Information Memo

NYSE Euronext

TO: **ALL MEMBERS, MEMBER ORGANIZATIONS and Vendors Interfacing with the Common Customer Gateway^{SM} (CCG)**

SUBJECT: **Trading System Update – Trading in Shares: Elimination of the NYSE and NYSE Amex Trading Odd-Lot Systems**

_____

Overview:

On Friday, July 30, pending SEC approval, the NYSE will begin to eliminate the use of a separate system for the pricing of Odd Lot (OL) orders. Currently, an order's quantity is validated against the Unit of Trade (UOT) to designate the order as a Round Lot (RL) for delivery to the Display Book (DBK) point of sale trading systems or as an OL for delivery to the Odd Lot Systems. Processing, quoting and execution of OL sized orders and the Odd Lot portion of Partial Round Lot (PRL) order is handled differently than for (RL) sized orders. (Notwithstanding these processing differences, all order, report, admin and market data messaging in the NYSE and NYSE Amex trading systems is in shares.)

The elimination of the separate OL system will be implemented by processing all orders, regardless of size, at the Exchange's matching engine, Display Book (DBK). Market and marketable limit OL orders will be eligible for automatic execution on arrival under the same rules as RL orders are today. As it is today, any execution greater than or equal to the UOT will print to the Tape, including PRL quantities, and any execution less than the UOT will not print to the Tape per CTA rules. OL orders not marketable on arrival will be placed on the DBK and aggregated with other interest at their limit price. Should the quantity of OL orders at any given price exceed the UOT, the round lot portion will be quoted (for example; three 50 share orders will be aggregated to 150 shares with 100 shares quoted to the Consolidated Quotation System (CQS)).

The above logic applies to CCG, CCG Drop Copy and SPAR executions as well.

NYSE OpenBook Ultra® provides the fully aggregated quantities of all orders in shares at each price point, including non-quoted OL orders.

Implementation:

This new functionality will be implemented on a stock by stock basis. Initial deployment will include a limited number of stocks, with a larger scale phased deployment beginning in August. The NYSE will provide updates on NYSE Trader and the NYSE Equities Reference page as new stocks are converted.

Summary System Changes:

Trading System Summary:

- Quotes will remain in lots based on the UOT. The aggregated round lot quantity of orders will be will be quoted to the consolidate tape if greater than the UOT, while quantities less than the UOT will not (the next best round lot sized quantity will be quoted).
- Publish quantities for reserve orders can be zero or a multiple of the UOT (orders with OL or PRL publish quantities will be rejected).
- NYSE OpenBook Ultra provides the fully aggregated quantities of all orders in shares at each price point, including non quoted OL orders.
- Trading will occur in shares.
- Trades will be reported to the consolidate tape if equal to or greater than the UOT (including PRL quantity) while trades less than the UOT will not.
- Trades less than the UOT will not change the last sale, or elect/re-file tick sensitive or Stop orders.
- All orders, both RL and OL, have the possibility of partially executing against an OL order and receiving an OL report.

Post Trade Summary:
- The Designated Marker Maker's (DMM) clearing agent will no longer be the contra side on all odd-lot executions
- Customers will receive reports against valid omnibus accounts such as LOC, TOD, OARS, DOT and YB.
- Customers will receive reports against a valid clearing firm if special settlement instructions are received on orders such as cash, next day or seller's option.
- Listed Contract Output will no longer provide separate round-lot and odd-lot totals.

Merged Order Log:
- For Odd Lot sized executions that are not printed to the Consolidated Tape, Post Trade systems will pass a new "No Tape Print" indicator on the report.
- The new "No Tape Print" indicator is included on the following MRO files: Entering Firm, Clearing Firm, Broker Badge, Agency.
- The new "No Tape Print" indicator will not be on any print image output.
- See Post Trade Notice linked in the Referenced Documents and Links section

Transaction Billing:
- Currently odd-lot transactions are designated with a liquidity tag value of "9" while round-lot transactions are designated with one of the various taker/provider indications. As symbols are migrated to a trading in shares, all executions will be marked with either a taker or provider indication.
- In addition, the new Displayed Liquidity Indicator value will be populated

.
Testing:

Firms should ensure that their systems are capable of handling the changes detailed above. Firms wishing to test their systems in the User Acceptance Test (UAT) environment should contact the Member Firm Testing group by sending an email to firmtesting@nyx.com.

Contacts:

Should you have any questions, please contact:
- Michael Paulyson at mpaulyson@nyx.com or 212.656.2721
- Robert Airo at rairo@nyx.com or 212.656.5663
- Your Relationship Manager

Reference Documents and Links:

- NYSE Equities Reference Page
  http://www.nyse.com/equities/nyseequities/1167176215703.html
- NYSE Post Trade Notice PT 164 – Merged Order Log Redesign
  http://www.nyse.com/pdfs/PT164.pdf

Detailed System Changes:

- Trading will occur in shares; however allocation will remain in round lots using the security's UOT.
- Quotes will remain in round lots using the security's UOT.
- Trades will be reported to the consolidated tape if equal to or greater than the security's UOT. Odd lot-sized trades will not.
- Odd lot-sized orders may
  - Be eligible for auto-execution
  - Be cancel/replaced (Tag 35_MsgType, value "G") with round lot or PRL-sized orders and vise-versa
  - Be partially canceled (Tag 35_MsgType, value "F")
  - Be eligible for routing to away markets if aggregated in the quote or in a trade that equal to or greater than a Round Lot.
  - Receive multiple execution reports (Tag 151_LeavesQty may contain a leaves quantity other than zero)
- Round lot and PRL-sized orders may
  - Be cancel/replaced (Tag 35_MsgType, value "G") with PRL and odd lot-sized orders and vise-versa
  - Receive odd lot-sized execution reports
- Reserve orders (Tag 111_MaxFloor) must be in multiple of round lot shares using the security's UOT, be equal to the order size (Tag 38_OrderQty) or be equal to zero.
- Odd lot-sized orders will now support current round lot order modifiers, unless otherwise noted:
  - Tag 57_TargetSubId, values "2" (RPX), "4" (OVR) and "7" (NX)
  - Tag 63_SettlementType, values "1" (Cash), "2" (Next Day) and "8" (Seller's Option) with valid Tag 143_TargetLocationId.
  - Tag 143_TargetLocationId, BBSS Booth Agency or eBroker Handheld value
  - Tag 9487_RoutingInstruction, values "ISO", "DNS", "SOC" and "CO"
  - Tag 54_Side, values "3" (Buy Minus) and "4" (Sell Plus)
  - Tag 40_OrderType, values "5" (Mkt on Close) and "B" (Lmt on Close)
    Note: value "A" (On Close) will no longer be valid.
  - Tag 59_TimeInForce, values "2" (At the Opening) and "3" (Immediate or Cancel)
- Odd lot-sized reports will now support current round lot report modifiers, unless otherwise noted:
  - Tag 375_ContraBroker, values "LOC", "TOD", "DOT", "OARS", "YB" and valid clearing firms
  - Tag 9430_NYSEDirect, value "NX"
  - Tag 9483_DBKLinkId, numeric value
  - Tag 9570_ExecAwayMktId, existing Market Center/Market Maker Ids
  - Tag 9578_BillingIndictor, values "1" through "7"
    Note: value "9" (Odd lot) will no longer be valid.
  - Tag 9426_BillingRate, values "0" through "4"
- Drop Copy recipients should be advised that all of the above applies to them as well.