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February 22, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Rule: Regulation of Non-Public Trading Interest Securities Exchange Act Release No. 34-60997; File No. S7-27-09

Dear Ms. Murphy:

The STA appreciates the opportunity to comment on the Proposed Regulation of Non-Public Trading Interest, Release No. 34-60997 ("Release").

In summary, the Commission is proposing:

1. To treat actionable Indications of Interest ("IOIs") as quotes and subject them to the same disclosure rules;

2. To lower the Alternative Trading System ("ATS") trading volume threshold from 5% to .25% of the total volume traded. This would apply on a stock by stock basis and would require that the ATS display its best priced orders to the public if they currently display to more than one person;

3. To require Real-time disclosure via public Reports of Executed Trades. An exemption would be provided for trades greater than $200,000 in value;

4. To exempt from the provisions of Proposals 1 and 2 above, IOIs with a market value of $200,000 made to a counterparty that are reasonably believed to represent a contra-side trading interest of equally large size.

The STA intends to comment in detail on Dark Liquidity in our submission in response to the SEC Concept Release. We recognize that the issues surrounding undisplayed liquidity do not exist in a vacuum. Regulatory changes that cause modified behavior of market participants needs to undergo careful evaluation before implementation. The impact of a change in regulation of dark liquidity could have far reaching consequences for many market venues and therefore we feel that many of the questions asked are best answered in response to the concept release where we can comment more holistically. Consequently, the STA respectfully requests that the Commission delay consideration of the proposed regulations of the Non Public Trading Issues Release until the

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comment period of the Concept Release has closed and the Commission has had adequate time to consider the comments it receives on those proposals as well. To do otherwise will render comments received on dark liquidity in the Concept Release meaningless because the Commission will already have taken action. STA suggests that the Concept Release and the Non-Public Trading Issues Releases be treated as two parts of a single release and dealt with as related issues in their proper and interrelated context.

However, there were a few summary thoughts from our members that we wanted to make the SEC aware of as soon as possible.

We recognize that "dark liquidity" has always existed in markets. We also support the Commission efforts to improve transparency in the markets. We urge the Commission to work with market participants to find a balance when regulating "dark liquidity". Large institutional traders who represent the individual investors need protection in the marketplace. They should not be required to display their full intentions and risk disadvantaging their investors by causing dramatic market moves and increased volatility. Additionally, the needs of the broker and vendors who execute orders for a variety of investors large and small need to be considered too.

1. IOI's

STA believes that the definition of an "actionable IOI" is something that needs careful consideration. Defining IOIs as actionable will affect market participants differently. Indications of interest have long facilitated the negotiation process for institutional participants. Institutional traders would consult IOI databases available through market data providers to identify a broker/dealer that was "advertising" the contra side of trade. The institutional trader would then call the identified broker/dealer and negotiate the trade. Indications of interest in the electronic markets are relatively new, which help market participant's source liquidity as well as help non public trading venues achieve the critical mass they needed to survive by increasing their match rates.

Using IOIs to begin the block trade negotiation process is completely different than electronic IOIs communicated in a dark pool. Defining an "actionable IOI" as an indication that contains side and size, (with price indicated by a willingness to trade within the NBBO) may be acceptable in dark venues, but using that same definition on traditional institutional IOI advertisements of broker/dealers could severely hinder block trade negotiations and impede institutional traders ability to find natural liquidity. Requiring institutional IOIs to be posted in the NBBO would completely change the block negotiation process, as broker/dealers would be very hesitant to advertise indications of interest if those indications were required to be incorporated into the NBBO.

While the STA believes that transparency and deep liquid lit markets are laudable ambitions, we do not believe that the proposed rules will advance the markets toward these goals. The order protection rule of Reg NMS was designed to promote the public display of limit orders, yet the unintended consequences of Reg NMS was an explosive growth in non public trading venues. We believe that the unintended consequences of these proposed rules will be very similar. Instead of pushing more volume into the public quote, we believe the proposed rules will force an increased use of immediate or cancel orders (IOCs), subsequently increasing message traffic exponentially. Not only will the dark get darker, but market participants will need to increase the bandwidth of connectivity tools.

2. Lowering the ATS trading volume threshold from 5% to .25%

The majority of STA members agree that the current 5% reporting threshold is too high. However, many have expressed concern that .25% is not only too low, but so de minimis it may be difficult to implement systems to effectively comply. It is the general opinion of the STA that a level of somewhere in the 1-2% range would be appropriate.

3. Real-time disclosure for trades greater than $200,000

The STA and its members oppose "real time" trade attribution. STA believes that real time trade attribution would be of little benefit to market participants and large institutions, which represent millions of individual investors, would be disadvantaged by having the location of their orders disclosed in the marketplace. Anonymity is essential to complete large trades. Real time trade attribution would provide valuable information about trades to market participants who seek to gain short term profits from trading around these larger orders.

The STA believes that End of Day attribution will accomplish the goal of providing the Commission with the information it needs to meet its regulatory responsibilities. We would also urge the Commission to consider having market participants to report solely to the SEC itself, thus enabling it to meet any regulatory obligations without forcing disclosure of information to the marketplace that may disadvantage the institutions that represent the individual investors.

4. $200,000 exemption rule

The members of the STA would like to suggest further analysis of this exemption level. The diverse membership of our Organization has views ranging from no exemptions to those who feel $200,000 may be an acceptable level for large cap liquid names, however it may not be appropriate to use $200,000 as a rule across all market caps.

We urge the Commission to consider doing additional research before adopting this exemption level. It is possible in many small cap names, that $200,000 can represent more than 50% of the average daily volume. We suggest that other metrics should be considered for use as a threshold in less liquid securities. Some ideas that have been vetted are using a percentage of average daily volume as a threshold in these names or perhaps exempting small and micro cap stocks from these threshold levels all together.

The STA appreciates the opportunity to comment on this release and look forward to offering further assistance on the upcoming concept release.

Sincerely,

Brett F. Mock
Chairman

John C. Giesea
President & CEO

Security Traders Association

cc: SEC Chairman Mary L. Shapiro
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
James Brigagliano, Deputy Director, SEC Division of Trading and Markets
David Shillman, Associate Director
Daniel Gray, Senior Special Counsel, Division of Trading and Markets
Dr. Henry T. C. Hu, Director, Division of Risky, Strategy and Financial Innovation