

MEMO# 11013

May 26, 1999

NYSE FILES PROPOSED RULE CHANGE RELATING TO A SPECIALIST'S ENTRY OF BIDS AND OFFERS IN ECNS

1 Securities Exchange Act Release No. 41397 (May 13, 1999), 64 FR 27610 (May 20, 1999).

2 The proposed rule change defines "another market center" as a registered national securities exchange or registered national securities association. [11013] May 26, 1999 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 18-99 RE: NYSE FILES PROPOSED RULE CHANGE RELATING TO A SPECIALIST'S ENTRY OF BIDS AND OFFERS IN ECNS

The Securities and Exchange Commission ("SEC") has published for comment a proposed rule change (attached) filed by the New York Stock Exchange ("NYSE") to place certain restrictions on a specialist's entry of bids and offers in ECNs.¹ In particular, under the proposed rule change, a specialist's bid or offer for a specialty stock on the NYSE cannot be inferior to his or her bid or offer made in an ECN or another market center.² Therefore, if a specialist places a bid or offer into an ECN or on another market center at a price superior to the then disseminated best bid or offer on the NYSE, the specialist would be required to make the price available for execution on the NYSE. The specialist would then be liable for executions at this price on both the NYSE and on the ECN or other market center. The proposed rule change would apply to all bids and offers made by a NYSE member acting as a specialist on the floor of the NYSE in any of the specialty stocks in which he or she is registered. The SEC specifically requested comment on the following issues: (1) Whether the proposed provision prohibiting specialists to quote in pricing increments not permitted on the NYSE would have an anti-competitive impact on specialists or other trading mechanisms and if so, whether the anti- competitive impact is necessary to ensure specialists quote their best prices publicly; and (2) What impact this proposal is likely to have when the markets begin quoting in decimals. Comments on the proposed rule change must be filed with the SEC by July 6, 1999. If you have any comments on the proposed rule change, please provide them to Ari Burstein by phone at (202) 371-5408, by fax at (202) 326-5841, or by e-mail at aburstein@ici.org. Ari Burstein Assistant Counsel Attachment