

**Securities Industry Association**

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January 30, 1997

Richard R. Lindsey
Director
Division of Market Regulation
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Dear Mr. Lindsey,

As you know, the Securities Industry Association's ("SIA") Trading Committee ("Committee") has been monitoring implementation of the Securities and Exchange Commission's ("SEC") order handling rules which became effective on a limited basis on January 20, 1997. Based on our observations during the last week and due to the limited number of securities subject to the rule, implementation is going reasonably well and the new rules appear to be operating effectively. Nevertheless, we believe the success of the initial phase is due to the Commission's determination to adopt a gradual phase-in limited to 50 stocks, and we strongly urge the Commission to consider a similar approach with respect to the phase-in of the remaining stocks starting with the next 100 stocks scheduled to be phased in on February 7, 1997, and continuing with the 850 additional stocks scheduled to be phased in on February 28, 1997. Specifically, the Committee recommends that the next 100 stocks be phased in over a two-week period. Thereafter, stocks should be added at defined intervals in numbers determined by the Commission based on a continuing dialogue with all interested market participants.

Although member firms, markets, electronic communication networks ("ECNs"), and vendors are working to make the necessary systems changes to accommodate the new rules, it is apparent that full automation has not yet been achieved. For example, a number of firms continue to meet their obligations through manual system entries. Additionally, in the case of many regional firms, there have been little experience with the new rules at this point. Until the rules are extended to the next 100 stocks and firms become more reliant on their automated systems, it is impossible to assess the full impact of the rules on our member firms. Moreover, given the slow downs that occurred last week, we believe the full impact of the rules on ECNs and quotation vendors is not yet apparent.

The Committee believes a conservative implementation schedule is reasonable in light of the magnitude of the changes to the market. Introducing additional stocks on a more limited basis will ensure that the rules are implemented in a responsible manner with the least chance of disruption to the market. Therefore, the Committee urges the Commission to consider extending the established implementation schedule in order to accommodate the phase-in approach

proposed above. We believe such an approach would be prudent given the dramatic changes that the rules entail.

We thank you for your consideration of this matter and will continue to work with you to ensure the orderly implementation of these rules. If you would like to discuss this further, please contact me at your convenience.

Sincerely,

Bernard L. Madoff
Chairman, Trading Committee

cc: Chairman Arthur Levitt; Commissioner Steven M.H. Wallman; Commissioner Norman S. Johnson; Commissioner Isaac C. Hunt, Jr.