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VALERO ENERGY CORPORATION

Jay D. Browning
Vice President, Secretary and
Managing Attorney, Corporate Law

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OCT 14 2003
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October 10,2003

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C 20549-0609

Via Federal Express
202-942-2900

Re: NYSE Rulemaking for **NYSE** Listed Companies; File No. SR-NYSE-2002-33
Amendment filed by NYSE with SEC on October 8,2003

Dear Mr. **Katz:**

Please see the attached **copy** of the letter dated October 9,2003 from William E. Greehey, Valero Energy Corporation's Chairman and Chief Executive Officer, to John S. Reed, Chairman and Chief Executive Officer of the New York **Stock** Exchange.

The letter is in response to the NYSE's amendment **of** its proposed corporate governance rules for NYSE listed'companies, as filed with the SEC on October 8,2003.

Valero is urging adoption of additional rules for NYSE listed companies, namely to prohibit CEO's of listed companies from sewing on each others' boards of directors and from serving on more than one outside corporate board of directors.

Please let me know if you have **any** questions concerning the enclosed.

Very truly yours,

Jay D. Browning

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VALERO ENERGY CORPORATION

William E. Greehey
Chairman of the Board &
Chief Executive Officer

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October 9,2003

Mr. John S. Reed
Chairman and Chief Executive Officer
c/o Noreen Culhane, Executive Vice President, Corporate Listings and Compliance
New York Stock Exchange
20 Broad Street
New York, NY 10005

By Federal Express

Dear Mr. Reed:

I want to congratulate you for accepting the challenge of interim Chairman and CEO of the NYSE. It's more important than ever to have a talented individual determine the future course of the NYSE. The purpose of my letter is to request further consideration of governance items not addressed by the NYSE. Specifically, I wrote to the Exchange on June 6, 2002 and voiced my concerns over the serious damage to the credibility of Corporate America caused by the scandals at Enron and Worldcom, among others, and I outlined several reform proposals and recommended that the NYSE include those proposals in its package of reforms for listed companies. Many of our concerns were addressed in the list of reform proposals that the NYSE submitted to the SEC for review and approval on April 4,2003 and by the Amendment to those rules that the NYSE filed with the SEC on October 8,2003, However, *two* of our original proposals concerning CEO's of listed companies were not adopted.

Following its submission to the SEC of governance reform proposals for its listed companies, the NYSE began reviewing its own governance standards. Unfortunately, the disclosure of Mr. Grasso's excessive compensation arrangements in the midst of this process has damaged the reputation of the NYSE and its governance reform effort. As you undertake the task of reviewing and revising the NYSE's own governance standards, I urge that you **take this opportunity to further revise and strengthen the governance standards the NYSE proposed for its listed companies as well.**

As noted in my earlier letter, CEOs serving as directors on each other's corporate boards should not be permitted. I believe that there is an inherent conflict of interest when CEOs serve on each other's boards. Indeed, the practice of having CEO's of regulated companies serving on the Board of the NYSE may have contributed to, or at least be perceived as having contributed to, the approval by the NYSE's compensation committee of the excessive compensation package for Mr. Grasso. See the October 3,2003 Wall Street Journal article entitled "*At Behest of AIG Chief, Grasso Pushed NYSE Firm to Buy Stock.*" The article points out that AIG Chairman Maurice "Hank"

Greenberg's role as a member of the NYSE board and compensation committee "raises questions about whether Mr. Grasso favored **AIG** because of Mr. Greenberg's previous role as an NYSE director and a member of the board's compensation committee." Governance standards for **NYSE** listed companies and for the NYSE **itself** would be improved greatly if the NYSE were to **adopt a** rule to **prohibit CEO's of listed companies from serving on each others' Boards and from serving on the NYSE's Board.**

In addition, I believe there should be a rule limiting CEOs from serving on more than one outside corporate board of directors. Because of the tremendous time commitment required by these leadership positions, **any** CEO who **tries** to serve on multiple corporate boards will **have** difficulty fulfilling his or her duties as a director or as a CEO or both. I therefore recommend that **CEOs of listed companies should be limited to serving on one outside corporate board at a time.**

In closing, you should know that I fully support the NYSE's reform efforts. It is very important that we do all **we** can to restore investor confidence in Corporate **America.** I believe the reforms outlined in this letter would help move us toward **that goal** and I urge the **NYSE** to adopt them.

I **know that** you **have** formidable and important **tasks** to accomplish in your tenure as Chairman and CEO of the NYSE and I wish you **every** success.

Please call me if you would like to discuss my recommendations further or if I can assist you in any way.

Sincerely,

William E. Greehey