

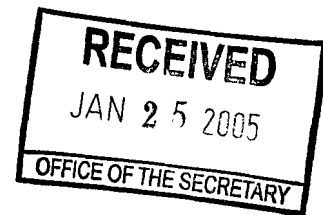
Pension Managers Advisory Committee

ES110570
New York Stock Exchange, Inc.
11 Wall Street
New York, NY 10005

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January 20, 2005



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William Donaldson
Chairman
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: File No. S7-10-04 – Regulation NMS

Dear Chairman Donaldson:

The NYSE Pension Managers Advisory Committee (PMAC) has been following the SEC's proposal to overhaul and modernize our National Market System with great interest over the past year. The Committee is composed of senior executives who manage the employee benefit assets of some of our country's largest corporations, public employee retirement systems and foundations and endowments. In total, we manage over \$620 billion dollars in the equities marketplace.

This Committee has long supported retaining the trade through rule as part of the National Market System, as proposed in Regulation NMS. We appreciate the Commission's action to eliminate any opt-out provision from the proposed rule. However, PMAC is deeply troubled by the proposal recently introduced in Reg NMS mandating that orders be routed to any quote placed in any market center.

We view this proposal as, in effect, a consolidated limit order book (CLOB). We think the CLOB proposal would drive block trading away from the NMS, upstairs to private markets, and would result in a fragmented market with less liquidity and depth. We think the long-range effect of a CLOB would be substantially less liquidity, wider spreads, and worse prices, particularly for those securities that are not among the fifty largest market caps. This would hurt our members and most other participants in securities markets, including small investors. We base our conclusion on the knowledge and experience of our own traders and traders at investment managers who work for us.

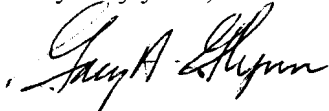
We have all been beneficiaries of competition among our securities markets over the past three decades. Our markets' speed, depth, and fairness are unbelievable when compared with the markets of just a few years ago. If a CLOB had been mandated in the past, we believe our markets would not have advanced nearly as much as they have, because in a CLOB environment there is little incentive for trading markets to compete for customers. Even if the block-trading problem we described

above were somehow solved, we would still oppose a CLOB, which would stifle innovation. We would prefer to see our various markets continue to compete with each other, especially with advanced technology, as they have in the past.

The CLOB alternative would undermine the New York Stock Exchange's new Hybrid Market. We think the Hybrid Market is a good response to many of the requests we have been making of the Exchange to improve its electronic capabilities and give us the ability to trade instantaneously and anonymously. At the same time, it keeps many of the benefits that we derive from the NYSE's auction market. The proposed CLOB would eliminate the opportunity for a negotiated trade within the system, and eliminate the choice that we and other investors have for a floor auction.

As active participants in securities markets, our committee members rely on a well-functioning marketplace to manage our assets responsibly and meet our fiduciary obligations. We urge the Commission to adopt the top of book protection alternative proposed in Regulation NMS and drop the virtual CLOB proposal.

Very truly yours,



Gary A. Glynn, Chairman
NYSE Pension Managers Advisory Committee

Cc: Commissioner Atkins
Commissioner Campos
Commissioner Glassman
Commissioner Goldschmid
U.S. Secretary of Treasury Snow
Federal Reserve Chairman Greenspan