

**MEMO# 12100**

June 23, 2000

## **NYSE PROPOSED RULE CHANGE RELATING TO THE IMPLEMENTATION OF NYSE DIRECT+**

[12100] June 23, 2000 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 37-00 RE: NYSE PROPOSED RULE CHANGE RELATING TO THE IMPLEMENTATION OF NYSE DIRECT+ The Securities and Exchange Commission ("SEC") has published for comment a proposed rule change filed by the New York Stock Exchange<sup>1</sup> relating to NYSE Direct+, a new facility of the Exchange which would provide automatic execution of limit orders of 1,099 shares or less ("auto ex" orders). In particular, the proposed rule change would, among other things, amend existing NYSE rules to define an "auto ex" order and implement several new NYSE rules governing trading through NYSE Direct+. Under the proposed rules, an auto ex order would be defined as a limit order of 1,099 shares or less priced at or above the NYSE's published offer, in the case of an order to buy, or at or below the NYSE's published bid, in the case of an order to sell, that will receive an automatic execution against the interest reflected in the published quotation, provided the size of the published quotation is greater than 100 shares. The proposed rules provide that orders of greater than 1,099 shares may not be broken down into smaller orders in order to receive an automatic execution. In addition, the proposed rules provide that auto ex orders for the same customer may be entered at time intervals of no less than 30 seconds between entry of each order for the same stock. The proposed rules also list six situations where the auto ex facility would not be available due to market situations, lack of depth in the published quotation, or inappropriate pricing of the auto ex order, and provides that an auto ex order that cannot be immediately executed for any of these six reasons will be automatically entered for execution in the NYSE's auction market. The proposed rules also provide that if the depth of the published bid or offer is not sufficient to completely fill an auto ex order, the unfilled balance of the order will be routed to the NYSE floor and will be displayed in the auction market. In addition, if the automatic executions of auto ex orders result in the execution of all trading interest reflected in the NYSE's published quotation at the bid or offer price, the Release states that the NYSE will disseminate a bid or offer at that price of 100 shares until the specialist "re-quotes" the market. The proposal would be implemented at the outset as a pilot program in a limited number of stocks before being made available to all stocks. The Release states that the NYSE has discussed with SEC staff the possibility of limiting the term of the pilot program to a one year period and that the NYSE has not yet determined which stocks will be eligible for automatic execution under the pilot. 1 Securities Exchange Act Release No. 42913 (June 8, 2000), 65 FR 37587 (June 15, 2000) ("Release").

2Comments on the proposed rule change are due to the SEC no later than July 6, 2000. If you have any comments you would like the Institute to consider including in a possible comment letter, please provide them to the undersigned by phone at (202) 371-5408, by

fax at (202) 326-5839, or by e-mail at [aburstein@ici.org](mailto:aburstein@ici.org) no later than June 29. Ari Burstein  
Assistant Counsel Attachment Attachment (in .pdf format)

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