

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72501; File No. SR-NYSE-2014-31)

July 1, 2014

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 86 to Extend the Hours for the Core Bond Trading Session for NYSE Bonds<sup>SM</sup> and Amending Rule 88 to Make Corresponding Changes Related to Bonds Liquidity Providers

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that June 25, 2014, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 86 to extend the hours for the Core Bond Trading Session for NYSE Bonds<sup>SM</sup> and to amend Rule 88 to make corresponding changes related to Bonds Liquidity Providers (“BLPs”). The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 86 to extend the hours for the Core Bond Trading Session for NYSE Bonds and to amend Rule 88 to make corresponding changes related to BLPs.<sup>4</sup>

NYSE Bonds is the Exchange's electronic system for receiving, processing, executing and reporting bids, offers and executions in bonds. Rule 86 prescribes how bonds are traded through the NYSE Bonds trading platform, including the receipt, execution and reporting of bond transactions. Rule 88 provides for BLPs, which are member organizations that electronically enter orders from off the Floor of the Exchange into NYSE Bonds.

NYSE Bonds has three Bond Trading Sessions, (1) the Opening Bond Trading Session, (2) the Core Bond Trading Session, and (3) the Late Bond Trading Session. The

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<sup>4</sup> Terms not defined herein shall have the meaning prescribed under Rule 86 or Rule 88, as applicable.

Opening Bond Trading Session currently commences at 4:00 a.m. Eastern Time (“ET”) and concludes at 9:30 a.m. ET. The Core Bond Trading Session currently commences at 9:30 a.m. ET and concludes at 4:00 p.m. ET. The Late Bond Trading Session currently commences at 4:00 p.m. ET and concludes at 8:00 p.m. ET.

The Exchange proposes to extend the hours of the Core Bond Trading Session so that it would commence at 8:00 a.m. ET and end at 5:00 p.m. ET, adding a total of 2.5 hours to the Core Bond Trading Session and better aligning its hours with those of other bond trading venues. The Exchange proposes to amend the references to the various time periods throughout Rule 86 to effect this change, including, for example, that the Core Bond Auction would commence at 8:00 a.m. ET instead of the current 9:30 a.m. ET. The Exchange would announce the date on which the expanded Core Bond Trading Session hours would take effect via Trader Update. The Exchange notes, for example, that the proposed extended Core Bond Trading Session would also result in the ability for an “NYSE Bonds Good ‘Til Cancelled Order” or an “NYSE Bonds Day Order” to remain in effect for a longer period of time.

Rule 88(a) and (f) specify BLP bid and offer requirements to qualify for a financial incentive for transactions on NYSE Bonds, as set forth in Rule 88(b) and in the Exchange’s Price List. The requirements currently refer to “trading day” or “normal trading day” when describing the time period during which they apply and are calculated, which, in practice, refers to the Core Bond Trading Session. The Exchange proposes to replace these references to “trading day” and “normal trading day” with “Core Bond Trading Session.” The Exchange believes that this proposed change would encourage BLPs to be active for greater periods of time each day, which would lead to increased

liquidity throughout the day and contribute to the quality of NYSE Bonds for all Users. The Exchange notes that BLPs may already be active in bonds on other marketplaces on which they trade during the extended period of time and because BLPs are also currently active after the Core Bond Trading Session at levels that would contribute to satisfying the applicable requirements, BLPs would not have any problems in complying with the proposed change. Moreover, while the time period during with the requirements would apply would increase, so would the ability for BLPs to earn financial incentives for transactions on NYSE Bonds, as set forth in Rule 88(b) and in the Exchange's Price List, which are only available during the Core Bond Trading Session.

The proposed change is not otherwise intended to address any other issues, and the Exchange is not aware of any problems Users, including BLPs, would have in complying with the proposed change.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Sections 6(b)(5) of the Act,<sup>6</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it

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<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed change would foster cooperation and coordination with persons engaged in bond transactions by more closely aligning the hours of the Core Bond Trading Session with the hours of other marketplaces on which bonds trade (e.g., various alternative trading systems). The proposed change would also remove impediments to, and perfect the mechanisms of, a free and open market and a national market system by permitting Users to be active in the Core Bond Trading Session for 2.5 additional hours each day. Expanding the time period during which the Core Bond Trading Session is active would also increase the time period during which BLP requirements would apply, which may also increase the amount of liquidity on NYSE Bonds, thereby contributing to protecting investors and the public interest. The Exchange further believes that expanding the time period during which BLP requirements would apply would remove impediments to and perfect the mechanism of a free and open market and national market system because it would encourage BLPs to be active for greater periods of time each day, which would lead to increased liquidity throughout the day and contribute to the quality of NYSE Bonds for all Users. The Exchange notes that because BLPs may already be active in bonds on other marketplaces on which they trade during the extended period of time and because BLPs are also currently active after the Core Bond Trading Session at levels that would contribute to satisfying the applicable requirements, BLPs would not have any problems in complying with the proposed change. Moreover, while the time period during which the requirements would apply would increase, so would the ability for BLPs to earn financial incentives

for transactions on NYSE Bonds, as set forth in Rule 88(b) and in the Exchange’s Price List, which are only available during the Core Bond Trading Session. Likewise, replacing references within Rule 88(a) and (f) to “trading day” and “normal trading day” with “Core Bond Trading Session” would foster cooperation and coordination with persons engaged in bond transactions by more precisely specifying the period during which BLP requirements would apply and be calculated.

Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange’s statement regarding the burden on competition.

For these reasons, the Exchange believes that the proposal is consistent with the Act.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,<sup>7</sup> the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed change would contribute to competition because it could lead to additional bond transactions on NYSE Bonds, a public market, which would contribute to greater transparency regarding such transactions. The Exchange also believes that the proposed change would place NYSE Bonds in a more competitive position compared to other marketplaces for bond transactions with respect to the time period during which bonds are traded.

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<sup>7</sup> 15 U.S.C. 78f(b)(8).

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>10</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>11</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>12</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSE-2014-31 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSE-2014-31. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

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<sup>12</sup> 15 U.S.C. 78s(b)(2)(B).

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File Number SR-NYSE-2014-31, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).