

Wm. LACY CLAY
1ST DISTRICT, MISSOURI

131 Cannon House Office Building
Washington, DC 20515
(202) 225-2406
(202) 225-1725 Fax

625 North Euclid, Suite 200
St. Louis, MO 63108
(314) 367-1970
(314) 367-1341 Fax

8525 Page Boulevard
St. Louis, MO 63114
(314) 890-0349
(314) 427-6320 Fax

COMMITTEES:
FINANCIAL SERVICES
GOVERNMENT REFORM

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SUBCOMMITTEE ON TECHNOLOGY,
INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS
AND THE CENSUS

Congress of the United States
House of Representatives
Washington, DC 20515-2501

January 3, 2006

Web Site: www.house.gov/clay/
E-Mail: www.house.gov/writerep/

The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Mr. Chairman:

I am writing to express my concern about a proposed rule change that raises significant market structure public policy issues. On July 11, 2005, NASD filed with the Commission a proposed rule change that will ostensibly create a new NASD subsidiary, the Trade Reporting Facility ("TRF").

While the TRF is being proposed as a subsidiary of the NASD, in fact it is a facility of NASDAQ, because NASDAQ controls and reaps the economic benefits of the TRF. This would appear to be in contravention of the law's requirement that an exchange not take credit for trades that do not occur on that exchange.

In addition, should the NASD's proposal be approved, other markets would likely be forced by competitive pressures to enter into similar arrangements with the NASD to gain revenues for trades that have no connection with those markets, exacerbating the problem.

There is a better solution: make the TRF in fact a facility of the NASD by correcting the problems outlined above. This would clear the way for NASDAQ to become an exchange in the best interests of the integrity and continued robust competition of the U.S. marketplace.

Sincerely,



Wm. Lacy Clay
Member of Congress