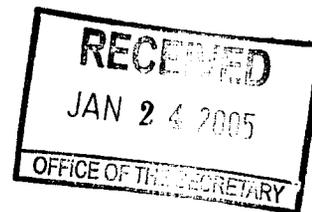


January 14, 2005

57-10-04

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Mr. William H. Donaldson – Chairman
Securities and Exchange Commission
450 5th Street, NW
Washington, DC 20549



Dear Mr. Chairman:

CLOB OR CLOBBERED?

The purpose of this letter is to share with you my concerns about the Securities and Exchange Commission's proposed stance with regard to Reg NMS. As the Director of the National Academy of Finance honors magnet program at William R. Boone High School in Orlando, FL, I strive to remain current on the latest securities legislation that may impact the U.S. financial system and, ultimately, the lives of my students. While recently preparing for an upcoming lesson, I came across several articles on the internet that pertained to the SEC's attempt to strengthen our country's securities markets. Fascinated by the topic, I delved further into the research, carefully searching for the underlying issues. Topics included alternatives the SEC could implement to: enhance price competition; increase market transparency; allow order flow to interact with the best available market prices; and whether or not the current Trade-Through legislation needed to be overhauled. As I perused the web pages, I quickly realized that there was a common thread that tied each one together - Reg NMS.

As you may imagine, my next query was to determine the gist of what this regulation was intended to accomplish; or, as I later discovered, to eliminate. The more I read, the more I began to question the SEC's purpose. I do realize that nothing has currently been decided upon, and that the SEC is trying to sift through the rhetoric and understand the claims of each stakeholder group involved. Because of this, I felt compelled to draft this letter to you.

From my findings, I personally feel that if Reg NMS is indeed placed into legislation, the SEC will be setting out on a perilous journey in an attempt to improve something that is already the benchmark within the global arena. Spurred by the likes of Nasdaq, Fidelity Investments, as well as the ECNs, pension funds, hedge funds and the biggest battleships in the institutional investment community, the SEC is being lead down the wrong path. Disguised in the name of market efficiency, such entities are pushing for an environment that caters to their own needs, namely reducing the NYSE's power and enhancing their own financial performance. It is this latter point that concerns me the most. Using their marketing and grassroots might, these companies are promoting an agenda that will create a tremendous negative externality for individual investors across this great country; individuals such as myself who invest as much of their disposable income each year in an attempt to someday reach financial independence. If they are allowed to accomplish their objective, the end result will be that middle income America will get *CLOBBERED*; no acronym necessary.

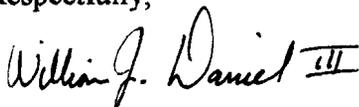
Trying to remain objective and analyze this issue from all vantage points, I have thought about what the SEC's overriding goal might be from such a move. By defragmenting our markets, would the intent be to create a CLOB that could be some day be integrated with other global systems? Or would the primary objective be to level the playing field amongst the current exchanges and ECNS, or keep pace with foreign markets that already have similar formats? If these are valid considerations of the SEC that would justify such a bold move, let me caution you with a few points. First, moving toward a global system in an attempt to experience the benefits of economies of scale would open up an entirely different set of problems. Please be reminded that many foreign companies and investors elect not to use the capital markets within the U.S. due to the stringent regulations mandated by your agency. Consequently, is it realistic to anticipate that such a model could ever work, without sacrificing the safeguards that are currently in place? Secondly, with respect to the latter two issues, altering the market structure to create parity would be like Major League Baseball penalizing the New York Yankees and forcing them to receive only two outs when they came to bat each inning. Or even worse, Commissioner Selig could require the Yankees to be more like the Milwaukee Brewers; instead of the greatest sports organization in our country's history. It just wouldn't make any sense.

I implore you to have the foresight that Congress had back in 1930 when, in an attempt to bring stability to our country's financial markets for the very first time, it decided against dictating one particular structure to accomplish its goals. If the intended purpose of this investigation is to create a marketplace where parity rules the day, as I believe it to be, please consider this...

The invisible hand of the marketplace, left to its own accord without any government interference, establishes a market equilibrium and fosters an environment that spurs creativity and innovation. No where in this spirit is there room for parity!

Our country's economy, financial markets, and financial exchanges did not ascend to their current position by being average. Nor should they be expected to take a step backward because of excessive governance.

Respectfully,



William J. Daniel III
