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UNITED STATES HOUSE OF REPRESENTATIVES



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Congress of the United States
House of Representatives
Washington, DC 20515

June 28, 2004

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The Honorable William H. Donaldson
Chairman
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20459

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OFFICE OF THE SECRETARY

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Dear Chairman Donaldson:

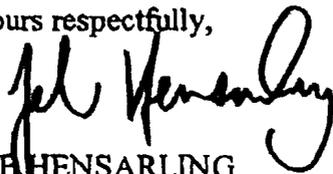
As a member of the House Financial Services Committee, I believe that Congress must constantly search for ways to make our financial markets more efficient by decreasing regulation and promoting policy that increases competition and consumer choice. Along these lines, I have paid particularly close attention to the SEC's Regulation NMS proposal. While this proposal certainly includes many useful reforms, it is my belief that any final rule issued should eliminate the anticompetitive trade-through rule.

The nearly thirty-year old trade-through rule is too limited in scope to take into account the many factors that investors consider when executing trades in today's modern and high-speed markets. While it is important that all investors have the ability to get the best price, I do not believe it is the role of the federal government to make this determination. Every individual investor knows what is important for his or her short-term and long-range goals, and very often institutional investors have different priorities. Unobstructed market competition ensures that the farmer or teacher working in Texas has the same ability to connect with our markets as the financial analyst or broker working on Wall Street. Eliminating the trade-through rule will help guarantee that every American continues to have access to a wide range of investment opportunities and a variety of choices at competitive costs.

History has shown that the most effective protection for consumers is always a competitive marketplace. To that end, only free and open competition will allow all investors to find the market that best responds to their needs. Outdated and antiquated federal rules put in place in the interest of protecting investors have no place in today's or tomorrow's high-speed markets. Additionally, the principles set forth by Congress in 1975 clearly state that the National Market System should not favor one particular market or market structure, but rather should foster and encourage competition between markets.

As you consider how best to revise Regulation NMS, please keep in mind the importance of free and open competition to the American economy and to our role as the world leader in financial services. Allowing our markets to function with minimum regulatory interference will help our markets operate more efficiently, benefiting the consumers and investors who have put their faith in the American free enterprise system.

Yours respectfully,



JEB HENSARLING
Member of Congress