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Honorable Spencer Bachus, Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

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Director, Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: Standards for Data Supplied by Exchanges to Public Companies

Gentlemen:

We are writing to request support for new standards to require the Consolidated Tape Association (CTA) and its participants, including SROs such as the national stock exchanges and the Financial Industry Regulatory Authority (FINRA) to provide comprehensive baseline trading information and data to listed companies. This data already exists and is collected and maintained today by the Consolidated Tape Association (CTA).

Over the past fifteen years, the regulations enacted to implement a congressional mandate passed in 1975 to create a National Market System have fundamentally reconstituted stock trading. One monumental consequence of these regulations has been the fragmentation of data and trading information available to public companies. What was once a clear and comprehensive picture of where and how an issuer's shares traded is now fragmented and incomplete.

At the same time that the availability of trading data has declined for public companies, the breadth and sophistication of systems trading issuers' shares has exploded. The result is an inequity neither intended nor supported by the Securities and Exchange Act of 1934 (15 U.S.C. 78), which prescribes a fair, free and open marketplace predicated on capital formation. Today, public companies do not know which brokers execute the trades behind more than 50% of their volume.

Why is that? With trades occurring across fourteen exchanges, at major "prime" brokerages that report trades straight to a consolidated tape, at scores of alternative "dark" trading systems and at thousands of small proprietary systems, there is no unified and comprehensive set of data available to issuers detailing where issuer trading volume originates. However, data from all of these trades actually feed into and are consolidated and maintained by the Consolidated Tape Association (CTA) overseen by the Securities and Exchange Commission in accordance with two SEC-approved plans governing trades and quotes. This consolidated trading data is, inexplicably, not provided to public companies, and stock exchanges do not supply their listed issuers with executing-broker information on trades clearing at others' platforms.

Why Issuer Data Matters

Why are data important to issuers? Without complete data, public companies cannot accurately report to shareholders, directors or management the nature and substance of trading activity. They cannot police their own trading, as the data puzzle is incomplete. These are fundamental fiduciary responsibilities that cannot at present be properly performed.

In addition, it's a fundamental legal right and expectation of an issuer listing shares on a national stock exchange to know where the issuer's shares are trading and what brokers are executing trades. The information provided by exchanges to issuers once controlling 80% or more of trades in public shares has fragmented, and exchanges can today provide insight to public companies on only 50% of trades at best. Imagine if you were selling products but had no idea what distribution channels were active or not. The absence of transparency is the state of affairs today for public companies.

By contrast, it's theoretically possible for traders to possess a complete picture. If traders subscribe to the myriad data products available from exchanges, data providers, and brokers, they can access information unavailable to the public companies whose shares they trade. Yet the statute enacted by Congress to enable the creation of National Securities Exchanges (15 U.S.C. 78f(b)(5)) prohibits rules that *"permit unfair discrimination between customers, issuers, brokers, or dealers"*

This discrimination in capital markets today is not due to nefarious behavior but to the rules and regulations enacted over the past fifteen years that have unintentionally benefited traders at the expense, and to the detriment, of public company issuers.

Capital Markets Transformation

These issuer data deficiencies are due in large part to transformational market rules enacted over the past fifteen years. A survey:

1997 - Order Handling Rules implemented by the SEC required exchanges to display prices from Electronic Communications Networks, fueling a focus on speed and price in stock trades;

2000 – Decimal Pricing Implementation – The SEC required the major exchanges to price transactions in pennies, which, coupled with rules focusing on speed and price, exponentially sped up trading;

2003 – The Global Settlement between the New York Attorney General and regulators and major broker-dealers separated research from trading, opening the floodgates to high-speed algorithmic trading as broker-dealers differentiated themselves with technology in place of information;

2007 – Regulation National Market System (Reg NMS) set a single price point for trades, the National Best Bid or Offer, rewrote rules for how revenues are shared from tapes that disseminate stock trades, and set the stage for the explosion of stock, options and futures markets.

This promulgation of rules has bred responsive structural change. Exchanges moved to for-profit models to leverage data and transaction opportunities under Reg NMS. Incentivized trading via what's called the "maker/taker" pricing model soared as exchanges competed for data-tape revenues. Trading and data alike fragmented. Information for public companies on trading has not kept pace, though without these issuers there would be no capital markets, no shares to trade, and no derivative products, from options to Exchange Traded Funds.

Remedy

The remedy is simple: level the playing field for public companies and direct the CTA and its participants to provide issuers with a comprehensive set of baseline trading data with respect to their shares.

This remedy requires no new regulation or legislation. The SEC already has the authority to direct the CTA, its participants including SROs such as the national stock exchanges and FINRA, and the tape and quote plans, to provide public companies with comprehensive trading data from the existing consolidated tape maintained by the CTA.

With access to comprehensive baseline trading data, public companies must also be given the ability to use analytics to understand data, just as traders, investors, and broker-dealers may do today with order-management, analytical and trade- execution systems. Companies are not traders or investors but they have equal right under the law to understand how their shares trade.

Required Data Elements

The standardized baseline trading data provided to issuers should include at least the following information:

- Trading summary of daily volume, daily short volume (amount marked short, not long), number of trades, opening, high, low and closing prices, and block versus non-block trades and respective volume totals;
- Daily breakdown of total trades and shares traded by executing brokers, with a delay of twelve hours after execution and not more than thirty-six hours, that, when summed, reflect the publicly reported daily trading volume and total trades, and the balance of buying versus selling by broker;
- Volume at the exchange market center, and volumes trading at other exchanges and facilities such that the sum reflects total published daily volume and percentages traded at the various market centers; and
- Access to these data by website and web feed, so public companies may use systems or analytics to understand them for internal, confidential management purposes only.

For other constituents besides issuers, principally traders, all the exchanges, including BATS and Direct Edge, provide a broad set of standardized volume and trading data points. While certain of these data, including executing-broker volumes, are already provided by the NASDAQ and the NYSE to issuers in part (the exchanges currently hosting listings), each follows different protocols, producing disparate “apples- to- oranges” views. Standardizing methods across the listing exchanges would end discontinuity for issuers.

Without consistent and complete data, it’s increasingly difficult for public companies to navigate today’s capital markets. And capital formation, not trading, is the principal capital markets purpose. We reference The SEC Act of 1933, incorporated into 15 USC 78, Section 2(b): *“Whenever pursuant to this title the Commission is engaged in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote...capital formation.”*

Opinions of Certain Stock Exchanges

We have shared the purpose of this petition with the operators of the major U.S. stock exchanges. As market intermediaries with fiduciary responsibilities to diverse constituencies, these exchanges

registered no opposition to the effort and agreed that baseline standards and information about trading activity are requisites to transparent markets for issuers.

Coalition of Supporters

In calling for these voluntary measures to modernize data for public companies, we present support from the undersigned coalition. We respectfully petition for an opinion from the Securities and Exchange Commission and the House Financial Services Committee enjoining this effort and directing the data plans and participating SROs to support the proposed standards by making available the requested data points.

Yours Sincerely,

Timothy Quast
Managing Director
ModernNetworks IR LLC
Denver, CO

Supporters:

Company Name	City, ST	NASDAQ: TCKR
Company Name	City, ST	NYSE: TCKR

