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October 31, 2016

VIA E-MAIL

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C., 20549-1090

Re: Proposed Amendments to Rules Regarding Disclosure of Order Handling Information:
File No. S7-14-16

Dear Mr. Fields:

NYSE Group ("NYSE") appreciates the opportunity to comment on the Commission's proposed amendments to Rules 600 and 606 of Regulation National Market System ("Regulation NMS")¹ under the Securities Exchange Act of 1934 to require additional disclosures by broker-dealers to customers about the routing of their orders.² The NYSE supports these proposals.

Currently, Rule 606 only requires broker-dealers to provide order routing disclosures regarding retail orders. Among other proposed enhancements to the order routing disclosure requirements, the Commission proposes to require a broker-dealer to (1) provide specific disclosures related to the routing and execution of institutional orders, upon customer request; and (2) make publicly available aggregated information with respect to its handling of institutional orders. The NYSE supports these proposals and believes that, if adopted, they would improve the ability of institutional customers to monitor their broker-dealers' handling of their orders and the quality of execution of their orders.

In particular, the NYSE supports the Commission's proposal to include in the customer-specific reports the ability for a customer to request from its broker-dealer the total number of institutional orders exposed, and the venue(s) to which institutional orders were exposed, through actionable indications of interest ("IOIs"). The NYSE also supports the Commission's proposal to require that broker-dealers aggregate this information about actionable IOIs and make it publicly available. NYSE believes that both of these disclosures are important to enable an institution to monitor the handling of its own orders by broker-dealers it uses and to compare and assess broker-dealers' practices.

The NYSE also recommends that the Commission require broker-dealers to disclose in the publicly available reports the percentage of institutional orders that were exposed through actionable IOIs that are "size-discovery IOIs." This information would inform the discussion regarding whether actionable IOIs are used to find contra-side trading interest for investors that

¹ 17 CFR 242.600 and 17 CFR 242.606.

² See Securities Exchange Act Release No. 78309 (July 13, 2016), 81 FR 49432 (July 27, 2016) (S7-14-16).

need to trade in large size. In its 2009 proposal regarding non-public trading interest,³ the Commission proposed, among other things, to include actionable IOIs in the types of trading interest that must be included in the consolidated quotation data, but to exclude “size-discovery IOIs.”⁴ Broker-dealer disclosure of the proportion of all institutional orders exposed through actionable IOIs that were “size-discovery IOIs” would inform whether actionable IOIs are generally used as a targeted size discovery mechanism.

As the Commission and other commenters have noted, the routing and exposure by a broker-dealer of institutional orders as actionable IOIs can be a source of information leakage and a potential conflict of interest between the broker-dealer and its institutional customer. The NYSE believes that disclosure, as proposed by the Commission, would be the best way to address these concerns by providing institutional customers with the information they need to monitor, and make informed decisions about, the broker-dealers they use or may consider using. The Commission’s proposal would require a broker-dealer to identify the specific venue or venues to which it exposes actionable IOIs. The NYSE agrees that this level of detail is necessary for an institution to evaluate the exposure of its orders through actionable IOIs for information leakage and conflicts of interest.

Finally, the NYSE believes that the Commission’s proposed definition of “actionable IOI” appropriately includes those IOIs that are, as a practical matter, quotations by conveying sufficient information about an order to attract trading interest and, thus, reveal the existence of resting liquidity. The NYSE agrees that, at a minimum, the symbol and side (buy or sell) must be included in an IOI for it to be an “actionable IOI.” The NYSE also agrees with the Commission’s proposal not to require that size or price be included in an IOI for it to be an “actionable IOI.” The Order Protection Rule under Regulation NMS means that those receiving an IOI implicitly know that the price of an order is no worse than the NBBO. In addition, the NYSE believes that, even in the absence of the specific size of available trading interest, an IOI that includes the symbol and side implicitly conveys information that there is actionable interest and thus should be considered an “actionable IOI.”

Sincerely,



Elizabeth K. King

cc: Hon. Mary Jo White, Chair
Hon. Michael Piwowar, Commissioner
Hon. Kara Stein, Commissioner
Stephen Luparello, Director of Trading and Markets
David Shillman, Associate Director of Trading and Markets

³ Securities Exchange Act Release No. 60997 (Nov. 13, 2009), 74 FR 61207 (Nov. 23, 2009) (S7-27-09).

⁴ “Size-discovery IOIs” were proposed to be defined as those actionable IOIs for a quantity of NMS stock having a market value of at least \$200,000 that are communicated only to those who are reasonably believed to represent current contra-side trading interest of at least \$200,000. Id.