

MEMO# 13816

August 8, 2001

INSTITUTE COMMENT LETTER ON NYSE PROPOSAL AMENDING XPRESS QUOTE AND ORDER PARAMETERS

[13816] August 8, 2001 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 29-01 RE: INSTITUTE COMMENT LETTER ON NYSE PROPOSAL AMENDING XPRESS QUOTE AND ORDER PARAMETERS The Institute has filed a comment letter (attached) with the Securities and Exchange Commission on the proposed rule change filed by the New York Stock Exchange¹ to decrease the minimum number of shares required for XPress quotes and orders and to decrease the time that a published bid or offer must remain at the same price to become XPress eligible. The comment letter is substantially similar to the draft letter previously sent to the Committee.² In particular, the comment letter states that while the Institute strongly supports the goals of recent NYSE initiatives directed at the needs of institutional investors, we do not believe that the Institutional XPress system satisfactorily responds to the problems that mutual funds and other institutional investors are facing when trading on the Exchange. In addition, the letter states that while reducing the XPress quote and order parameters represents an improvement, albeit a small one, to the XPress system as currently structured, the Institute does not believe it will effectively address the most pressing concerns of our members, particularly the inadequate protection of limit orders placed on the Exchange's limit order book and the inability of investors to effectively interact with those orders. The comment letter therefore urges the NYSE to adopt the recommendations that the Institute previously put forth concerning the XPress system, in particular, eliminating the required displayed time for a quote to qualify as an XPress quote, making XPress orders ineligible for price improvement, and allowing XPress orders to reach through to orders on the book below the best bid and offer. Ari Burstein Associate Counsel Attachment (in .pdf format) 1 Securities Exchange Act Release No. 44539 (July 11, 2001), 66 FR 37509 (July 18, 2001). 2 Memorandum to Equity Markets Advisory Committee No. 27-01, dated July 31, 2001.