

COMMENT LETTER

June 26, 2001

ICI Comments on XPress System, June 2001

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Ms. Catherine R. Kinney
Group Executive Vice President
New York Stock Exchange
20 Broad Street
New York, NY 10005

Dear Cathy:

Thank you for your letter responding to the Investment Company Institute's [1](#) recommendations on Institutional XPress set forth in our letter to NYSE Chairman Richard Grasso. We appreciate the opportunity to continue to participate in the discussion on the development of market structure initiatives at the Exchange.

The Institute strongly supports the goals of the NYSE's recent initiatives directed at the needs of institutional investors that you outlined in your letter, particularly providing greater transparency of market information, solving the "go-along" problem, providing greater systems execution capability for large orders and reducing market impact and other execution costs. However, we do not believe these initiatives 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.

It is certainly the case, as you pointed out in your letter, that decimalization is still in its infancy and that it may be some time before all the effects on market participants can be determined. The problems noted above, however, pre-date decimalization. As we noted in our letter to Chairman Grasso, decimalization simply has made them more apparent. In addition, while it is true in some sense that, as you stated in your letter, "what is 'trading ahead' to one institutional investor is 'price improvement' for another," our members have consistently told us that they would gladly forego price improvement in order to receive protection for their displayed orders and the ability to freely interact with orders on the Exchange's limit order book. We believe our recommendations would achieve these goals and thereby help ensure that all market participants will realize the full benefits of decimalization.

We understand that several committees at the Exchange—including the Market Performance Committee, the Institutional Traders Advisory Committee, and the Decimal Committee—are continuing to discuss issues of concern to our members and that our recommendations will be disseminated to these committees for their review. We appreciate your consideration of our recommendations; as I indicated in my letter to Chairman Grasso, we would be pleased to discuss them with you further. If you would like to do so, or if you have any questions regarding our recommendations, please contact me at (202) 326-5815 of Ari Burstein at (202) 371-5408.

Sincerely,

Craig S. Tyle
General Counsel

cc: Richard A. Grasso
Chairman

Edward A. Kwalwasser
Group Executive Vice President

New York Stock Exchange

ENDNOTE

1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,555 open-end investment companies ("mutual funds"), 504 closed-end investment companies, and 8 sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.917 trillion, accounting for approximately 95% of total industry assets, and over 83.5 million individual shareholders.

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