



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

August 23, 2005

VIA FACSIMILE AND U.S. MAIL

James C. Yong, Esq.
Senior Vice President, Regulation, and General Counsel
National Stock Exchange
One Financial Place
440 South LaSalle Street Suite 2600
Chicago, IL 60605

Re: Display of Rounded Prices in Public Quotes

Dear Mr. Yong:

In your letter dated August 16, 2005, on behalf of the National Stock Exchange ("NSX" or "Exchange"), formerly The Cincinnati Stock Exchange ("CSE"), you requested that the Commission extend the exemption from Rules 11Ac1-1, 11Ac1-2, and 11Ac1-4 under the Securities Exchange Act of 1934 initially granted by the Commission in 2002.¹ In the Initial Exemption Letter, the Commission granted a conditional temporary exemption to the CSE, CSE members, and vendors that disseminate CSE quotation information to permit them to display and disseminate their quotations for Nasdaq National Market ("NNM") and SmallCap securities in rounded, penny increments without a rounding identifier while trading in sub-penny increments. The Commission subsequently expanded the exemption to include all listed securities traded on the CSE in addition to NNM and SmallCap securities.² The Commission granted extensions of the exemption on November 27, 2002, May 29, 2003, December 1, 2003, June 30, 2004, and June 28, 2005.³ You have requested a further temporary extension of this exemption.

¹ See Letter from Robert L.D. Colby, Deputy Director, Division of Market Regulation ("Division"), Commission, to Jeffrey D. Brown, General Counsel, CSE, dated July 26, 2002 ("Initial Exemption Letter").

² See Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Jeffrey T. Brown, Senior Vice President & General Counsel, CSE, dated September 25, 2002 ("Amended Exemption Letter").

³ See Letter from Alden S. Adkins, Associate Director, Division, Commission, to Jeffrey T. Brown, Senior Vice President, Secretary & General Counsel, CSE, dated November 27, 2002; Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Jeffrey T. Brown, Senior Vice President, Secretary & General Counsel, CSE, dated May 29, 2003; Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Jennifer M. Lamie, Assistant

Mr. James C. Yong
August 23, 2005
Page 2

Based on the representations in your requests for relief and contingent upon NSX's compliance with the conditions stated in the Initial Exemption Letter and the Amended Exemption Letter, the Commission finds that the requested exemption is consistent with the public interest, the protection of investors, and the removal of impediments to, and perfection of the mechanism of, a national market system. The Commission hereby grants an extension of the exemption until January 31, 2006, the compliance date for Rule 612 of Regulation NMS.⁴ This exemption is expressly contingent upon NSX's continuing compliance with the conditions detailed in the Initial Exemption Letter and Amended Exemption Letter. The Commission does not intend to grant additional extensions of this exemption beyond the compliance date for Rule 612.

For the Commission, by the Division of Market
Regulation, pursuant to delegated authority,⁵



David S. Shillman
Associate Director

General Counsel & Secretary, NSX, dated December 1, 2003; Letter from David S. Shillman, Associate Director, Division, Commission, to James C. Yong, Senior Vice President, Regulation, and General Counsel, NSX, dated June 30, 2004; Letter from Annette L. Nazareth, Director, Division, Commission, to James C. Yong, Senior Vice President, Regulation, and General Counsel, NSX, dated June 28, 2005 ("June 2005 Letter").

⁴ In the June 2005 Letter, the Commission granted an extension of the exemption until August 29, 2005, the effective date for Rule 612. Rule 612 of Regulation NMS prohibits market participants from displaying, ranking, or accepting quotations in NMS stocks that are priced in an increment of less than \$0.01 per share, unless the price of the quotation is less than \$1.00. If the price of the quotation is less than \$1.00, the minimum increment is \$0.0001. 17 CFR 242.612. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005). In the June 2005 Letter, the Commission also stated that, in light of the implementation of Rule 612, the Commission did not intend to grant additional extensions of this exemption. While the effective date of Rule 612 remains August 29, 2005, the Commission has extended the compliance date for Rule 612 to January 31, 2006. See Securities Exchange Act Release No. 52196 (August 2, 2005) 70 FR 45529 (August 8, 2005).

⁵ 17 CFR 200.30-3(a)(28), 200.30-3(a)(36), and 200.30-3(a)(61).