

MEMO# 15359

November 15, 2002

NYSE PROPOSED RULE CHANGE ELIMINATING THE DISSEMINATION OF DEPTH INDICATIONS AND DEPTH CONDITIONS

[15359] November 15, 2002 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 28-02 RE: NYSE PROPOSED RULE CHANGE ELIMINATING THE DISSEMINATION OF DEPTH INDICATIONS AND DEPTH CONDITIONS The Securities and Exchange Commission has published for comment a notice of the filing and immediate effectiveness of a proposed rule change filed by the New York Stock Exchange eliminating the dissemination of depth indications and depth conditions.¹ Depth indications and depth conditions were established to permit an NYSE specialist to indicate that there was additional market interest in a security below the current published bid and above the current published offer. According to the NYSE, this additional market interest could include the specialist's proprietary interest, orders the specialist has on his or her book, and other orders, such as percentage orders, that the specialist is representing as agent. The dissemination of a depth indication or depth condition by a specialist was made on a "best efforts" basis, which permitted a specialist to use his or her professional judgment to determine whether disseminating additional market interest would be useful with respect to current conditions in the security or the market in general. The NYSE states that it is proposing to discontinue the use of depth indications and depth conditions given the development of other means to provide market participants with increased market information. For example, the NYSE states that the NYSE OpenBook service provides a comprehensive view of NYSE limit order books for all Exchange-traded securities, enabling market participants to see aggregate limit order interest at price levels outside the displayed Exchange quotation. In addition, the NYSE notes that it is developing an initiative that will consist of the display of a "liquidity quote" that will reflect aggregated trading interest at a specific price interval below the best bid or above the best offer. The NYSE states that it therefore believes that the advent of the OpenBook service and the Exchange's plan to introduce liquidity quote information will adequately replace information provided by depth indications and conditions. Ari Burstein Associate Counsel Attachment (in .pdf format) 1 Securities Exchange Act Release No. 46781 (November 7, 2002), 67 FR 69281 (November 15, 2002). Comments on the proposed rule change are due to the SEC no later than December 6, 2002.

should not be considered a substitute for, legal advice.