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Sent: Monday, October 4, 2004 21:27
To: Feedback
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Subject: Reduction of Minimum Spreads

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I prefer: Option 2A - only reduce spreads above \$2 per share

I expressed my thoughts recently in a meeting with the SFC. I'd be in favor of option 2A if the exchange would consider increasing throughput at a reasonable cost (current costs are unreasonable for 1 additional transaction per second). If not, they should start at option 1 - which is a must if the exchange wants to keep firms such as Timber Hill from moving a good piece of our HSBC business to London where spreads are roughly 7 HK cents as opposed to 50 in HK.

I am not in favor of option 2B only because in principle I don't think fundamentally sound companies should be trading below \$2. This could be an incentive for them to issue less shares at a higher price.