ES110374

607

S7-10-04

abny

William C. Rudin
Chairman
Michelle A. Adams
Executive Director

Association for a Better New York
355 Lexington Avenue
New York, NY 10017
t. 212.370.5800
f. 212.661.5877
www.abny.org

RECEIVED
JAN 18 2005
OFFICE OF THE SECRETARY

The Honorable William H. Donaldson
Chairman
Securities and Exchange Commissioner
450 5th St., NW
Washington, DC 20549

Dear Chairman Donaldson:

I am writing on behalf of the membership of the Association for a Better New York (ABNY) to express our concern about the SEC's proposed Regulation NMS, which is designed to update and strengthen our nation's securities markets. A core part of the proposal contains, as one of two options, a provision that would dramatically change the structure of the U.S. capital markets.

Of the two alternatives laid out in the rule as proposed on December 15, 2004, protecting the best bid and offer in each market center preserves both types of competition in a way that benefits all securities industry participants. The other alternative creates a virtual Consolidated Limit Order Book, or CLOB, a concept debated and rejected previously by Congress and the SEC. The CLOB would effectively homogenize the U.S. Equity markets and stifle new innovation.

U.S. Equity markets are the most powerful in the world. The CLOB that the SEC has proposed would create a splintered, electronic-only marketplace where markets must chase displayed orders from market to market. In that environment, large orders of stock would be difficult to manage. Instead, those orders would move to private markets or overseas. This would hurt retail investors. One great competitive advantage of our markets is that institutional and individual investors' orders are intermingled, so everyone gets equal and fair treatment. The CLOB would change all that, and retail investors would pay the price.

The SEC has put forth this proposal at the precise time that competition is transforming the largest equities market in the world. Regulation should promote innovation, not stifle it; yet the CLOB proposal would undermine the innovation currently underway at The New York Stock Exchange, which is on the verge of implementing its hybrid market. That market will offer customers what they have been demanding – the ability to trade electronically or through the auction market. The proposed CLOB would eliminate the opportunity for a negotiated trade within the system, and preclude any possibility that the hybrid market will ever become operational.

We applaud the Commission for its diligence in considering these important market structure issues and for proposing one alternative that will promote competition and innovation and ultimately strengthen our national securities markets. It is clear to us the CLOB would damage our market system and harm all American investors. The global financial marketplace is one in which the U.S. has, thus far, remained the leader, and it is unwise to change the way we do our business.

The New York Stock Exchange is the vital economic engine, not only for New York City, but for the country and the entire world. ABNY urges you to support the Regulation NMS proposal and reject the CLOB provision.

Thank you for your consideration in this matter.

Yours for a Better New York,

Bill

William C. Rudin
Chairman

cc: Senator Charles E. Schumer
Senator Hillary R. Clinton
Governor George E. Pataki
Mayor Michael R. Bloomberg