

**MIDWOOD SECURITIES, INC.**  
MEMBER NEW YORK STOCK EXCHANGE, INC.

October 11, 2001

Jonathan G Katz  
Secretary  
Securities and Exchange Committee  
450 Fifth Street NW  
Washington, DC 20549

Dear Mr. Katz:

I am pleased to share with you the results of a survey Midwood Securities, Inc. recently conducted with senior traders from more than 600 institutional investment management firms with assets under management ranging from \$500 million to over \$700 billion.

The intent of the survey was to obtain their views on the implementation of decimal trading. We are pleased by the strong return; more than 15% of those surveyed responded. The results provide an excellent composite of their views. These results also are being sent to participants, other regulators and industry associations, over the next few days.

The full results of the survey are attached, but a few items soared to the top of the findings. The overall reaction of the respondents was that decimalization has adversely impacted market liquidity and transparency.

More than 75 percent of respondents already have altered trading strategies because of decimalization and a similar number believe market liquidity has declined and market transparency has been negatively affected, with a corresponding detrimental impact on execution quality. Even more respondents reported a change in volatility, which they do not see as beneficial in executing trades on the New York Stock Exchange or the Nasdaq Stock Market. Moreover, more than half of the respondents reported an increase in trading costs and two-thirds of those believe market impact was the major contributor to those rising costs.

In our view, these responses suggest a number of potential problems going forward, including some firms reducing the level of certain services that they provide, which could result in a reduction in competition.

Midwood Securities, Inc., is a member of the New York Stock Exchange and NASD specializing in serving institutional investors.

We would be pleased to discuss with you the survey results or answer any questions about how it was conducted. Please call me at 212-742-9600.

Sincerely,

Terry L. March  
President and CEO