

COMMENT LETTER

August 8, 2001

Comment Letter on NYSE Proposal to Amend XPress Quote System, August 2001

August 7, 2001

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: NYSE XPress Quote Parameters (SR-NYSE-2001-14)

Dear Mr. Katz:

The Investment Company Institute¹ appreciates the opportunity to comment on the New York Stock Exchange's proposed rule change² to decrease the number of shares required for quotes and orders to become XPress eligible and to decrease the time that a published bid or offer must remain at the same price to become XPress eligible.

Earlier this year, the Institute wrote to the NYSE and suggested certain changes to the Institutional XPress system.³ As we stated in those letters, while we strongly support 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. This will remain the case, we believe, under the revised parameters set forth in the current proposal.

In particular, while reducing the minimum size of an XPress quote and order from 25,000 shares to 15,000 shares and the time period for designation as an XPress quote from 30 seconds to 15 seconds represents an improvement, albeit a small one, to the XPress system as currently structured, we do not believe it will effectively address the most pressing concerns that our members have—inadequate protection of limit orders placed on the Exchange's limit order book and the inability of investors to effectively interact with those orders.

We therefore urge the NYSE to adopt the recommendations that we have previously put

forth concerning the XPress system, which would facilitate the ability of mutual funds and other institutions to trade large orders on the Exchange by, among other things, providing the protection for limit orders which they seek. In particular, the NYSE should eliminate the required displayed time for a quote to qualify as an XPress quote, make XPress orders ineligible for price improvement (i.e., XPress orders should not be represented by the specialist to the crowd), and allow XPress orders to reach through to orders on the book below the best bid and offer and require all orders on the book at prices better than those orders to be executed and price improved.⁴

Only in this manner do we believe Institutional XPress can reach its goal of becoming a system that will facilitate trading by institutions of large orders on the Exchange as well as a catalyst for the placement of limit orders on the Exchange's limit order book.

Any questions regarding our comments may be directed to the undersigned at (202) 371-5408.

Sincerely,

Ari Burstein
Associate Counsel

[Attachment](#)

cc: Annette L. Nazareth
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New York Stock Exchange

ENDNOTES

1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,638 open-end investment companies ("mutual funds"), 498 closed-end investment companies and 7 sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.909 trillion, accounting for approximately 95% of total industry assets, and over 83.5 million individual shareholders.

2 Securities Exchange Act Release No. 44539 (July 11, 2001), 66 FR 37509 (July 18, 2001).

3 See Letter from Craig S. Tyle, General Counsel, Investment Company Institute, to Richard A. Grasso, Chairman, New York Stock Exchange, dated March 1, 2001 and [Letter](#) from Craig S. Tyle, General Counsel, Investment Company Institute, to Catherine R. Kinney, Group Executive Vice President, New York Stock Exchange, dated June 26, 2001.

4 This would ensure that bids or offers on the book that are superior to the XPress eligible quote are protected and would be consistent with the Exchange's desire to provide price improvement opportunities to smaller orders.

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