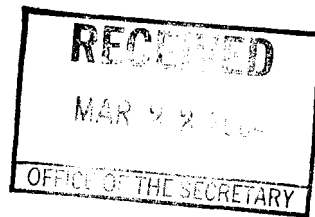


The
Chicago
Stock Exchange

20

David A. Herron
Chief Executive Officer



March 19, 2004

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Request to Testify – File No. S7-10-04

Dear Mr. Katz:

I am interested in testifying, as a representative of the Chicago Stock Exchange (the “CHX” or the “Exchange”), in the public hearings that the Commission intends to hold on the issues raised and questions posed in proposed Regulation NMS.

The Chicago Stock Exchange holds something of a unique position in the national market system. The CHX currently trades approximately 3500 securities, including issues listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq Stock Market. We have an active floor community consisting of specialists, floor brokers and, in some securities, market makers that trade for proprietary accounts. At the same time, however, we are, in many respects, a largely electronic market – the vast majority of our retail order flow, and a growing percentage of our institutional orders, are delivered to the Exchange’s floor-based specialists and floor brokers through automated systems. Many of those orders also are automatically executed on the Exchange’s trading floor, either in the Exchange’s own systems or in systems developed and operated by our members. Over the course of the past few years – and for several more years, no doubt – we have tangled (and will continue to tangle) with the many issues that arise from integrating the operation of established auction markets and faster, electronic ones.

The Exchange has been at the forefront of addressing market structure issues. We have met with SEC staff on several occasions over the past year to discuss market structure ideas and have taken the initiative to craft proposals for reform of ITS. We were one of the three SROs – together with Nasdaq and PCX/ArcaEx – that proposed to the SEC staff an earlier version of the automated markets exception to the trade-through rule that is now incorporated in proposed Regulation NMS. As we would like to discuss in more detail at the public hearing, we believe

Chicago Stock Exchange, Incorporated

One Financial Place 440 S LaSalle Street Chicago, Illinois 60605-1070
312-663-2270 FAX 312-663-2231 dherron@chx.com www.chx.com

Mr. Jonathan G. Katz
March 19, 2004
Page 2 of 2

that an automated solution is the key to the overall effectiveness of a trade-through rule. We bring the perspective of a longstanding participant in the national market system, yet also one that thinks broadly and “outside-the-box” on market structure issues.

We look forward to the opportunity to share these thoughts, and others, with the Commission in the context of a public hearing. I am most available to participate in the April 21 hearing and would welcome a chance to do so.

Very truly yours,

A handwritten signature in black ink, appearing to read "David A. Herron". The signature is stylized with a large initial "D" and a long horizontal stroke at the end.

David A. Herron