Comment on NY-2004-05

Junius W. Peake

The latest proposed amendment (#4) to the NYSE's Hybrid Market Proposal, includes, among many other things on pp. 17-18:

Immediate or Cancel Orders – Exchange Rule 13

In previous amendments, the Exchange proposed to define an Immediate or Cancel ("IOC") order as a:

> "market or limited price order designated immediate or cancel is to be executed to the extent possible as soon as such order is represented in the Trading Crowd or automatically executed in accordance with, and to the extent provided by, Exchange Rules 1000-1004, and the portion not so executed is to be treated as cancelled."

The above definition is amended to provide that IOC orders would be able to be entered before the Exchange opens for participation in the opening trade. Once the stock has opened, an IOC order that is not executed on the opening will be treated as cancelled.

I have two questions:

1. I have never before heard of an IOC "market order." Where did that come from, and what is it?

2. Suppose some other part of the NMS (such as Archipelago) was already open for trading when the NYSE opens. Wouldn't there then be a requirement for those orders to be able to interact with that part of the NMS, assuming the prices are superior to the NYSE's opening price?

I'm sure I will have additional comments to make when the Commission publishes the proposal and asks for comments.

Junius W. Peake
Monfort Distinguished Professor of Finance
Kenneth W. Monfort College of Business
Malcolm Baldrige National Quality Award
2004 Award Recipient
E-mail: junius.peake@unco.edu
Home page: http://www.mcb.unco.edu/web/fs/faculty.cfm?facultyID=43