Good Morning. I am honored to have the opportunity to testify before the Commission this morning on behalf of AIM Investments and our 11 million shareholders. We commend the Commission on Regulation NMS and the valuable direction it prescribes at this critical juncture in the evolution of the US equity markets. We believe the proposed Regulation NMS would advance innovation, transparency, depth, and efficiency through competition, choice and investor protection.

Uniform Trade-Through Rule

The introduction of decimals, and more specifically the proliferation of market participants endeavoring to take advantage of displayed liquidity, have left institutions and other investors with very little incentive to display their limit orders. The impact to the equity markets as a result of this activity has been pronounced. To be sure, spreads have narrowed. However, posted liquidity and average execution size is dramatically lower while volatility and the attendant costs of trading institutional size blocks of stock is notably higher. The lesson is clear. Limit orders are the cornerstone of efficient, liquid markets and as such, investors willing to display them should be afforded as much protection as possible. We commend the Commission on its proposed trade-through rule to, in part, address limit order protection. The uniform application of a trade-through rule across all market centers, as proposed in Regulation NMS, should provide those willing to display liquidity some measure of incentive. The trade-through rule will give a degree of protection to those willing to display best price, as other market participants will not be able to trade at inferior prices until they have satisfied the best price. This rule will also confer greater choice to investors armed with the knowledge that best price will be protected regardless of which market center orders are displayed. We believe the trade-through rule will likely engender greater confidence in the display of limit orders in the National Market System. While the Commission's skepticism regarding the feasibility of providing protection to all displayed limit orders presently is understandable (not just top of the book), we believe it is incumbent upon the Commission to facilitate the evolution of such protection over time.

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 substantially defines what constitutes a fast market, this proposal will serve to heighten competition and innovation leading, we believe, to more efficient trading markets. The importance of the definition of what constitutes a "fast" market cannot be overstated. We believe the Commission should adopt rigid performance standards, which can be reasonably adjusted over time as technologies, and efficiencies allow. These performance standards should be based on a market center's ability to provide automatic executions at their best bids and offers in under 1 second (for example), and have the quote refreshed and available for "auto-ex" in under 1 second from the time their previous best bid or offer was hit/taken/cancelled. Also, market centers must have the proper linkages in place to access the best bids and offers from competing market centers in similar time frames.

We are not convinced, that in its current form, ITS is capable of meeting these requirements, and as such would prefer that the Commission provide specific standards. We expect that these standards will facilitate the advancement of private linkages which we deem far more preferable to any ITS mandate. While we believe there is benefit in having multiple levels of market centers' limit orders available for automatic execution, we do not believe this should be part of the quid pro quo for recognition as a fast market, provided the other performance measures are met in a satisfactory manner. We believe the ensuing competition, and the potential loss of significant market share, will force manual markets to dramatically enhance their automatic execution capabilities to meet the specific requirements set forth for inclusion as a fast market. 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 investors greater protections, deeper markets and enhanced choices in their pursuit of best execution.

Opt-Out Provision

In principal, the Commission's proposal to allow an exception to the trade-through rule in the form of an "opt-out" seems antithetical to the proposition of providing greater protection for limit orders. In theory, institutions and other informed investors "opting-out" would undermine the display of liquidity which would likely result in less efficient markets. Institutions and others, it appears, would be better served to protect the integrity of the trade-through rule, as the attendant increase in liquidity and decrease in execution costs may potentially outweigh the flexibility an "opt –out" provision would provide.

That being said, the opt-out provision should not be dismissed altogether. The value in the opt-out is both in the flexibility it confers and the competition it will likely facilitate. If the Commission does not mandate rigid performance standards for inclusion as a fast market, opt-out may be necessary. We believe that there is significant cost to our shareholders by not having the flexibility to trade through markets that cannot provide the highest order of certainty and speed. As the Commission points out in Regulation NMS, there is value in the option an automated market grants a manual market during the period before the order is executed. That value of that option is the risk that the price we receive may be meaningfully different than the price displayed. Such a risk-reward paradigm is inconsistent with attaining best execution for our shareholders. Nevertheless, we are weary of any regulation that would tacitly approve the pursuit of "inferior" prices to the detriment of those who are willing to display best prices. We believe an instantaneous execution capability on the best bid or offer for all market centers goes a long way toward negating many of the benefits of the opt-out provision.

Conclusion

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 choice, competition, and protection, without mandating form. Competition should largely define the form of the capital markets. Under the proposed Regulation, market centers are free to compete on the basis of the perceived economic value added proposition their paradigm of trading presents to investors. In the end, such a system will promote innovation and differentiation, which will benefit shareholders of all sizes. Also, it will ensure that the U.S. capital markets retain their rightful place as the most liquid, transparent and efficient markets in the world. I thank the Commission again for the chance to present our views. I am happy to answer any questions you may have.