

20 Broad Street
New York, NY 10006
212 868 8338

Raymond J. Hennessy
Vice President
Member Firm Regulation

NYSE

New York
Stock Exchange, Inc.

December 27, 1999

Mr. Michael A. Macchiaroli
Associate Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Dear Mr. Macchiaroli:

On July 9, 1997 the SEC Division of Market Regulation ("Division") issued a no-action letter to the SIA Ad Hoc Prime Brokerage Group with respect to prime brokerage arrangements. In this letter, the Division stated that "pending further study of the issue ...until December 31, 1997, unless otherwise extended, the Division will not recommend enforcement action to the Commission ...if a broker-dealer engages in prime brokerage activities ...with certain investment advisers that are no longer required to be registered under Section 203 of the Advisers Act."

The Division has previously extended the no-action position to December 31, 1998 and then, again to December 31, 1999. The NYSE, in conjunction with the SIA, request that the Division grant permanent status to the no-action position to preclude having to annually request an extension.

We request your approval of the permanent status as soon as possible to avoid any misunderstanding or confusion by broker-dealers after December 31, 1999.

Sincerely,

