

MEMO# 16101

May 21, 2003

INSTITUTE LETTER TO SEC CHAIRMAN DONALDSON REGARDING DECIMALIZATION

[16101] May 21, 2003 TO: BOARD OF GOVERNORS No. 23-03 SEC RULES MEMBERS No. 61-03 EQUITY MARKETS ADVISORY COMMITTEE No. 8-03 RE: INSTITUTE LETTER TO SEC CHAIRMAN DONALDSON REGARDING DECIMALIZATION The Institute has sent a letter to SEC Chairman Donaldson (a copy of which is attached) expressing its strong support for decimalization and, in particular, a minimum increment of one penny in the U.S. equity markets. The letter addresses several criticisms of decimalization, specifically that its introduction has reduced transparency and increased volatility and transaction costs. The letter states that instead of re-examining decimalization, the SEC and the securities markets should undertake long-overdue reforms to improve the quality of the securities markets. The letter asserts that these reforms would eliminate costs arising from unnecessary intermediation and would enhance depth, liquidity and transparency by encouraging the display of limit orders. Ari Burstein Associate Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 16101, or call the ICI Library at (202) 326-8304 and request the attachment for memo 16101. Attachment (in .pdf format)

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