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January 14, 2005

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

Re: File No. *S7-10-04 Proposed Rule on Regulation NMS*

Dear Chairman Donaldson:

I am writing to express my concerns about the Securities and Exchange Commission's proposed Regulation NMS, which is designed to update and strengthen our national securities markets. I have serious reservations about the Voluntary Depth Alternative, which would radically change the structure of the U.S. capital markets and damage our internationally competitive, investor-driven markets.

The proposed Voluntary Depth Alternative would create a trading system that shares many of the problems of a Consolidated Limit Order Book (CLOB), a radical concept first envisioned in the late 1970's, then debated and rejected by Congress and the SEC in 2000. This proposed alternative would require mandatory depth-of-book order routing that would turn market centers into mindless order routers and would increase investors' execution costs. The CLOB was rejected by Congress and the SEC previously, and the Voluntary Depth Alternative should be as well, for one overriding reason: it would effectively nationalize the U.S. equity markets, removing incentives for markets to compete with one another.

The U.S. equity markets are currently the strongest in the world. Today, we benefit from competition within markets and competition between markets. These competitive forces combine to create low transaction costs, tight spreads, low volatility, innovative price discovery and equal protection and choice for all investors - large and small. Intermarket competition is currently transforming the largest equities market in the world. The Voluntary Depth Alternative would undermine the competitive forces that lead to such market innovation. It is unclear why the SEC has proposed to fix what is not broken, and put the competitiveness of the U.S. capital markets at risk.

I urge you to consider carefully the adverse consequences of the Voluntary Depth Alternative for the investing public.

Sincere regards,

Roy Blunt
Majority Whip

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