

# Kenneth Polcari

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C/o NYSE, 11 Wall St. – Trading Floor, New York, NY 10005

March 12, 2012

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

**Re: File No. SR-NYSE-2011-56, SR-NYSEAmex-2011-86 Order Instituting Proceedings to Determine Whether to Disapprove Proposed Rule Changes to Codify Certain Traditional Trading Floor Functions That May Be Performed by Designated Market Makers and to Permit Designated Market Makers and Floor Brokers Access to Disaggregated Order Information.**

Dear Ms. Murphy,

Recently the NYSE and NYSE Amex has filed for consideration a proposed rule change to amend Rule 104 relating to Designated Market Makers (DMMs) administrative functions.

Let me offer up a bit of background information so that you understand my perspective and sense of what U.S. capital markets have lost during the most recent reforms. In this short letter, I attempt to bring common sense clarity to the NYSE proposal which I believe would benefit U.S. equity markets.

I have been a proud member of the NYSE for 27 years and have worked here in the building for 30 yrs. I am a concerned citizen and financial professional with 3 decades of experience. I have watched and been part of the “transformation” of the U.S. equity markets. I have built independent businesses, I have worked for major Wall St. firms and I currently continue to represent the interests of global institutional customers at the NYSE trading floor point of sale, in spite of this fragmented marketplace we call the American Equity Markets. I am an industry expert, I am an industry speaker, I am a public figure, and I represent the interests of institutional asset managers in the marketplace. The same asset managers that manage the resources of public investors to whom in the end, they are ultimately responsible to. Above all else, I am a non-conflicted agent who doesn't engage in internalization and works every day to ensure my clients get the very best performance I can provide for them. These attributes are shared among the many brokers and DMMs on the trading floor and are essential to maintaining the high standards every investor and market participant should expect the U.S. marketplace to deliver daily.

During the past decade and with the introduction of Regulation NMS, the American equity markets have disintegrated into a cloud of fragmentation, dark pools and automation gone wild. The NYSE has continued to build, change and maintain a vibrant marketplace that blends the very best of electronic and human based trading. I commend the work done on behalf of the U.S. marketplace by the institution we know as the New York Stock Exchange. They continue to strive to provide all customers with a range of execution options, while also providing a range of information gathering choices.

It is curious then that in the very regulation, the Commission states that one of the strengths of the US equity markets is the vigorous competition among different types of markets, including exchanges with active floor based models. To achieve this end the Commission must re-evaluate the position taken on NYSE rule 104. It must allow the markets to “evolve and expand the range of choices that they offer investors for both automated and manual trading” (as noted in your response to the rule filing).

The restoration of the rule proposal would once again allow “traditional” trading functions to be restored to the DMM’s allowing for certain market information to be made available to floor brokers who then are able to provide this point of sale information to their customers in a nondiscretionary way. During the past decade, the disaggregation of the U.S. market with the decentralization of market centers post Regulation NMS makes it impossible to source liquidity across the market centers. Approving this rule will at least make it possible once again to source liquidity within the NYSE market center.

In contrast to the assertion that this rule change would benefit the broker, it would in fact be an obligation for all brokers to provide such information to their customers while helping to maintain a transparent and viable marketplace. The rule change would also NOT provide any benefit to the DMM because as proposed, the rule specifically prohibits the DMM from using any trading information available to them via exchange systems in any manner that would violate exchange rules or federal securities laws or regulations. In my opinion, this rule would help to restore some level of credibility and customer choice in an otherwise fractured marketplace by restoring the role of the floor broker who has historically always been an information source for natural liquidity. The result would once again be improved liquidity and flow of information that would be readily available to anyone who seeks it via their NYSE floor broker and improved overall market quality as well. I think those objectives are good for the markets and good for investors.

The ability to source liquidity within one single market center will contribute to strengthening and rebuilding the institutional block trading business rather than allowing its continuing decline as an increasing amount of orders are sent to “DARK” venues in a frustrating attempt to find meaningful liquidity. Hardly a benefit to US markets or global investors. All Investors benefit as a result of transparency. IPO’s and secondary’s would once again benefit by the information flow to investment bankers and syndicate desks during these important liquidity events.

I would note also that floor brokers are not permitted to trade proprietarily and that the floor community is highly regulated and highly accountable. This proposed rule will once again allow floor brokers to provide a vital service designed to help source natural liquidity for an institutional asset manager when making investment decisions. The proposal seeks to permit access to the disaggregated information. This is an opportunity to offer quality, value and a level of service that only a human based physical trading floor can provide. Thus this proposal would serve to provide *more – not less* information at the point of sale helping to make the markets more transparent for the benefit of all who seek transparency.

The consideration by the Commission for the amendment to Rule 104j is very important. It is not a proposal to be taken lightly. Rather it is a proposal that looks to provide clarity, transparency and legitimacy to public markets. I respectfully ask the commission to approve the rule proposal that I believe will help strengthen and create a competitive environment among the different types of markets, including exchanges with active trading floors. In a time of such financial uncertainty and given a market structure that continues to become more fragmented and “dark”, this proposal looks to create clarity and definition for both institutional and independent investors that choose to use the NYSE for the unique benefits and differentiated choices it is committed to offer.

Thank you,

Kenneth Polcari