

**MEMO# 15935**

April 23, 2003

## **NYSE RESPONSE TO SEC CONDITIONAL APPROVAL OF LIQUIDITY QUOTE PROPOSAL**

[15935] April 23, 2003 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 7-03 RE: NYSE RESPONSE TO SEC CONDITIONAL APPROVAL OF LIQUIDITY QUOTE PROPOSAL As we previously informed you,<sup>1</sup> the Securities and Exchange Commission issued an order conditionally approving a proposed rule change filed by the New York Stock Exchange relating to the dissemination of "Liquidity Quotes." In particular, the approval was conditioned on the NYSE removing from its vendor contracts a prohibition on the ability of data feed recipients to integrate Liquidity Quote data with the display of other markets' data. If by the close of business on April 9, 2003, the NYSE did not demonstrate its acceptance of this condition to the SEC, the SEC stated that it would issue an order beginning proceedings to disapprove the proposed rule change. (The SEC did state, however, that the NYSE could require that data feed recipients who choose to provide a Liquidity Quote data package: (i) give the NYSE attribution next to any integrated quote that includes NYSE data; and (ii) make available to customers NYSE's Liquidity Quote product as a separate branded package). The NYSE has accepted the SEC's integration condition.<sup>2</sup> The NYSE also determined to incorporate the two requirements discussed above permitted by the SEC into the vendor agreements. At the same time, however, the NYSE also incorporated several changes to the integration prohibition into the vendor agreements relating to differentiating the Liquidity Quote from other markets' data including, among other things: (1) requiring the use of highlighting or other techniques to visually differentiate the Liquidity Quote from other markets' data; and (2) in the case of an integrated quote, requiring the quotes' display to indicate the number of shares attributable to the Liquidity Quote. The SEC has not yet formally stated whether these changes are in accordance with its original condition. Ari Burstein Associate Counsel 1 Memorandum to Equity Markets Advisory Committee No. 5-03, dated April 11, 2003. 2 The NYSE's response can be found at <http://www.sec.gov/rules/sro/nyse200255/nyse040903.txt>.

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