

DIANNE FEINSTEIN
CALIFORNIA



United States Senate

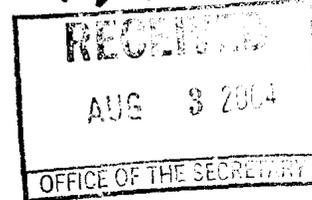
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July 14, 2004

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



57-10-04

Dear Chairman Donaldson,

I write to commend you for the leadership of the Commission and its staff in working to develop and implement reforms to our national market system. I join the California Public Employees' Retirement System (CALPERS), the California State Teachers' Retirement Systems and others in expressing particular support for the amendments that modernize the "trade-through" rule.

I support the proposed changes to the trade-through rule that would allow for greater modernization and technological competition such as the proposed opt-out provision. A real, user-friendly opt-out will allow those who do not wish to be limited by this outdated regulation to proactively define "best price" based on their own unique circumstances. As many have noted in their public comments on this issue, the existing trade-through rule does not permit such institutions the flexibility they need to consider factors such as certainty of price and market impact when determining how to execute a trade. A real opt-out alternative would afford them this needed authority over their own trades.

One size does not fit all, and each investor - big or small - should be able to set their own standards for how they want their trades to be handled. Certainty of execution and how quickly a trade can be executed are all factors for today's investors. Yet the current trade-through rule does not allow these aspects of "best price" to be considered. It is for this reason that I support the SEC's proposal that protects the principle of price priority while enhancing investor freedom.

Sincerely,

Dianne Feinstein
U.S. Senator

cc: Commissioner Roel Campos
Commissioner Harvey Goldschmid
Commissioner Cynthia Glassman
Commissioner Paul Atkins