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February 4, 2005

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

Re: File No. *S7-10-04 Proposed Rule on Regulation NMS*

Dear Chairman Donaldson:

I am writing to express my concerns about the SEC's proposed Regulation NMS, the Commission's initiative to update and improve the rules governing the nation's securities markets. I believe that the success or failure of this initiative will ultimately rest on how it deals with inter-market competition, quote competition, and the balance between the two. North Carolina companies, including the 33 listed on the New York Stock Exchange with a total market capitalization of more than $450 billion, benefit every day from inter-market competition.

The Commission proposed two very different alternatives on December 15, 2004. Of the two alternatives proposed, I believe the Market BBO alternative would be a good first step for the commission and do a better job of preserving the intermarket competition that has led to innovation and better services for investors, especially in recent years, while modernizing the existing market structure. This approach could benefit all securities industry participants, including the many thousands of individual investors and numerous publicly traded companies in North Carolina. The Voluntary Depth alternative, by contrast, may stifle the competitive forces that have so greatly benefited consumers by effectively nationalizing and homogenizing the U.S. equity markets.

I am concerned that the voluntary depth alternative may create a splintered, electronic-only trading system where equity markets must chase displayed orders from market to market. In such an environment, large orders of stock may be difficult to manage. Instead, those orders might easily move to private markets or overseas. This type of unintended consequence would hurt consumers. One great competitive advantage of our markets is that institutional and individual investors' orders are intermingled, so everyone gets equal and fair treatment. The voluntary depth alternative would change that, and I am concerned that the individual investor would ultimately pay the price.

Regulation should promote, not stifle, innovation yet the voluntary depth alternative proposal may undermine innovation already underway at some markets. Furthermore, the

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voluntary depth alternative may effectively eliminate the ability of all markets to compete against each other on the basis of price and liquidity, as they do today. Consumers truly win when markets compete. By eliminating these competitive forces and forcing all markets into one uniform mold, the voluntary depth alternative may stifle innovation among all markets, and hurt consumers in the end.

I applaud the Commission for its diligence in considering these important market structure issues and for proposing a sensible alternative that will promote competition and innovation and ultimately strengthen our national securities markets. The voluntary depth alternative may damage our market system and harm American investors. I urge the Commission to take an approach that will allow markets to compete so that consumers may reap the benefits.

Sincerely,

Elizabeth Dole