



SOUTHEASTERN ASSET
MANAGEMENT, INC.

October 19, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Concept Release on Equity Market Structure (File No: S7-02-10)

Dear Ms. Murphy,

Southeastern Asset Management, Inc. (“Southeastern”) appreciates the Securities and Exchange Commission’s (“Commission”) comprehensive examination of the equity market’s structure and its request for input from all market participants. We hope our prior interactions with the Commission¹ were additive to the market improvement process.

Southeastern remains convicted that the current equity market structure is flawed. With the catalytic May 6th events, considerable media attention has exposed the probability that the confidence bona fide investors possess in the capital markets may be irreparably harmed. We have consistently emphasized that while the public debate may stray and become mired “in the weeds,” all policy decisions should promote the purpose of the capital markets – to facilitate the allocation of capital from investors to businesses.

We renew our call that significant, proactive, and timely measures be taken by regulators, and, if need be, legislators to address these risks. Three topics that continue to concern us and a growing list of other market participants are:

Market Center Enhanced Data Feeds – Data content and millisecond latency differentials among the data feeds of exchanges, ECNs, and the consolidated quotation system (“CQS”) allow the minority of enhanced data feed users access to enhanced order and trade information prior to the public dissemination of any information. We discourage complicating the issue further with concepts like time-syncing market centers and adding artificial latency into faster data feeds, thus increasing the need for oversight. We strongly encourage the Commission to **ban all but the CQS**, regulate what information must be included, and mandate an opt-in/

¹ Southeastern’s April 28, 2010 comment letter (<http://www.sec.gov/comments/s7-02-10/s70210-164.pdf>), meetings with Commissioners, staff members, and testimony to the Joint CFTC-SEC Advisory Committee.

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out option (default opt-out) should an investor want to include more of their order information in the CQS. In this way, all market participants will have access to the same information at the same time and are free to process that information as quickly as their technology investment or business model will allow.

Inaccessible Liquidity – Entering and cancelling thousands of inaccessible orders in milliseconds obfuscates the price discovery process and over time discourages investors from showing their true supply/ demand. We discourage complicating the issue further by defining and taxing unacceptable cancellation to execution ratios for different market participants, thus increasing the need for oversight. We strongly encourage the Commission to **institute a minimum order duration of one second** to be implemented at the exchange level. In this way, all orders will be reasonably accessible to the market, true liquidity will be displayed, and less message traffic will make the “system” more robust.

Payment for Order Flow – We strongly encourage the Commission to **require that all venue execution fees and rebates be passed through to the end client**. In this way, brokers would no longer be concerned with how execution costs affect their profits when fulfilling their best execution obligations. Brokers could act transparently and irreproachably in the best interest of their clients at all times during the order routing process.

While supportive of technological innovation, we believe common sense dictates that a market structured for true investment is a more appropriate mechanism to fund America’s businesses than is a casino structured for rapid trading. We look forward to hearing the Commission’s clear and unequivocal rules to level and strengthen the equity capital markets.

Sincerely,



O. Mason Hawkins, CFA
Chairman & CEO



Richard W. Hussey
Vice President & COO



Deborah L. Craddock, CFA
Vice President & Head of Trading



Jeffrey D. Engelberg, CFA
Vice President & Senior Trader



W. Douglas Schrank
Senior Trader

cc: The Honorable Mary L. Schapiro, Chairwoman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner

Robert W. Cook, Director, Division of Trading and Markets
James Brigagliano, Deputy Director, Division of Trading and Markets
David Shillman, Associate Director, Division of Trading and Markets