

ATTACHMENT A

QUESTIONS PERTAINING TO SR-NYSE-2004-05 (NYSE Direct +)

The questions below refer to the pages and roman numerals under the “Proposed Amendments to Exchange Rules” from the 19b-4 Proposed Rule Change dated August 2, 2004.

1) Page 5 - IV

Where a market order (buy) is not designated for auto-execution and that market order is then quoted at a minimum increment higher (bid) - can anyone (Specialist or Crowd?) other than NX order trade with that offer?

Example: N 20.05 – 20.09 15 x 30
 Buy 2000 at market (not designated)
 N 20.06 – 20.09 20 x 30

2) Page 5 - IV

In the example above, what if:

- a) a commitment to buy or sell through ITS priced at 20.07 comes in?
- b) a 5000 share (NX) order to buy comes in?
- c) In b above, does the NX order auto execute at .09 for 3000 shares and then go against the next offering (assume there is 2000 on the book at .10)
- d) In c above, what happens to the 2000 share bid at .06 during this process?

3) V, VI, VII, VIII, IX

Define parameters of momentum LRP. No other questions on these sections.

4) Page 8 & 9 - X

Where a market or marketable limit order sweeps until it meets its limit or reaches a LRP and a balance remains, how does a market order that is now displayed not maintain priority over subsequent (crowd) orders?

5) Page 8 - XII

What if NYSE is not at NBBO? Will an incoming ITS commitment auto-execute and trade through another better auto-ex market? Currently, the ITS market sending the ITS commitment to NYSE in this case, is responsible for the away better priced market. A NYSE print may or may not cause a third party trade-through depending upon whether a contemporaneous commitment had been sent

to the better away market. Is this NYSE commitment considered an “ineligible incoming Commitment”?

6) Page 8 – XIII

How will the specialist be informed that the entity entering the order has “indicated that it was contemporaneously satisfying such better bid/offer” on another market center providing automatic executions? Is this limited to a crowd order, floor broker file or DOT and if so, please explain?

During a sweep, if a better price exists on another market place, the portion of that order being swept may be re-routed to satisfy that better bid or offer. However, if the commitment is not executed or not executed in its entirety it will be returned to the exchange and that order will be given the time when it returns to the exchange. How can an order not maintain priority at the original point of entry?

7) Page 9 – XIV

What is the difference between “freezing the book” and “gapping the quotation”? How will auto-execution be halted?

8) Page 9 – XIV

Is “gapping the quotation” an exception to the Limit Order Display Rule? What happens if a better-priced limit order is received during a gap?

9) Page 9 – XIV

Can a 100 share trade cause the resumption of auto-execution? Will there be guidelines that the Specialist will be required to follow regarding executions in size on a gapped situation?

10) Page 9 - XV

How will a Specialist be able to supplement the quote algorithm and when? Prior to sweep, by stock, real time, pre-opening? Please explain how this would apply to – matching a better priced away market, establishing or prioritizing specialist trading interest and how this would apply to Floor broker orders?

11) Page 9 - XV

By current exchange rules, the specialist (take one bite of the apple) may trade ahead of the crowd, if he established BBO. If a new subsequent customer order is received at that price, will the agency order have priority? See footnote 16 (page 9). Please explain how this rule will be amended.

12) Page 9 - XV

Example: 20.48 – 20.50, 20 x 30. If floor broker agency interest and specialist interest are placed on the book on the offer side at 20.51 above the BBO and are not shown in the Open Book, please explain the following:

- a new agency order is received after the Floor Broker and specialist orders, and is placed on the book at 20.51, displayed as the new BBO along with all other orders at that price; who has priority if an order comes in to buy? Floor broker interest, specialist interest or the new agency order?

13) Page 10 – XVIII

How will the system automatically assign shares to orders of each contra-party that may include specialist interest and crowd orders? Under Existing Rules, at Page 12, (vi), “The specialist is responsible for assigning the appropriate number of shares to each contra participant after an auto ex order has been executed that includes specialist or Crowd orders...”