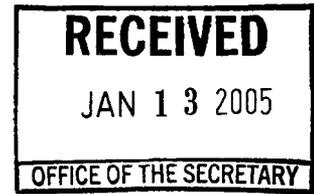


Congress of the United States
Washington, DC 20515



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September 24, 2004

Chairman William Donaldson
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20459
Attn: Jonathan Katz, Secretary of the Commission

Re: File No. S7-10-04;

Dear Chairman Donaldson:

On behalf of the working families, retirees and businesses of California, we call for the Securities and Exchange Commission to reform our nation's financial markets and provide greater control and transparency to investors. More specifically, we join with our state's elected officials, labor representatives, pension managers and business leaders in requesting the repeal of the outdated trade-through rule.

Like most Americans, Californians rely on private and public pension funds to help them guarantee a secure future for themselves and their children. These funds must be given the tools they need to safeguard and grow the investments of hundreds of thousands of Californians.

However, California's state officials who oversee our public funds - including our State Controller and the chairs of the committees of jurisdiction in both the state Assembly and Senate - have noted that the "trade-through rule fails to allow for important factors that modern investors or pension fund managers may want to consider when trading."

The nation's largest pension fund, CalPERS, noted in its comment letter to the SEC, "The trade-through rule is obsolete... The current rule fails to allow for important factors that modern investors or pension fund managers may want to consider when trading." Similarly, CalSTRS wrote that, "The customer should come first and clearly, the customers of these national market systems want to be able to choose certainty and speed when it suits them." Our state's labor unions, including the California State Employees Association, the California Faculty Association, the California SEIU, the California School Employees Association and local unions from across the state have all submitted similar comments.

Businesses have also joined in this call for reform. Charles Schwab & Co. of California, one of the country's largest firms with more than 7 million accounts, stated in their comment letter, "In the interest of competition, the Commission should abolish the trade-through rule." Similarly, small businesspeople, like Tony Quintero of Plaza Investments in San Jose called the rule, "unnecessarily restrictive, outdated and unfair." As the Vice

Chair of Corporate Board Initiative for New America Alliance, Mr. Quintero also represents Latino Business Leaders around the country.

Academia is an additional and growing voice calling for real changes to the outdated system. Prof. Terrence Hendershott of The Haas School of Business at UC Berkeley wrote, "Rather than searching for an ephemeral regulatory solution to the complex issues of competition between securities markets, a broader approach focusing on fostering innovation and competition is needed. The SEC's priorities should be to allow technology, not regulation, to solve problems and to clean up markets by forcing greater transparency and equitable treatment of all investors." A group of 10 other academics, including Prof. Bruce N. Lehmann of the Graduate School of International Relations and Pacific Studies at UC San Diego called for an opt-out provision in their comment letter.

We agree. The trade-through rule as it stands today is obsolete. Changes in the marketplace since it was introduced more than thirty years ago have not been reflected in the regulations surrounding the markets. Technological disparities exist between the markets today, and the current rule benefits those who have not adjusted to the modern marketplace—at the expense of those who have used technology to meet the needs of today's consumers. Recent proposals by the New York Stock Exchange (NYSE) do not lessen the need for reform. They only go to show how much reform has been delayed.

We add our voices to the growing chorus from California and across the nation who are calling for true modernization in the rules. Rules should not be based on the actions or structures of any one marketplace. They should instead be based on the public good. We urge you not to expand outdated rules to the NASDAQ marketplace. Rather, you should expand freedom to investors in NYSE-listed stocks.

Both individuals and institutions will benefit from greater control over their own trades. One size does not fit all, and each investor, big or small, should be able to set appropriate standards for the handling of their trades.

Thank you in advance for your thoughtful consideration of our views on this critical issue.

Sincerely,



MICHAEL M. HONDA
Member of Congress



TOM LANTOS
Member of Congress



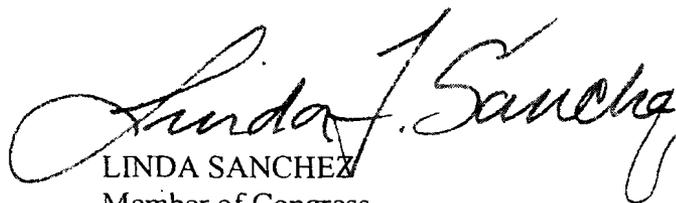
DENNIS CARDOZA
Member of Congress



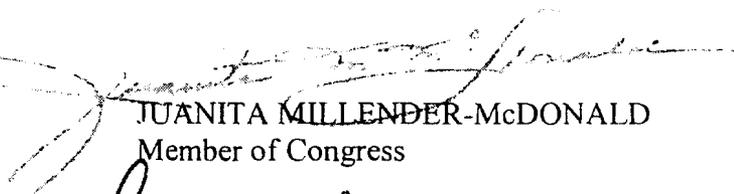
ZOE LOFGREN
Member of Congress



JOE BACA
Member of Congress



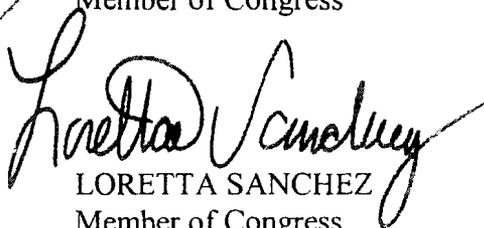
LINDA SANCHEZ
Member of Congress



JUANITA MILLENDER-McDONALD
Member of Congress



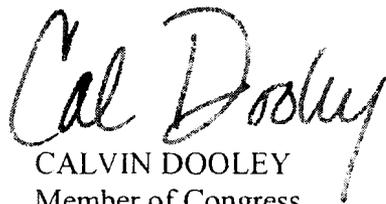
HOWARD BERMAN
Member of Congress



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GRACE NAPOLITANO
Member of Congress