

October 21, 2011

Marcia E. Asquith
Office of the Corporate Secretary
FINRA

RE: Regulatory Notice 11-43
FINRA Requests Comment on Proposed Amendments to Rule 5210 Regarding Publication of Indications of Interest

Dear Mrs. Asquith:

I appreciate the efforts by FINRA to continuously update (improve) the regulation of the Indications of Interest ("IOIs") industry. As a leading service provider of IOIs services, the new proposed amendments would have impact on the services we provide to our clients and on the industry at large.

Comments on the Proposed Amendments to Rule 5210:

IOIs Definition: Many firms have their own definition of IOIs and have different mechanisms of disseminating them to their target Buyside clients. Regardless of the IOI types, the IOIs definition should cover the delivery mechanism, such as FIX protocol, email, Instant Messaging, or any other mobile devices (PDAs).

What is Natural: It is paramount for FINRA to better define the term "Natural IOI" for the industry due to the varied definitions that different firms have. It is also expected that such definition needs to be periodically updated to reflect the changes in products, services, and technology. The Natural IOIs definition should address and clarify some of the following:

- Are Natural IOIs associated with received customer orders only?
- Can the Natural IOIs be associated with any *firm* expression of trading interest (commitment) by the broker/dealer, whether the firm commitment are based on agency, riskless principal, or principal trading interests?
- Would disclosure by the broker/dealer that Natural IOIs may include principal trading interests satisfy the Regulatory requirement (Regulatory Notice 09-28) that the IOIs must be truthful, accurate, and not misleading?

Natural IOIs Expiration: The requirement of removing (expiring) the Natural IOIs once the customer orders that the IOIs represent has been executed or cancelled requires further clarification to address the following:

- Should the Natural IOIs' size be decremented as the orders (on which trading interests they represent) are partially executed? Currently the average order execution size in the US marketplace is around 200 shares; decrementing the Natural IOIs' size based on the trading interests orders print-for-print might overwhelm most trading resources and networks, and disserve the interests of all parties. Decrementing the Natural IOIs' size based on percentage of the executed (partially filled) or unexecuted (leaves) shares is more feasible and manageable.
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- Expiring or removing the Natural IOIs when the orders they represent are fully executed or cancelled is a feature that most IOI products (in the industry) offer. Does “immediately” expiring the Natural IOIs when their trading interests are executed or cancelled mean within 1 second or several seconds (There’s a need for allowance for networks and multiple systems latency).

Regulation or Limitation: The following are my comments on the possible limitation of the regulation:

- Many broker/dealer firms disseminate hundreds of thousands IOIs daily while marking only a few hundred or less as Natural IOIs. Many Buyside traders consider the non Natural IOIs as noise and ignore them - they only view the Natural IOIs. Sometimes when broker/dealer traders are in-touch-with (ITW) their Buyside clients, they manually create and disseminate Natural IOIs based on their clients’ promise (the promise to send them the order later). The requirement of receiving the customer orders first before labeling the IOIs as Natural would be limiting for such common trading practice; would documenting that the Natural IOIs were based on conversation with their clients (ITW) be an acceptable exception? What if the clients do not fulfill their promise and not send the orders, would the broker/dealers then be in violation of the truthful, accurate, and not misleading regulation requirement?
- Most Buyside firms send their large blocks to dark pools or crossing networks, while others send these large blocks to their trusted broker/dealers with the expertise on trading large blocks with minimal information leakage to avoid price pressure. Many broker/dealers understand that mishandling a Buyside client’s large block by causing price pressure on the stock or by front-running the client’s trade would turn away future business from that client. The Natural IOI is currently the most valuable sales tool available to the broker/dealer community and its regulations should be clear and well defined.

I do appreciate the opportunity to provide comments on regulations that impact my industry and clients.

Sincerely,



Nasser A Sharara
Managing Director, Product Management
Raptor Trading Systems