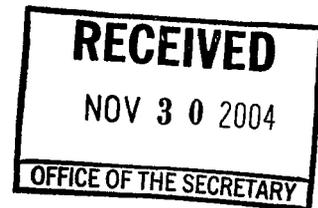


513



PHILIP ANGELIDES
Treasurer
State of California

November 23, 2004

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549-0609

Re: File No. S7-10-04, Regulation NMS, Release No. 34-49325 (February 26, 2004) (the "NMS Release") and File No. SR-NYSE-2004-5, Release No. 34-50173 (August 10, 2004)

Dear Mr. Katz:

As the Treasurer of the State of California and member of the boards of the Public Employees' Retirement System (CalPERS) and State Teachers' Retirement System (CalSTRS), I must strongly urge that the Commission postpone action on the proposed "trade-through" rule of Regulation NMS and first seek greater clarification of the NYSE's proposed "hybrid market" model, in order to ensure that any market reforms will be fair to all investors.

Although we fully understand that the stated intent of the "trade-through" rule is to protect the rights of investors, we think the rule, in its present proposed form, actually risks hurting investors, including hard working employees in our CalPERS and CalSTRS systems by limiting the freedom of investors and their fiduciaries to choose how and where their securities trades will be carried out.

My office also recently reviewed the NYSE hybrid proposal, and some of the comments thereon. The NYSE proposal lacks substantial critical detail which could give us any substantive understanding of how that model would or could benefit investors and eradicate current market inefficiencies and inequities.

On behalf of the State of California, and indeed all investors, I urge the Commission to require the NYSE to provide much greater detail and context around the "hybrid" proposal so as to enable us to understand properly and evaluate its impact. Following that, we would strongly advocate that the SEC host an open forum to allow key stakeholders in market reform, such as

Jonathan G. Katz
November 23, 2004
Page 2

other state treasurers, as well as state pension fund organizations and institutional investors, to ask critically important questions about the application of this model in today's markets.

It is the conviction of this office that we and other investors, and those we represent, should have the right to choose which markets are most suitable for executing trades and not yield to NYSE specialists the right, in effect, to decide which market is appropriate, sometimes even based on information unavailable to most investors. Only under those circumstances will markets be free to compete, ensuring that investors get the best services and prices.

For the benefit of investors, I hope the Commission proceeds slowly and cautiously on market reform issues and not before investors have a full understanding on how the market reform proposals affect all investors.

Thank you for the opportunity to comment on this important matter.

Sincerely,

Phil Angelides
State Treasurer

