FINANCIAL INFORMATION FORUM

June 22, 2011

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

RE: Release No. 34-64547; File No. 4-631, Joint Industry Plan; Notice of Filing of a National Market System Plan to Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE Amex LLC, and NYSE Arca, Inc.

Dear Ms. Murphy,

The Financial Information Forum (FIF)[1] would like to take this opportunity to provide feedback on the proposed NMS Plan to Address Extraordinary Volatility ("the Plan"). We understand the importance of addressing extraordinary market volatility and would ask the Commission to consider the following implementation issues as part of the final NMS Plan.

Scope/Exemptions - Exclude Certain Regulation NMS Exemptions from the Plan

The Plan would require all trading centers, including broker-dealer members of FINRA that execute orders internally by trading as principal or crossing orders as agent, to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trades in individual NMS Stocks from occurring outside of the specified Price Bands. FIF recommends reviewing Regulation NMS exemptions to ensure that, where appropriate, Regulation NMS exempt trades are also excluded from these provisions of the Plan. Specifically, we believe that trading centers should be permitted to execute orders internally at prices outside of the specified Price Bands if the executions comply with the following Regulation NMS exemptions:

- SEC Rule 611(a) (Non-convertible Preferred Securities)
- SEC Rule 611(b)(2) (Not Regular Way)
- SEC Rule 611(b)(7) (Benchmark Derivatively Priced)
- SEC Rule 611(b)(9) (Stopped Stock)
- SEC Rule 611(d) (Qualified Contingent Trades)

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[1] FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes. This comment letter is based on feedback from FIF broker-dealers and vendors.

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- SEC Rule 611(d) (Error Correction)
- SEC Rule 611(d) (Print Protection)

As indicated in the table below, except for non-convertible preferred securities, all of the above exemptions have corresponding sale conditions that identify those trades as being not eligible for last sale. It is our understanding that this means these trades will not be used in reference price calculations. However, an exemption is still required in order to allow these types of trades to execute at prices outside of bands.

Non-Convertible Preferred Securities
In April 2008, the Commission approved an order Exempting Non-Convertible Preferred Securities from Rule 611(a) of Regulation NMS. Non-Convertible Preferred Securities trade like fixed income instruments and often trade on fixed income systems. Due to the different characteristics of Non-convertible Preferreds, they were exempt as a class from Regulation NMS as opposed on a trade for trade basis. As such, there are no markings on the tape or sent to SROs indicating that a Non-Convertible Preferred is exempt from Regulation NMS or to identify that it would be exempt from the Plan. FIF recommends excluding non-convertible preferreds from the Plan and believes further discussion is required to determine how these trades should be identified to facilitate that process.

Additional Exemptions – Impact Analysis Required
As part of the Plan approval process, we believe that the Plan participants should conduct an impact analysis based on an evaluation historical SIP data to determine, among other things, whether certain additional trades should be exempted from the plan. Of particular concern to the group is the impact of the Plan on the printing of block transactions accompanied by a Reg NMS sweep as well as block transactions printed without ISO modifiers in adherence with Reg NMS FAQ 3.23. Such a study may also uncover other areas where exemptive relief is appropriate including the impact of the Plan Limit bands on subordinate issues and low-priced stocks. FIF requests the opportunity to recommend additional exemptions after reviewing the Plan Impact Analysis.

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Table 1. Regulation NMS Exemptions & Updates to Last Sale

Applicable Regulation NMS Exception/ Exemption	SEC Rule 611 Trade-Through Flag	Settlement Type Field 1	Reason for SEC Rule 611 Exception/ Exemption Field 2	Extended Hours/Sold Field 3	SRO Required Detail Field 4	Eligible to Update Last Sale[2]
SEC Rule 611(b)(1) (Self Help)	If applicable indicate Yes	Enter applicable settlement modifier	Self Help (Note: for SRO audit trail only-will not be disseminated)	Enter modifier if applicable	Enter modifier if applicable	Yes
SEC Rule 611(b)(2) (Not Regular Way)	If applicable indicate Yes	Cash, Next Day or Seller	If applicable, enter other SEC Rule 611 exception/exemption modifier for transaction	Enter modifier if applicable	Enter modifier if applicable	No
SEC Rule 611(b)(4) (Crossed Market)	If applicable indicate Yes	Enter applicable settlement modifier	If applicable, enter other SEC Rule 611 exception/exemption modifier for transaction	Enter modifier if applicable	Enter modifier if applicable	Yes
SEC Rule 611(b)(5) (Intermarket Sweep Order (inbound))	If applicable indicate Yes	Enter applicable settlement modifier	Inbound Intermarket Sweep Order (Note: This will be disseminated generically as an ISO)	Enter modifier if applicable	Enter modifier if applicable	Yes
SEC Rule 611(b)(6) (Intermarket Sweep Order (outbound))	If applicable indicate Yes	Enter applicable settlement modifier	Outbound Intermarket Sweep Order (Note: This will be disseminated generically as an ISO)	Enter modifier if applicable	Enter modifier if applicable	Yes
SEC Rule 611(b)(7) (Benchmark/ Derivatively Priced)	If applicable indicate Yes	Enter applicable settlement modifier	Derivatively Priced	Enter modifier if applicable	Prior Reference Price, Weighted Average Price or other modifier as applicable	No[3]
SEC Rule 611(b)(9) (Stopped Stock)	If applicable indicate Yes	Enter applicable settlement	Derivatively Priced	Enter modifier if applicable	Stopped Stock (Note: for SRO audit	No[3]

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[2] Assuming no modifiers in Field 4 unless explicitly specified.

[3] Should only update the field values if the trade is the first or only last sale eligible trade transaction of the business day from any UTP participant.

Applicable Regulation NMS Exception/ Exemption	SEC Rule 611 Trade-Through Flag	Settlement Type Field 1	Reason for SEC Rule 611 Exception/ Exemption Field 2	Extended Hours/Sold Field 3	SRO Required Detail Field 4	Eligible to Update Last Sale[2]
	modifier				trail only – this will be disseminated as Weighted Average Price)	
SEC Rule 611(d) (Qualified Contingent Trades)	If applicable indicate Yes	Enter applicable settlement modifier	Qualified Contingent Trade (Note: for SRO audit trail only – will not be disseminated)	Enter modifier if applicable	.W	No
SEC Rule 611(d) (Sub-Penny Trade-Throughs)	If applicable indicate Yes	Enter applicable settlement modifier	Sub-Penny Trade Through (Note: for SRO audit trail only – will not be disseminated)	Enter modifier if applicable	Enter modifier if applicable	Yes
SEC Rule 611(d) (Error Correction)	If applicable indicate Yes	Enter applicable settlement modifier	Error Correction (Note: for SRO audit trail only – will not be disseminated)	Enter modifier if applicable	.W	No
SEC Rule 611(d) (Print Protection)	If applicable indicate Yes	Enter applicable settlement	Print Protection (Note: for SRO audit only – will not be disseminated)	Enter modifier if applicable	.W	No
SEC Rule 611(a) (Non-Convertible Preferreds)	Non-convertible Preferreds were exempt as a class not on a trade by trade basis. The trade through flag is not set to 'Yes" nor is there a Reason for 611 exemption indicator in field 2.					Yes

Source: FINRA Trade Reporting Notice, February 24, 2009. UTP Specification, Version 12.1c see p. 7-3 for Last Sale Eligibility and 7-4 for use of sales conditions, CTA Specification V62, see p. 102 for Last Sale Eligibility. Also, FINRA Trade Reporting Notice, August 19, 2010

Participation in the Plan

It is important for all exchanges and FINRA to participate in the Plan. We strongly urge the Commission to require FINRA and all exchanges trading NMS equities to participate and remain in the Plan. Modifying systems to accommodate different exchange behavior will create confusion and implementation problems. We would expect consistency across exchanges in terms of implementation and operations.

Length of Limit State/Band Percentages

Without empirical evidence, it is difficult to say for how long the limit state should be in effect or on what percentages the upper and lower bands should be based. FIF recommends prior to final approval by the Commission, that the Plan participants conduct an impact analysis relying on historical data that would evaluate, among other things, the effect of the use of different percentages with respect to the likelihood that limit states and trading pauses would be triggered and whether, if no price bands were in effect, trades would have been reported that would, or would not have resulted in the determination that they were clearly erroneous. If the Commission determines that an impact analysis is not required, FIF would further recommend a comment period before Phase 2 of the Plan commences in order for firms to provide the Commission with empirical evidence as to the appropriateness of these settings.

Implementation Questions/Considerations

Additionally, FIF would like to raise the following implementation questions and considerations:
- How will the 30 second reporting rule for TRF submissions factor into the calculation of reference price? As it stands we understand that any trade, not reported late, will be included in the reference price at the time of submission. Since the SIP does not have access to execution time, the Commission may want to consider if the TRF should identify trades reported beyond a certain period after execution time in order to exclude them from the reference price and from the limit bands. It is possible that a trade will be executed at a price within the band but will be reported to the SIP after the band has moved. This potential issue could also be addressed in an impact study prior to rule approval.
- The Plan includes no discussion of how resting orders will be handled. FIF recommends adding language to the Plan to ensure that resting orders are handled consistently. Under the current Single Stock Circuit Breakers the exchanges behave differently, the Plan should address this inconsistency.
- The Plan proposes that exchanges could have inconsistent closing times as a result of a trading pause. From a coding perspective enabling trading after 4:00 would involve changes. In addition, not having a consistent closing time would impact hedging activity at the end of the day and potentially have unintended cross-product consequences.
- How will the Plan impact other rules including best execution, market-wide Clearly Erroneous Execution rules and Market Maker stub quote rules?

Implementation Timing

In order to comply with the rule, firms will need to modify market data feed handlers, displays, order routing, execution and trade reporting systems. Algorithms and other downstream applications will need to be updated to incorporate reference prices to ensure that this new data is captured, processed and appropriately applied. Additionally, market data vendors and other front end technologies will

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require changes to display in order to accommodate user requests for a display of the band prices. It is important to recognize that broker dealers have dependencies on the SIP and market data vendors.
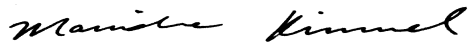
Our members also need to conduct a significant amount of customer and broker education. This proposed rule, while well intentioned, is extremely complex and will impact the customer experience both in the understanding the new quoting environment but also their impacted execution experience.

Multiple levels of testing will be required including SIP to direct feed recipients, vendor to end user as well as coordinated industry testing. Sufficient time to conduct this testing and remediate systems is required as part of the rollout of the Plan.

Given the breadth of changes that will be required, we believe a 120 day implementation period is insufficient and recommend a twelve month implementation time period.

We expect additional implementation questions to arise as a result of the impact analysis and throughout the implementation process and look forward to working with the Exchanges, FINRA and the SEC in order to implement the Plan efficiently and effectively.

Regards,

Manisha Kimmel
Executive Director
Financial Information Forum