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December 14, 2004

Jonathan G. Katz, Secretary  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

***Re: Amendment 2 to Proposed Rule Change by the NYSE Relating to  
Enhancements to the Exchange's Existing Automatic Execution Facility Pilot  
(NYSE Direct+), File No. SR-NYSE-2004-05***

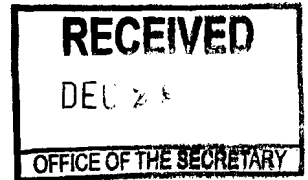
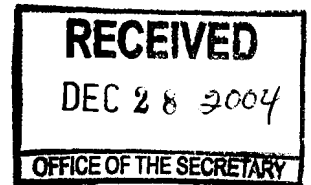
Dear Mr. Katz:

The Interactive Brokers Group, on behalf of its affiliates Timber Hill LLC and Interactive Brokers LLC<sup>1</sup>, respectfully submits these comments on the proposed rules of the New York Stock Exchange ("NYSE" or the "Exchange") for changes to its Direct+ platform. The proposed rules would create a hybrid market featuring elements of electronic trading and elements of open outcry trading. By increasing automatic execution, identifying in real-time when NYSE quotes are automatically executable, and protecting electronically accessible quotes of away markets, among other things, the NYSE hybrid market will be consistent with the sound principles set forth in proposed Regulation NMS ("Reg NMS"). As long as Reg NMS is approved as well, the hybrid market rules will facilitate competition and increased liquidity and transparency both on the NYSE and on other U.S. equity markets.

When the first iteration of the Exchange's hybrid market rules was published in August, we raised concerns that the proposed rules, and the Exchange's description of how those rules would operate, lacked sufficient specificity to allow Commission approval. With its detailed and thorough second amendment of the rules, we believe that the Exchange has addressed these concerns. With the creation of the hybrid market, the Exchange will go a very long way toward automating its operations and increasing the fairness and transparency of NYSE trading.

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<sup>1</sup> We are interested in the speed, certainty and cost of executing U.S. stock trades both on behalf of our customers and also as very large proprietary traders ourselves. Through our Interactive Brokers subsidiary we provide direct access online brokerage services to thousands of institutions and sophisticated individual customers, connecting them to virtually every major U.S. market center using smart routing technology. Our market making affiliate, Timber Hill, is one of the most active market making firms in options and other equity derivatives and we are therefore among the largest users of the U.S. stock exchanges.



Both the NYSE hybrid rules and proposed Reg NMS (which we also strongly support) will facilitate further automation of quoting and trading while at the same time allowing manual market processes to continue and to flourish where appropriate. The hybrid rules strike a good balance by fully automating most routine quotes and trades and yet allowing specialists and floor brokers to supplement liquidity and provide price improvement through manual, auction market processes (for example using the interest files to facilitate single-price executions and to keep undisplayed volume in reserve at their discretion). Under proposed Reg NMS, in turn, undisplayed size and manual quotes will not be protected from trade throughs by other markets.

The hybrid rules and Reg NMS thus strike a good balance in which no particular market structure (*i.e.*, completely automated trading) is dictated by regulatory fiat, but neither will specialists and exchanges continue to benefit by failing to automate their operations (as they benefit now under the outdated ITS trade through rule which protects manual market quotes and forces order flow to seek those quotes even though such quotes often are not truly firm).

Indeed the two proposals approved together will provide an excellent structural framework going forward for U.S. equity markets. Neither the hybrid rules nor Reg NMS seem to dictate winners and losers but will instead allow market forces to determine how orders for various types of market users (*e.g.*, small investors, hedge funds, block traders, etc) will be handled and executed.

In short, it is our hope that the NYSE hybrid market rules and Reg NMS can be approved and implemented as quickly as possible so that users of the nation's equity markets can fully reap the benefits of the increased transparency, increased liquidity, and increased efficiency that will follow.

Respectfully submitted,

s/ Thomas Peterffy



David M. Battan

cc: Chairman William H. Donaldson  
Commissioner Paul S. Atkins  
Commissioner Roel C. Campos  
Commissioner Cynthia A. Glassman  
Commissioner Harvey J. Goldschmid  
Annette L. Nazareth, Esq.  
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