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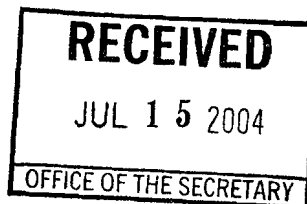
June 14, 2004

Hon. William H. Donaldson  
Chairman  
U.S. Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20459

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OFFICE OF THE  
CHAIRMAN

Re: Release No. 34-49408; File No. S7-10-04;



Dear Chairman Donaldson,

CapNet is a bipartisan organization dedicated to educating public officials on the concerns of the technology community. It is a coalition that makes a difference for the technology industry by ensuring technology businesses are enhanced and protected by legislation or regulations.

Technology is changing the way the world does business. America's financial markets are no exception. Sadly, the regulations currently governing our national market structure have not shown the flexibility to change with the times. It is for this reason that I am pleased to see the Securities and Exchange Commission's proposal to modernize these outdated rules.

In particular, the trade-through rule is now more a barrier to those wishing to participate in the market through technology than a protection for investors. In fact, it often hurts those trying to seek best price through the electronic marketplaces. The SEC's own Rule 11Ac1-5 statistics show that investors who are forced to use a manual exchange over an electronic exchange are as likely to get a worse price as a better price. Yet investors are not allowed to consider other factors, such as certainty of execution and market impact, when determining where they want to trade.

Your proposed opt-out rule would alleviate many of these problems if it is implemented in such a way so that it provides a workable alternative. While I would prefer this outdated rule be repealed in its entirety, I encourage you to at least include in your final rule clear language allowing a user-friendly opt-out or even a global opt-out for sophisticated investors.

As an organization that has seen the benefits that technology has to offer in a variety of markets, I am pleased that the SEC is moving to ease the old-time regulations that have inhibited the expansion of technology into the securities market and urge you to continue to move towards a true, 21<sup>st</sup> Century marketplace.

Sincerely,

Tim Hugo  
President  
CapNet

CapNet

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