

PT 132

Date: January 10, 2007

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

Subject: **ITS Comparison Replacement**

Pending SEC approval the New York Stock Exchange plans to begin its transition off of the Intermarket Trading System (ITS) and leverage the ARCA Routing Broker for the routing of outgoing interest. Interest that is routed out through this new interface and subsequently executed will be cleared with Arca Securities LLC, clearing alpha "AHX", clearing number "0436". It is expected that this transition will commence in 1Q2007 and be completed by 2Q2007 and at that time the ITSN/0736 clearing arrangement will no longer be supported by the NYSE systems.

Listed below is a summary of the changes:

Crowd Interest

Currently when "crowd" interest is routed away, a report is returned to the broker with the contra clearing firm of "ITSN". The broker's clearing firm then submits the trade to the On-line Comparison System (NYSE OCS[®]) for subsequent comparison processing. In the event that both the ITS comparison side and the clearing firm comparison side are in agreement a compared trade is generated. If neither side agrees, this results in an uncomparing trade. The uncomparing trade remains in OCS until deleted or resolved.

Interest routed through this new interface will receive a report with the contra clearing firm of "AHX". The clearing firm must continue to submit the trade to the OCS although instead of submitting against the contra firm of "ITSN" the firm must submit against "AHX". In addition any AHX as major uncomparing trades that are unresolved at the end of the day on trade date will be forced in against the contra clearing firm contained on the execution (containing the badge number of the broker involved in the trade).

Specialist Interest

Currently when specialist interest is routed away, a report is forwarded immediately to OCS and the specialist clearing agent is locked-in on the trade with the contra clearing firm of "ITSN". Interest routed through this new interface will result in the specialist clearing firm being locked-in against the contra clearing firm of "AHX".

Electronic Interest

Currently when a member firm enters an order into the Trading System and that interest is routed away and subsequently executed the firm receives a report with an omnibus account as the contra clearing firm (LOC/787 or TOD/772). This process will continue for interest routed away through this new interface.

OCS Screen Changes

Current: Firm vs. ITS in OCS

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NYSE    EQUITY-SYSTEM    T-DATE UNCOMPARED / ADVISORIES 12/15/06    08:24
                                                USER-NAME: TEST
MAJOR-FIRM:    XYZ    TRADE-DATE: 12 15 06    BUY/SELL: -
SYMBOL: -----    PRICE: -----    CONTRA-FIRM: ----

LN S      B      CNTR CNTR MAJR S CA      EXEC A
NO C I DK S QUANTITY  SYMBOL      PRICE      FIRM BDGE BDGE P ND      TIME T
** * * ** * TRD-DATE: 12/14/06  TOP OF DATA  ****  ****  **** * ***      **** *
U02      S      300 UBS      61.49      ITSN 0001 0152      1011 A
A03      S      300 UBS      61.50      ITSN SPEC SPEC      1011
** * * ** * ***** ***** END OF DATA  ****  ****  **** * ***      **** *
  
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New: Firm vs. AHX

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NYSE    EQUITY-SYSTEM    T-DATE UNCOMPARED / ADVISORIES 12/15/06    08:24
                                                USER-NAME: TEST
MAJOR-FIRM:    XYZ    TRADE-DATE: 12 15 06    BUY/SELL: -
SYMBOL: -----    PRICE: -----    CONTRA-FIRM: ----

LN S      B      CNTR CNTR MAJR S CA      EXEC A
NO C I DK S QUANTITY  SYMBOL      PRICE      FIRM BDGE BDGE P ND      TIME T
** * * ** * TRD-DATE: 12/14/06  TOP OF DATA  ****  ****  **** * ***      **** *
U02      S      300 UBS      61.49      AHX 0001 0152      1011 A
A03      S      300 UBS      61.50      AHX SPEC 0152      1011
** * * ** * ***** ***** END OF DATA  ****  ****  **** * ***      **** *
  
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A03
Price Difference
AHX Contra

If not resolved by end of day, the AHX Comparison side is locked-in against the Contra Firm.

Any questions regarding this circular should be directed to John Schwarzbeck at (212) 656-5462 or Larry Moreno at (212) 656-4648

Any comments regarding this notice should be directed to the undersigned, Thomas Fay at (212) 656-2238.

