Lime Brokerage LLC welcomes the opportunity to comment on the revised Rule NMS proposals. While we believe reforms are needed to the national market system, we continue to believe that serious deficiencies exist in the proposals, namely in the trade through rule. We believe the SEC should remedy these deficiencies before promulgating revised Rule NMS, and we have some general comments for your consideration.

One of the major proposals of the original Rule NMS was to relax the trade through rule as currently applied to the exchange-listed markets, possibly by eliminating the rule altogether for automated markets or by allowing investors the ability to opt out of the trade through rule on an order by order basis. The updated proposal now suggests that the trade through rule be further applied to the OTC market. We are somewhat confused as to what the commission is trying to achieve as far as trade through is concerned since the OTC markets have existed to date un-encumbered by a trade through rule. Applying the trade through rule to the OTC market would seem to be attempting to fix a non-existent problem. There have been little or no complaints in the OTC markets suggesting that limit order price protection for investors has not been effected due to the fast and automated nature of the OTC market resulting in almost instantaneous execution across all pools of liquidity.

If the trade through rule is in fact expanded to include all markets, the designation of automated markets will be critical. The participating destinations of liquidity must be 100% electronic, and highly efficient and fast for this to function fairly and properly. The recent NYSE proposal to introduce a hybrid market combining the manual market with their automated Direct+ market will only function if investors can choose one or the other on each order. Some disturbing caveats of the plan include the idea of "liquidity replenishment points" and special situations at the specialists' discretion allowing the disabling of the fully electronic functionality and reverting to the manual market. This could provide a chicken-switch that would revert investors' orders back to the manual market without their knowledge. It is also unclear if anyone other than the specialist would know when the Direct+ system is disabled, and the investor could be left with an order on the manual market without his or her knowledge. The NYSE frequently cites the need for manual auction markets because executives of the companies listed have expressed the desire for dampened volatility in the trading of their stocks, and the need to resolve market imbalances at the open and close. Yet recently in the OTC markets some of the most active and liquid stocks have traded extraordinarily high volumes with no reported problems, delayed openings or closings due to imbalances, and no complaints of excess volatility from company executives[1]. The fact is that the average volume on the OTC market is almost always more than the NYSE market, even though the market capitalization of the latter is many times that of the former.

The OTC markets have functioned efficiently and smoothly without the need for the artificial mandate of a trade through rule. The enormous investment in infrastructure changes alone that this rule change requires, along with the additional regulatory burden

[1] On 12/08/2004 SIRI traded over 580 million shares, on 07/14/2004 INTC traded over 280 million shares and on 11/10/2004 CSCO traded over 170 million shares.

placed on market participants and on the Commission to properly monitor compliance, suggest that the trade through rule should be eliminated, not extended.

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