

Information Memo

Office Of General Counsel



NYSE Regulation, Inc. | 20 Broad Street
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Number 08-24
April 22, 2008

TO: ALL MEMBERS AND MEMBER ORGANIZATIONS

SUBJECT: REVISED-NEW RESERVE ORDER TYPE AND DO NOT DISPLAY E-QUOTES - AMENDMENT OF RULE 13 AND RULE 70

NOTE: This Information Memo revises and supersedes the previously issued Information Memo 08-23, dated April 21, 2008. This revised Information Memo clarifies that the amendment to Exchange Rule 70.20(h) is a permanent rule change that applies to all securities traded on the Exchange. It is not limited to the securities included in the Reserve Order Pilot.

The purpose of this Information Memo is to announce the implementation of a new order type "Reserve Order," that will be supported by the New York Stock Exchange beginning April 23, 2008. This new order type will enable market participants to directly enter orders with reserve interest electronically in Exchange systems for execution. The new order type will be available initially in a 100-stock pilot and is expected to run until the end of September 2008. A list of the 100 pilot stocks is attached to this Information Memo.

In addition, the Exchange has amended Exchange Rule 70.20 to permit Floor broker agency interest removed from the aggregated agency interest information to participate in manual executions.

Reserve Orders

A Reserve Order, as defined in Exchange Rule 13, is a limit order for which a portion of the interest is to be published (displayed) when it is or becomes the Exchange best bid or offer, and for which a portion of the interest is not displayed, i.e., is in "reserve". Reserve Orders may be placed at any price. The ability to have reserve interest has been available to Floor brokers and specialists since the inception of the Exchange Hybrid Market Initiative in 2005.

Market participants that choose to enter Reserve Orders must specify information with respect to the price and size of the order and the amount of interest to be displayed. Reserve Orders will have a minimum published or "displayed" amount of one round lot, which for most of the securities traded on the Exchange is 100 shares. However, at the time of order entry customers may determine the specific amount to be displayed above

this minimum requirement of one round lot. The published amount is displayed on the NYSE trading floor and on NYSE OpenBook[®]. Both the displayed and the non-displayed portion are available for automatic execution against incoming contra side orders. Reserve Orders have the ability to automatically replenish the displayed amount of interest at the Exchange BBO when trades reduce or exhaust such displayed interest. When the displayed size of a Reserve Order is replenished from the reserve, the time sequence of the remaining original displayed quantity (if any) will retain its original time sequence, while the replenished displayed quantity will be assigned a time sequence based on the time it is replenished.

With respect to the portion of Reserve Orders that is not displayed, this interest will be available for execution only after all displayed interest at the Exchange bid or offer has been executed.

Execution of Reserve Interest During a Manual Transaction

While the majority of transactions on the Exchange are executed electronically, there are times when manual execution is required. In these situations, specialists seek information on the available interest at various price points to determine the appropriate price at which to complete the manual execution. As with reserve interest in a Floor broker's agency interest file, information on reserve interest entered directly into Exchange systems through Reserve Orders will be made available to the specialist only in the aggregate at each price point for the express purpose of the specialist effecting a manual execution. The reserve interest is not distinguished from other interest available to be executed at a specific price point. Rather, Exchange systems display to the specialist the total number of shares available for execution at the price point and include reserve interest in the total number. In this manner such reserve interest will be available for trades that take place on the Floor of the Exchange that will not be conducted automatically.

Amendment of Rule 70.20

Any reserve interest in the Floor broker agency interest file that is priced at or becomes the Exchange best bid or offer is displayed to the specialist on an aggregated basis along with any other interest that is available at the same price. However, pursuant to Rule 70.20(g), a Floor broker has the discretion to remove his or her agency interest, including any reserve interest at the best bid (offer), from the aggregate information available to the specialist. Floor broker agency interest excluded from the aggregate information available to the specialist would not be included in a specialist's response to a member's market probe in accordance with Exchange Rule 115.¹ Floor broker agency interest removed from the aggregate information is eligible to participate in automatic executions; however, it is not eligible to participate in manual executions. The Floor broker is responsible for ensuring that agency interest removed from the aggregate information is properly represented with respect to any manual trade that

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Pursuant to Exchange Rule 115(iii) a specialist may provide information about orders contained in the Display Book referred to also as a market probe, "...to provide information about buying or selling interest in the market, including aggregated buying or selling interest contained in Floor broker agency interest files other than interest the broker has chosen to exclude from the aggregated buying and selling interest in response to an inquiry from a member conducting a market probe in the normal course of business."

may occur because the specialist will not have any knowledge of such interest. As a result, excluded interest may be executed at an inferior price because that information is not visible to the specialist.

In order to provide its customers with the best possible execution experience, the Exchange has amended Exchange Rule 70.20(h) to permit agency interest removed from the aggregated agency interest information to participate in manual executions. As such, those orders will no longer be at the risk of being executed at inferior prices.

In order to permit agency interest removed from the aggregated agency interest information to participate in manual executions, Exchange systems will include excluded interest in the aggregated agency interest displayed to the specialist only during the execution of a manual trade.

To ensure that information regarding agency interest that has been removed from the aggregated agency interest eligible for participation in manual executions is used solely for the purposes of executing a manual trade, the Exchange further amended Exchange Rule 70.20(h) to add section (ii). The added section 70.20(h)(ii) prohibits specialists, trading assistants or anyone acting on their behalfs from using the Display Book to access information about Floor broker agency interest that has been excluded from the aggregated agency interest, unless there is a reasonable expectation on the part of such specialist, trading assistant or other person acting on their behalfs that a transaction will take place imminently for which such agency interest information is necessary to effect the transaction.

The prohibition set forth in Exchange Rule 70.20(h)(ii) is a permanent change to the rule that applies to all securities traded on the Exchange. It is not limited to the securities included in the Reserve Order Pilot. Members and member organizations should be advised that a pattern and practice of specialists accessing agency interest removed from the aggregated agency interest information without trading may constitute a violation of Rule 70.20.

Questions concerning this memorandum may be addressed to: Paul J. Bauccio, Vice President Floor Operations at (212) 656-2929, Robert Airo Vice President Sales & Relationship Mgmt at (212) 656-5663 or Deanna Logan, Associate General Counsel at (212) 656-2389.

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Attachments

PILOT SECURITIES

SYMBOL	CORPORATION NAME
1. AA	Alcoa Inc.
2. ABX	Barrick Gold Corp.
3. AG	AGCO Corp
4. AGU	Agrium Inc
5. AIG	American Intl. Group
6. AMR	AMR Corp.
7. AMT	American Tower Corp.
8. ARA	Aracruz Cellulose S A
9. AU	Anglo Gold Ashanti Ltc
10. AUY	Yamana Gold Inc.
11. AXP	American Express Co.
12. BA	Boeing Company
13. BAC	Bank of America Corp.
14. BGP	Borders Group
15. BHP	BHP Billion Ltd
16. BMC	BMC Software Inc.
17. BSC	Bear Stearns Cos Inc.
18. BTU	Peabody Energy Inc
19. C	Citigroup Inc
20. CAT	Caterpillar & Inc.
21. CFC	Country Wide Fincl Corp
22. CNP	Centerpoint Energy Inc Hldg
23. COF	Capital One Fincl Corp.
24. CVX	Chevron Corp.
25. DD	DuPont E I De Nemours & Co
26. DDR	Developers Diversified Realty
27. DIS	Walt Disney Company (The)
28. DNA	Genetech Inc
29. ELN	Elan Corp Inc
30. EXM	Excel Maritime Carriers Ltd
31. FCX	Freeport McMoran Corp.
32. FLR	Fluor Corp
33. FMD	First Marblehead Corp
34. FNM	Fannie Mae
35. FRE	Freddie Mac
36. GA	Giant Interactive Inc
37. GBM	General Motors Corp
38. GE	General Electric Co.
39. GEF	Greif Inc
40. GG	Goldcorp Inc.
41. GLW	Corning Inc.
42. GM	General Motors Corp.
43. GME	Gamestop Corp.
44. HAL	Halliburton Co Hldg Company
45. HD	Home Depot Inc.
46. HK	Petrohawk Energy Corp.
47. HOT	Starwood Hotels & Resorts
48. HPQ	Hewlett Packard Co
49. IBM	Intl. Business Machines
50. ICE	Intercontinental Exchange

SYMBOL	CORPORATION NAME
51. JNJ	Johnson & Johnson
52. JPM	JP Morgan Chase & Co.
53. KMX	Carmax Inc
54. KO	Coca Cola Co.
55. LDK	LDK Solar Co. Inc
56. LEH	Lehman Brothers Holdings Inc
57. LIZ	Liz Claiborne Inc
58. MBI	MBIA Inc.
59. MCD	McDonalds Corp.
60. MCO	Moody's Corporation
61. MER	Merrill Lynch & Co Inc.
62. MGI	Moneygram Intl. Inc.
63. MMM	3M Company
64. MRK	Merck & Co Inc.
65. MS	Morgan Stanley
66. MTG	MGIC Investment Corp
67. NDN	99 Cents Only Stores
68. NM	Navios Maritime Hldgs.
69. NRG	NRG Energy
70. NYX	NYSE Euronext
71. PBRA	Petro Brasileiro S.A.
72. PCS	Metropcs Communications
73. PCU	Southern Copper Corp
74. PFE	Pfizer Inc.
75. PG	Proctor & Gamble Co.
76. PLD	ProLogis
77. PMI	PMI Inc
78. PTR	Petrochina Co. Ltd
79. RCL	Royal Caribbean Cruises
80. RIO	Comphania Vale Do Rio Dolce
81. SF	Stifel Fincl. Corp
82. SKM	SK Telecom Ltd Inc.
83. SLM	SLM Corp
84. SNP	China Petroleum & Chemical
85. STI	Suntrust Banks Inc
86. T	AT&T Inc.
87. TGT	Target Corporation
88. TRA	Terra Inds Inc
89. UBB	Unibanco Uniao De Bancos
90. UTX	United Technologies Corp.
91. VIP	Vimpel Communications
92. VZ	Verizon Communications
93. WB	Wachovia Corp
94. WFC	Wells Fargo & co.
95. WLP	Wellpoint Inc
96. WM	Washington Mutual Inc.
97. WMI	Waste Management Inc.
98. WMT	Wal Mart Stores Inc.
99. X	United States Steel Corp.
100. XOM	Exxon Mobil Corp.