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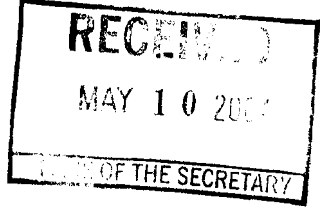
April 15, 2004

Via Facsimile - 202-226-9646

The Honorable William H. Donaldson
Chairman
Securities and Exchange Commission
450 Fifth Street N.W.
Washington, DC 20549

S7-10-04



As the Vice President, General Counsel and Secretary of Parker-Hannifin Corporation, I am writing to express my concern regarding an SEC proposal which could substantially weaken an important element of investor protection. With annual sales exceeding $6 billion, Parker-Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of commercial, mobile, industrial and aerospace markets. The company employs more than 45,000 people in 44 countries around the world.

Parker's common stock has been traded on the NYSE since 1964. Besides the obvious advantages in liquidity and access to capital associated with being listed on the largest and most prestigious securities exchange in the world, we also benefit from and depend upon the role of the specialist firm at the NYSE. Specialists work to match buyers and sellers of our stock to ensure smooth and efficient trading. They help to guarantee that every buyer and seller receives the "best price" available at the point in time that a trade is made. They reduce volatility in our stock price, and work to guarantee an effective and equitable marketplace for buyers and sellers of our stock.

The trade-through or "best price" rule provides investors assurances they will receive the best price when buying and selling shares of NYSE-listed companies. The principle has served our markets well for several decades now. It ensures that orders, whether large or small, compete on the same basis -- price. The vibrancy of our securities markets derives largely from the liquidity that price competition creates.

The SEC has proposed allowing institutions to "opt out" of this rule, which means that institutions would have the right to execute at something other than the best price on behalf of their ultimate investors. Professional traders would be encouraged to internalize customer order flow. Taking liquidity out of the market will raise trading costs, widen quoted spreads, and increase volatility. Providing institutions an "opt out" exception creates a regulatory endorsement for the position that price does not matter, even when speed and anonymity are relatively equal between markets. We think this is the wrong message to send, and the least sophisticated investors, including those investing in mutual funds, are at greatest risk.

With everything that has happened lately to shake investor confidence in the markets, I find it difficult to understand why Washington would want to weaken this important protection. Why should investors ever receive anything other than the best price possible?

I ask that you work to keep the best price provisions of the trade-through rule intact.

Sincerely,

Thomas A. Piraino

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