

**News Date:** 09/17/2009

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**News OCR Text:** It is an obscure art of Wall Street, a technique that gives a scattering of traders an edge over everyone else — and the Securities and Exchange Commission wants to stamp it out.

The S.E.C. on Thursday proposed banning what are known as flash orders, which use powerful computers to glimpse at investors' orders. The practice is often associated with a controversial corner of finance called high-frequency trading, which has grown, largely hidden from view, into a potent force in the markets.

The proposed ban was announced on the same day that the S.E.C. put forward new rules for credit ratings agencies, which were widely criticized for their role in the financial crisis. Together, the moves telegraphed a tougher line from the commission after a series of prominent missteps, including its failure to spot the Ponzi scheme orchestrated by Bernard L. Madoff.

Critics say flash orders favor sophisticated, fast-moving traders at the expense of slower market participants. Using lightning-quick computers, high-frequency traders often issue and then cancel orders almost simultaneously and get an early peek at how others are trading.

Mary L. Schapiro, the chairwoman of the S.E.C., said on Thursday that in proposing the ban, the commission was trying to balance the often competing interests of long-term investors and short-term traders. The proposal requires a second vote by the commission to become binding.

“Flash orders may create a two-tiered market by allowing only selected participants to access information about the best available prices for listed securities,” she said during a meeting in Washington. Other modern market practices, she said, are similarly opaque.

Fast-moving electronic exchanges have upended old-fashioned stock trading. Buyers and sellers no longer must interact on exchange floors and haggle over prices. Today, traders employ powerful computer programs to execute millions of orders a second and scan dozens of marketplaces simultaneously.

While anyone can gain access to flash orders for a fee, only very powerful computers can process and act on the information. In July, flash orders represented 2.8 percent of the roughly 9 billion shares of stocks traded in the United States.

According to Richard H. Repetto, an analyst at Sandler O'Neill who studies stock exchanges, the average trade is executed, or completed, in less than 10 milliseconds and often as fast as 5 milliseconds.

The proliferation of high-frequency trading has pushed up average daily volume on the nation's stock exchanges by 164 percent since 2005. Proponents of the practice argue such trading enhances the liquidity and greases the wheels of the markets.

“High frequency trading has made the markets more efficient, and generally speaking, markets that are more efficient are better for all participants,” said Justin Schack, a vice president at Rosenblatt Securities.

Even so, Mr. Schack said he was pleased the S.E.C. was moving to ban flash orders, which he said tended to “benefit everyone except for the customer.”

Direct Edge, an electronic exchange, has benefited the most from the use of flash orders, analysts said. But other electronic exchanges, including Nasdaq and BATS also jumped into the market, prodded by competitive pressures.

Getting flashed an order offers traders a distinctive edge. When buy and sell orders come into an exchange, they are first flashed to those paying to see them for 30 milliseconds — 0.03 seconds — before they are available to everyone else. In the blink of an eye, the systems can detect patterns and get a jump on other investors. Before others even sees the order, high-frequency traders swoop in and then out.

The move to ban flash orders drew praise from some on Capitol Hill.

“This ban, as proposed, is pretty much water-tight and should not be weakened by the commission as the rule-making process goes forward,” said Senator Charles E. Schumer, Democrat of New York. “This proposal will once and for all get rid of flash trading.”

The parent of the New York Stock Exchange, NYSE Euronext, which never adopted flash trades, trumpeted the proposal. "I think this was a practice that gave unfair access to information flow to a select group of brokers, disadvantaged customer orders and led to a two-tier market system," said Larry Leibowitz, head of United States markets and global technology at NYSE Euronext.

The S.E.C. on Thursday also passed rules aimed at improving transparency at credit rating agencies and reducing conflicts of interest at the companies.

One rule will force certain investors to rely less on credit ratings and more on their own research. Another requires the agencies to disclose rating histories and requires them to share information about securities they have rated with competitors so they too can rate the securities.

"These are baby steps, clearly," said Jerome S. Fons, an independent consultant and former managing director at Moody's, one of the major ratings agencies. He said even greater public disclosure was needed from the agencies.