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Themis Trading Calls for a Moratorium on The Approval of All New US Equity Exchanges and Market Centers

Themis Trading today called for a moratorium on the approval all new US equity exchanges and market centers by US regulatory authorities until the causes of the May 6, 2010 “flash crash” have been determined.

“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.”

“In our US equity market place alone, we have in excess of 12 exchanges, as well as over 40 dark pools and ATS’s. These market centers all operate by their own rules and have their own fee schedules. 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.”

“We call on all financial industry participants, 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. While we acknowledge and applaud the thorough undertaking by our regulators in soliciting information and data from industry participants, in its attempt to understand our current market structure, we also know it to

be prudent to understand the complex web that is our equity market today before we allow it to expand even further.”

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