

MEMO# 21683

October 1, 2007

NYSE Proposes Further Modifications to Specialists' Dealings

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 56-07
SEC RULES COMMITTEE No. 73-07 RE: NYSE PROPOSES FURTHER MODIFICATIONS TO SPECIALISTS' DEALINGS

The Securities and Exchange Commission has published for comment a proposed rule change filed by the NYSE to amend the Stabilization Rule, NYSE Rule 104, which restricts specialists' ability to trade as dealer in their assigned stocks. [\[1\]](#)

On December 1, 2006, the SEC approved amendments to Rule 104, providing specialists with additional opportunities to trade on a proprietary basis. [\[2\]](#) The SEC required, however, that the NYSE implement the proposed "Conditional Transactions" only for active securities as a pilot program. [\[3\]](#) The SEC also stated that the NYSE would have to provide data and analysis on the impact of the rule change before the SEC would decide whether to extend the operation of the rule or to approve the rule on a permanent basis. Having collected and reviewed the data, the NYSE now proposes, among other things, to: (1) extend the duration of the pilot program to March 31, 2008 and (2) remove the "active securities" limitation on "Conditional Transactions" so that it applies to all securities traded on the NYSE.

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endnotes

[\[1\]](#) SEC Release No. 56455 (September 18, 2007), 72 FR 54499 (September 25, 2007).

[\[2\]](#) SEC Release No. 54860 (December 1, 2006), 71 FR 71221 (December 8, 2006).

[3] “Conditional Transactions” are specialists’ transactions in an active security that establishes or increases a position and reaches across the market to trade as the contra-side to the NYSE’s published quote.

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