

Independent Broker Action Committee

Website: www.IBAC.us

July 18, 2006

VIA EMAIL AND FEDERAL EXPRESS

Nancy M. Morris, Esq.
Secretary
United States Securities and Exchange Commission
Station Place
100 F Street, NE
Washington, DC 20549-9303

Re: File No. NYSE 2006-46; Proposal to revise equity transaction fees

Dear Ms. Morris:

As an organization representing over 100 independent New York Stock Exchange (“NYSE”) brokers, the Independent Broker Action Committee, Inc. (“IBAC”) has written previous comment letters to express our concerns on recent rule changes. The new proposal to revise equity transaction fees is arbitrary, unevenly applied, and creates an unfair burden on competition.

The new fee structure proposal changes the two existing caps for fee payments. First, it raises the overall monthly dollar cap from \$600,000 to \$750,000. This will affect only the very largest brokerage houses. The maximum increase to those firms meeting this cap is 25%. Secondly, the exchange is removing the 2% cap alternative. Most independent brokers reach this number each month and have been paying the exchange their due. This cap was first introduced years ago to help create multiple points of access to the floor, which then creates healthy competition in the marketplace.

The independent floor community, made up of a variety of small firms, has been integral to the success of the NYSE, particularly over the last three decades. Through our smaller size, we have been adept at changing our business models to adapt to the changing needs of our customers. Through our abilities to offer specialized and competitively priced executions to these customers, the independents have been responsible for bringing a more diverse clientele to the NYSE, adding to its depth of markets and liquidity.

Unfortunately, with this NYSE transaction fee proposal, the independent community will be burdened with the highest percentage increases on the floor. This will drastically affect our ability to competitively serve the diverse clientele that we bring in today. In this new proposal, independents are reporting fee increases of 250% or more. These large percentage increases can hardly be called an “equitable allocation of reasonable dues, fees, and other charges.”

IBAC is also concerned with the timing of this increase as well. Transaction fee increases were discussed at length before the Archipelago-NYSE merger, and were tabled before the merger was approved by membership. This proposal is to be effective August 1st, and does not give the independent community the time it needs to adapt our business models to this new cost structure. In addition, with the dramatic changes to market structure that are taking place at the NYSE in the form of the Hybrid Market, the timing of fee increases could not be worse. It is difficult enough for the independent community to adapt its business models to the new hybrid market structure given the complexity and uncertainty of how this new format will function. Add on top of this a dramatic increase in the cost of doing business. If the NYSE truly wants its Hybrid market to be successful, it needs as many market participants as possible. Why jeopardize this by pricing many independents out of the game before it even starts? (The very point underscored by the Commission on the trading license issues!)

While IBAC understands the NYSE's desire to overhaul the fee schedule (many outside the floor community abuse the current system), this new model will force many of the independents out of business. The Independent community provides crucial access to the floor that the financial community needs. When one examines the timing of the fee increases in combination with the new implementation of the Hybrid model, you understand the difficulty created in maintaining a sound business model. These changes will have a negative impact on the investing community, if the independent community is forced out of business. These increases will drive order flow to the larger houses, therefore creating a burden on competition. A more equitable allocation of reasonable fees needs to be proposed. IBAC has some meaningful suggestions on how to improve this fee structure proposal. Even though we were not included in the original drafting of this proposal, we would be more than willing to meet with NYSE management to discuss better alternatives. At the very least, implementation of this proposal should be delayed to allow for these kinds of discussions.

Respectfully submitted,

INDEPENDENT BROKER ACTION COMMITTEE, INC.

By: _____
Warren P. Meyers, President

cc: Mr. Robert L.D. Colby, Acting Director
Ms. Heather Seidel, Senior Special Counsel

Division of Market Regulation
United States Securities and Exchange Commission