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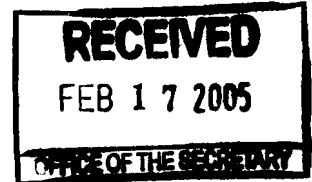
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February 7, 2005

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

57-10-04



Dear Chairman Donaldson,

With the SEC's proposed Regulation NMS issued last month, several issues have been raised which are of great importance to the future of our nation's securities markets. While Regulation NMS is a tremendous opportunity to modernize our markets, I have concerns over the impact of the creation of a virtual Consolidated Limit Order Book (CLOB) in the SEC's recent proposal.

Of the two alternatives laid out in the rule as re-proposed on December 15, 2004, preserving the best bid and offer in each market center preserves competition that will benefit both the market and investors. I am concerned that the provision establishing a virtual CLOB would install a "one size fits all" regulation that does not take into account the unique needs of our markets' investors, or the preferences and demands of other market participants. It appears that a virtual CLOB would radically alter our market structure by effectively homogenizing it. I am concerned with the effect this nationalization would have on competition and innovation, the driving forces behind the strength of our markets. I know that several Commissioners at the SEC have voiced their concerns over the proposal citing that it may stifle competition and integration, and could lead to an artificial centralization of the markets.

The United States is the home of the world's premier securities markets. Given the potential impact that this virtual CLOB would have on innovation and competition, it is unclear as to why our markets should be effectively bundled into one platform when the diversity of our markets has been one of our biggest strengths. A virtual CLOB would create an electronic-only marketplace where markets must chase displayed orders from market to market. I fear that in many instances, these orders would move to private markets or overseas.

While I continue to have serious reservations about the proposal to create a virtual CLOB, I nonetheless applaud the Commission for its diligence in considering these important market structure issues. The global financial marketplace is one in which the U.S. has remained the leader, and it is imperative SEC's actions in the coming weeks maintain the diversity and liquidity of our markets while promoting innovation and competition.

Thank you for your attention to my concerns, and I look forward to your response.

Sincerely,

Timothy Bishop
Member of Congress

TB/mc