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January 24, 2005

The Honorable William H. Donaldson
Chairman
Securities and Exchange Commission
450 5th St., NW
Washington, DC 20549

Dear Chairman Donaldson:

I am respectfully writing to you to express my personal concerns about the SEC's proposed Regulation NMS. I have read it, and I thought it was designed to update and strengthen our nation's securities markets.
While it appears Regulation NMS will have many ramifications, its success or failure will ultimately rest on how it deals with inter-market competition, quote competition, and the balance between the two. Of the two alternatives laid out in the rule, as re-proposed on December 15, 2004, protecting the best bid and best offer in each market center preserves both types of competition in a way that benefits **all** securities industry participants. I believe the other alternative creates a virtual Consolidated Limit Order Book, or **CLOB**, a concept I believe was debated and rejected previously by the U.S. Congress and the SEC. The **CLOB** would effectively nationalize and homogenize the U.S. Equity markets and really stifle innovation.

Our U.S. Equity markets are the strongest in the world. This **CLOB** that the SEC has proposed would create a splintered, electronic-only marketplace where markets must chase displayed orders from one market to another market. In that type of environment, large block orders of stock would be difficult to manage. Instead, those orders would move to private markets or even to overseas markets. This would really hurt the retail investor. One of the many great competitive advantages of our markets is that institutional and individual investors' orders are intermingled, allowing for everyone to get equal and fair treatment. The **CLOB** would change all that, and retail investors would really pay the price.

The SEC has put forth this proposal at the exact time that competition is transforming the largest equities market in the world. Regulation could and should promote innovation, not stifle it; yet this **CLOB** proposal would undermine the innovation currently underway at The New York Stock Exchange, which is on the verge of implementing its new hybrid market initiative. That market will offer, and ultimately satisfy what the customers they have been demanding--the ability to trade electronically or through the auction market. The proposed **CLOB** would eliminate the opportunity for a negotiated trade within the system, and preclude any possibility that the hybrid market will ever become operational.

I applaud the Commission for its diligence, under your leadership, in considering these important market structure issues and for proposing one alternative that will promote competition and innovation and ultimately strengthen our national securities markets. It is clear to me the **CLOB** would damage our market system and harm American investors. The global financial marketplace is one in which the U.S. has, thus far, remained the leader. It is unclear to me why the SEC would want to fix what is clearly not broken, and put the competitiveness of our capital markets at risk by again proposing to create this **CLOB**. The CLOB was rejected as recently as 2000 and I would respectfully urge you to lead the way to reject it again.

Respectfully submitted,

Cc: Commissioner Cynthia A. Glassman
Commissioner Harvey J. Goldschmid
Commissioner Paul S. Atkins
Commissioner Roel C. Campos