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March 12, 2004

Chairman William H. Donaldson
U. S. Securities & Exchange Commission
450 Fifth Street, N.W.
Washington, D. C. 20549

Dear Chairman Donaldson,

The Security Traders Association (STA) wishes to express its appreciation to the Commission on the issuance of Regulation NMS. We firmly believe that the proposal contains recommendations critical to upholding the principles of the National Market System enacted in 1975.

We applaud the manner in which this critical proposal has been presented in that it represents the "beginning" and will be adjusted following consideration of all received comments as well as the hearings which you are about to conduct. We are confident that the final rule will achieve the objective of "updating" U.S. equity markets recognizing 30 years of technological and business model adjustments.

STA has consistently maintained that having the fairest, most transparent and liquid markets for investors of all types ultimately serve our membership best. We think this proposal will, in the end, serve to achieve this objective.

The Commission has been well served by Annette Nazareth and Bob Colby and the staff of the Division of Market Regulation. They have prepared, and presented, a document that has been very thoroughly thought out and well written. They have chosen the correct issues for debate and have provided ample opportunity to respond.



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It was in such a spirit of open interest and dialogue that last year the STA undertook an initiative to examine critical issues related to U.S. market structure. The result of that effort was the Special Report we issued in August 2003 entitled: *Fulfilling the Promise of the National Market System: STA's Perspective on US Market Structure.*

In the report, we concluded that the NMS will always be a work in progress – that it serves as both a benchmark and a goal.

We analyzed the current situation in the U.S. markets, and based on that analysis made three specific recommendations:

1. A Need for Improved Linkages and Intermarket Trading Rules
2. Consistent and Standardized Rules, Enforcement and Surveillance across Markets
3. The Elimination of ECN Access Fees.

We were gratified both at the reception the Report received overall and in particular by the serious read and consideration given to the Report by the Commission and its staff. We have taken the liberty of enclosing a copy of the Report with this letter.

As we write this letter, our Institutional and Trading Issues Committees are deeply involved in developing responses to the proposed Regulation NMS. We will then develop a formal comment letter to the Commission and likely also issue it as a White Paper. We are confident that the quality of our input will be significant and will assist the Commission in ultimately approving rules that best serve the markets.

We are respectful of the very obvious expertise that you and your associates have in the area of market structure. We appreciate the level of commitment and dedication the Commissioners bring to understanding the complex issues involved and to the awareness they have of the far-reaching impact of the decisions they are soon to make.



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As the Commission looks to the future, we look forward to playing our part and being actively involved in representing the traders of America in the upcoming discussions on the Proposal. Our 6,000 members are traders representing all market segments. It is STA's greatest strength...because our perspective truly represents the consensus view of the people responsible for driving the economic engine of investor capital in the U.S. markets each day.

We believe that the decisions taken at the end of the process need to be guided by what is in the ultimate, best interest of investors. Using that criterion as the basis for decisions has never failed the U.S. markets in the past, and will continue to serve all market participants well in the years to come.

We look forward to your hearings on April 1st in Washington and in New York on April 21st.

We thank you and wish you well as you seek to finalize critical rules shaping our markets for the coming decades.

Mary McDermott Holland

Mary McDermott-Holland
Chairman

John C. Giese

John C. Giese
President & CEO

- cc: The Honorable Commissioner Paul S. Atkins
- The Honorable Commissioner Roel C. Campos
- The Honorable Commissioner Cynthia A. Glassman
- The Honorable Commissioner Harvey J. Goldschmid
- Annette L. Nazareth, Director, Division of Market Regulation
- Robert L. D. Colby, Deputy Director, Division of Market Regulation