

**MEMO# 13494**

May 9, 2001

## **NYSE RESPONSE TO ICI LETTER RECOMMENDING CHANGES TO ADDRESS BUYSIDE DECIMALIZATION CONCERNS**

[13494] May 9, 2001 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 13-01 SEC RULES COMMITTEE No. 36-01 RE: NYSE RESPONSE TO ICI LETTER RECOMMENDING CHANGES TO ADDRESS BUYSIDE DECIMALIZATION CONCERNS As we previously informed you,<sup>1</sup> the Institute sent a letter to the New York Stock Exchange discussing problems that mutual funds and other institutional investors have had trading large blocks of securities on the Exchange since the implementation of decimalization. In order to resolve these problems, the letter recommended that the NYSE implement certain changes to its Institutional XPress system, which was created to facilitate the ability of institutional investors to trade large orders on the Exchange. On May 7, the NYSE sent a letter to the Institute (a copy of which is attached) responding to the Institute's recommendations. The NYSE welcomed the Institute's letter as part of the ongoing dialogue regarding new services being provided to customers of the NYSE through Network NYSE, which includes Institutional XPress. The NYSE letter then discusses the goals of the Exchange's most recent initiatives directed at the needs of institutional customers, particularly providing greater transparency of market information, solving the "go- along" problem, providing greater systems execution capability for large orders, and reducing market impact and other execution costs. In response to our recommendations, the NYSE letter states that it is difficult to accommodate the needs of one type of market participant pursuing one type of trading strategy and that the NYSE's challenge is to "find the optimal balance that best reconciles the competing needs of all of our different constituents as they pursue different trading strategies." In addition, the NYSE letter states that several NYSE committees will "continue to consider all ideas that advance the goals we established while at the same time protect the agency auction market and its robust liquidity pool" and that the NYSE will feed the Institute's recommendations into the committee process. Ari Burstein Associate Counsel Attachment 1 See Memorandum to Equity Markets Advisory Committee No. 8-01 and SEC Rules Committee No. 21-01, dated March 5, 2001. 2Attachment (in .pdf format)