745

RECEIVED
FEB 01 2005
OFFICE OF THE SECRETARY

CENTENE CORPORATION
7711 Carondelet Avenue, Suite 800
St. Louis, Missouri 63105

January 20, 2005

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street N.W.
Washington, DC 20549-0609
Tel: 202-942.0100
Fax: 202-226-9646
Email: rule-comments@sec.gov
File Number: S7-10-04

S7-10-04

Re: Support For "Top of the Book" Proposal

Dear Secretary Katz:

As the chief executive officer of a company headquartered in the state of Missouri and listed on the New York Stock Exchange, I am writing to express my concern regarding an alternative proposal recently put forth by the SEC staff as part of Regulation NMS that would effectively create a homogenous government utility in the form of a Consolidated Limit Order Book ("CLOB").

As you know, this concept was debated and ultimately abandoned by the SEC and Congress as recently as 2000, due in part to concerns it would have on the U.S. capital markets. As discussed below, I am particularly troubled that the CLOB proposal will increase volatility and the costs associated with trade execution and capital raising. This is a matter of great significance for the American economy broadly, as the cost of capital directly impacts companies' ability to, among other things, invest in jobs, R&D, expansion and acquisitions.

The CLOB proposal virtually eliminates inter-market competition. If all displayed orders in any market are executed as if they had been sent to the market with the best price and the most liquidity, no market will have the incentive to invest or innovate to be the best. Rather than working to 'build a book' of liquidity, markets will compete on only one dimension: how much they are willing to pay other markets for their order-flow. Further, when liquidity is fragmented across multiple trading venues the cost of raising capital increases impacting issuers and investors alike.

The CLOB proposal would significantly limit competition and ultimately force all investors into a purely electronic market. A 100% electronic market eliminates any potential for human judgment at the point of sale as currently provided by floor brokers and specialists. It would not be possible to offer investors the benefits of the auction model: more efficient price discovery, greater liquidity and fairer pricing in times of market stress. I believe these benefits are of great importance to the health of the markets and the economy generally.

While I object to the CLOB proposal, I support the "top of the book" proposal that has been discussed for the past year as part of the Regulation NMS discussion. The top of the book proposal protects investors' right to the best price, while promoting inter-market competition and providing an opportunity for price improvement in the auction model. When a market's best price is protected, investors have an incentive to gather at that best price, or improve it, and are confident they will not be "traded through." As a result, when investors compete within markets to be the best price, spreads are tight and costs are low. This order competition is complemented by competition between markets to attract the most liquidity and offer the best prices. Both large and small investors are afforded the lowest transaction costs, competitive price discovery, equal protection and choice.

Over the past 212 years the New York Stock Exchange has fueled the growth of the U.S. economy by providing broad liquidity, certainty of order execution, a high level of price discovery with low trading cost and low trading volatility. This low volatility is of the utmost importance. In the past years many companies, including Centene, have switched to the New York Stock Exchange from Nasdaq in order to, among other things, reduce trading volatility. In 2002 and 2003 the intra-day trading volatility of the companies that switched to the New York Stock Exchange fell, on average, by 50% in the following year. This decline in volatility is evidence of the value of the auction market, a value that will be lost if the CLOB proposal is approved.

With everything that has happened lately to shake investor confidence in the markets, I think we share a common goal of preserving the competitiveness of the U.S. capital markets, one that is the envy of the entire world. I ask that you and the SEC Commissioners support the 'top of the book' proposal and once again reject the idea of a CLOB.

Please feel free to call me if you have any questions or if I can otherwise be of any assistance to you.

Sincerely,

Michael F. Neidorff

Michael F. Neidorff
Chairman, President and Chief Executive Officer