

ES10 P514



San Joaquin County Employees' Retirement Association

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July 23, 2004

Hon. William H. Donaldson, Chairman
US Securities and Exchange Commission
450 Fifth Street, N.W.
Stop 6-9
Washington, D.C. 20549



RE: Regulation UMS (File No S7-10-04)

Chairman Donaldson:

On behalf of the Board of Retirement of the San Joaquin County Employees' Retirement Association, I want to thank you for the opportunity to comment on the Security and Exchange Commission's proposed Regulation NMS. Within that regulation are four substantive proposals: 1) the trade-through proposal; 2) the market access proposal; 3) the sub penny quoting proposal; and 4) the market data proposal. The intent of these regulations are to enhance and modernize the regulatory structure of the U.S. equity markets.

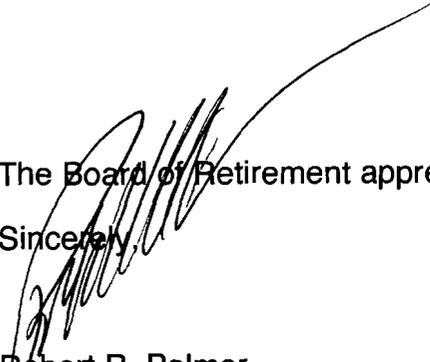
The Board of Retirement supports the goals of Regulation NMS but is concerned that the proposals may be problematic for smaller investors. The proposed regulation would benefit the large investor who directly participates in the trades. We generally agree that investors should have the ability to opt-out of any trade-through requests. However, the opt-out will be difficult to administer and monitor. Smaller investors would potentially be unable to participate in large blocks away from the trading floor. Further, questions could arise on best price between investment managers and their investors. The managers must be prepared to defend their decision to opt-out over trade through. These decisions must have clear documentation of usage by brokers and investment managers to satisfy any concerns of the investors.

After examining these issues, we would recommend the SEC give full and serious consideration to the proposals of the Investment Company Institute. They believe there should be a uniform trade-through rule for all market centers, including NASDAQ securities. They seek an automated market with clearly established minimum performance standards. Further, that best bid/best offer of any order execution facility be on the entire limit order bank. In short, a system that allows access to the best price for a security no matter where these prices are displayed.

As presented, the Regulation NMS will erode the principle of "best execution" for "faster execution." The real issue is the speed of execution in relation to execution of large block stock orders at the best price. This can be accomplished by a fully automated market that is transparent to all invested buyers and sellers.

The Board of Retirement appreciates the opportunity to comment on Regulation NMS.

Sincerely,



Robert R. Palmer
Retirement Administrator

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