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May 24, 2006

Ms. Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

File Number SR-NSX-2006-3, Self-Regulatory Organizations
and Demutualization of the National Stock Exchange Proposed Rule Change

Dear Ms. Morris:

The Los Angeles City Employees Retirement System ("LACERS") is more than \$9 billion strong and serves over 43,000 members. We are writing in response to the Securities and Exchange Commissions ("SEC") request for comments on the National Stock Exchange ("NSX") proposed rule changes.

As noted by many other Institutional Public Fund investors, we also feel that inherent conflicts-of-interest are involved when a for-profit exchange serves as both a market and a regulator. Moreover, governance deficiencies at the New York Stock Exchange ("NYSE") and numerous corporate scandals have reduced investor confidence in the securities markets. As addressed by the SEC in its November 18, 2004 Securities Exchange Act Release No. 50699 ("Release No. 50699"), recent enforcement actions involving SRO members highlight weaknesses in the effectiveness of the regulatory programs. Such violations of federal securities laws and NYSE rules resulted in enforcement action settlements with seven NYSE specialist firms in 2004 that paid more than \$247 million in penalties and disgorgement.

The SEC further notes in Release No. 50699, demutualization could exacerbate SROs putting their commercial interests ahead of their responsibility as regulators. Particularly in light of the increasingly competitive environment faced by SROs that operate trading facilities. As competition increases among marketplaces, and as SROs actively pursue strategies to increase their market share, the SEC continues to consider measures to foster and enhance the independence of SROs' governance, the transparency of their processes, and the effectiveness of their regulatory programs. This also could include a more extensive restructuring that

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would eliminate the current system of self-regulation. Listing standard requirements should be an independent regulatory responsibility and not an exchange function.

The Los Angeles City Employees' Retirement System believes that the self-regulatory function at the NSX should be restructured to create an entirely independent regulatory entity with sufficient funding. In addition, LACERS also believes the NSX should adopt corporate governance best practices, that includes an enhanced definition of director independence consistent with the definition of independence adopted by the Council of Institutional Investors, LACRS and other investors, the annual election of directors, and a single-class stock structure based on the principle of one share one vote.

Thank you for providing us with an opportunity to comment. Should you have any questions or require further information, please do not hesitate to contact Dan Gallagher, Chief Investment Officer, at (213) 473-7124.

Sincerely,



ROBERT AGUALLO, JR., General Manager
Los Angeles City Employees' Retirement System

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