

Information Memo

REVISED



**11 Wall Street
New York, NY 10005**

Trading Technology

November 1, 2007

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

SUBJECT: Liquidity Taker/Provider Determination

In support of the recently announced pricing changes, the NYSE plans to implement a Trading System enhancement to identify customer executions as liquidity "Takers" and "Providers" or if the execution would be considered "Blended". In the interim, customers can use the auto-execution (NX) indicator to ascertain if an execution is considered a "Taker". All other executions would be considered Provider or Blended (except for those orders routed away to other markets for execution which are already identified). **Interest executed on the Opening will be considered "Provider"** and interest executed at the Close would be considered Blended (with the exception of Limit Interest providing liquidity that is swept into the close).

To receive the auto-execution (NX) indicator or the Away Market Center Indicators (MCID) member firms must be capable of receiving the CMS Expanded Line 4B Report format and have their NX and MCID flags activated. Both these features can be initiated on an Entering Firm mnemonic basis. If you have any questions regarding your current setup or would like to update your settings, please contact MF Customer Service at 1-866-873-7422.

Exceptions to the Auto Execution (NX) indicator "Taker" Rule:

Repeat Trades

The auto-execution indicator can be used to identify Takers on most executions, however this is not the case when the Taker accesses liquidity as the result of a repeat trade (incoming interest repeats against a reserve or CAP interest). The initial execution will have the NX indicator, however the repeat trade will not. Customers can handle this scenario by assuming that when multiple executions are returned against an order containing the same execution price and report time, and if the first execution contains the NX indication then the subsequent execution (without the NX indication) should be considered a Taker. This will be added in a software change scheduled for deployment in November 2007.

BBSS Traffic

The auto-execution indicator is not forwarded to Parent orders from child orders routed to the post or underlying orders for eQuote interest that is routed from the Broker System to the post. Member Firms/Floor Brokers must use the Merged Order Log (MOL) to ascertain the category on floor executions such as eQuotes and partials.

Proprietary CAP Orders

Under certain conditions the auto-execution indicator may appear on an execution for a CAP order. All CAP order executions are considered “Provider” regardless of the NX indication.

Non auto-execution Order Types:

Orders containing non-standard settlement terms such as cash, next day and seller’s option as well as odd lots and the odd lot portion of a PRL order are considered Blended.

Crossing Session

Crossing Session 1 executions are considered Provider.

MOL Output:

Member Firms can use their Merged Order Log (MOL) output on the next business day to validate the billing category. In the near future the categories provided by the Trading System will appear on the MOL output. In the interim recipients can derive the category by using the information provided on the MOL.

Any questions regarding MOL data should be directed to Larry Moreno at (212) 656-4648 or Bob Hesdra at (212) 656-3859.

MOL reference material: Merged Order Log IRS Document:

<http://www.nyse.com/pdfs/SAH%20MRO%20Formats%20v3-3.pdf>

Any questions regarding CMS execution data should be directed to Karl Nystrom at (212) 656-5056 or John Limerick at (212) 656-3099.

CMS Reference Materials: Information Memo dated January 31, 2007 “Away Market Center Indicators”:

<http://www.nyse.com/pdfs/CMSAwayMKTIND13107.pdf>

Any questions regarding this circular should be directed to Bob Airo at (212) 656-5663

Attachments:

FAQ

MOL Extract

CMS FCS and FIX Extract

Take/Provide Determination - FAQ

The purpose of the following pages is to highlight certain frequently asked questions and to provide additional guidance.

Q1: How will the Member Firm identify an execution that was routed away and executed on another market?

A1: Executions from an away market contain a Market Center ID on the report message

Q2: How will the Member Firm identify a "Taker" execution?

A2: Taker executions are identified by the "NX" indicator on the report message.

Q3: How will the Member Firm identify a "provider" execution?

A3: All executions that contain a blank in the "NX" indicator field and are not addressed in questions 1, or 4 are considered "provider". In addition all CAP orders are considered "provider".

Q4: How will the Member Firm identify a "Blended" execution?

A4: Blended executions comprise a blank "NX" indicator and fall into one of the categories below:

- Executions at the close (excluding limit interest swept into the close)
- Non-regular way settlement executions (cash, next day, seller's option)
- Odd-lot executions including odd-lot portions of Partial Round Lots (PRL)
- e-Quotes using discretion to execute

NOTE: Crowd to Crowd interest is considered Blended with the exception of agency crosses above 10,000 shares which are classified as Provider.

Q5: Are there any exceptions to the "NX" Taker Rule?

A5: Yes, when the "taker" accesses liquidity as the result of a repeat trade the "NX" indicator is not marked on the repeat trade. In addition, the "NX" indicator is not propagated to the parent order or underlying orders for BBSS traffic. Also, under certain conditions, the "NX" indicator may appear on the execution associated with a CAP order.

Q6: How will the Member Firm identify a repeat trade?

A6: If the initial execution has the "NX" indicator, any subsequent executions containing the same price and report time are also considered "taker". Reminder: the "NX" indicator will appear correctly on these trades beginning in November 2007.

Q7: Are ETF's affected by these changes?

A7: No, ETF's will remain classified as they are today based on Order size.

Q8: How are Partial Round-Lots (PRL) treated?

A8: The same as the away Market Center (MCID) is today. When an execution is received for a PRL quantity, the Take/Provide value applies to the round-lot portion and the odd-lot portion is treated as Blended.

Q9: How will a Member Firm identify an Opening trade?

A9: All opening executions are considered Provider. The Opening trade is identified by the contra firm of OPN or OARS on the Clearing Firm and Entering Firm MOL Output.

Q10: How will a Member Firm identify a Closing Trade?

A10: Market On Close (MOC) and Limit On Close (LOC) executions are considered Blended. Limit interest posted prior to the close that is rolled into the closing trade is considered Provider. A closing trade is identified by the contra firm of YB on the Clearing Firm and Entering Firm MOL Output.

NOTE: These values can be found on CMS reports intraday and MOL Output on the next day.

Firm Merged Order Log Extract (06220143, 06220174)

| Category | Trade Type | Message | Field/Position | Values |
|----------|-------------------------------|---------|--|---|
| Away | Executed Away | 2A | Away Market Center – 157 | A, B, C, D, I, M, P, T, W or X |
| Taker | Auto Execution | 2A-2E | Execution Type (NX Ind)- 115 | 1 = Auto-Ex (NX) |
| | Auto Execution (Repeat Trade) | 2A-2E | Turnaround Number – 26-31 Execution Price 78-89 Original Report Time – 107-112 | If you have an NX execution check for executions same TA#, price and time |
| Provider | Auto Execution | 2A-2E | Execution Type (NX Ind)- 115 | Blank = Not Auto-Ex (Unless it is one of the blended categories below a blank NX implies “Provider”) |
| Blended | Closing (Blended) | 1A-1B | Order Type – 70 | 4 = MOC D = LOC C = Close |
| | Non-Regular Way | 1A-1B | Settlement Terms – 107-109 | C = Cash ND = Next Day nnn = number of day’s |
| | Odd-Lot | 2A-2E | Lot Indicator – 22 | 1 = Odd-Lot |
| | OL Portion of PRL | 2A-2E | Lot Indicator – 22 UOT – 65 Contra Quantity – 140-146 | If contra quantity divided by UOT has a remainder that is the OL Portion |
| | e-Quote using discretion | 2A-2E | e-Quote Execution Type - 62 | 1 = Executed with Discretion 3 = Executed with Discretion and Pegging |

Badge/Agency Merged Order Log Extract (06201029, 06010176)

| Category | Trade Type | Message | Field/Position | Values |
|----------|-----------------------------|---------|--|---|
| Away | Executed Away | 2A | Away Market Center - 157 | A, B, C, D, I, M, P, T, W or X |
| Taker | Auto Execution | 2A-2E | Execution Type (NX Ind)- 115 | 1 = Auto-Ex (NX) |
| | Auto Execution Repeat Trade | 2A-2E | Turnaround Number – 26-31 Execution Price 78-89 Original Report Time – 107-112 | If you have an NX execution, check for the same TA#, price and time |
| Provider | Auto Execution | 2A-2E | Execution Type (NX Ind)- 115 | Blank = Not Auto-Ex (Unless it is one of the blended categories below a blank NX implies “Provider”) |
| Blended | Closing (Blended) | 1A-1B | Order Type – 70 | 4 = MOC D = LOC C = Close |
| | Non-Regular Way | 1A-1B | Settlement Terms – 107-109 | C = Cash ND = Next Day nnn = number of day’s |
| | Odd-Lot | 2A-2E | Lot Indicator – 22 | 1 = Odd-Lot |
| | OL Portion of PRL | 2A-2E | Lot Indicator – 22 UOT – 65 Contra Quantity – 140-146 | If contra quantity divided by UOT has a remainder that is the OL Portion |

CMS FCS Extract

| Category | Trade Type | FCS Line | Field | Values |
|-----------------|--------------------------|-------------------------|----------|--|
| Away | Executed Away | Expanded Line 4B | 7 | /Z where: Z represents Market Center ID = A, B, C, D, I, M, P, T, W or X /Z/YYYY where: YYYY represents Market Maker ID. |
| Taker | Auto Executed | Expanded Line 4B | 7 | NX |
| Provider | Not Auto Executed | Expanded Line 4B | 7 | Not NX - report is a "provider" unless it is one of the blended categories below. The exception is all CAP executions are provider and they can receive an NX indicator |
| Blended | Closing (Blended) | | | Executions for MOC/LOC Orders |
| | Non-Regular Way | Line 4A | 5 | CASH or ND** |
| | Odd-Lots | No Line 5 | | No Contra Line |
| | e-Quote using discretion | Line 4B, Memo A | 6 | DISC or PDIS |

** Does not include Seller's Option

CMS FIX 4.2 Extract - Message Type 8

| Category | Trade Type | Fix Tag (* = FIX 4.1) | Values |
|-----------------|--------------------------|--|---|
| Away | Executed Away | 9570-ExecAwayMktId | If present. MCID = A, B, C, D, I, M, P, T, W or X Z/YYYYY where: Z represents MCID and YYYY represents MMID. |
| Taker | Auto Executed | 9430-NYSEDirect+™ | NX |
| Provider | Not Auto Executed | No Tag 9430 | If tag is not present report is a "provider" unless it is one of the blended categories below. The exception is all CAP executions are provider and they can receive an NX indicator |
| Blended | Closing (Blended) | | Executions for MOC/LOC Orders |
| | Non-Regular Way | 63-Settlement Type | 1 = Cash 2 = Next Day 8 = Sellers Option |
| | Odd-Lots | 375-ContraBroker (Tag Not Present) *9421-ContraBroker (Tag Not Present) | Blank |
| | e-Quote using discretion | 9560-EquoteExecType | 1 = Executed with Discretion 3 = Executed with Discretion and Pegging |