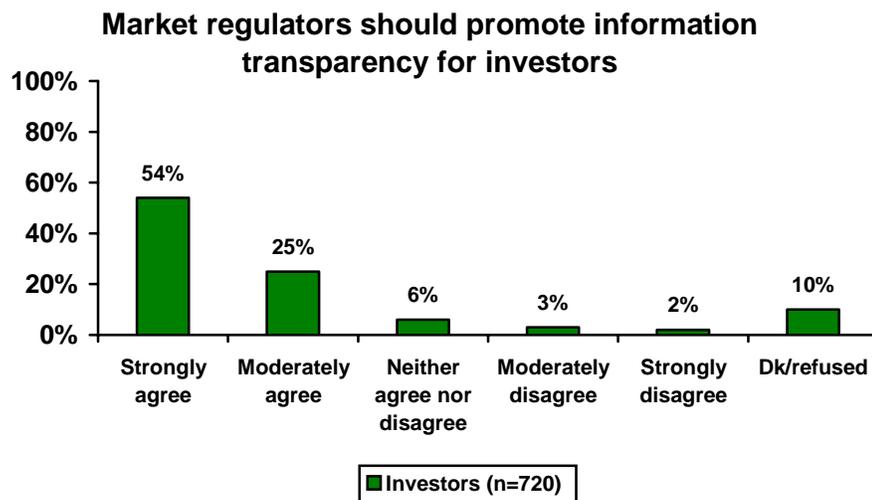


Chart 19  
HOW U.S. EQUITY MARKETS SHOULD OPERATE

*Please tell me whether you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with each of the following...?*

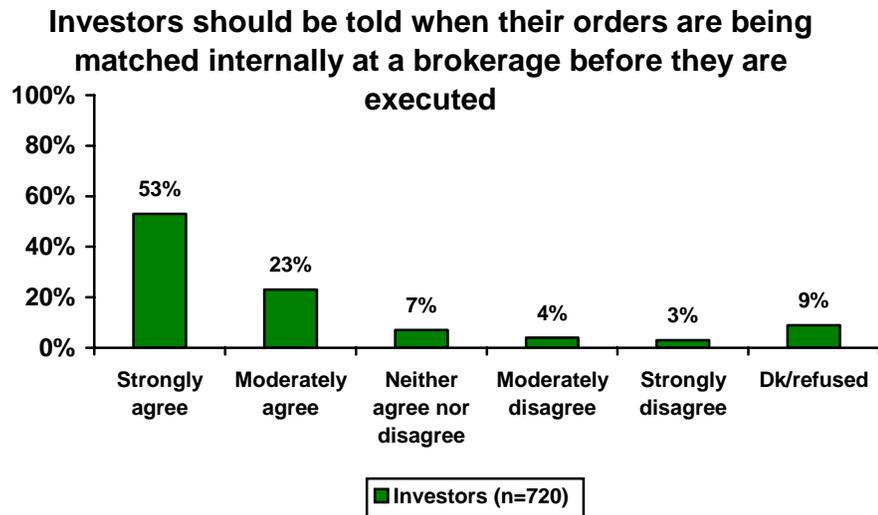


Chart 20  
HOW U.S. EQUITY MARKETS SHOULD OPERATE

*Please tell me whether you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with each of the following...?*

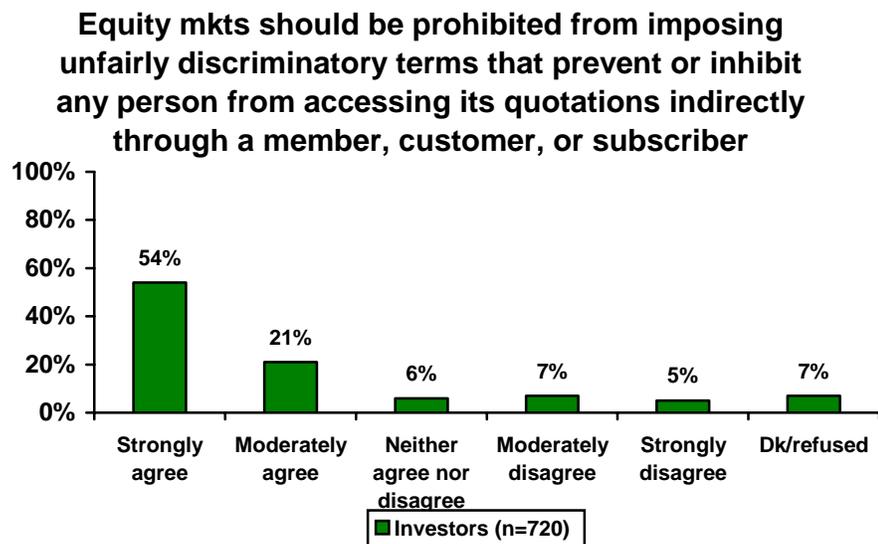


Chart 21  
HOW U.S EQUITY MARKETS SHOULD OPERATE

*Please tell me whether you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with each of the following...?*

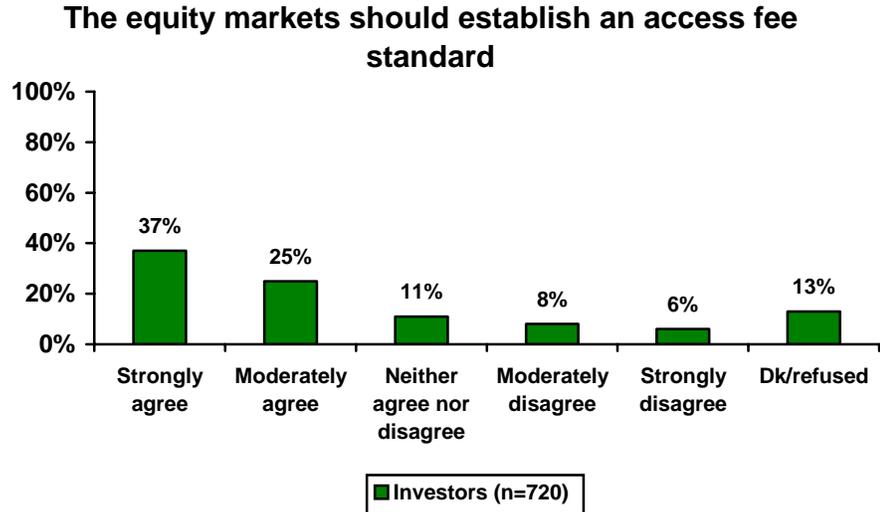


Chart 22  
HOW U.S EQUITY MARKETS SHOULD OPERATE

*Please tell me whether you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with each of the following...?*

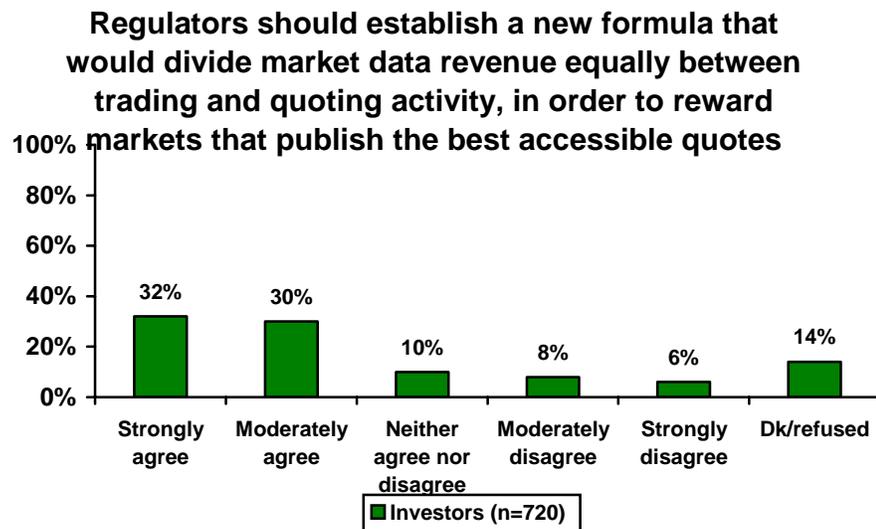


Chart 23

HOW U.S. EQUITY MARKETS SHOULD OPERATE

Please tell me whether you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree with each of the following...?

**Sub-penny quoting should be banned from most stocks**

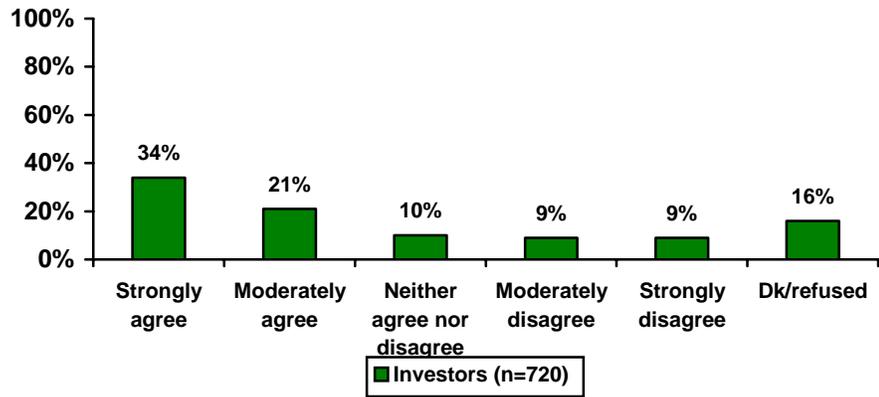
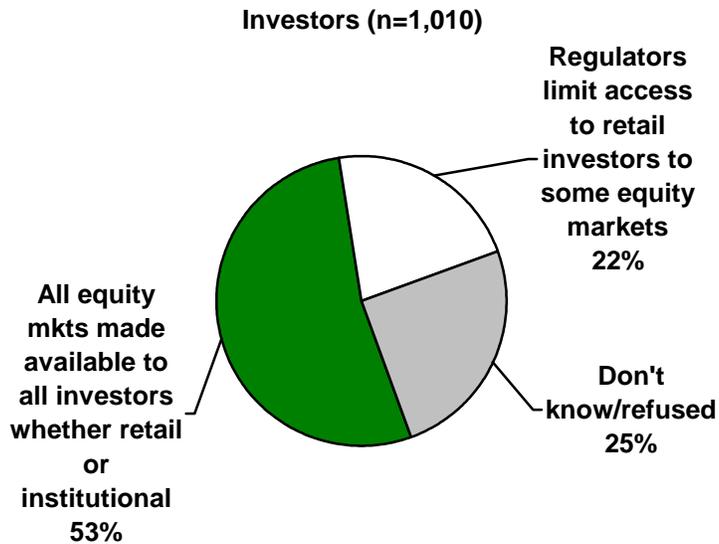


Chart 24

ACCESS TO EQUITY MARKETS

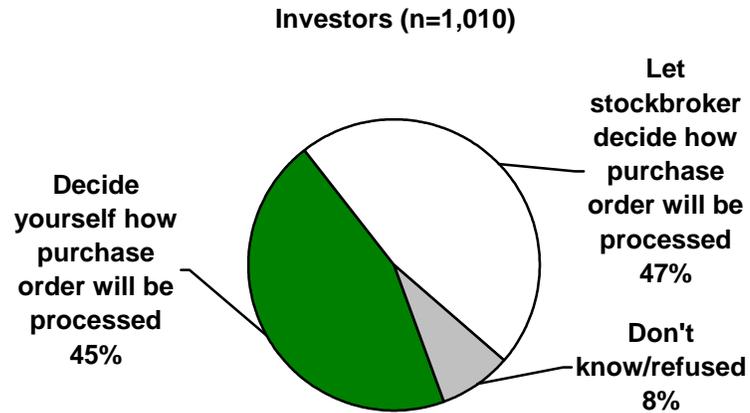
Which comes closer to your view...?



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Chart 25  
MAKING STOCK PURCHASES

*When you make a stock purchase, which do you prefer...?*



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Chart 26  
STOCK TRANSACTION FEES

*Which comes closer to your view...?*

