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Hearing on
"Regulation NMS and Developments in Market Structure"

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I. Introduction

Chairman Shelby, Ranking Member Sarbanes, Members of the Committee, my name is Phylis Esposito. I am Executive Vice President and Chief Strategy Officer at Ameritrade Holding Corporation, an online discount broker based in Omaha, Nebraska.

At the outset, Ameritrade would like to commend Chairman Richard Shelby and the entire Senate Banking Committee for conducting a thorough, deliberate examination of Regulation NMS and market structure issues.

Ameritrade Holding Corporation ("Ameritrade Holding") has a 29-year history of providing financial services to self-directed investors. Ameritrade Holding's wholly owned subsidiary, Ameritrade, acts as a self-directed broker serving an investor base comprised of approximately 3.5 million client accounts. Ameritrade does not solicit orders, make discretionary investments on behalf of our clients, or provide proprietary research or advice regarding securities. Rather, Ameritrade empowers individual investors by providing them with tools they need to make their own investment decisions. In exchange for a low commission, we accept and deliver the order to buy or sell securities to the appropriate exchange, market maker, electronic communications network ("ECN") or other alternative market for execution. In addition, we provide our clients with the ability to route their orders to certain market destinations that they can choose. Ameritrade does not trade for its own account or make a market in any security.

Ameritrade is an advocate for the retail investor. Ameritrade brings a unique perspective to the current debate concerning market structure in that we are one of the largest broker-dealers that does not internalize order flow. As a result, Ameritrade's position as a pure agency broker allows us to comment on the Securities and Exchange Commission's ("SEC") proposals without concern for how today's proposals may impact an affiliated market maker or ECN. We believe this business model positions Ameritrade as qualified to speak with unwavering dedication for the clients that we serve and retail investors as a whole.

Ameritrade believes in a market structure that treats all investors fairly. We believe that both the largest institutional investor and the average retail investor deserve a market structure that enables orders to be filled in their entirety, as fast as possible, at the price they are quoted upon order entry, or better. Ameritrade opposes the creation of a bifurcated national market system of fast and slow markets or quotes in which institutional investors trade with privilege, while retail investors trade at a disadvantage. Ameritrade believes a bifurcated market could lead to investor confusion and cause investors to lose faith in the integrity of the market. It is Ameritrade's belief that orders should interact on a level playing field where quotes are real, costs are transparent, and liquidity is accessible. Such a market structure requires that investor orders drive price discovery, rather than having manual systems interfere with the workings of the marketplace.

II. AMERITRADE'S POSITIONS ON REGULATION NMS

1. Trade Through Proposal

As evidenced by the competitiveness of the Nasdaq marketplace, Ameritrade does not believe a trade-through rule is necessary and, in fact, such a rule creates impediments to competition and market efficiency. Ameritrade believes that market center competition combined with a broker's duty of best execution result in a national market system providing the best combination of efficient pricing, low costs and liquidity.

If a trade-through rule is adopted, Ameritrade believes investors are best served by a rule that requires market centers to provide automated execution of their quotes. In the national market system of the 21st century, "quoting should be synonymous with trading." If a market center aggressively quotes, market participants must have the ability to access these quotes. A quote that is unavailable undermines the integrity of the marketplace and leads to investor confusion and frustration. As a result, Ameritrade strongly supports the "Automated Execution Alternative," which would require all market centers to always provide automated access to their quotes.

Ameritrade also believes that to promote a greater level of order interaction and transparency to the investor, the SEC should require the display of internalized orders before execution.

2. Non-Discriminatory Access and Access Fees

Ameritrade supports requiring non-discriminatory access for market participants, as it will further the goal of ensuring that investors can access displayed quotes. Ameritrade further believes that requiring market centers to provide automated execution to their quotes and banning sub-penny quoting will alleviate the need for the SEC to act as a rate setter in regard to access fees.

3. <u>Sub-Penny Quoting</u>

Ameritrade supports banning sub-penny quoting as the Firm believes retail investors are harmed by professional traders who step ahead of competing limit orders for an insignificant amount to gain execution priority and arbitrage opportunities.

4. <u>Market Data</u>

Ameritrade's position on market data is that the SEC should take steps to ensure that the costs of providing market data to investors are transparent and the revenues collected are reasonably related to the cost of producing the data. Ameritrade believes that transparency could be achieved by requiring self-regulatory organizations ("SROs") to disclose publicly audited financials detailing the cost of market data. It is the Firm's belief that aligning costs and revenues ultimately will result in reduced fees to investors.

Ameritrade also believes that in a decimal trading environment where liquidity may exist beyond the best-displayed prices, investors should have low cost access to both the NBBO and the depth-of-book (*e.g.*, Level II quotes).

III. <u>DISCUSSION</u>

1. <u>Trade-Through Proposal</u>

Ameritrade agrees that the current national market structure is in need of reform and that maintaining the status quo is unacceptable. In particular, we strongly believe the current ITS trade-through rule is antiquated and must be significantly revamped or repealed. Briefly, the ITS trade-through rule is unfair in that it requires advanced electronic systems to compete with manual, floor-based exchanges on the exchange's terms – the speed at which orders can be handled with human intervention. The ITS trade-through rule simply has no place in the modern national market system.

As with the Nasdaq market, we believe the listed market can operate efficiently without the presence of a trade-through rule. We believe that repeal of the trade-through rule would lead to greater inter-market competition, increased connectivity and transparency, which would propel the listed market to greater efficiency, all to the benefit of the investing public.

The manner in which our clients trade necessarily informs our position. When placing their orders, our clients consistently tell us that they expect three things: (1) **Firm Quotes**: our clients want the price they see; (2) **Immediate Execution**: so they get the price they see; and (3) **Personal Choice**: the right to choose for themselves the market where they trade (opt-out). In addition, our clients' actions speak for themselves – 74% of Ameritrade client trades are in Nasdaq securities. As a result, we believe that our clients are clearly stating their preference for a market that trades without a trade-through rule in which quotes are firm, executions are fast and competition is intense.

The SEC has proposed and requested comment on three alternatives regarding the proposed trade through rule:

1. **Fast Market/Slow Markets**: Market centers would be considered either "fast markets" or "slow markets." Fast markets would be allowed to trade through slow markets in certain limited situations. In addition, investors could "opt-out" of trade through protection, on an order-by-order basis to obtain the certainty of a fast execution. There also would be an exception for "*de minimis*" trade throughs.

2. **Automated Execution Alternative**: This Alternative would require all market centers to provide an automated response to electronic orders at their quote.

3. **Fast Quotes/Slow Quotes**: Market centers would be allowed to identify which quotes are automated or "fast" and which ones are non-automated or "slow."

Market centers would be allowed on a quote-by-quote basis to trade through "slow quotes."

We believe it is important to emphasize that the debate over the trade-through rule has wrongly been simplified as the choice between fast executions versus slower executions at better prices. Rather, the debate should focus on the fact that better prices may or may not be available by the time the order is filled. As a result, it does not necessarily follow that the slower execution always gets the better price, and the fast execution gets the worse price – the pursuit of fast executions is a means to achieve a higher degree of certainty of execution at a specific price.

If an inter-market trade-through rule is adopted, Ameritrade's position is as follows:

- First, Ameritrade strongly supports the Automated Execution Alternative proposal that would require market centers to provide an automated response to electronic orders at their quote. Ameritrade believes that requiring market centers to provide automated trading access to their quotes will resolve many difficult issues such as the opt-out and *de minimis* exceptions, and will eliminate the necessity of defining what qualifies as a "fast" market. The goal should be to create a national market system in which "quoting is synonymous with trading." In addition, access and protection should be expanded to the entire book, not just the best bid or offer.

- Second, Ameritrade believes that the trade-through proposal must preempt existing anti-competitive rules such as the ITS trade-through rule, and clarify that SROs shall not adopt varying standards.

- Third, if the Automated Execution Alternative is not adopted, the SEC should consider revising the opt-out exception to allow consent on a global basis and eliminate the *de minimis* exception.

- Finally, Ameritrade believes that to promote a greater level of order interaction and transparency to the investor, the SEC should require the display of internalized orders before execution.

i. <u>Automated Execution Alternative</u>

As part of the trade-through proposal, the SEC requested comment on an Automated Execution Alternative, whereby "all market centers would be required to provide an automated response to electronic orders at their quote." Ameritrade strongly believes this Alternative is in the best interests of the investing public, and at the same time, resolves many difficult issues surrounding the trade-through proposal.

As noted, our experience is that many investors demand the certainty of fast execution at the specified price, over the possibility of a delayed execution at a better or, for that matter, worse price. Ameritrade believes that retail investors would be best served by a rule that requires market centers to provide automated execution of electronic orders at their quote. If such an approach were adopted, market centers would be required to either execute an electronic order at its quote, or if the market center's quote is not at the best price, route the order to a market center that was displaying the best price. In this way, Ameritrade believes retail investors will be more likely to receive the price displayed at the time they submitted their order.

As the SEC notes, the Automated Execution Alternative also resolves potential flaws contained in its proposal. Requiring market centers to provide an automated execution facility largely would eliminate the necessity of having the "opt-out" and "*de minimis*" exceptions. If a market center was required to fill an order at its quote, or route it to another market center displaying the best price, there would be less need for investors to opt-out and executions away from the best price would be less likely. We submit that if the Automated Execution Alternative were adopted, there would remain the need to opt-out for those investors who choose to directly route orders to specific market destinations (*e.g.*, "direct access trading").

In addition, requiring automated access to quotes would allow the SEC to avoid determining what qualifies as a "fast" versus a "slow" market, which could lead to definitional gamesmanship. Moreover, creating the fast/slow market continuum would necessarily create a marketplace for arbitrageurs who will seek to profit from the pricing discrepancies that will occur between the two markets.

In response to the April 21 Hearing, the SEC requested comment on an additional alternative whereby market centers would be required to designate automated and non-automated quotes and to allow for the trade through of non-automated quotes. Ameritrade does not believe that the SEC's proposed "fast quote/slow quote" alternative is the panacea that other participants have proposed. Rather, Ameritrade believes the fast quote/slow quote proposal, is simply a refinement of the flawed fast market/slow market approach. That is, the fast quote/slow quote approach will create bifurcated markets and necessarily require a determination of what qualifies as "fast" and "slow." In addition, Ameritrade believes the fast quote/slow quote approach would be confusing to investors. For example, what happens if both the best bid and offer are slow quotes? In such a case investors accessing the NBBO will see two manual quotes that may not be available. Moreover, as noted above, it is Ameritrade's experience that clients expect to receive the price that is displayed to them when they submit their order – they will not appreciate that the quote they saw was a "manual" one and unavailable at the time of order routing.

The use of fast and slow quotes seemingly would allow market centers to decide when to turn off their automated fast quote execution as the markets became more volatile – which, in turn, likely would increase volatility. Moreover, the Firm believes such an approach would allow market participants the ability to trade at the detriment of retail order flow (*e.g.*, front-running).

Ameritrade believes that market centers offering automated executions would compete with each other on all measures of best execution, including, but not limited to, speed of execution, price and liquidity. It is Ameritrade's position that such a market structure would lead to greater inter-market competition, transparency and price discovery – all to the benefit of the investing public.

In requiring automated markets, our position is that the SEC should not disadvantage new technology and faster markets, as what may be a fast response time today may be slow tomorrow. Currently, Ameritrade believes a one second response time is appropriate. At the same time, Ameritrade believes the SEC should consider requiring that market centers include response time with their Rule 11Ac1-5 disclosures. Such disclosure would provide order routing firms another data point by which to compare market centers when completing "regular and rigorous" best execution reviews. The SEC also could utilize the data to revise performance standards as technology evolves. Finally, the SEC's examination staff could examine market centers to ensure that their response times are consistent with required standards.

The SEC also requested comment on whether the scope of the proposed trade-through rule should include protection beyond the best-displayed bid or offer. In the post-decimalization world where there often is a lack of size quoted at the top-of-book, we believe it is in the best interests of investors for the SEC to require access to the entire book or, at the very least, to a certain depth beyond the best prices.

ii. Existing SRO Rules

The SEC's proposal would allow SROs to maintain more restrictive trade-through plans, such as the current ITS plan. Ameritrade believes that, if a trade-through rule is extended to all markets, the SEC should abrogate existing trade-through rules in order to create a uniform rule. Allowing different trade-through rules, even if participants can withdraw from them, will result in uneven regulation and regulatory arbitrage. Moreover, the existence of different trade-through rules will most certainly result in investor confusion over what standard applies.

iii. Opt-Out and De Minimis Exceptions

Ameritrade believes that requiring market centers to provide automated execution of electronic orders largely will eliminate the need to have opt-out and *de minimis* exceptions. If the SEC, however, decides to adopt the trade-through proposal, Ameritrade strongly believes that the proposed opt-out should be amended and the *de minimis* exception should be eliminated.

Ameritrade believes the proposed opt-out is flawed because it is intended for institutional investors, and not retail investors. We are proud of our business model of providing services to retail investors that historically were only available to institutional investors. We are concerned that the opt-out, as proposed, turns back toward the provision of services in the old two-tiered manner. Ameritrade believes it is inherently unfair to limit the opt-out in this way.

Ameritrade has extensive experience in providing investors with the ability to decide how they want their orders executed. Ameritrade currently offers its clients the ability to directly route their trades to certain market destinations. "Direct access" routing, while utilized by only a small percentage of Ameritrade clients, is important to these investors. Before an Ameritrade client may directly route orders to a market destination, the client must execute a standing consent to terms and conditions that address the SEC's concerns, including disclosure that they might not receive the best possible price and that the speed of execution might be worse than they would otherwise experience if they used Ameritrade's auto-routing.

Once a client agrees to the terms and conditions of direct access routing, he or she can use Ameritrade's electronic order ticket to send orders to certain market destinations. The SEC's proposal of imposing an order-by-order informed consent requirement on direct access clients would effectively emasculate this offering. That is, requiring client consent on an order-by-order basis, and imposing on the broker that it "must be confident that the customer fully understands this disclosure and the nature of the consent," would unnecessarily complicate seamless electronic trading systems offered by brokers, and place an impossible standard on brokers to know whether a client actually understands the disclosure that he or she is reading. Ameritrade's experience is that investors use direct access routing in order to display their limit orders on ECNs. Ameritrade submits that the SEC should promote, not prohibit, such activity. Moreover, Ameritrade believes that clients understand the risks of direct access routing, and we note that it has not been the subject of customer complaints. We urge the SEC to clarify how, as a practical matter, the order-by-order decision-making process could be implemented to enable electronic retail investors to utilize the opt-out.

In addition, Ameritrade questions whether the benefits of requiring brokers to disclose the NBBO at the time of execution for those clients who have opted-out justify the costs of the exception. First, it is unclear what purpose such a disclosure serves as the NBBO at the time of the trade may or may not be available. In many ways the disclosure is tantamount to saying to investors, "there was possibly a better price out there at the time of execution which we may or may not have been able to access on your behalf." Ameritrade submits that such disclosure is of little relevance if a quote is inaccessible. Second, the SEC estimates that this disclosure will result in a one-time cost of $193 million, with an annual cost of $148 million. Given the size of these numbers, which may even be understated, we strongly encourage the SEC to carefully consider whether the benefits outweigh the significant costs to be imposed on the securities industry, which in turn could be transferred to the retail client in the form of higher fees.

Ameritrade does not oppose requiring additional disclosure along with a global consent approach whereby clients would consent once before using direct access routing, as Ameritrade does today. The SEC also could supplement this approach with a mandatory annual notice being sent to clients in much the same way privacy policy notices are annually required.

If a trade-through rule is adopted, Ameritrade believes the SEC should not adopt the proposed *de minimis* exception. Ameritrade opposes the SEC's proposed *de minimis* exception, as it will result in artificial spreads and investor confusion. That is, if "fast" markets are allowed to trade through "slow" markets by one to five cents, these *de minimis* amounts will necessarily act to widen the spread. Moreover, as occurs today, professional traders will attempt to arbitrage by selling at a higher price, and buying to cover in a market displaying the best price – at the expense of retail investors.

As proposed, we also believe the *de minimis* exception will be unduly complicated and result in investor confusion. Retail investors demanding executions at specified prices generally do not appreciate rules that allow market centers to fill their orders as long as they are "close" to the best price. Moreover these investors may not be receiving the executions at the price they are quoted, as demonstrated by published 11Ac1-5 data, which shows that since the *de minimis* program began, quoted spreads have narrowed while trading spreads have widened.[1] The *de minimis* exception, as proposed by the SEC, adds a further layer of confusion by establishing a range of permissible trade throughs based on the price of the security. Overall, Ameritrade believes that the proposed *de minimis* exception will harm price transparency and discovery. As a result, if the trade-through rule is adopted, the SEC should not adopt the *de minimis* exception.

iv. <u>Internalization and Limit Order Display</u>

Although not part of Regulation NMS, Ameritrade strongly believes that true price transparency and discovery will not be achieved until internalized orders are subject to public

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1 Source: Public SEC 11Ac1-5 data comparing effective/quoted spreads prior to the *de minimis* and after the implementation of the *de minimis* pilot program on the QQQ security.

display and available for interaction prior to execution. Requiring firms that internalize order flow to publicly display those orders and to make them available for interaction with other orders prior to execution would increase transparency for all investors. The benefits would be twofold: (1) investors using a broker that internalizes order flow will be ensured that these orders will interact with the market as a whole; and (2) other investors will have the opportunity to interact with these orders. Ameritrade believes that extending limit order protection in this way will greatly increase order interaction, again, to the ultimate benefit of the investing public.

This principle has been used in the options markets for many years, and is easily applied in an electronic trading environment. For example, the newest approved exchange, the Boston Options Exchange, or BOX, requires the display of an order for 3 seconds prior to internalization. Ameritrade strongly encourages the SEC to consider adopting a similar rule in the equities markets.

2. Non-Discriminatory Access and Access Fees

Ameritrade supports the proposal to require market centers to provide non-discriminatory access to market participants. As noted earlier, Ameritrade strongly believes that all market centers should be required to provide electronic access to allow participants to trade at the price they are being quoted. If a market center aggressively quotes, market participants must have the ability to access these quotes. A quote that is unavailable undermines the integrity of the marketplace and leads to investor confusion and frustration. In addition, market centers presumably will be less able to cherry-pick uninformed order flow, while avoiding aggressive limit orders.

As for access fees, Ameritrade believes that if the SEC requires market centers to provide automated executions to their quotes and bans sub-penny quoting, free competition among market centers will eliminate the need for the capping of fees. That is, if free competition is allowed, order flow will naturally gravitate to the automated market centers that provide the best combination of speed, reliability, costs and liquidity.

3. <u>Sub-Penny Quoting</u>

We applaud the proposal to prohibit market participants from accepting, ranking or displaying orders, quotes or indications of interest in increments less than a penny. Given the evidence that sub-penny quoting is being used by professional traders at the expense of the investing public, we believe that the elimination of sub-penny quoting can help to further restore investor confidence in the market and result in increased transparency and higher liquidity. Furthermore, participants at the April 21 Hearing noted almost universal support for such a proposal.

As for the proposed exception for securities trading under $1.00, Ameritrade's experience is that most of the sub-penny quoting occurs in those exact securities. We note that the answer to this problem is for the NYSE and Nasdaq markets to uniformly enforce listing standards, which generally require a security to trade above $1.00. Ameritrade also urges the SEC to act quickly on this aspect of Regulation NMS.

4. <u>Market Data</u>

Four years have passed since the SEC issued its Concept Release concerning market data structure, and the SEC has not moved any closer to addressing the central issue – whether the costs imposed by the current system are justified. In this regard, Ameritrade is disappointed that: (1) the SEC did not use Regulation NMS to address market data and related revenues in a comprehensive fashion; and (2) the SEC has failed to take the step of requiring transparency by requiring SROs to disclose publicly the cost of providing market data to the public. By comparative example, Rules 11Ac1-5 and 11Ac1-6 have contributed greatly to transparency and competition in the order flow arena. Similar market data transparency would increase competition and potentially reduce costs for end users.

Ameritrade is interested in first gaining an understanding of the costs associated with providing market data, and then determining the appropriate structure to allow for either a return of excess revenues back to investors, or a model in which market data revenues simply equal the costs of providing such information to the investing public.

Not only are market participants forced to pay the costs of the very data they provide, the participants do not know whether the fees are reasonable given that there is no transparency concerning the costs that the SROs incur in providing this vital service to investors. We note that such an approach enjoys wide support as evidenced by the Securities Industry Association ("SIA") comment letter, which is being submitted to the SEC at the same time.

Any broker or vendor who conducts business in the current environment will tell you that the structure is costly, complicated and burdensome. For retail brokers like Ameritrade, the administration of market data contracts is onerous and costly. SROs require detailed information about how a firm will use market data, the type of services the firm provides, the firm's use of technology and how a firm monitors its users. Ultimately, brokers must share confidential and competitively sensitive materials with the SROs.

SROs also require individual investors to consent to an agreement that requires the payment of discriminatory fees and is replete with legalese and confusing terms and conditions. Ameritrade spends an inordinate amount of time and money simply complying with the administrative burdens of tracking market data use by its customers, and maintaining two separate systems, one for real-time data and one for delayed data. The SEC's proposal does nothing to address these issues.

Under the current system, the SROs are granted monopoly powers, and wield these powers at will both in terms of the fees charged and the control over the dissemination of the data. Moreover, market data fees are imposed in an entirely discriminatory fashion. First and foremost, investors accessing real-time quotes through an account executive by telephone, from devices in branch offices, and from media distributors do not incur market data fees. If the same investor, however, uses an online brokerage account to access real-time quotes, market data fees are charged based on each instance a real-time quote is accessed. In this case, either the brokerage firm pays the fee, or passes the cost onto the investor. Either way, costs to investors are higher.

The SEC notes that out of the $424 million in revenues derived from market data fees, $386 million was distributed to SRO participants. Unfortunately, although the SEC previously has said, "the total amount of market information revenues should remain reasonably related to the cost of market information,"[2] there is no transparency to determine whether it actually costs anywhere near $424 million to provide the data to investors.

This issue is vitally important to both Ameritrade and its retail clients. Ameritrade currently is paying approximately $1.44 million per month for market data, or an estimated $17 million for the current year. These fees are paid by investors directly in the form of charges for quotes, or indirectly, in the form of commissions or other fees.

Ameritrade submits that the only way to determine whether there has been an equitable and reasonable allocation of costs is to require each SRO to publicly provide audited financials

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[2] "Regulation of Market Information Fees and Revenues," SEA Rel. No. 42208 (Dec. 9, 1999).

regarding the costs of providing market data to end users. Ameritrade recommends that these financial statements should be made available to the investing public through the SEC's (or particular SRO's) website. Given that investors ultimately pay these fees, either directly or indirectly, we clearly believe requiring the transparency of such information is in the public's best interest. Only then can such cost data be analyzed and act as the basis and direction for future market data reform, both in terms of pricing and, ultimately, in the distribution of such revenues.

As evidenced by the SIA comment letter, Ameritrade believes there is widespread support for the SEC requiring that market revenues be reasonably related to the costs of providing the data. Moreover, Nasdaq, which receives approximately 25% of its total revenues[3] in the form of market data fees, agrees with the brokerage industry that market data costs are too high. Robert Greifeld, CEO and President of Nasdaq, has stated that the cost to professional traders could be reduced approximately 75% (from $20 to $5-7 per month).

Ameritrade applauds Mr. Greifeld's statement and joins Nasdaq in seeking to reduce market data revenues so that such revenues are reasonably related to the costs of providing the data to investors. We strongly support reductions in market data costs across the board, not just specific to those investors who are deemed professional. We think it is important that both the revenues related to not only the NBBO, but also the depth-of-book (*e.g.*, Level II quotes), be reasonably related to the actual costs. Ameritrade believes that market data revenue reductions will clearly inure to the benefit of retail investors, as retail brokers compete aggressively on the ultimate costs charged to investors.[4]

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3 *See* The Nasdaq Stock Market, Inc. Annual Report (Form 10K) for the period ended December 31, 2003.

4 This is especially true for the online brokerage industry that focuses heavily on the value of the product offered to investors. Ameritrade prides itself on being a leading low-cost provider. We note that reduced

Given the widespread support within the industry and by Nasdaq, one of the very recipients of market data revenue, Ameritrade believes that it is clearly in the public interest for the SEC to take steps to ensure that investors are receiving what they are paying for and to ensure that the costs of market data are reasonably related to their costs.

Finally, we note that the SIA is commenting that multiple securities information processors ("SIPs") compound market data inefficiencies and that a consolidated SIP would result in considerable cost and timesavings at no risk to the investor. Although Ameritrade agrees that multiple SIPs utilizing non-standard technologies result in considerable additional costs to the industry, the Firm has concerns regarding the creation of a consolidated SIP. First, Ameritrade believes that before a single SIP is considered, the SEC must address the fact that such an organization would represent a single point of failure for all market data provided by the markets. Second, we question granting monopoly powers to such an organization and thereby removing the ability for price comparison and the innate drive to innovate. We support, however, the standardization of technologies across SIPs.

IV. CONCLUSION

In conclusion, Ameritrade opposes any trade-through rule as an unnecessary impediment to competition. Ameritrade is, however, a strong advocate for the Automated Execution Alternative whereby all market centers would be required to provide an automated response to electronic orders at their quote. Furthermore, Ameritrade supports the SEC's efforts to address market access and sub-penny quoting. Finally, the Firm strongly believes that the SEC should

costs due to competition are often passed directly onto investors. For example, over the past few years increasing competition in the options market have led online brokers to reduce commissions charged to investors.

not focus on market data revenue allocation, but rather, on whether market data revenues are reasonably related to the actual costs to produce such data.

Ameritrade believes that the adoption of a comprehensive Regulation NMS requiring automated markets that provide non-discriminatory access, quotations in penny increments and a transparent market data structure will be a tremendous improvement to the current national market system, with retail investors reaping the ultimate benefits.

Thank you for the opportunity to share my ideas on behalf of Ameritrade and its clients. I would be pleased to answer your questions at the appropriate time.