



Themis Trading Calls for Moratorium on New U.S. Equity Exchange Approvals

By Ivy Schmerken

Aug 17, 2010 URL:

Themis Trading is calling for a moratorium on the approval of new U.S. equity exchanges and market centers by regulatory authorities until the causes of the May 6, 2010 “flash crash” are determined.

The independent agency broker’s Co-founders Sal Arnuk and Joseph Saluzzi sent out a press release today, citing the fact that there are already in excess of 12 exchanges as well as over 40 dark pools and alternative trading systems, which operate according to their own rules and fee schedules.

“Most industry professionals generally agree that something in our current market structure caused May 6th and unless we get to the bottom of it, May 6th is more than likely to happen again,” said Themis Co-founders Sal Arnuk and Joseph Saluzzi.

“For 13 consecutive weeks the US equity market has experienced massive fund outflows, and this coincides with the events of May 6th. Given that the events surrounding May 6th are still being analyzed, and the cause of it remains elusive, does it make sense for regulators to further increase the complexity of today’s markets by approving new market centers? Just in the most recent months, we have witnessed the SEC approve several new exchanges, as well as new venues entering the approval process,” ask Arnuk and Saluzzi in the firm’s press release.

“Given that the US equity market is more fragmented than ever, which is a direct and unintended consequence of Reg NMS, we question the wisdom of allowing even further fragmentation until our regulatory bodies have a firm understanding of precisely what went wrong on May 6th, as well as their having a firm understanding of all the newer nuances of our modern market structure, including the effects of various order types, co-location, and data feeds.”

In the release, the authors urge financial industry participants and particularly its leadership “to join in demanding our regulatory authorities institute a moratorium, as it is crucial for trust and confidence to be restored into the marketplace.” They emphasize the need to “understand the complex web that is our equity market today before we allow it to expand even further.”