



Rosenthal Collins Group, L.L.C.

November 29, 2004

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street N.W.
Washington DC, 20459

Re: File# SR-FICC-2004-15 (Release #34-50607), Proposed FICC Rule to Require
"Indirect Membership" of Affiliates of FICC Members

Dear Mr. Katz,

Inasmuch as Rosenthal Collins Group, LLC ("RCG") and its non-FICC member affiliate, Rosenthal Global Securities, LLC ("RGS") are clearly "targets" of the above referenced proposed Rule, we would like to augment and supplement our comment letter dated and submitted November 26, 2004, wherein we substantially agree with the analysis and positions in Cantor Fitzgerald Securities' comment letter. We hope this letter will not cause any inconvenience to the Commission in its consideration of the FICC Rule proposal.

As with most non-"wire house" and non-bank traders in US Government Securities, we provide liquidity to the market in "small" increments. As a result, any significant increase in costs (as the FICC's proposed Rule, among other things, will surely cause) will make it difficult for us to remain an FICC member. Not only will firms such as ours have to determine whether to withdraw from FICC membership, but also US Government Securities trading firms contemplating membership in FICC will probably consider this Rule, if adopted, as a significant barrier to entry. This would hinder liquidity growth and would be anti-competitive.

The FICC's proposed Rule is a discriminatory price increase for smaller firms, such as ours. The proposed Rule, if approved, will prejudicially favor larger firms to the detriment of smaller ones. For us, it forces us to choose between withdrawing from FICC membership and opening a foreign affiliate, the latter being almost a cost prohibitive alternative.

Larger firms, wire houses, and major banks, have existing foreign offices that are exempt under the proposed Rule. For those firms and banks, the loophole is simple: outsource the business to the foreign offices, push jobs overseas and utilize the loophole. For firms such as ours, to establish our US Government Securities trading outside the

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United States, and by engaging non-US based traders in the US Government Securities markets, could be an overly burdensome task and expense.

FICC has a clearing monopoly in US Government Securities. Therefore, it is all the more crucial to engage in a cost/benefit analysis of this type of proposal before any approval. The simple truth is that the potential cost, not only to the trading firms, but also to the Government Securities markets - - and the US Government - - will be far greater than any benefit. The only real benefit will be to the **for-profit** FICC in that it will force increased volume through FICC, increases its revenues and its profits. Systemic market risk may also be increased because firms such as ours may well withdraw from FICC membership and its clearing functions or may not become FICC members in the first place.

Indeed, we believe the FICC Rule proposal is misleading beyond its self-serving, for-profit motivation. We believe that the proposal is disguised as “strengthening” the netting process when, in fact, it weakens it. If we continue to report our non-member affiliate trades on a netted basis to the FICC, in accordance with the long standing industry practice, the systemic clearing risk is less, not more than it would be reporting trades to FICC on a gross basis. The FICC clears the lesser, netted amounts so there is concomitant less risk. Thus, the only benefit would be to FICC’s bottom line, not to the system, and certainly not to the firms like ours. Moreover, since some of the inter-dealer broker platforms pass costs on, not only would firms such as ours pay their added FICC costs under the proposed Rule, but also they could pay the other side’s costs, as well. For smaller trading firms, the anti-competitive result is obvious.

To summarize, as one of the “targets” of the proposed Rule, we sincerely believe that the proposed Rule is unfairly prejudicial, anti competitive, may push US Government Securities trading jobs overseas, will increase the systemic risk in clearing US Government Securities by, among other things, fragmenting the industry, and will only benefit the monopoly and profits of FICC, while causing firms such as ours significantly to incur exorbitant costs or withdraw from FICC clearing in order to stay in business.

We would be pleased to discuss this matter further. Please do not hesitate to contact me at (312) 795-7965 or sgordon@rcgdirect.com.

Very truly yours,

/Scott Gordon/
Scott Gordon
Chief Executive Officer

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