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REMINDER

PT 0110

Date: May 24th, 2005

To: All Members and Member Organizations/Chief Operations Officers/Managing Partners/Operations Managers/Data Processing Managers and P&S Managers of Member Organizations

Subject: ***e-Quote Comparison and the use of "LMT (0789) Omnibus"***

As part of the 'Hybrid Market' initiative, the NYSE e-Broker handheld and Proprietary/Vendor handheld devices will be enhanced to allow brokers to electronically add interest to the quote and thereby participate in automatic executions.

Pending SEC approval, the NYSE will enable Floor Brokers in the crowd with the ability to send bids and offers electronically to the point-of-sale. Reports will be returned electronically to the introducing broker and will be allocated to the underlying order(s) for submission to comparison.

To facilitate the processing of electronic quote executions (commonly referred to as e-Quotes), the On-Line Comparison System (NYSE OCS[®]) shall be enhanced to perform a new match and support the usage of a new generic broker omnibus account. Members should review this circular in an effort to identify internal system changes required in support of this initiative.

Below is an example of the new e-Quote Comparison process:

A Floor Broker (Badge 1234) receives two buy orders for 500 shares (at the handheld device) from firm AAA and firm BBB. The (introducing) broker enters an electronic bid for 1,000 shares. Subsequently, the bid is hit and the broker receives a report (at the handheld device) that the 1,000 shares was executed against the omnibus account of "LMT" along with a "Report Link" number from the point-of-sale. The report is allocated to each of the underlying orders contained in the handheld device and sent to the Order Management System.

The comparison sides are submitted by the clearing firm to the On-Line Comparison System (OCS) against the contra firm of "LMT" along with the "Report Link" number (as well as with other required data elements) within 30 minutes from the time of execution. Note: The report link number shall be viewable on the OCS user screens.

The OCS shall match the comparison submissions against the original e-Quote execution. For comparison matching purposes an exact match shall be required on the introducing broker badge and the report link number field.

- Example of e-Quote Report Appearing on the OCS Broker Browse Screen with Clearing Firm Submission of Underlying Orders

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NYSE EQUITY-SYSTEM T-DATE BROWSE UNCOMPARED/ADVISORIES 05/20/05 14:18
USER-NAME: XXXXX
BRKR-BADGE: 1234 TRADE-DATE: 05 20 05 BUY/SELL : -
SYMBOL: AAA GIVE-UP FIRM: --- CONTRA-BADGE: ---

LN B G/U CNTR CNTR S CA EXEC A
NO I DK S QUANTITY SYMBOL PRICE FIRM FIRM BDGE P ND TIME T
***** TRADE DATE: 05/20/05 ***** TOP OF DATA *****
A 02 B 1000 AAA 1 NON LMT 0001 1105
U 03 B 500 AAA 2 VVV LMT 0001 1105 P
U 04 B 500 AAA 3 ZZZ LMT 0001 1105 A
***** END OF DATA *****
  
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(Price discrepancy displayed above for illustration purposes only)

BBSS Direct Submission

For NYSE e-Broker handheld users that are eligible for BBSS Direct Submission to OCS, the reports shall be automatically allocated to the underlying orders and submitted immediately along with the required data elements to OCS. Therefore, clearing firm submission shall not be required (same as standard BBSS reports).

Key Points regarding e-Quote Processing in OCS

- During the trading day a new match shall be performed in OCS for e-Quote execution against firm submissions for underlying orders.
- Any unresolved LMT comparison sides shall be displayed immediately on the Introducing Broker’s OCS “Browse Uncompared” screen for resolution.
- Specialist users shall not be able to adjust the LMT-as-Major comparison side (the e-Quote execution) on their OCS screen.
- In the event that all submissions are not received during the trading day, a partial quantity match shall be performed at the end-of-day.
- After 30 minutes from the time of execution on trade date, OCS shall substitute the introducing broker’s default clearing firm in the contra firm field for any unresolved LMT items. At that time the default Clearing Firm Screen shall display as advisory item.
- The default firm shall be able to respond to LMT advisories by Accepting (Stamping Up) or indicating that they Don’t Know the item (DKing).
- At the end of the processing day, unresolved LMT items shall be returned on the next business day as “Questioned Trades” and the introducing broker’s default clearing firm shall continue to appear in the contra firm field.
- Clearing firms shall be able to enter adds into OCS along with all the required data elements (such as the report link number) for the comparison side to match.

- The Specialist Inhibitor shall be populated on the LMT comparison side thus restricting the specialist from taking any action on the item. It is recommended that Clearing Firms do the same with their submissions against the omnibus account of LMT.

Broker Responsibility

The Introducing Broker is responsible for resolving all e-Quote executions (LMT comparison sides) containing that broker's badge number.

- Unlike current NYSE omnibus account (DOT, OARS & YB) processing, the specialist clearing firm shall not be forced against "LMT" open items.
- At the close of business on T+2, LMT Questioned Trades that remain unresolved, shall be forced against the introducing broker's default clearing firm.

OCS MQM Format Change:

A new field "Report Link Number" has been added to the OCS MQM format in positions 266-271. Please reference Post Trade Circular PT108, dated March 30th, 2005 for details.

OCS Screen Changes:

A new field "Report Link Number" has been added to the OCS screens. Specific details shall be issued in a separate circular.

Contract Output:

A new field "Report Link Number" has been added to the Intra-day contract output. Please reference NSCC Important Notice P&S#5584, dated April 22nd, 2005 for details.

OCS Testing:

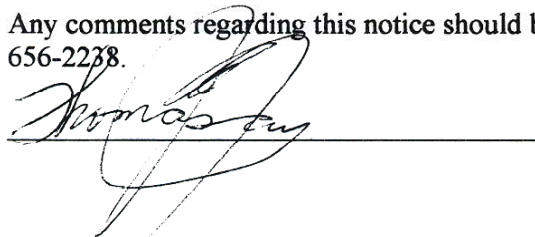
It is anticipated that SIAC should be prepared to support member firm OCS testing in August 2005. Specific details shall be incorporated in a subsequent notice.

Implementation:

The implementation date for e-Quote functionality is tentatively scheduled for October 2005. An exact implementation date will be announced in a subsequent notice.

Any questions regarding this circular should be directed to Fred Lipinski at (212) 656-3021 or Lawrence Moreno (212) 656-4648.

Any comments regarding this notice should be directed to the undersigned, Thomas Fay at (212) 656-2278.



A handwritten signature in cursive script, appearing to read "Thomas Fay", is written over a horizontal line.