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September 7, 2004

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The Honorable William H. Donaldson
Chairman
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Chairman Donaldson:

As the Commission continues to review the trade-through rule, I would encourage you to consider the impact any changes may have on the small, individual investor.

The trade-through rule currently protects public customers by guaranteeing them the best price for their orders across all U.S. markets. Any changes to this rule need to be principle-based and should focus on ensuring that the small and less sophisticated investor, whether represented by an institutional trader of a mutual fund or as a retail investor, gets the best price the markets have to offer.

One of the strengths of U.S. securities markets is the mix of small retail orders and large institutional orders and allowing them to interact on the same playing field with the same rules. By allowing certain traders to "opt-out" of the best price, separate markets would be created for institutional traders and retail investors. Such a result would ultimately reduce liquidity in the retail market, to the disadvantage of the small, retail investors.

In addition, there should not be different rules for different participants in the market. Whether you are a large institutional trader or a small retail investor, the same rules should apply. If not, the small investor will be disadvantaged.

As you move forward, I ask that you continue to reward technological innovation without sacrificing the fundamental principles that make our markets the best in the world.

Sincerely,



Shelley Moore Capito, M.C.

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