

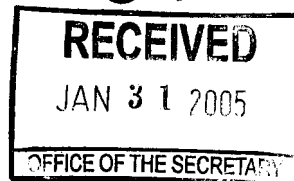
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1/13 2005

**737**



The Honorable William H. Donaldson  
Chairman  
Securities and Exchange Commission  
450 Fifth Street, N W, Room 6100  
Washington , D.C 20515-3203

**S7-10-04**

Dear Chairman Donaldson,

I am writing to add my voice to the many within our industry, who have expressed alarm over the inclusion of a C.L.O.B. provision within the pending Reg NMS. As market professionals, both you and I understand that liquidity is the lifeblood of all securities markets. The de facto CLOB will reduce market liquidity by making it necessary to show entire orders in order to be assured execution, something which large institutions and investors have been loathe to do. It would be particularly horrendous in secondary and tertiary stocks where any hint of a large buyer or seller tends to create vicious volatility. I foresee an environment where big brokerage houses, who provide liquidity by buying or selling stocks for their own accounts to facilitate customers, reduce that activity because to trade out of a position they will have to expose the entire order to the world. They will eventually realize that the risk-reward is not there. Add to that the fact that the CLOB will make the NYSE 's hybrid proposal "dead on arrival" and threaten the very existence of an entity that has 80% market share; also the fact that the CLOB has been proposed and rejected not once, but twice before, I find it astonishing that it is STILL being considered. I was on the floor the days before, during and after the Crash in 1987. The only place you could buy or sell stocks was with an NYSE specialist. NASD did not answer phones for days. When the next meltdown comes, and we all know there will be a next time, I really wouldn't expect all the people who are lobbying you for a CLOB to be rushing to put buy orders in to support the market. We are going to need a gatekeeper just as we did in 1987. Shortcomings and all, the specialist will fit that bill. A CLOB will have the consequence of depriving the U.S markets of that most important asset when we need it most. Please dont make that mistake.

Respectfully,  
John S French, President  
JSF Securities Corp, Members NYSE

A large, stylized handwritten signature in black ink, appearing to read "John S French".