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Mary M. Dunbar
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June 30, 2006

VIA E-MAIL AND FEDERAL EXPRESS

Ms. Nancy Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Robert L.D. Colby, Esq.
Acting Director
Division of Market Regulation
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: SR-NYSE-2006-46 (Proposed NYSE Transaction Pricing Schedule)

Dear Ms. Morris and Mr. Colby:

On behalf of our client Jefferies Execution Services, Inc. ("Jefferies" or "Firm"), we are writing to object to the above-referenced rule filing. We were quite surprised to note that in the filing, the New York Stock Exchange ("NYSE") states that it neither solicited nor received written comments on the proposed rule change. As you know, Jefferies submitted a letter to Mr. John A. Thain and Ms. Catherine R. Kinney of the NYSE on June 27, 2006, objecting to the proposed rule change, both on substantive and procedural grounds, particularly its filing on an immediately effective basis. You were copied on the letter. In addition, Jefferies submitted a written objection to a substantially similar version of proposed rule change to Mr. Thain and Ms. Kinney on September 13, 2005. Copies of both letters are included for your reference.

Moreover, the proposed rule change contains no discussion whatsoever of the significant impact it will have on competition, particularly with respect to smaller firms that will lose the benefit of the two percent cap, and smaller investors, who will lose the benefit of free electronic orders for 2,100 or fewer shares. There are no disclosures on what the impact will be on different classes

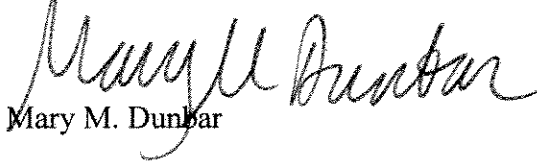
Robert Colby
June 30, 2006
Page 2

of members or how much additional revenue the NYSE, now a for-profit enterprise, expects to receive as a result of the change. There is no explanation at all as to why specialists are exempt from ETF transaction fees. We also understand from our client that the NYSE staff has informed them that further changes to the fee structure are contemplated within months, yet there is no indication of what such changes may be, thus preventing prudent business planning by those affected by the NYSE's proposals.

For the foregoing reasons, the above-referenced filing is inaccurate, incomplete, and should be rejected by the Commission in its present form. The NYSE should be required to resubmit the proposed rule change with any written comments it has received and with a complete explanation of its competitive impact. For the reasons stated in our June 27 letter, the revised filing should be published for notice and comment before the Commission considers approving it.

We appreciate your consideration of Jefferies' concerns and your prompt attention to this matter. Please call me at 212.309.6168 if you have any further questions.

Very truly yours,



Mary M. Dunbar

Enclosures (2)

cc: Elizabeth King, Division of Market Regulation, SEC
Richard B. Handler, Jefferies Group, Inc.
Lloyd H. Feller, Jefferies Group, Inc.
Steven Stone, Morgan, Lewis & Bockius LLP
Mark Fitterman, Morgan, Lewis & Bockius LLP

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June 27, 2006

VIA E-MAIL AND FEDERAL EXPRESS

Mr. John A. Thain
Chief Executive Officer
NYSE Group, Inc.
11 Wall Street
New York, NY 10005

Ms. Catherine R. Kinney
President and Co-Chief Operating Officer
NYSE Group, Inc.
11 Wall Street
New York, NY 10005

Re: Proposed NYSE Transaction Pricing Schedule

Dear Mr. Thain and Ms. Kinney:

On behalf of our client Jefferies Execution Services, Inc. ("Jefferies" or "Firm"), we are writing to express Jefferies' strong objections to the NYSE Group, Inc. ("Group") transaction pricing schedule discussed with Jefferies in June 2006. The proposed schedule, which was provided to the Firm only last week and was significantly changed from Group's May 2006 proposal, would eliminate free system orders for New York Stock Exchange ("NYSE" or "Exchange")-listed trading on the Exchange and, based on NYSE calculations of the anticipated effect of the revised fee schedule, would result in an increase of \$8.5 million dollars, or more than 17 times, in Jefferies' fees for NYSE-listed business. This estimate does not include any additional potential costs to Jefferies from specialist charges, which we understand the Exchange views as separate charges not subject to the Exchange's control. We question whether this interpretation, if correctly reported, is consistent with Regulation NMS.

The amount of the increase is comparable to an earlier NYSE fee proposal discussed with the

Mr. John A. Thain
Ms. Catherine R. Kinney
June 27, 2006
Page 2

Firm in 2005 and as to which the Firm objected at that time. As we pointed out then, and reiterate today, the amount of the increase is unprecedented (particularly as it affects electronic routing of small orders to the Exchange) and appears inequitable, discriminatory, anti-competitive and inconsistent with the mandates of the Securities Exchange Act of 1934 (the "Exchange Act").

The Exchange Act requires that the rules of the Exchange "provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities." Further, such rule may not be designed to "permit unfair discrimination between customers, issuers, brokers, or dealers" or "impose any burden on competition not necessary or appropriate in furtherance of the purposes" of the Exchange Act.

We can find no precedent for a fee increase of this proportion being imposed disproportionately on one member firm by any self-regulatory organization. The fee increase appears inequitable, given its disproportionate impact on Jefferies and its customers. We understand that no other member organization faces a fee increase of the size or proportion contemplated for Jefferies. We also are concerned that the fee increase will discriminate against and adversely affect customers executing smaller orders electronically through Exchange systems. The result could have a negative effect on liquidity and result in increased commissions—both of which in turn would be harmful to investors.

Moreover, the sudden change in the fee structure is seemingly designed to adversely impact smaller firms such as Jefferies to the advantage of the larger firms who already are at the current cap and much closer to the cap proposed under the revised schedule. Furthermore, newspaper reports of the Exchange itself seeking to compete directly for electronic orders raise further questions of the Exchange's motives for the discriminatory changes to the Exchange's fee structure. Finally, we question the timing of the change as we have been informed that Group is considering further structural changes in its fees in January 2007. Implementation of an interim fee structure without the details of further near-term planned fee changes impacts Jefferies' ability to make prudent business decisions.

We request that Group provide us with information regarding (1) what input was solicited and received from member firms regarding the proposed fee changes, (2) how the fee changes will be distributed among Exchange members, and (3) what alternatives to the proposed fee structure were considered, including whether Group considered phasing in the NYSE aspect of the proposal to reduce the size and effects of the immediate increase in fees. In addition, we would appreciate understanding Group's rationale regarding how the fee change is consistent with the Exchange Act.

We also request that a copy of this letter be provided to the Exchange's Board of Directors when it considers whether to submit the proposed fee increase to the U.S. Securities and Exchange

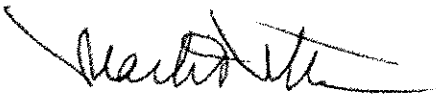
Mr. John A. Thain
Ms. Catherine R. Kinney
June 27, 2006
Page 3

Commission (the "Commission") for its review, as required under the Exchange Act.

If Group determines to go forward with this fee change with respect to NYSE execution fees, Jefferies believes it would be highly inappropriate for the Exchange to submit such a fee change to the Commission on an "effective upon filing" basis, under Section 19(b)(3)(A) of the Exchange Act, given its disproportionate and potentially adverse impact on Jefferies' business model and the short notice provided to the Firm of Group's plans. Such a controversial change should be subject to the public notice and comment process of Section 19(b)(1) of the Exchange Act before becoming effective.

We appreciate your consideration of Jefferies' concerns and your prompt attention to this matter. Please call me at 202.739.5019 if you have any further questions.

Sincerely,



Mark D Fitterman

cc: Richard B. Handler, Jefferies Group, Inc.
Lloyd H. Feller, Jefferies Group, Inc.
Steven Stone, Morgan, Lewis & Bockius LLP
Mary Dunbar, Morgan, Lewis & Bockius LLP
Robert L.D. Colby, Acting Director, Division of Market Regulation, SEC

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Mark D. Fitterman
Partner
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September 13, 2005

VIA FACSIMILE OVERNIGHT DELIVERY

Mr. John A. Thain
Chief Executive Officer
New York Stock Exchange, Inc.
11 Wall Street
New York, NY 10005

Ms. Catherine R. Kinney
President and Co-Chief Operating Officer
New York Stock Exchange, Inc.
11 Wall Street
New York, NY 10005

Re: Proposed Fee Increases

Dear Mr. Thain and Ms. Kinney:

On behalf of our client Jefferies Execution Services, Inc. ("Jefferies"), we are writing to express Jefferies' strong objections to a New York Stock Exchange, Inc. ("Exchange") proposed floor transaction fee increase discussed with Jefferies in June and August 2005. In these discussions, Exchange staff initially informed Jefferies that its yearly estimated transaction fees would increase from approximately \$1.4 million to approximately \$9.6 million, an increase of over \$8 million per year or 586%. Although the Exchange staff subsequently informed Jefferies of a slight downward revision in the proposed floor transaction fees, the revised estimated fee level of \$9.4 million would still be nearly a six fold increase in Jefferies' yearly transaction fees. Such a fee increase is unprecedented and appears inequitable, discriminatory, anti-competitive and inconsistent with the mandates of the Securities Exchange Act of 1934 (the "Exchange Act").

Mr. John A. Thain
Ms. Catherine R. Kinney
September 13, 2005
Page 2

The Exchange Act requires that the rules of the Exchange “provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.” Further, such rule may not be designed to “permit unfair discrimination between customers, issuers, brokers, or dealers” or “impose any burden on competition not necessary or appropriate in furtherance of the purposes” of the Exchange Act.

We can find no precedent for a fee increase of this size being imposed disproportionately on one member firm by any SRO. The fee increase appears inequitable, given its disproportionate impact on Jefferies and its customers. We understand no other member organization faces a fee increase of the size or proportion contemplated for Jefferies, and it appears that the fee increase may have a disproportionate impact on smaller member organizations, especially those with discounted commission structures. We also are concerned that the fee increase will discriminate against and adversely effect customers executing smaller orders electronically through Exchange systems. The result could be a negative effect on liquidity and lessened pressure to lower commissions—surely bad results for investors.

We request that the Exchange provide us with information regarding (1) what input was solicited and received from member firms regarding the proposed fee changes, (2) how the fee changes will be distributed among Exchange members, and (3) what alternatives to the proposed fee structure were considered. In addition, we would appreciate understanding the Exchange’s rationale regarding how the fee changes are consistent with the Exchange Act.

We also request that a copy of this letter be provided to the Exchange’s Board of Directors when it considers whether to submit the proposed fee increase to the U.S. Securities and Exchange Commission (the “Commission”) for its review as required under the Exchange Act.

If the Exchange determines to go forward with this fee change, Jefferies believes it would be highly inappropriate for the Exchange to submit such a fee change to the Commission on an “effective upon filing” basis, under Section 19(b)(3)(A) of the Exchange Act, given its disproportionate and potentially adverse impact on Jefferies’ business model. Such a controversial change should be subject to the public notice and comment process of Section 19(b)(1) of the Exchange Act before becoming effective.

Mr. John A. Thain
Ms. Catherine R. Kinney
September 13, 2005
Page 3

We appreciate your consideration of Jefferies' concerns and attention to this matter. Please call me at 202.739.5019 if you have any further questions.

Sincerely,



Mark D. Fitterman

cc: Richard P. Bernard, New York Stock Exchange, Inc.
Lloyd H. Feller, Jefferies Group, Inc.
Jim Nikolai, Jefferies Execution Services, Inc.
Steven Stone, Morgan, Lewis & Bockius LLP
Mary Dunbar, Morgan, Lewis & Bockius LLP