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ES 118816

From: Samuel F. Lek [SamL@leksecurities.com]
Sent: Friday, December 15, 2006 6:31 PM
To: CHAIRMANOFFICE
Subject: NASD / NYSE Merger

LEKSECURITIES

December 15, 2006

The Honorable Christopher Cox
Chairman Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Cox:

The recently announced merger of the regulatory units of the New York Stock Exchange and the NASD into a single, combined self-regulatory organization ("SRO") is being sold as a move to reduce the regulatory burden. Everyone supports making regulation more efficient and I applaud your support for streamlining the process. However, the proposed merger includes a hidden, yet significant change in the method for determining how the SRO will be governed that will greatly weaken the independence and accountability of the Board. Accordingly, I urge you to not to support the merger unless the Board can be held accountable for its actions.

Historically, the NASD has been run by an elected Board of Governors, answerable to the members and charged to benefit the public interest. The proposed merger would eviscerate the electoral process, allowing the CEO to appoint 16 of the 23 members. An appointed board is inconsistent with the principles of good corporate governance, and therefore detrimental to the interests of investors.

By making the composition of the board solely determined by and answerable to the very person it is supposed to oversee, the proposed merger almost ensures an appearance of impropriety in board governance – creating exactly the sort of lack of independence that has led to recent scandals like the NYSE's Grasso debacle. Accordingly, the proposed merger's removal of electoral accountability is irresponsible and unnecessary. The importance of the combined SRO and the fundamental purpose of protecting investors demands greater accountability, not less.

The combined SRO will play a significant role in shaping the securities markets in the United States. It is therefore imperative that the SRO remain democratically elected under the supervision of the SEC. An appointed Board is simply un-American. Only elections can ensure the accountability. Elections will also benefit innovation, vigorous competition and responsible enforcement of the securities laws that the investing public deserves.

I urge you to oppose the proposed merger, requiring amendments be made to maintain an elected board under the principle of one member, one vote.

Sincerely,

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