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NYSE

April 8, 2004

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street
Washington, DC 20549-0609

Re: File No. S7-07-04: Concept Release on Competitive Developments in the Options Markets; Securities Exchange Act Release No. 49175 (February 3, 2004).

Dear Mr. Katz:

In the captioned release, the Commission explores ways of mitigating the deleterious effects of internalization and payment for order flow on the options markets. It asks, "Are there differences between the equities and options markets that warrant different treatment" of these anti-investor practices?

We think not.

To the contrary, the most significant way in which the equity markets differ from the options markets is that the equities markets discover the prices from which options prices are derived. As much as internalization and payment for order flow undermine best execution in the options markets, they are even more harmful in the equity markets because they additionally impair optimal discovery of the prices on which both markets depend.

The Exchange urges the Commission to act to prevent the spread of the plague of these practices to the options markets, and to then turn to eradicating this plague from the equities markets as well.

Very truly yours,

Darla C. Stuckey

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