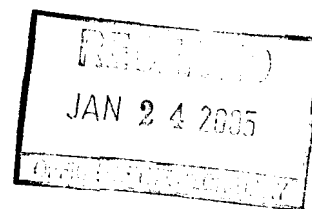


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January 17, 2005

The Honorable William H. Donaldson.
Chairman
Securities and Exchange Commission
450 Fifth Street, N.W.
Room 6100
Washington, D.C. 20549-0609

Re: File No. 57-10-04 Proposed Rule on Regulation NMS

Dear Chairman Donaldson:

The Securities and Exchange Commission has proposed Regulation NMS as a solution to strengthen and update our country's securities markets. While most of the proposed Regulation is worthwhile, when analyzed thoroughly you discover that the basic thrust would eliminate our world-wide competitive market and create a government utility!

The proposal is radical and unwarranted.

For some reason the SEC wants to recreate a CLOB (Consolidated Limit Order Book), a far-reaching notion which was invented in the late 1970s. The CLOB was rejected by both the SEC and Congress because it was perceived as a nationalization of the U.S. equity markets and would therefore eliminate incentives for markets to compete with one another which results in creating liquidity and the best price for investors. The SEC raises the potential of compromising and destroying the market mechanism which has, for so long served our country so admirably. What is the benefit of achieving the best price without liquidity?

A CLOB would result in:

- the contraction of liquidity as institutions trade stocks internally (an advantage to the management companies but it is not clear if their investors will benefit);
- the elimination of the human factor in smoothing out imbalances in order flow;
- the elimination of competition between markets;
- the potential loss of business to overseas markets; and,
- at a cost no one has estimated.

Why propose to change a functioning, reliable -- and without question -- the strongest, most liquid and transparent marketplace in the world?

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Why would we create a layer of confusion to our markets with a scheme of an electronic-only marketplace where investors will be forced to chase prices and liquidity?

Modernization is a useful objective and our markets should be under constant review to ensure that investors are well served with an efficient and transparent marketplace. But a fundamental and radical restructuring of those markets without truly understanding the repercussions, could very well destroy the instruments that have served our country so well and have become the world standard for both capital creation and productivity.

The New York Stock Exchange is the standard bearer for thousands of companies whose shares are traded there. It is not without its faults and issues; it does not need replacement, but rather periodic tune-ups. The Exchange has proposed, in consultation with the SEC, and is prepared to implement a Hybrid Market which will provide electronic trading through an auction market. People and their judgments are essential to a market system which seeks both the best price and liquidity. Computers are programmed to achieve specific results and in periods of uncertainty are more subject to abuse. While there have been unfortunate examples of individual malfeasance at the Exchange, the fundamental truth is that the NYSE is the best place for investors to achieve their objectives, especially with the Hybrid Market.

It is paramount that the SEC and Congress not destroy this country's leadership in the capital markets. How often have we seen Regulations enacted which have a negative impact on the industries where the Regulators should be promoting innovation and leadership? I urge that you eliminate the CLOB provision in this new NMS Regulation. NMS without CLOB repairs what needs fixing; a fundamental change in our markets is unnecessary, unreasonable and not warranted.

Sincerely,



David A. Rosow
Member
New York Stock Exchange

DAR:j

Cc:

Commissioner Cynthia A. Glassman
Commissioner Harvey J. Goldschmid
Commissioner Paul S. Atkins
Commissioner Roel C. Campos