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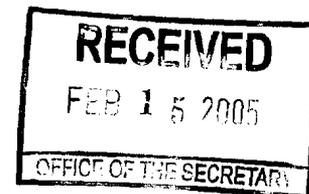
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The Honorable William H. Donaldson
Chairman
Securities and Exchange Commission
450 5th St., NW
Washington, DC 20549



S7-10-04

Dear Chairman Donaldson:

I am writing to express my concerns regarding an alternative contained in the SEC's proposed Regulation NMS, which is designed to modernize and strengthen the regulatory structure of our nation's securities markets.

One of the alternatives proposed by the SEC requires a depth-of-book order routing system that would create a virtual "Consolidated Limit Order Book"(CLOB). As you know, the depth-of-book proposal would effectively centralize limit orders, with the intent to increase liquidity and improve order pricing.

As you may know, the Senate Banking Committee, has held several hearings in past Congresses where the CLOB concept has been debated. At these hearings, serious concerns were raised that a CLOB could in fact reduce competition of orders, decrease liquidity, and increase costs to investors. Additionally, it was argued that a CLOB could effectively federalize U.S. equity markets and stifle improvements in technology and innovation. For these reasons, I have reservations about any proposed trading system that resembles a CLOB.

The depth of book proposal represents a significant departure from our current regulatory structure and I have serious concerns that it could have unintended consequences for U.S. equities markets and adversely impact investors.

I would like to applaud your leadership as Chairman of the Securities and Exchange Commission (SEC). Both our financial markets and the SEC face increasingly challenging times, and your stewardship has been, and continues to be, critical to protecting American investors. Thank you for your consideration of my views.

Sincerely,

Christopher J. Dodd
United States Senator