

American Stock Exchange Automatic Execution Functionality for Exchange Traded Funds and Nasdaq Issues

- November 2004 -

Business Strategy and Equity Order Flow

Table of Contents

- ❑ Overview of the Auto-Ex Functionality
- ❑ Auto-Ex Fact Sheet
- ❑ Auto-Ex Availability
- ❑ Appendix

Overview

The Amex is undertaking a series of technological upgrades that would permit Auto-Ex to occur against orders on the book and allow for a greater ability to trade quickly and with certainty. This functionality replaces existing, separate Auto-Ex systems for ETFs and Nasdaq UTP, while preserving advantages of the auction system.

The new automatic execution facility ***eliminates***:

- Size limitations
- 10-second limitation between Auto-Ex intervals
- Auto-Ex against Specialist interest only

The new automatic execution facility ***allows***:

- Faster turnaround time
- Marketable orders to execute at the APQ (Amex Published Quote) or better (walk the book within the APQ)
- Execution against posted quote
- Greater flexibility for the specialist to provide price improvement
- Preservation of auction market, when the crowd makes a priority bid/offer within the APQ the Specialist has to manually shutoff Auto-Ex on the bid or offer

Auto-Ex Fact Sheet

Release Time:

- September-November 2004

Securities Eligible for Automatic Execution:

- Exchange Traded Funds (ETFs), including Portfolio Depositary Receipts, Index Fund Shares and Trust Issued Receipts
- Nasdaq National Market Securities traded on the Exchange

Eligible Orders:

- A round lot or partial round lot market or a marketable limit order, delivered electronically to the order book, priced at the APQ ask or higher for a buy order or priced at the APQ bid or lower for a sell order.
- IOC and FOK orders are treated as Auto-Ex or cancel orders.
- Tick sensitive orders are considered for Auto-Ex at the time they enter the book, if they can be filled on appropriate tick. Once in the order book, they are available for execution against other incoming orders.

Auto-Ex Fact Sheet

Auto-Ex Size:

Eligible orders are executed up to the lesser of:

- The size displayed in the APQ plus executable orders on the book within the APQ, or
- The sum of the remaining specialist/registered-trader quantity and available-book quantity.

Interaction of Auto-Ex and Auction Market:

- A bid/offer incorporated in the APQ is not considered accepted by a member in the trading crowd, until the specialist begins to enter the member's acceptance into the order book.

Competing Dealers and Customer Orders:

- Auto-Ex only provides the APQ size to competing dealers' orders. However, it provides the APQ and may provide a better fill than the APQ to an inbound customer order. To achieve this, the Auto-Ex program checks the account type (O,T,R,L,X,Z) of the orders, when matching an order to distinguish competing dealers' orders from customers' orders.

Auto-Ex Fact Sheet

Auto-Ex Availability:

- Auto-Ex becomes available for an Auto-Ex eligible security following the opening or reopening of a security on the Exchange once a trade has occurred and a quote has been disseminated in the security.
- Auto-Ex will be turned-off at 3:59 p.m, and is re-enabled from 4:01 p.m (for ETFs) to 4:14 p.m.

Auto-Ex is unavailable in the following situations:

- When the APQ is crossed with the BBO, unless Auto-Ex is programmed to disregard the BBO in the case of a “diminimus trade-through” amount.
- When the Trade-Threshold is exhausted and there is no Available- Book-Quantity.
- When the specialist/registered-trader quantity is exhausted and there is no available-book quantity.
- When there is an open outgoing ITS commitment on behalf of a customer order.

Auto-Ex Fact Sheet

Auto-Ex is unavailable in the following situations (cont'd):

- On the Amex bid or offer (as appropriate) in the event that:
 - One or more brokers or registered traders in the trading crowd make a bid or offer within the APQ (a priority bid or offer), or
 - One or more brokers in the crowd make a bid or offer that is on parity with the APQ (a parity bid or offer).
- On the bid or offer (as appropriate) in the event that the APQ on that side of the market is for less than 200 shares.
- When the order book on the Amex is locked or crossed with the APQ.
- If the execution of the incoming order would elect a stop order on the order book.
- If the specialist is in the process of executing an order in the security.
- If it would cause a trade to occur through the price of an all or none order on the book.

Auto-Ex Fact Sheet

Auto-Ex is unavailable in the following situations (cont'd):

- If there are orders on both sides of the market when the order book comes out of a Freeze condition to allow the specialist to pair-off the orders
- If the spread exceeds the Maximum Spread Value.
- In one or more securities when the specialist, in conjunction with a Floor Governor or two Floor Officials, determine(s) that:
 - (1) quotes are not reliable,
 - (2) the Exchange is experiencing communications or systems problems, "Unusual Market Conditions" as described in Amex Rule 115, or delays in the dissemination of quotes, or
 - (3) the market(s) where the underlying securities trade (or Nasdaq with respect to Nasdaq National Market Securities) are experiencing communications or systems problems, "Unusual Market Conditions" as described in SEC Rule 11Ac1-1, or delays in the dissemination of quotes.

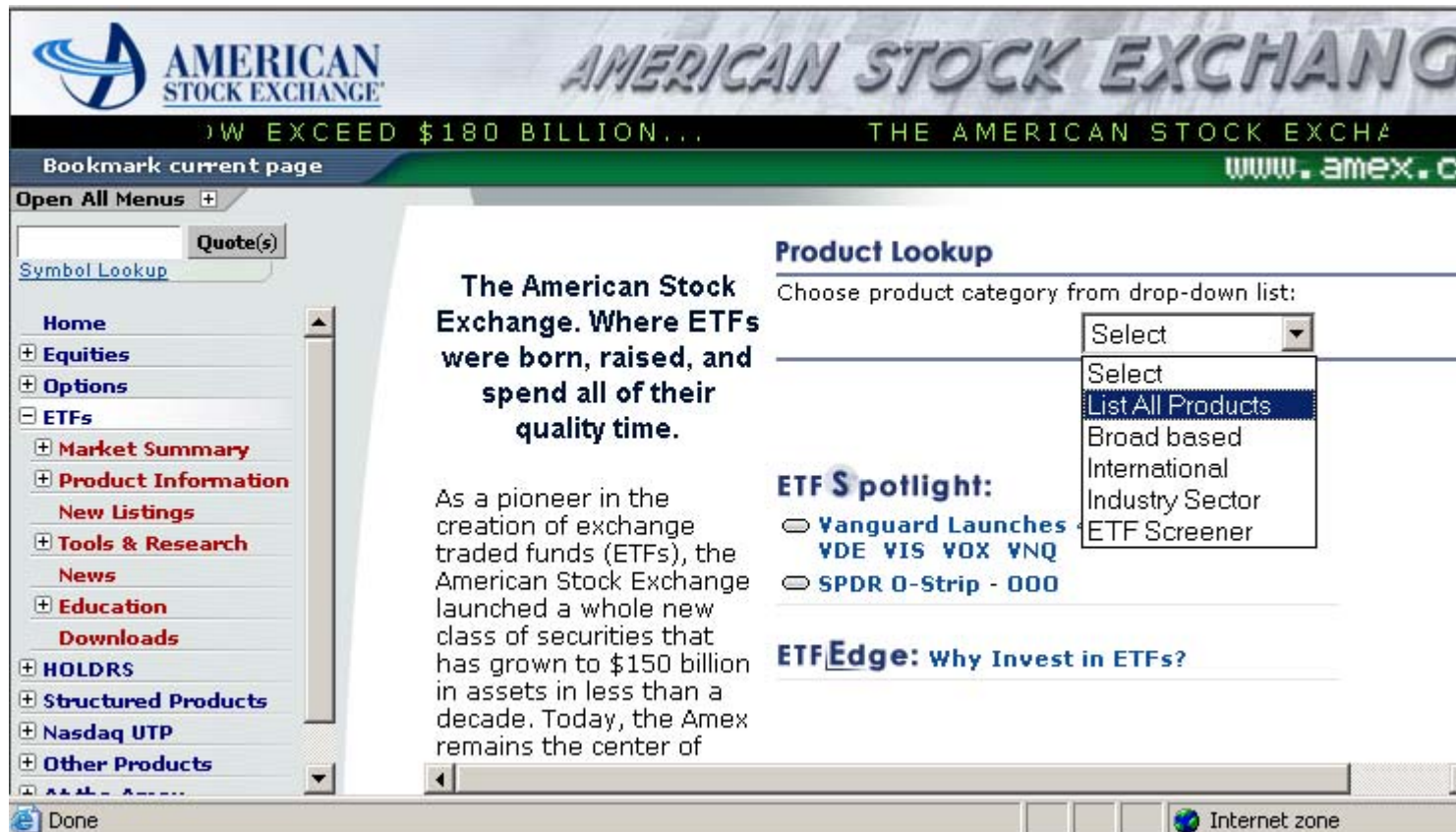
Auto-Ex eligible orders that are not automatically executed are routed to the specialist for handling.

Appendix

- ❑ List of ETFs Traded on the Amex
- ❑ List of Nasdaq NMS Securities Traded on Amex
- ❑ Amex System Enhancements Memo

Appendix – List of ETFs Traded on the Amex

- Go to www.Amex.com . Click on ETFs and select List of Products



The screenshot shows the American Stock Exchange website interface. At the top, the logo and name "AMERICAN STOCK EXCHANGE" are visible, along with the tagline "Equities Options ETFs". Below the logo, there is a navigation menu with the following items: Home, Equities, Options, ETFs (highlighted), Market Summary, Product Information, New Listings, Tools & Research, News, Education, Downloads, HOLDERS, Structured Products, Nasdaq UTP, and Other Products. The main content area features a "Product Lookup" section with a drop-down menu for selecting a product category. The menu is open, showing options: Select, List All Products (highlighted), Broad based, International, Industry Sector, and ETF Screener. Below the menu, there is an "ETF Spotlight" section with two items: "Vanguard Launches VDE VIS VOX VNQ" and "SPDR O-Strip - 000". The "ETF Edge: Why Invest in ETFs?" section is also visible. The website header includes the text "AMERICAN STOCK EXCHANGE" and "THE AMERICAN STOCK EXCHANGE". The footer shows "Done" and "Internet zone".

Appendix – List of Nasdaq NMS Securities

- Go to www.Amex.com . Click on Nasdaq UTP and select Issues Trading



AMERICAN STOCK EXCHANGE
 149 CLOSED-END FUNDS WITH TOTAL ASSETS EXCEEDING \$21
 Bookmark current page www.amex.com

Open All Menus +

Quote(s)
 Symbol Lookup

Home
 Equities
 Options
 ETFs
 HOLDERS
 Structured Products
 Nasdaq UTP
 Open/Close Pilots
 Quote Summary
Issues Trading
 Why the Amex
 Technology
 Fees
 FAQs
 UTP News
 UTP Contacts

NASDAQ UTP ISSUES TRADING

Company Names	Symbols	Specialists
Apple Computer, Inc	AAPL	Equitec Proprietary Markets
Abgenix, Inc	ABGX	Bear Hunter Structured Products
Adcbs Systems Inc	ADBC	Equitec Proprietary Markets
ADC Telecommunications, Inc	ADCT	Kellogg Capital Group, LLC
Andrx Group	ADRX	Susquehanna Investment Group, Inc.
Autodesk, Inc	ADSK	Kellogg Capital Group, LLC
Alexander & Baldwin, Inc	ALEX	Kellogg Capital Group, LLC
Altera Corp	ALTR	Kellogg Capital Group, LLC
Applied Materials, Inc	AMAT	Susquehanna Investment Group, Inc.
Applied Micro Circuits Corp	AMCC	Bear Hunter Structured Products
Amgen Inc	AMGN	Equitec Proprietary Markets
Amazon.com, Inc	AMZN	Bear Hunter Structured Products
Andrew Corp	ANDW	Equitec Proprietary Markets
American Power Conversion Corp	APCC	Susquehanna Investment Group, Inc.
Apollo Group, Inc	APOL	Bear Hunter Structured Products
ASML Holding NV	ASML	Equitec Proprietary Markets

Done Internet zone