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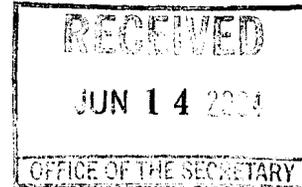
ILLINOIS STATE BOARD OF INVESTMENT

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May 11, 2004

Hon. William H. Donaldson
Chairman
U.S. Securities and Exchange Commission
450 First Street, NW
Washington, DC 20549



RE: File #S7-1-04

S7-10-04

Dear Chairman Donaldson:

Thank you for including provisions in Regulation NMS that will provide investors with greater choice in the national securities markets.

I support the proposed "opt-out" provision that would modify the outdated "trade through" rule, and the Commission's decision to expand the power of investors to determine how their order is executed and which factors should be considered in that execution. The ability to opt-out of the rigid definitions of the trade through rule is an important step toward providing flexibility and choice to all investors.

This proposal would allow informed investors to choose to opt out of being forced to have their orders sent to a market that may have the best advertised price when investors believe chasing this price, which may not be available, is not in their best interests. The SEC has correctly noted that there will still be a best execution standard to protect investors, but that those who choose to opt out can determine their own execution criteria.

I urge the Commission to ensure that there is an investor-friendly method for exercising this choice in the implementation of the final rule. The opt-out provision should be easy use, and should provide sophisticated investors with the ability to enter into individual agreements with those executing our trades to opt out on a global basis.

As you complete your consideration of Regulation NMS, I encourage you to continue to include a real choice for investors and to keep the flexibility that the proposed opt-out provision would provide.

Sincerely,

Edward M. Smith
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Edward M. Smith
Chairman of the Board
Illinois State Board of Investment

- C: Commissioner Paul S. Atkins
- C: Commissioner Roel C. Campos
- C: Commissioner Cynthia A. Glassman
- C: Commissioner Harvey J. Goldschmid