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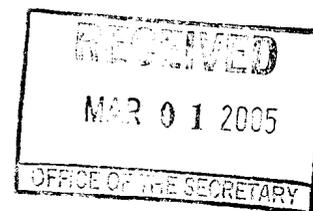
House of Representatives

Washington, DC 20515-3518

January 26, 2005

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The Honorable William H. Donaldson
Chairman
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 Securities and Exchange Commission's proposed Regulation NMS, which aims to update and strengthen our national securities markets.

While I can support the Market BBO Alternative, I have serious concerns about the Voluntary Depth Alternative. The Market BBO Alternative attempts to preserve and encourage both intra-market and inter-market competition that ultimately benefit all investors and our national securities markets as a whole. The Voluntary Depth Alternative, however, could have the effect of undermining this competition and causing serious harm to the markets.

The potential consequences of the Voluntary Depth Alternative pose a risk of lasting damage to the U.S. capital markets, which are currently the strongest in the world. This alternative would likely create a virtual Consolidated Limit Order Book, or CLOB, a concept debated and rejected previously by Congress and the SEC. This type of scenario would require mandatory depth-of-book order routing that would turn market centers into mindless order routers and increase investors' execution costs. Worse yet, this alternative would effectively nationalize the U.S. equity markets, decreasing competition both between and within markets. This would create wider spreads, higher volatility, higher transaction costs, and an overall erosion of our capital market structure. Moreover, extensive implementation costs and regulatory burdens would very likely accompany this alternative.

The capital markets, and indeed all markets, function best when they have substantial liquidity. Intra-market and inter-market competition benefit investors by

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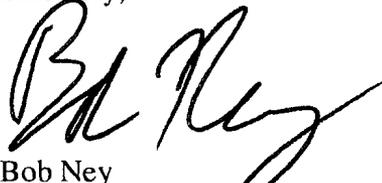
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encouraging this liquidity, which ultimately leads to best price. The Voluntary Depth Alternative would likely hinder this valuable competition.

In order to avoid damage to our capital markets, I urge you to carefully consider the potential negative consequences of the Voluntary Depth Alternative. Sweeping change to our national market structure is not necessary at this time. Instead, a measured and incremental approach would be more appropriate.

Sincerely,



Bob Ney
Member of Congress

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