Organization of Independent Floor Brokers

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New York, NY 10005

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OFFICE OF THE SECRETARY

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Dear Mr. Katz:

Everyday, the New York Stock Exchange provides America's 85 million investors with the best price when buying and selling stocks. The guarantee of best price is one of the hallmarks of the securities industry and a fundamental tenet of the NYSE. The **Organization of Independent Floor Brokers,** representing 514 independent agents, fully supports the best price rule mandated by Congress in 1978. Now, however, investors' right to the best price along with investor confidence and well being is seriously threatened.

The Securities and Exchange Commission has proposed, in Regulation NMS, the elimination or dramatic alteration of the "trade-through" or "best-price" rule. Aggressive lobbying by special interests has convinced some influential members of Congress that investors are willing to accept inferior prices. As an independent organization of member broker-dealers active on the trading floor of the NYSE, we oppose the elimination or weakening of the best-price rule and any actions that would disadvantage investors or damage America's national market system.

The Trade-Through or Best-Price Rule Benefits Investors

- "Best-price" keeps with the spirit of the competitive free-enterprise system. Fosters competition and transparency. Guarantees investors best prices and lowest execution costs.

- Creates a fair and level playing field based on price. Neither order size nor professional power has any impact. Ensures proper stock valuation benefiting investors and publicly held companies.

- Investors who provide the most competitively priced limit orders do not have their orders ignored (or traded-through). Requires financial remuneration for limit orders traded-through.

- Does not prevent broker-dealers or buy-side firms from trading NYSE securities in other venues willing to compete on best price basis. Currently, 20% of NYSE listed stock volume is traded in other markets.

Eliminating or Weakening the Best-Price Rule Would Harm Investors and Markets

- Absence of "best-price" rule would disadvantage investors. Large broker- dealers and ECN's could benefit from its repeal or weakening by trading outside best price.

- Weakening or eliminating the rule could cost investors as much as $3.5 billion annually-based on the average 4 cent per share difference between the best price and second best price.

- Markets would become significantly more fragmented, more volatile, less liquid, and less transparent further increasing costs to investors.

Opting-Out of the Best-Price Should Not Be an Option

The SEC's proposal may allow traders to "opt-out" of best-price protection when placing orders, even if the best-price rule remains intact. Permitted to opt out of best-price protection, traders and big investors would be freely able to place their own interests ahead of customers. They could trade at inferior prices, bypassing better prices found in other markets. Further negatives to the "opt-out" provision include:

- Trades which occur at prices inferior to the displayed quote would give the impression of an unfair market. Investors whose best-priced orders are ignored would perceive that the marketplace as unfair and withdraw their orders. This would reduce liquidity, widen quotes and increase execution costs.

- Market of the future would divide into two or more parts, with one price for small investors and another for large investors.

- "Opt-out" exemption would lead to expansion of internalization and payment for order flow. These practices are harmful to investors and market competition.

- ECNs and markets with inferior prices will be further motivated by data-flow revenue to engage in these practices.

- Broker-dealers would earn greater profits while customers would bear higher costs. This would be a violation of moral and fiduciary responsibility.

Technology has clearly redefined the way that stocks can be traded. As members of the NYSE we embrace the efficiency of new technology but remain committed to the NYSE's hybrid trading structure. The debate over the Intermarket Trading System (ITS) is clearly at the center of the current ECN vs. NYSE issue. Congress and the SEC mandated in the late 1970's that all regional markets be linked so that investors could determine where to buy and sell stock based on the best available price. This was accomplished via ITS. The

ITS protocol served the needs of the investing community well and proved to be successful in linking regional markets and the NYSE. What we should now be considering is a way to link all points of liquidity so that all bids and offers are available, exposed and tradable to any participant at any time. To this end, our organization supports the current technological initiatives of the NYSE.

The United States' equities markets are the envy of the world and the gold standard among all markets is the New York Stock Exchange (NYSE). The "trade through" or "best price" rule has helped make this possible and is good and moral public policy. Whatever the outcome of this debate, we in the NYSE community will continue to deliver the best price and will support the NYSE in providing new technology, speed, and certainty of execution. We will compete fairly and openly with other markets for the privilege of trading customer orders, working to provide the narrowest spreads and highest market quality.

Sincerely,

Kenneth J. Polcari
President
Organization of Independent Floor Brokers