

MEMO# 15224

October 2, 2002

NYSE PROPOSED RULE CHANGE AMENDING NYSE DIRECT+

[15224] October 2, 2002 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 25-02 RE: NYSE PROPOSED RULE CHANGE AMENDING NYSE DIRECT+ The Securities and Exchange Commission has issued a notice of the filing of a proposed rule change filed by the NYSE¹ (a copy of which is attached) amending NYSE Direct+. As you know, NYSE Direct+ provides for the automatic execution of limit orders in a stock against trading interest reflected in the Exchange's published quotation. Currently, order size eligibility for all auto-ex orders for stocks is 1,099 shares or less. The NYSE is proposing a one-year pilot program to expand the size of orders eligible for automatic execution under NYSE Direct+ to a maximum of 10,000 shares for two Exchange products – "Investment Company Units" (which include ETFs) and "Trust Issued Receipts" (which include HOLDRs). The Release states that the expanded order size would be phased in under the pilot program, with order size raised on a gradual basis to the maximum of 10,000 shares as experience is gained. The NYSE believes that the increase in the number of shares eligible for automatic execution for these securities will serve to attract additional order flow to NYSE Direct+. Ari Burstein Associate Counsel Attachment (in .pdf format) 1 Securities Exchange Act Release No. 46527 (September 20, 2002), 67 FR 61368 (September 30, 2002) ("Release"). Comments on the proposed rule change are due to the SEC no later than October 21, 2002.

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