



Securities Industry Association

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December 13, 2004

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Proposed Rule Change by the New York Stock Exchange Relating
to the Exchange's Direct+ Trading Facility (SR-NYSE-2004-05)

Dear Mr. Katz:

The Securities Industry Association ("SIA")¹ welcomes the amendments filed by the New York Stock Exchange ("NYSE" or "Exchange") to its proposed rule change for the Direct+ system that would create a hybrid market model.² In light of the Securities and Exchange Commission's ("SEC" or "Commission") anticipated reissuance of the Regulation NMS proposal for public comment³ and the potential impact of this revised proposal upon the NYSE proposal, however, we respectfully request an extension of the comment period for the NYSE proposal to afford the industry with a meaningful opportunity to review both revised proposals and to evaluate the interaction between them.⁴

As we stated in our October 1, 2004 comment letter on the original NYSE proposal,⁵ SIA strongly supports the NYSE's efforts to provide more execution opportunities in its market. SIA as well as other commenters, however, requested further

¹ The Securities Industry Association brings together the shared interests of nearly 600 securities firms to accomplish common goals. SIA's primary mission is to build and maintain public trust and confidence in the securities markets. At its core: Commitment to Clarity, a commitment to openness and understanding as the guiding principles for all interactions between investors and the firms that serve them. SIA members (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. The U.S. securities industry employs 790,600 individuals, and its personnel manage the accounts of nearly 93 million investors directly and indirectly through corporate, thrift, and pension plans. In 2003, the industry generated \$213 billion in domestic revenue and an estimated \$283 billion in global revenues. (More information about SIA is available at: www.sia.com.)

² Securities Exchange Act Release No. 50667 (November 15, 2004), 69 FR 67980. See Securities Exchange Act Release No. 50173 (August 10, 2004), 69 FR 50407, for the original proposal.

³ See Commission Press Release No. 2004-165, "SEC to Consider Publication of Revisions to Proposed Regulation NMS," available at <http://www.sec.gov/news/press/2004-165.htm>.

⁴ The comment period for the NYSE proposal, as amended, presently ends on December 13, 2004. We believe that the industry would benefit from extended comment periods for this proposal and for the anticipated revised Regulation NMS proposal through the month of January, 2005, if not longer, to allow for meaningful comment.

⁵ See letter from Donald D. Kittell, Executive Vice President, SIA, to Jonathan G. Katz, Secretary, Commission, dated October 1, 2004, available at http://www.sia.com/2004_comment_letters/3014.pdf.

information from the NYSE on many aspects of this proposal. We therefore appreciate the NYSE's supplemental filing, which provides additional important details and concrete examples of how the system will operate and thus should help to clarify the operation of the hybrid model and contribute to a better understanding and informed analysis of the proposal.

As we noted in section IV of our October letter, however, how the NYSE will interact with ITS and other markets is an important concern in and of itself, and also as it relates to the SEC's Regulation NMS proposal. These are still important concerns to SIA member firms, and we do not believe that they can be addressed until the specifics of the SEC's revised Regulation NMS proposal are known.⁶ The NYSE's hybrid proposal is designed to operate within the structure set out in Regulation NMS; therefore, we believe that the substantive issues of how the market is structured should precede the rulemaking that implements that structure. An extension of the comment period on the NYSE proposal, as amended, would enable the industry to effectively assess and comment on this proposal in the appropriate context of the revised Regulation NMS framework.

Again, we applaud the NYSE for taking an important step towards providing a marketplace with more options for trading, and appreciate that any delay in commenting may contribute to a delay in implementation of its proposal. An informed discussion of the NYSE proposal, however, necessarily requires a more complete understanding of the Regulation NMS proposal. We therefore respectfully request that the Commission provide the industry with an opportunity to comment on the NYSE proposal after it has had a chance to review the revised Regulation NMS proposal.

If you have any questions or require additional information, please contact the undersigned at 202-216-2000.

Sincerely,

Ann L. Vlcek
Vice President and Associate General Counsel

cc: Chairman William H. Donaldson
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Commissioner Cynthia A. Glassman
Commissioner Harvey J. Goldschmid
Annette Nazareth, Director, Division of Market Regulation
Robert L.D. Colby, Deputy Director, Division of Market Regulation
Kelly Riley, Assistant Director, Division of Market Regulation

⁶ We recognize that there are certain components of the NYSE proposal that may not be directly impacted by the Commission's revisions to the Regulation NMS proposal and on which we may wish to comment. We believe, however, that we need to review the NYSE proposal as a whole in the context of the revised Regulation NMS proposal before considering commenting on any aspect of the NYSE proposal.