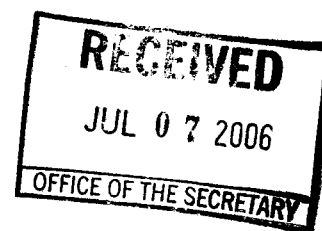


July 6, 2006

Nancy M. Morris, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov).



**VIA ELECTRONIC MAIL AND FEDERAL EXPRESS**

**Re: NYSE Proposed Fee Increases (Unknown SEC File Number)**

Lek Securities Corporation ("LSC") is a member of the New York Stock Exchange and an active supporter of the NYSE's initiatives to modernize its operations and increase competition and transparency.

On June 30, 2006, the NYSE Group announced a proposed rule change concerning trading fees that it says will result in a simpler and more understandable fee structure.

As set forth below, however, the proposed new fee structure merely increases the cost of doing business on the Exchange without providing any offsetting benefit. The only beneficiary of the new fee structure is the NYSE Group; the real loser is the trading public. LSC strongly objects to the proposed rule change and we urge the Commission to reject it.

The NYSE Group proposes the following fee changes:

- Transaction fees on NYSE-listed equities will be based on a fixed rate of 0.00025 per share rather than the current variable fee schedule.
- For NYSE-member firms, the monthly cap on trading NYSE-listed cash equities will be increased to \$750,000 from \$600,000.
- The long-standing 2% commission cap for NYSE-listed trading on the New York Stock Exchange will be eliminated.
- Free system orders on all NYSE-listed equities transactions will also be eliminated (fees for ETF system orders under 5,100 shares will continue to be waived).
- Specialists will not incur transaction fees for trading ETFs.

We estimate that the proposal will increase our firm's cost of trading securities six-fold – an astonishing 600% - - and we believe that the proposal will have a similar affect on other firms. It is a near certainty that the increased fees will result in increased costs to investors in the form of higher commissions or pass alongs. It should be noted that these proposed increases come on top of other recent cost increases caused by changes in the distribution of market data. Whatever the benefit of such changes, they have also greatly increased the cost to public customers of doing business on the exchanges, and resulted in increased profits to the NYSE Group and NASDAQ.

We respectfully submit that the fee increases proposed by the NYSE Group are far too substantial to permit approval based upon a mere filing with the Commission under Section 19(b)(3)(A) of the Securities and Exchange Act. Such overwhelming and unprecedented increases require careful review of the magnitude of the increased costs. In the past, exchange fees were charged as a means of defraying the cost of running the exchange among members. However, in today's world of "for profit" exchanges, these fees represent income,

far in excess of the true cost of operation. When Section 19(b)(3)(A) was adopted "for profit" exchanges did not exist. However, Congress gave the Commission broad powers to act in the public interest and to protect investors against unforeseeable events. The Commission should use these powers and not allow the NYSE Group to enrich itself at the expense of investors in a way never envisioned by Congress.

The Commission has done an excellent job in promoting a national market system by requiring a centralized quotation system, which has produced the benefit of both a centralized market place, while at the same time preserving competition among exchanges. In years past, this competition has led to innovation and cost competitiveness. As a result, exchange fees remained low. Unfortunately, this benefit has been undercut by recent consolidations such as the acquisition of the Island, Instinet and BRUT ECNs by NASDAQ and the merger of the NYSE and the ArcaEx exchanges. These consolidations have decreased competition and increased the threat of self-interested and monopolistic pricing power. The unprecedented reduction of competitors from six to two has resulted in a duopoly with vast pricing power that demands careful independent scrutiny. It is hard to imagine that the Federal Trade Commission or the DOJ would permit a consolidation in any industry from six major competitors to just two within the timeframe of just a few years with hardly any antitrust review or an analysis of the impact on competition.

Competitive forces are weakened and no longer may be presumed sufficient to keep costs reasonable. With only two major trading venues for equity securities left in the United States and with the markets largely cartelized by the distinction between listed and non-listed securities, the Commission will continue to be faced with proposed fee increases, reduction in service, increased costs for market data and absence of innovation, all to the detriment of investors.

These new fees present evidence that such scrutiny is absolutely essential. In what other industry, even an unregulated industry that owes nothing to the public interest, do we currently witness price increases of 600 percent?

In conclusion, we respectfully submit that these proposed new fees are unjustified, anticompetitive, and exorbitant, and decidedly not in the best interests of investors. The Commission will fail the public interest drastically if it allows the recent consolidations to permit such providers to name their own prices without any control by market forces or the public interest. Section 6(b)(8) of the Act demands that "*The rules of the exchange do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of this title.*" It is difficult to imagine how a 600% fee increase cannot be viewed as a "burden on competition".

Respectfully submitted,



Samuel F. Lek  
Chief Executive Officer.