TOM DASCHLE
SOUTH DAKOTA

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United States Senate
Office of the Democratic Leader
Washington, DC 20510–7010

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June 15, 2004

S7-10-04

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

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Dear Mr. Chairman:

I am writing to share my concerns about possible changes to the "best price" requirements of the SEC's trade-through rule. This rule has served investors and financial markets well over the years, and I would urge caution in considering changes to it.

It is important that the interests of individual investors in obtaining the best price in a liquid market be protected in order to maintain public confidence in the fairness and efficiency of our securities markets. This principle should remain a cornerstone of our trading rules.

There have undeniably been dramatic changes in the operations of our financial markets over the last two decades. I applaud the Commission's efforts to reexamine its rules in light of the increasing use of electronic trading mechanisms and other changes in how our financial markets operate. I recognize that some market participants feel that rapid execution, price certainty, and anonymity are important factors that, in some cases, may outweigh the best price requirement.

This is a difficult and complex issue that is important for the Commission to consider. You have much greater expertise than we in Congress in determining whether an "opt out" option or similar limited exception from the best price requirement is warranted and workable.

However, I urge you to act with caution. Any exception should only apply when there is a real difference in execution speed that provides significant benefits to investors. It should not provide a mechanism that allows the best price requirement to be bypassed for convenience or other purposes. This is of particular concern when transactions are made by an institution trading on behalf of individuals, such as a mutual fund, retirement fund or broker, where the institution and individual investors may have differing interests. There is also concern that an opt out approach could effectively lead to separate markets for individual and institutional investors, perhaps leading to reduced liquidity and greater volatility for retail investors.

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I urge you to give careful consideration to these concerns, both in crafting a final rule and in monitoring the practical application of the new rules for adverse consequences on the markets or investors.

With best wishes, I am

Sincerely,

Tom Daschle

Tom Daschle
United States Senate

CC: The Honorable Paul S. Atkins
The Honorable Roel C. Campos
The Honorable Cynthia A. Glassman
The Honorable Harvey J. Goldschmid