April 14, 2004

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

Re: Request to Testify at Regulation NMS Hearing Scheduled April 21, 2004 (File No. S7-10-04)

Dear Mr. Katz:

My name is Kevin Cronin and I am the Director of Equity Trading at AIM Investments in Houston, Texas. On behalf of our shareholders, I would greatly appreciate the opportunity to share my thoughts with the Commission at the April 21st hearings on the proposed Regulation NMS.

Thank you for your consideration.

The following is a draft summary of the testimony of Kevin Cronin on behalf of AIM Investments at the Hearings scheduled before the Securities Exchange Commission on Regulation NMS (File No. S7-10-04)

I am honored to have the opportunity to testify before the Commission on this extremely important proposed Regulation.

Background

The introduction of decimals has resulted in the proliferation of market participants intending to take advantage of posted liquidity, not in the name of price competition, rather, in an attempt to increase volatility, thereby creating greater profit opportunity. The consequence of this activity is that institutions and other investors now have very little, if any, incentive to post limit orders. The impact on the equity markets has been pronounced. To be sure, spreads have narrowed, however, posted liquidity and average execution size is dramatically lower while volatility and the associated cost of trading blocks of stock have increased. The lesson is clear. Limit orders are the cornerstone of efficient, liquid markets and, as such, any proposed public policy should be focused on protecting those willing to display them.

Uniform Trade-Through Rule

We commend the Commission on its' proposed Regulation NMS. This timely proposal offers valuable direction at this critical juncture in the evolution of the equity markets. Specifically, the uniform application of the trade-through rule across all markets is an important step in the course of providing protection and incentive for investors to display their limit orders in the National Market System. While the Commission's skepticism regarding the feasibility of providing protection to all displayed limit orders (not just the top of the book) presently is understandable, we believe it is incumbent upon the Commission to facilitate the evolution of such protection.

Opt-Out Provision

The Commission's proposal to allow exceptions to the trade-through rule, however, especially in the form of an "opt-out" provision, is decidedly incongruent with the proposition of providing greater protection for limit orders. Institutions and other informed investors "opting out" would undermine the display of liquidity which would likely result in less efficient markets. Institutions and others would be better served to protect the integrity of the trade-through rule, as the resulting increase in liquidity and decrease in execution costs would significantly outweigh any perceived flexibility an opt -out provision would provide. Also, if the Commission requires all market centers to provide an automatic execution capability on the inside quote, the ability for institutions to trade outside of the best bid or offer would not be particularly onerous.

Automated Order Execution Facility Exception

On the surface, the Commission's proposed automated order execution facility exception seems contrary to the protection of displayed limit orders. However, to the extent the Commission requires better linkages between market centers, and tightly defines what constitutes a fast market, this proposal will serve to heighten competition and innovation, leading, we believe, to more efficient markets. Competition, and the associated costs of the potential loss of significant market share, will force manual markets to dramatically enhance their automatic execution capability to meet the criteria of a fast market. It is worth noting that an automatic execution capability may be disruptive to the auction process at the NYSE. However, we believe the introduction of this "auto-ex" feature to the best bid or offer, will in fact, enhance investors ability to access liquidity at the NYSE. Assuming that all market centers meet the requirements to be deemed fast markets, then by definition there can be no trade-through. Investors will reap the benefits of this much improved market structure, providing greater protections, deeper markets and enhanced choices in their pursuit of best execution.

Market Access and Sub-Penny Quoting

We fully support the Commission's proposals on market access and fees as well as the proposal to prohibit the display of sub-penny quoting.

It is noteworthy that the Commission reaffirms, through statements in Regulation NMS, that the Commission's role is to facilitate the development of the NMS not dictate its form. In accordance with that doctrine, this proposal promotes protection and competition while leaving the choice of how to best pursue liquidity to the investors. Competition, not regulation, should determine the structure of the equity markets.