

March 21, 2000

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

Re: Securities Exchange Act Release No. 34-42450; File No. SR-NYSE-99-48;
Proposed Rescission of NYSE Rule 390

Dear Mr. Katz:

The Securities Industry Association (“SIA”)¹ appreciates the opportunity to comment on the proposed rule change by the New York Stock Exchange (“NYSE”) that would rescind NYSE Rule 390. Rule 390, subject to many exceptions, prohibits NYSE members and their affiliates from effecting transactions in NYSE-listed securities away from a national securities exchange (so-called “off-board trading restrictions”). In proposing to rescind Rule 390, the NYSE urges the Commission to adopt a rule that would restrict certain internalization practices by broker-dealers. Specifically, the NYSE suggests prohibiting broker-dealers from trading against their customer orders unless they provide a price to the order that is better than the national best bid or offer against which the order might otherwise be executed.

The SIA strongly supports the elimination of Rule 390. Recent developments have reinvigorated competition in the U.S. equity markets to the benefit of public investors. New market participants have fostered greater innovation leading to narrower spreads and lower transaction costs. A greater number and variety of participants are accessing the markets than ever before. Volume is at unprecedented levels. The transformation underway in our markets must not be impeded by restrictions that distort competition and introduce additional costs.

Rule 390 was originally intended to maximize the opportunity for investors’ orders to interact with one another in agency auction markets and be executed without dealer intervention. Technological advances and recent regulatory developments, however, have led to the development of a host of alternative trading systems that provide a similar capability operating alongside the

Jonathan G. Katz
Secretary
March 21, 2000
Page 2

established markets in an intensely competitive environment. There is simply no justification for regulations such as Rule 390 that restrict off-board trading. We therefore urge the Commission to act expeditiously to remove this barrier and to unleash even greater competition in our markets.

With respect to the NYSE recommendation regarding restrictions on internalization, the SIA currently is preparing a comprehensive response to the Commission's request for comment on issues relating to market fragmentation. We will address internalization practices, including the NYSE's specific proposal, in more detail at that time.

Thank you for the opportunity to comment on the proposed Rule. If you have any questions or would like to discuss our comments further, you can contact the undersigned or Donald D. Kittell, SIA Executive Vice President, at 212-608-1500.

Sincerely,

Marc E. Lackritz

CC: Arthur Levitt, Chairman, U.S. Securities and Exchange Commission
Norman S. Johnson, Commissioner, SEC
Isaac C. Hunt, Commissioner, SEC
Paul R. Carey, Commissioner, SEC
Laura S. Unger, Commissioner, SEC
Annette Nazareth, Director, Division of Market Regulation
Robert L.D. Colby, Deputy Director, Division of Market Regulation