

MEMORANDUM

June 16, 2004

TO: Files—
Regulation NMS
File No. S7-10-04

FROM: Patrick Von Bargaen

RE: **Meeting with Specialists Representatives**

On June 16, 2004, Chairman Donaldson and staff members met with David Humpreville, president of the Specialist Association at the New York Stock Exchange, Peter J. Murphy, chief executive officer of Bear Wagner Specialists, Thomas Troy, senior managing director of Bear Wagner Specialists, and John Lauto, chief executive officer of Spear, Leeds & Kellogg Specialists.

Messrs. Humpreville, Murphy, Troy and Lauto offered their observations on certain aspects of proposed Regulation NMS, including how elements of the proposal might affect the automatic execution facility currently under consideration by the NYSE. They expressed support for the proposed trade-through rule, but questioned the need for, and noted concern about, the opt-out feature of the proposal. They were of the view that the Commission should define the characteristics of a fast market. They expressed the view that the current ITS system of market linkages was antiquated. They generally supported the sub-pennies proposal.