



State of Connecticut

Office of the Treasurer

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November 8, 2004

The Honorable William H. Donaldson
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 2054-0609



Re: File No. *S7-10-04 Proposed Rule on Regulation NMS*

Dear Chairman Donaldson:

I am writing to express my views about the implications of the Security and Exchange's (SEC) Regulation National Market System (NMS) for institutional investors.

As Connecticut's State Treasurer, I serve as the state's chief fiscal officer and the principal fiduciary of the Connecticut Retirement Plans and Trust Funds (CRPTF). In this capacity, I consider proposals like the NMS for their impact on institutional investors, such as the CRPTF, as well as on the individual citizens of the state of Connecticut who may also be invested in the financial markets. I believe that I must consider both interests since the fiscal health of the state as a whole and the CRPTF in particular, is inextricably tied to the fiscal health of its citizens.

As you are aware, the CRPTF is an active institutional investor. In that capacity we file shareholder proposals, comment on policy initiatives of institutions such as the SEC and the New York Stock Exchange (NYSE) and are vigilant about examining changes that may affect institutional investors and the investment process. My first and primary fiduciary responsibility is to preserve and grow the assets of the pension fund for the plan participants and beneficiaries. It is for this reason that the NMS is an important proposed regulation that can affect the value of the assets available for participants and beneficiaries of the fund, now and in the future.

I appreciate the work that both the NYSE and the SEC have put into re-examining whether the trades as currently conducted on the exchanges need to be re-aligned as a result of changes in technology and new preferences of investors. My comments below are reserved to the two parts of the proposed NMS that would affect the trade-through rule.

I support the SEC's proposal that provides an exception to the trade-through rule known as the fast market/slow market exception or "de minimus" exemption. I believe this allows investors to execute trades as well as seek the best price when trading conditions are not

uniform. However, I do not see how any public purpose benefiting investors would be gained by carving out an exception to the "trade-through" rule, as contemplated by the "opt-out" option.

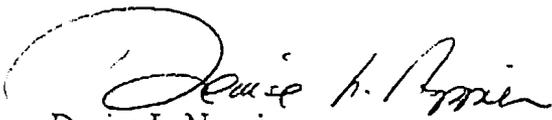
In concluding that the "opt-out" proposal will not benefit investors (large or small), I sought input from some of the CRPTF's largest managers. Their feedback was that any benefit that might be gained in speed of execution would be offset by requirements to opt-out on a transaction basis.

In addition, the Consumer Federation of America and CIEBA, the organization for fiduciaries of pension funds, are in agreement that an "opt out" from best price when automatic electronic execution is available does not protect individual investors and is not sound public policy.

Looking at this issue in its totality, I have concluded that allowing this broad exception to the best price rule is a step back from many of the efforts we have seen of late to afford investors, large and small, greater transparency in the marketplace.

I appreciate the opportunity to comment on the SEC's proposed NMS and again recognize the commitment and hard work of both the SEC and NYSE in trying to seek a solution to align financial markets with the needs and capacity that are available today and will benefit investors of all types.

Sincerely,



Denise L. Nappier,
State Treasurer

cc: Paul S. Atkins, Commissioner
Roel C. Campos, Commissioner
Cynthia A. Glassman, Commissioner
Harvey J. Goldschmid, Commissioner
Jonathan G. Katz, Secretary