

TIM MURPHY  
18TH DISTRICT, PENNSYLVANIA

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Congress of the United States  
House of Representatives  
Washington, D.C. 20515

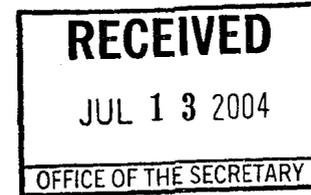
June 24, 2004

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The Honorable William Donaldson  
Chairman  
U.S. Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, D.C. 20459



Re: Release 34-49408; File S7-10-04;

Dear Chairman Donaldson and Members of the Commission,

As a member of both the House Financial Services and Government Reforms Committees I am pleased to see the SEC moving to reform and modernize America's financial markets. Reg NMS is a positive move towards truly bringing our markets into the 21st Century.

I support the proposal to ease the outdated regulations that have limited competition, such as the 1970s era trade-through rule. This rule is not necessary in the modern marketplace and only serves to impose greater limits on investors and how they participate in the markets. The elimination of this rule, or at the very least a strong opt-out provision, would bring needed competition and reform to our markets.

I would bring to your attention how the current rule has also limited transparency and ethical behavior in the marketplace. When the mutual fund industry recently came under scrutiny for practices that gave favored status to certain investors, the general public sought out the funds with a proven track record of fair and equitable treatment. However, when five specialist firms were fined more than \$240 million by the SEC for trading for personal gain and not their customers, the market share of those firms remained constant as the trade-through rule prohibit investors from taking behavior into account when making execution decisions. Giving investors greater control over their trades can only serve to improve the situation.

In my home state of Pennsylvania we rely on our ability to participate in the markets across the country and around the world. My local constituents, such as the Pittsburgh Technology Council and a wide array of local businesses, have already expressed their support for eliminating this antiquated rule. Small businesses, big companies and government agencies all provide for their employees through private or public funds and would both benefit from the competition that would result from such reforms.

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As you review the public comment on Reg NMS and consider your final rule proposal, I urge you to move towards greater investor freedom and competition. The SEC's tradition of leaving the marketplace to resolve its competitive differences is a wise one. Any attempt to micromanage the relationships between markets, like the trade-through rule of the 1970s, will only lead to additional problems in the future. The best reforms are simple and allow the markets and individuals to determine how their business will be handled and face change in the future.

I look forward to continuing to work with you as you move to ease the regulatory burden on American investors and bring true competition into our national market system.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Murphy". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Tim Murphy  
Member of Congress