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INTERNATIONAL MONETARY POLICY,  
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# Congress of the United States

## House of Representatives

Washington, DC 20515

NYDIA M. VELÁZQUEZ

12TH DISTRICT, NEW YORK

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January 25, 2005



The Honorable William H. Donaldson  
Chairman  
Securities and Exchange Commission  
450 5<sup>th</sup> St., NW  
Washington, DC 20549

S7-10-04

Dear Chairman Donaldson:

I am writing to express my concerns about the Consolidated Limit Order Book alternative, or CLOB alternative, proposed in the Securities and Exchange Commission's (SEC) Regulation NMS. The CLOB alternative, which has been previously debated and rejected by Congress and the SEC, would effectively nationalize and homogenize U.S. equity markets, stifling innovation and increasing costs for investors.

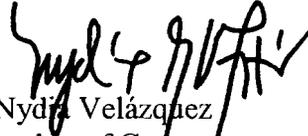
The CLOB that the SEC has proposed would create a splintered, electronic-only marketplace where markets must chase displayed orders from market to market. In that environment, large orders of stock would be difficult to manage. Instead, those orders would move to private markets or overseas. This would hurt retail investors. One great competitive advantage of our markets is that institutional and individual investors' orders are intermingled, so everyone gets equal and fair treatment. The CLOB would change this, and retail investors would pay the price.

The SEC has put forth this proposal at the precise time that competition is transforming the largest equities market in the world. Regulation should promote innovation, not stifle it; yet the CLOB proposal would undermine the innovation currently underway at the New York Stock Exchange, which is on the verge of implementing its hybrid market. That market will offer customers what they have been demanding – the ability to trade electronically or through the auction market. The proposed CLOB would eliminate the opportunity for a negotiated trade within the system, and preclude any possibility that the hybrid market will ever become operational.

I applaud the SEC for its diligence in considering these important market structure issues. It is clear to me the CLOB would damage our market system and harm American

investors. The global financial marketplace is one in which the U.S. has, thus far, remained the leader. I urge the SEC not to put the competitiveness of our capital markets at risk by creating a CLOB.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nydia Velázquez', written over the printed name.

Nydia Velázquez  
Member of Congress