

## **STEPHEN SCHULER OPENING REMARKS – SEC ROUNDTABLE JUNE 2, 2010**

Chairman Schapiro and Commissioners, thank you for inviting me here today. My name is Stephen Schuler, and I am a co-founder and co-managing member of Global Electronic Trading Company, or GETCO.

GETCO is an electronic trading and technology firm that provides liquidity to investors on over fifty markets worldwide from offices in Chicago, New York, London and Singapore. Our firm makes markets in equities, fixed income, currencies and commodities. And, our global trading activity helps investors buy and sell assets such as stocks, bonds and options contracts. GETCO is a registered market maker on both equities and options exchanges, including NASDAQ, NYSE ARCA and BATS. In addition, GETCO is a designated market maker (DMM) and supplemental liquidity provider (SLP) on the New York Stock Exchange.

Over the past ten years, our firm has maintained a long-term view on the markets and the service we provide to investors by developing both technological expertise and human capital. As an early adopter of electronic trading, GETCO firmly believes that our modern markets provide tangible benefits to all investors. We also believe the Commission has been thoughtful as it looks to ensure that our regulatory framework keeps pace with the challenges posed by an ever-evolving market structure. For example, as we noted in our comment letters, we support the SEC's proposals on flash trading, market access and dark pools. We also welcome the opportunity to weigh in on issues raised in the recent concept release – such as co-location and the effects undisplayed liquidity has on public market price discovery.

Despite the numerous benefits investors have experienced from decades of careful policies designed to foster competition, choice and transparency, the market events of May 6<sup>th</sup> demonstrate that additional measures still need to be taken.

Anxious for explanations, many have questioned the role of so-called “high frequency traders” and what impact their absence could have played in the May 6<sup>th</sup> plunge. However, as the Commission noted in the recent equity markets concept release, “high frequency traders” are not one well-defined group or industry. Rather, this term encompasses hundreds of different participants with varied goals, trading strategies, risk models and infra-structures.

This may explain why some trading firms – high frequency, electronic, or otherwise – withdrew from the markets at some point on May 6<sup>th</sup>, while others, like GETCO, did not.

Regardless of the ultimate causes behind the market drop, we need to implement additional changes to our current rules to help prevent destabilizing market events

during times of economic stress and dislocation. And the good news is that many reasonable solutions exist.

In the near term, instituting circuit breakers on a stock-by-stock basis and studying their impact is an important first step. The Commission should also abolish the use of stub quotes, require exchanges to find ways to eliminate clearly erroneous trades, and prevent market and stop orders from causing runaway markets. These elements all play a role in diminishing investor confidence because they create the potential for investors to receive executions at unfair prices.

We believe that, over the longer term, the Commission should also study the obligations and incentives around market making. As GETCO noted in our short sale comment letter last year, today's exchange requirements for market makers impose no significant quoting obligations.

Greater clarity around what type of affirmative role market makers should play in our markets – especially during times of high volatility and price dislocation – will help long-term investors regain confidence that the U.S. markets are not only the most competitive, but also the most reliable.

To be sure, firms such as GETCO can help buffer volatility, but no single class of market participant can prevent natural swings in prices – sometimes dramatic ones. This is especially true when, as is the case today, macro-political and economic events raise investor anxiety.

Most critical as we evaluate how to prevent another May 6<sup>th</sup> market drop is the understanding that the exchanges and the Commission must work together to ensure that any changes are uniformly implemented across the equities and futures markets so that they are able to take hold precisely when they are needed most.

I look forward to your questions.