

JACK QUINN  
27TH DISTRICT, NEW YORK

COMMITTEES:

TRANSPORTATION AND INFRASTRUCTURE  
CHAIRMAN, SUBCOMMITTEE ON RAILROADS  
SUBCOMMITTEE ON AVIATION  
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

VETERANS' AFFAIRS  
SUBCOMMITTEE ON BENEFITS

CHAIRMAN, NORTHEAST MIDWEST COALITION  
CHAIRMAN, STEEL CAUCUS EXECUTIVE COMMITTEE  
CO-CHAIR, NORTHERN BORDER CAUCUS



Congress of the United States

House of Representatives  
Washington, D.C. 20515-3230

PLEASE RESPOND TO:

WASHINGTON OFFICE:

2448 RAYBURN BUILDING  
WASHINGTON, DC 20515  
(202) 225-3306  
FAX: (202) 226-0347

BUFFALO OFFICE:

403 MAIN STREET  
SUITE 240  
BUFFALO, NY 14203-2199  
(716) 845-5257  
FAX: (716) 847-0323

JAMESTOWN OFFICE:

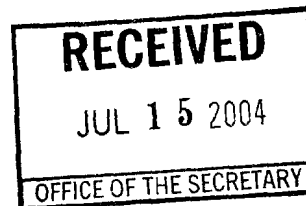
PO Box 908  
FEDERAL BUILDING  
JAMESTOWN, NY 14702-0908  
(716) 484-0252  
FAX: (716) 484-8178

RECEIVED  
ES 108166 X  
JUL 15 A 12:06

July 9, 2004

442

Mr. William H. Donaldson  
Chairman  
Securities and Exchange Commission  
450 5th St, NW  
Washington, D.C. 20549-0001



57-10-04

Dear Chairman Donaldson:

I am writing to express my concern about the proposed changes to the New York State Exchange's "trade through rule." As you know, the trade through rule has served the market well since the late 1970s. The core principle is simple: the investor must always get the best price. By focusing on that one core value, the U.S. equity markets have become the envy of the world.

It is my understanding that the SEC is considering a proposal that would allow firms trading on the various electronic markets to "opt out" of the trade through rule. These sophisticated traders would argue that speed is their most important consideration.

Let me make clear that I worry about the impact on the small investor whose faith in the markets has already been rocked by a wave of scandals where insiders prosper and the small investor loses. Drastic restructuring of the markets is very likely to increase volatility and dissuade mom and pop investors.

Just this month, the Consumer Federation of America, a non-profit organization representing 300 consumer groups and over 50 million Americans, published their position on the proposed rule changes. While they support requiring the markets to establish, maintain and enforce policies reasonably designed to prevent "trade throughs," they oppose any "opt out" exception.

They believe that allowing an opt out exception would enable those who wish to ignore the trade through rule to do so, and would extend that ability to the market in listed securities where it has previously not existed. Essentially, it takes away with one hand what the Commission has given with the other.



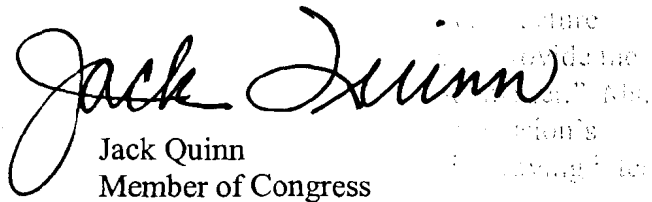
Further, given the existing requirements for disclosure and prior consent, the opt out exception would add significantly to the costs of implementation without offering any legitimate benefits beyond those already offered by the proposed automated market exception.

Ms. Susan Roper, a high ranking CFA executive, recently commented in reference to when Congress set out to create a national market system, it envisioned "a market structure characterized by full transparency where competing markets are linked together to provide the ability to effectively and efficiently execute customer orders in the best available market." Ms. Roper further stated that "if amended to eliminate the opt-out exception, the Commission's proposed NMS regulations would bring that vision one step closer to reality by improving inter-market linkages and establishing a policy of price protection across all markets."

I know that you share my interest in ensuring that every investor has access to the broadest, deepest and most liquid markets. The "best price standard" embodied in the trade through rule has served investors well, particularly the vast majority of my constituents who are not professional traders or speculators.

I thank you in advance for your attention to this important matter.

Very truly yours,

  
Jack Quinn  
Member of Congress

JQ:mc