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Jonathan G. Katz
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By email to rule-comments@sec.gov

Proposed Rule: Regulation NMS
File No. S7-10-04

Lek Securities Corporation ("LSC") is pleased to comment on the Commission's proposed new Regulation NMS. LSC is a member of the New York Stock Exchange, the American Stock Exchange, the regional stock exchanges and the NASD. LSC is also a member of the six domestic options exchanges. The firm is best known for its ROX® electronic order management system, which provides its users direct access to a large number of exchanges, ECNs and market makers. LSC also has a significant presence on the floors of exchanges where orders for primarily institutional customers are executed in a traditional manner.

ROX® users can evaluate the working of various markets side by side, and accordingly the advantages and disadvantages of each system become readily apparent. Given this experience, we hope that the Commission will find our comments useful in its considerations of the various proposals.

LSC comments can be summarized as follows:

- The Commission should require automated and immediate execution against displayed quotes.
- The trade through rule should be expanded to all NMS securities and enforced without exception.
- The Commission should ban all access fees.
- Sub-penny pricing should be restricted.
- The market data revenue sharing proposal requires additional study.

The Proposed New Regulations

The proposed new regulation addresses a number of major issues, many of which have been the subject of substantial discussion and even important conflict between market participants. The most important proposal is to establish a uniform trade-through rule for all NMS market centers that would affirm the fundamental principle of price priority. A second proposal would create a uniform market access fee, and a third proposal would prohibit sub-penny quoting and establish a uniform quoting increment for NMS stocks. Finally, the Commission is proposing to amend the arrangements for disseminating market information in an attempt to reward self-regulatory organizations ("SROs") for their contributions to public price discovery.

The Uniform Trade Through Rule

The Congressional mandate of a National Market System ("NMS") has been beneficial to investors. It has provided buyers and sellers with a centralized meeting place to facilitate efficient trading. This centralization has benefited communication, fostering increased competition and liquidity. However, Congress did not opt for one single unified market. Instead, Congress appropriately realized that competition between markets would also benefit investors and lead to greater efficiency, lower trading costs and innovation. However, when an investor seeks to execute a trade, the best price might not be available in the market where the order is entered, as a higher bid or lower offer might be available elsewhere. Our NMS system gives us the best of both worlds: market centers competing for investors' business, together with a centrally linked system of public quotations, insuring investors at all times of the best possible price.

LSC applauds the Commission's desire to modernize the NMS. Specifically, we welcome the Commission's recognition of the fact that traditional dichotomy of listed versus OTC stocks is fading and that more uniformity will benefit the public. But the Commission should proceed cautiously to change a system that is working successfully. Since the NMS was created nearly thirty years ago, trading volume has exploded, competition among market centers has intensified, and investor trading costs have shrunk dramatically. We agree with the Commission that that some rules implementing the system should be updated. Specifically, market centers should now be required to take advantage of improved communications technology, but the fundamental basis of the system remains as valid today as it was thirty years ago when the system was first enacted by Congress. Every investor, both large and small is entitled receive the best possible price.

We believe that the trade through rule is the cornerstone of our NMS and we welcome the Commission's proposal to extend the rule to all NMS securities including NASDAQ listed securities. We are concerned, however, about the proposed exceptions to the rule, which seem to be based on an erroneous argument that speed of execution can be more important than price protection. No such exceptions are warranted. Split second executions only matter to traders who look to benefit from price instability and offer little benefit to the general investing public. We believe that the Commission should continue to focus on the interests of investors and discount the concerns of professional traders who in our opinions seeking to benefit from increased volatility. Many of these traders have been extremely vocal in advocating elimination of the trade trough rule. We note that these professionals benefit from all the protections afforded to legitimate investors, while having none of the responsibilities of regulated specialists and market makers. We believe that the shortcomings of the current system are minor compared to the potential abuse that could be inflicted on small investors if the Commission does anything to limit the application of the fundamental principal of price priority.

This does not mean that we are satisfied with the existing situation. In particular we believe that the quotes disseminated by the traditional floor based exchange must be made more reliable. We do not however believe that allowing so-called "automated" markets to trade through the quotes of floor based trading systems is a solution to the more fundamental problem of exchanges disseminating unreliable quotes. We also oppose the "opt-out" provision as a source of likely abuse. The Commission correctly notes that in a in a fully efficient market with frictionless access and instantaneous executions, trade-throughs should not occur. We believe that the Commission can, and should, do more to accomplish a more efficient system and that limiting the applicability of the trade through rule is a distant "second best." We believe that the Commission should mandate automated executions against displayed quotations at the top of the book.

__The Problem With Traditional Exchanges__

The problem with floor-based trading systems is that it takes time to complete a transaction because of human intervention. As a result when an investor seeks to interact with a quote, he may not be able to trade at the displayed price, because the specialist can claim that "he was in the process of effectuating a trade". The Commission's Quote Rule specifically exempts a responsible broker dealer from trading at the displayed quote "…if he is in the process of effectuating a trade". This phenomenon seriously limits the effectiveness of the NMS system that depends heavily on the reliability of quotations. The matter is of even greater concern as traders are naturally suspicious that a specialist may be abusing his position when they enter an order at a displayed price, see a print at that price, and subsequently learn that they did not participate in the trade. Moreover, if a customer complains, he is likely to be subjected to a flawed, poorly defined on-floor dispute resolutions system, biased toward the specialist or other industry insiders, that almost never leads to a decision in the customer's favor.

We believe that this problem presents the most serious shortcoming of the NMS and that the Commission should address it directly. However, we do not believe that it is in the public interest to allow other markets to trade through an exchange originated quote, based merely on the fact that the displayed quote might not be available. In the vast majority of the cases, exchange disseminated quotes are firm and we are concerned that the frustration associated with unavailable quotes, together with actual or perceived specialist abuse and an unfair dispute resolution system, could overshadow the fact that the exchanges offer an excellent method of executing orders.

__The Problem With Electronic Trading Systems.__

The problem with electronic trading systems is that there are two independent processes that must be balanced for the system to work effectively: the process of displaying bids and offers, and the process of trading with the displayed quotes. Bids and offers are constantly changing. As a result, it is difficult for investors to judge the depth and liquidity of the market. Because of the "quote-flicker" phenomenon, a trader using an electronic system may also not obtain the price that he thought was displayed, because he may have been a split second late in transmitting his order. Nonetheless, automated electronic systems are almost always objectively fair, and as a result there are far fewer complaints against electronic systems than against the subjectivities of executions by exchange specialists.

However objective fairness does not necessarily lead to an economically efficient trading mechanism. There is an incentive not to display much buying or selling interest on electronic systems and to frequently change quotes. Moreover, there are a number of professional trading groups that use sophisticated computer models to detect legitimate buying and selling interest on electronic trading systems. Once an interest has been discovered these traders will "go-along" with the interest and seek to profit by driving the market price away from the legitimate buyer or seller. Specialists have rightfully been criticized for trading ahead of the public, but at least they perform a function, at some risk to them, that benefits investors. These traders have no other goal than to profit from price instability and they inflict much the same damage on investors as a specialist trading ahead of a public order. We believe that the exchanges have done a better job to protect large trading interests from this type of abuse.

The processes of quoting and trading coexist in a state that is referred to as a "race condition". Multiple processes move at high speed with no coordinated means of interacting with each other. The system does not suffer from the types of potential abuses that are possible with a floor-based model, but it would still be a mistake to assume that electronic trading systems provide superior protection for investors.

Unlike ECNs, exchanges are able to coordinate the processes of quoting and trading. In order for a significant trade to be effectuated, it is necessary to temporarily stop the quoting process and allow the trading process to complete without interference from additional quoting. Thus the "race condition" can be avoided by "pacing" the quoting process. In the traditional exchange model, this is done by a specialist "making a market" and then allowing a broker to interact with that market. As a result, exchanges are capable of filling large institutional trading interest, which could not be done, if specialists were required to update their markets several times per second, as is the case with electronic systems.

LSC's Recommendation

We believe that both systems offer distinct advantages and that the competition between the two trading models will continue to benefit the public. We are therefore concerned that the Commission may have emphasized the benefits of electronic trading systems, while giving too little attention to the benefits offered by the exchanges. The benefits that the traditional exchanges provide by pacing the quote process are substantial. Significantly larger size trades can be effectuated with far less market impact, but during the phase in which a large trade is being negotiated, an exchange should withdraw its quote, rather than allow a non-firm quote to continue to be displayed. The exchange could disseminate a special indication that it was in the process of "putting up a print", and during the process, the remaining exchanges and ECNs should be free to trade at the then remaining NBBO. We would however be surprised to see much trading until more knowledge of the pending "print" became available.

We believe that the Commission should address the problem that quotes that originate from traditional exchanges are not always firm by dealing with the problem directly. The Commission should eliminate the exception to its quote rule under SEA 11Ac1-1(c)(3)(ii)(B) which relieves broker dealers from their obligation to trade at their displayed price "[if] at the time the order is sought to be executed…. such responsible broker dealer is in the process of effecting a transaction in such subject security…". This is a loophole that allows specialists to effectively back away from their markets and the exception is not necessary to facilitate the efficient working of an exchange.

As long as an exchange allows a quote to continue to be displayed, it should be held liable to trade at the displayed price without exception. Quotes should therefore be subject to automated and immediate execution. All of the exchanges already have the technical ability to provide this type of execution, but frequently limit availability to retail customers. Withholding automated executions from competing markets, in our opinion, only serves to stifle competition and allows for the possibility of abuse by specialists and floor traders. We strongly urge the Commission to end these types of discriminatory practices.

If the Commission were to follow our recommendation, then the question of whether an automated market should be allowed to trade through a slow market would become moot, as an execution at the displayed price would always be guaranteed. We strongly favor this approach, which in our opinion provides a simple and direct solution to the problems with the current system. We recognized that the Commission historically has not dictated the means by which executions should be provided, and that the Commission may be reluctant to regulate the minute workings of markets out of concern of interfering with the business models of competing market centers. While we believe that this type of concern is valid, we note that the market centers, for competitive reasons, already provide automated execution facilities and that all the Commission need do is prohibit discriminatory and restrictive practices in the use of these systems. Accordingly, we see no need for the Commission to regulate performance standards. Competitive forces will accomplish this automatically. The Commission should merely require that (a) "reasonable" technology be used to achieve automatic and immediate execution and (b) that the benefits of automated execution be available to all market participants on a non-discriminatory basis, and (c) that all orders are executing on a "first come first serve" basis without exception[1].

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[1] When a NYSE specialist receives an order through the DOT system, he must "cross" the order in the crowd by bidding one cent below the offer, in the case of a buy order, or offering one cent above the bid, in the case of a sell order. Any broker standing in the crowd can then respectively take the offer, or hit the bid, ahead of the specialist attempting to execute the DOT order. This rule effectively gives on floor orders

Exceptions to the Proposed the Trade-Through Rule

1. *Opt-Out Orders*

We oppose any exceptions to the trade-through rule, including the ability for an investor to opt-out of the protection. First, if the Commission were to require automated execution, as we have recommended than there would be no rational for an investor to forgo a better price, except to try to destabilize a market. We are also concerned that the opt-out provision may open the door for abuse and, at a minimum, we believe that the Commission should prohibit any broker or dealer that accepts an opt-out order, from acting as principal in the execution of that order. Finally, we also believe that trade-throughs are unfair to investors who have posted better bids and offers, and who would see trades being printed at inferior prices, while their orders remained un-executed. Any form of allowing an opt-out would disadvantage these investors. The Commission has already observed that there is a need to give investors an incentive to display their buying and selling interest. Any measure that would permit a customer's displayed interest be disregarded would be counterproductive in accomplishing this goal, even if the investor initiating the trade-through did so with informed consent.

2. *Automated Order Execution Facility Exception*

The Commission is proposing to permit an automated market to execute orders within its market without regard to a better price displayed on a non-automated market. We oppose this exception as it undermines the basic premise of price priority. With this proposal, the Commission has effectively mandated automated execution, because quotes from non-automated markets would be rendered largely irrelevant. It is therefore not surprising that the New York Stock Exchange has publicly announced that it will do whatever is required to qualify as an automated market. We support automated execution, and we believe that the Commission should simply require it, rather than allow better bids and offers to be ignored. At a minimum, if the exceptions are allowed, they should be stacked – that is trade-throughs should be allowed only as to quotes displayed in non-automated markets, and then only if the investor opts-out on an order-by-order basis.

3. *Other Exceptions*

The Commission raises some practical issues that need to be resolved no matter which alternative is ultimately adopted. The Commission has proposed that once a market center sends an order to an away market to satisfy a better bid or offer, for the full size of the displayed away quote, it can than execute the balance of the order in its own market at an inferior price. In a footnote, the Commission notes that a market center may not rely on this exception once it has received a response from the away market center and the away market center continues to show a better bid or offer.

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priority over off floor orders. We oppose this rule as it allows orders at the same price to be executed out of sequence. Such rules unfairly benefit the floor and hinder the efficient working of the NMS.

We believe that this regulation, while well intended, could have unforeseen negative side effects. Assume for example that a NYSE specialist receives an order to sell 10,000 shares of XYZ at the market. He has a 20.49 bid on his book for 10,000 shares, but cannot execute the order because an ECN is showing a 20.50 bid for 100 shares. The specialist sends an order to the ECN for the displayed 100 shares and receives an immediate execution. Immediately thereafter, the 20.50 bid renews for another 100 shares. The specialist sends a second order to the ECN and receives another immediate execution at 20.50 and the bid renews for the third time for yet another 100 shares. The specialist then sends a third order to the ECN, but this time he is too late and the bid has canceled. In the meantime the 20.49 bid for 10,000 shares on the specialist's book has also canceled and the best remaining bid anywhere is a full dollar lower at 19.50. As a result the customer receives a far inferior execution than he would have if the specialist has simply traded the order at 20.49 the ECN bid notwithstanding.

Although ECNs can be lightning fast in executing individual orders, the above example illustrates that they are effectively slow markets when executing larger orders. In the above example, the displayed bid was probably an "iceberg" or "max-show" order. Assuming that it takes about 3 seconds for the specialist to send an order to an ECN, it would still take 300 seconds to execute the 10,000 share order, 100 shares at a time even assuming a zero response time from the ECN. Of course the specialist could have sent the entire order to the ECN, but we do not believe that this would be appropriate given that the ECN would only be liable for 100 shares. We therefore propose that once a bid or offer at an away market is satisfied for the full displayed amount, it be given no standing with respect to the Commission's trade through rule, even if it instantaneously renews. This will prevent an occurrence as in the above example, and have the additional benefit of providing an incentive for investors to display their entire interest, which will add to liquidity and facilitate price discovery.

We also believe that the Commission, for the purpose of the trade through rule, should ignore anything but the "top of the book". Anything below the NBBO should be viewed as "for indication only". We typically advise our clients against trading through the NBBO when the NBBO is not large enough to satisfy the customer's interest. This is because there is so much "hidden" interest that it is reasonable to assume that bids and offers will renew. Accordingly, we do not believe that much weight should be given to bids and offers outside of the top of the book. On the other hand, if an away bid or offer is satisfied to prevent a trade trough, but the away market remains the NBBO, the away market should be given the same deference as any other superior price. The only exception should be as cited above, where the away market renews at the *same* price, typically because of a "max-show" order.

<u>Access to Equity Market in the NMS</u>

We agree with the Commission that market centers and quoting market participants should not be permitted to discriminate in how access is granted to their displayed quotes.

Such discrimination would be inconsistent with the standard of equivalent access and thwart the goals of Section 11A of the Exchange Act. We are therefore surprised, and disappointed, that the Commission has permitted such discrimination in the form of ECNs access fees. ECNs are currently permitted to charge for access to their markets, while other market participants must trade at their displayed quotes. We therefore welcome the Commission's proposal to level the playing field. If adopted, the Commission's proposal will end one of the most contested issues involving the NMS.

Nonetheless, even a minimal access fee is inappropriate, and the Commission should ban access fees altogether. The Commission has already noted in its release that an outright ban of these fees would be consistent with the guiding principals of Section 11A of the Exchange Act. There is no justification for permitting these fees permitted, particularly given the other objectionable effects already noted by the Commission, such as an incentive to lock markets.

We have previously pointed out how ECN access fees came into existence[2] and we believe it useful for the understanding of the matter to briefly analyze the historical context. ECNs are organized either as national securities exchanges or as broker dealers[3]. Their function is to match their customers' buying and selling interest through electronic communications systems. ECNs originally operated as closed systems, i.e. they only matched buy and sell orders among their customers. Broker dealers that were not a customer of the ECN did not participate in the matching process. Like any broker dealer ECNs charged their customers a commission for finding the other side of their trades and executing their orders.

A closed system is however at odds with the guiding principles of a NMS and the Commission disallowed closed markets from continuing to operate. ECNs were required to display their best bids and offers in a fashion that any broker dealer could interact with them. In the closed system model both buyer and seller were customers of the ECN and the ECN could rightfully charge both sides a commission for executing their orders. However, in an open and linked system the ECNs found themselves in the same position as any other broker dealer, i.e. that their customers' orders could often best be filled against orders of customers of other broker dealers. The open system greatly benefits investors, as quotations are now universally displayed leading to a more centralized market with greater liquidity, while maintaining competition between market centers.

However, the ECNs were apparently disappointed that in the open system model they could only charge on their customer's side of the trade, and they began billing unrelated

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[2] Comments of Samuel F. Lek, Chief Executive Officer, of Lek Securities ...
December 16, 2003 Jonathan G. Katz Secretary Securities and Exchange Commission 450 Fifth Street Washington DC 20549-0609 By email to rule-comments@sec.gov File No. SR-NASD-2003-128 Release 34-48501

[3] 17 CFR Parts 202, 240, 242 and 249 Release No. 34-40760; File No. S7-12-98

non-customer broker dealers for commissions based upon the fiction that these broker dealers were if fact customers of the ECN and had agreed to pay such commissions or "access fees". This double billing is improper and unfair. Of course, every broker dealer prefers to match orders in house and receive a commission on both sides of the trade. The same holds true for ECNs. However, when an in-house match does not result in the best possible execution for the customer, a broker dealer must fill his customer's order against orders of other broker dealers, and the broker can only earn a commission on his customer's side of the trade. This should also be the rule for ECNs.

Although ECN fees are understandable from a historical point of view, there is no justification for them in our NMS, and we believe that the Commission must ban them altogether. Only a few weak arguments have been proffered in support of ECN access fees:

First, it has been stated that the business models of many ECNs depend on access fees. We do not consider this argument to be a persuasive. In the securities industry, unlike many other industries, competing firms must trade with each other. Allowing access fees is like allowing ECNs to charge other broker dealers a tax, every time a non-ECN must trade with an ECN. Moreover, Commission has (up until now) made it clear that this is a one-way street. Other broker dealer cannot charge ECNs[4]. It is difficult to imagine any business in any industry that would not be successful if it were allowed to tax its competitors. The situation is all the more outrageous given that ECNs may tax other brokers at a rate of its own choosing so long the tax remains below the minimum price increment. Accordingly, some ECNs charge as much as $0.009 per share. Given the ability to impose this tax, it is not surprising that ECNs rebate a portion of the tax back to their customers, so as to be able to attract more customers, which in turn leads to more trading and the ability to charge competitors even more tax. Once again, it is hard to imagine any business in any industry that would not be successful given such an outrageous competitive advantage. We believe that ECNs play an important role in the securities industry, but if we are correct in our believe, then ECN customers should be willing to pay the ECNs for their services. Like any other broker dealer they should be able to survive on commissions charged to their own customers.

As a possible further justification for allowing access fees, it has also been argued that exchanges also charge various transaction fees for access to the liquidity in their markets. However, there is an important difference. Exchange fees are levied by the exchanges on their members, which the members, for competitive reasons, may or may not be able to pass on to their customers. Not surprisingly, there is significant pressure by members on the exchanges to keep these fees low. ECN access fees, on the other hand, are levied by the ECNs on their competitors, not on their members or customers, so the competitive pressure works the other way: There is an incentive to keep these fees as high as possible. Who would not want to disadvantage one's competitors? Although exchanges do have the ability to charge fees, competition effectively prevent them from doing so.

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[4] 17 CFR 240.11Ac1-1(c)(2); see letter from Robert L.D. Colby, Deputy Director, Division of Market Regulation, Commission, to Louis B. Todd, Jr., Head of Equity Trading, J.C. Bradford & Co., dated August 6, 1998.

Accordingly, we are not aware of a single exchange that actually charges a fee on customer business. Exchanges sometimes charge fees on broker dealer business, particularly in the options markets. In the past, we have urged the Commission to withhold approval from discriminatory fees, i.e. where the fee differs depending on what type of customer enters an order[5], but at least these fees are reciprocal. The exchanges charge fees to each other's members, and then only in very limited circumstances. There are no access fees charged on ITS transactions. But in the case of ECN access fees, charges are levied by the ECNs on their competitors, but not by other broker dealers or exchanges on ECNs. Another significant difference is that exchange fees require the approval of the Commission, allowing for public notice and public comment. ECN access fees are set at the discretion of the ECN, without warning or review.

Finally, the Commission expresses concern that elimination of these fees could impair the operations of ECNs and result in less competition in the NMS. First, we do not believe this to be the case. We believe that ECNs perform an important function and that their customers will pay commissions commensurate with the value of their services. Secondly, we do not believe that the Commission should subsidize ECNs at the expense of the public and other market participants. The Commission should not be concerned with the profitability of any broker dealer or exchange, and at a very minimum, if the Commission decides to become involved with this issue, it should do so evenhandedly. Has it gone unnoticed that the regional exchanges are struggling for their existence? Why not a subsidy for regional exchanges? One of them, the Pacific Stock Exchange, has already had to sell out to an ECN.

Clearly, none of the arguments in favor of permitting ECNs alone to charge access fees can withstand scrutiny, and we welcome the fact that the Commission is now proposing to eliminate the preferential status heretofore given to ECNs. Nonetheless, it would be better to ban access fees altogether than to permit all market participants to charge them. The fees are detrimental to investors, the constituency that Commission is charged with protecting. Moreover, we question the Commission's statutory authority to impose this burden on the public. We urge the Commission not to fall into a form of regulatory capture, advancing the interests of the regulated industry at the expense of investors and the public interest.

We disagree with the Commission that a fee of $0.001 per share should be referred to as *de minimus*. Market participants will undoubtedly find a way to collect the fee on every trade and with a volume of approximately 3 billion shares traded each day, the proposed fee will result in an unwarranted cost to investors of almost $1 billion per year.

There can be no doubt about the fact that with the Securities Act Amendments of 1975 Congress banned a system of fixed and regulated commissions in favor of competition. Access fees are by their very nature not subject to competition, because they not negotiated between a willing customer and a broker. They are instead imposed by regulation and collected with the force of law. The Commission is undoubtedly aware of

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[5] For example, we urged the Commission to withhold approval from an NYSE rule that permits the exchange to effectively charge higher 600TC fees on orders from "competing market makers".

the many arbitration cases between certain ECNs and a large number of broker dealers who have refused to pay these fees, and it is not surprising that given the involuntary nature of access fees that the Commission has seen a need to regulate them. The phenomenon is similar to the situation we were in prior to 1975 when commissions were regulated by the exchanges subject to the approval of the Commission. The history of access fees, in our opinion, shows conclusively that access fees are in fact regulated commissions, but even if they are not considered to be commissions, they are clearly not subject to market forces. The Securities Act Amendments in 1975 leaves no doubt that Congress decided that fees in the brokerage industry should be not be set regulation. Access fee are therefore inappropriate in our NMS.

Sub-Penning Quoting Proposal

We agree with the Commission that a reduction in the minimum pricing increment below $0.01 per share is not likely to justify the costs to be incurred by such a move. Accordingly, we support the Commission's proposal to prohibit every national securities exchange, national securities association, ATS (including ECNs), vendor, broker or dealer from ranking, displaying, or accepting from any person a bid or offer, an order, or an indication of interest in any NMS stock in an increment less than $0.01, with the exception of stocks priced below $1.00.

Market Data Proposal

In general we support the Commission's objective to reward SRO's that actively make markets in securities in addition to simply printing transactions. However, given the complexity of the proposed distribution method, it is possible that the proposal could lead to a significant change in the allocation, which could be disruptive to the markets. We are also disappointed that the Commission has not seized upon the opportunity to examine the appropriateness of the burden that paying for quotes places on investors. We find this issue much more important than the formula used to divide total revenue between SROs. We believe that the Commission must address the issue of whether the fees that are currently charged for quotes are still proper, given the vast expansion of the usage of market data with little or no marginal cost to the SROs in providing the information.

As a general principle, we do not see an artistic or scientific value in quotes, which deserves any form of protection. Market data represents nothing more than current information, which generally should be freely available. However, we recognize the fact that SROs rely on this revenue to finance their operations and accordingly we find charging reasonable fees for market data acceptable. However, we are also of the opinion that the Commission should from time to time reevaluate the appropriate level of these fees, based on the guiding principle that investors should get what they pay for. Charging for quotes is a form of taxation, which should be closely scrutinized. We believe that the charges can only be justified by the efforts undertaken by SRO to protect the public through self-regulation. We specifically object in allowing SROs to use quote revenue to generate profits to investors or to pay for unreasonable compensation for officers and directors.

We would prefer a more thorough analysis of all of the issues concerning market data, and accordingly we urge the Commission not to act on the current proposal until the staff has had the opportunity to conduct a more well-rounded analysis.

Respectfully submitted,

Samuel F. Lek
Chief Executive Officer