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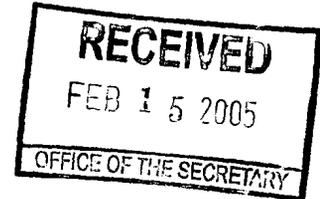
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PLEASE RESPOND TO
OFFICE CHECKED

February 1, 2005

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



Re: File # S7-10-04 - Proposed Rule on Reg NMS

Dear Chairman Donaldson:

As a follow-up to our phone conversation of January 3, I would like to again express my opposition in writing to the SEC's proposed Regulation NMS, Depth of Book proposal and urge the Commission to reject it. My fear is that this proposal, as drafted, will lead to a number of unintended consequences, including a decrease in innovation, market instability and fragmentation, all of which will hurt retail investors the hardest.

While Regulation NMS will have many ramifications, its success or failure will ultimately rest on how it deals with inter-market competition, quote competition, and the balance between the two. Of the two alternatives laid out in the rule as repropoed on December 15, 2004, protecting the best bid and offer in each market center, or Top of Book, preserves both types of competition in a way that benefits all securities industry participants. The other alternative, Depth of Book, creates a virtual Consolidated Limit Order Book, or CLOB, a concept debated and rejected previously by Congress and the SEC. The Depth of Book (DOB) proposal would effectively nationalize and homogenize the U.S. Equity markets and stifle innovation.

U.S. Equity markets are the strongest in the world. This CLOB-like proposal by the SEC would create a splintered, electronic-only marketplace where markets must chase displayed orders from market to market. In that environment, large orders of stock would be difficult to manage. Instead, those orders would move to private markets or overseas and the viability undermines our domestic stock markets. This would hurt retail investors. One great competitive advantage of our markets is that institutional and individual investors' orders are intermingled, so everyone gets equal and fair treatment. This Depth of Book proposal would dramatically change this, and retail investors would suffer.

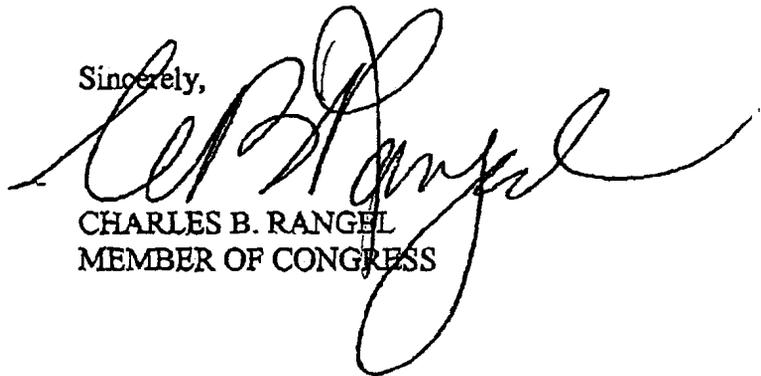
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The SEC has put forth this proposal at the precise time that competition is transforming the largest equities market in the world. While some of our markets have experienced some problems in the recent past, that is changing. New leadership has brought about new ideas and new solutions for our equities markets and those that trade on them. Any new SEC regulation should promote innovation and continue progress, and I fear this proposal will do the opposite and undermine the innovation, such as the hybrid market concept currently underway now at the New York Stock Exchange. This hybrid market will offer customers what they have been demanding—the ability to trade electronically or through the auction market. The SEC's proposed CLOB-like proposal would eliminate the opportunity for a negotiated trade within the system, and preclude any possibility that the hybrid market will ever become operational.

I applaud the Commission for its diligence in considering these important market structure issues and for allowing public comment on these vital issues. It is my hope that you will review these comments and promulgate regulations that will promote competition and innovation and ultimately strengthen our national securities markets. I believe the Depth of Book proposal as put forward does not meet this test and should be rejected.

Thank you for your consideration of my request, and I look forward to our continuing working relationship for the investors of America.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'C. B. Rangel', is written over the typed name and title.

CHARLES B. RANGEL
MEMBER OF CONGRESS