



**Martha Redding**  
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September 28, 2016

**VIA E-MAIL**

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

Re: Securities Exchange Act Rel. 34-78802 (SR-NYSE-2016-62)

Dear Mr. Fields:

NYSE LLC; filed the attached Partial Amendment No. 1 to the above-referenced filing on September 27, 2016.

Sincerely,

A handwritten signature in blue ink, appearing to be "MJ" or similar initials, written in a cursive style.

Encl. (Partial Amendment No. 1 to SR-NYSE-2016-62)

Required fields are shown with yellow backgrounds and asterisks.

Filing by New York Stock Exchange  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input checked="" type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) <input type="checkbox"/>	Section 806(e)(2) <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
 Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
 Proposal rule change to amend Rule 67 relating to the Tick Size Pilot Program

**Contact Information**  
 Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Clare Last Name \* Saperstein  
 Title \* Associate General Counsel NYSE Group Inc  
 E-mail \* [REDACTED]  
 Telephone \* [REDACTED] Fax [REDACTED]

**Signature**  
 Pursuant to the requirements of the Securities Exchange Act of 1934,  
 has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
 (Title \*)  
 Date 09/27/2016 Assistant Secretary  
 By Martha Redding  
 (Name \*)  
 NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.  
 Martha Redding, [REDACTED]

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## SR-NYSE-2016-62, Partial Amendment No. 1

New York Stock Exchange LLC (“NYSE” or the “Exchange”), hereby submits this Partial Amendment No. 1 to the above-referenced filing (“Filing”) in connection with the proposed rule change to amend Rule 67 to (1) describe system functionality requirements necessary to implement the Plan to Implement a Tick Size Pilot Program submitted to the Commission pursuant to Rule 608 of Regulation NMS under the Act (the “Plan”), and (2) clarify the operation of certain exceptions to the Trade-at Prohibition on Pilot Securities. The Exchange proposes the following amendments to the filing:

**1. Amend proposed Rule 67(d)(4)(D) on page 63 of the Exhibit 5 and the two paragraphs and footnotes relating to proposed Rule 67(d)(4)(D) on pages 14-15 of the Filing (pages 42-43 of the Exhibit 1).**

The Exchange proposes to amend proposed Rule 67(d)(4)(D) on page 63 of the Exhibit 5 and the two paragraphs and footnotes relating to proposed Rule 67(d)(4)(D) on pages 14-15 of the Filing (pages 42-43 of the Exhibit 1).

The Exchange proposes to delete the two paragraphs and footnotes relating to proposed Rule 67(d)(4)(D), which begins with the first full bullet on page 14 of the Filing (page 42 of the Exhibit 1) and carries over to page 15 of the Filing (page 43 of the Exhibit 1) and replace the deleted text with the following underlined text and footnotes:

- Proposed Rule 67(f)(4)(D) would provide that d-Quotes in Pilot Securities in Test Group Three would not exercise discretion as provided for in Rule 70.25 if (i) exercising such discretion would result in an execution of a d-Quote to buy (sell) equal to or higher (lower) than the price of a protected offer (bid), or (ii) the price of a protected bid (offer) is equal to or higher (lower) than the filed price of the d-Quote. As defined in Rule 70.25, a d-Quote is an e-Quote, i.e., a Floor broker agency interest file, that has discretionary instructions as to size or price, or both. The discretionary price or size at which a d-Quote may trade is not displayed. If the discretionary instructions of a d-Quote cannot be met, it will trade as a regular e-Quote at its filed price.<sup>36</sup> As provided for in Rule 70.25(e)(v)(A)(1) and (2), to determine whether to exercise discretion for d-Quotes on the Exchange’s book, the Exchange will use the amount of discretion necessary to permit a trade on the Exchange consistent with Rule 611. Therefore, a d-Quote may exercise discretion to trade at the price of a protected quotation, but not through the price of a protected quotation, or such portion of the d-Quote will be routed in order to permit a trade to occur on the Exchange. In addition, when executing a d-Quote, the Exchange will seek to secure the largest execution for the d-Quote using the least amount of price discretion.<sup>37</sup>

<sup>36</sup> See Rule 70.25(a)(iv).

<sup>37</sup> See Rule 70.25(e)(i)(A).

Because interest that is non-displayed cannot price match protected quotations under the Trade-at Prohibition, the Exchange proposes to amend the operation of d-Quotes in Pilot Securities in Test Group Three to eliminate the possibility that exercising discretion, i.e., a trade at a non-displayed price, would result in a trade at the price of a protected quotation. To effect this change, the Exchange proposes that the Exchange would not exercise discretion for a d-Quote if exercising discretion would result in an execution at or through the price of a protected quotation. The Exchange believes that restricting d-Quote discretion in this circumstance would eliminate the potential for non-displayed interest to execute at the price of a protected quotation, in violation of the Trade-at Prohibition.

In addition, the Exchange proposes that if the protected bid (offer) is equal to or higher (lower) than the filed price of the d-Quote, the Exchange would not exercise discretion for that d-Quote. The Exchange proposes to make this change because when a d-Quote exercises discretion and complies with the Trade-at Prohibition, it could also result in the cancellation of contra-side displayed orders with instructions not to route, even if exercise of the discretion of the d-Quote would not result in a trade.<sup>38</sup> In addition, in certain circumstances, if a d-Quote exercises discretion when there are same-side away quotes priced within the range of the discretionary pricing instructions, to comply with the Trade-at Prohibition, a d-Quote may have to exercise more discretion than

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<sup>38</sup> For example, assume the Exchange has a resting Do Not Ship (“DNS”) Order to sell “A” of 1000 shares at \$10.00 (under Rule 13(e)(2), a DNS Order will be cancelled if compliance with Exchange rules or federal securities laws require that such order be routed). Assume further that the Exchange has a resting d-Quote to buy “B” that is filed at \$9.95, has \$0.05 of price discretion, and, under Rule 70.25(c)(ii), has been designated with a minimum size of contra-side volume with which to trade of 2000 shares. Because A does not have sufficient size to meet B’s minimum size requirement, the d-Quote is not triggered to exercise discretion. Assume next that the away market protected bid is updated to \$10.00 and then the Exchange receives DNS Order to sell “C” for 1000 shares at \$10.00. Because orders A and C meet the minimum contra-side size requirement of B, the Exchange will evaluate whether to exercise discretion. However, because exercising such discretion would result in a trade at \$10.00, which would violate the Trade-at Prohibition, the Exchange would not permit that trade, but the evaluation of discretion would still result in both A and C cancelling. In the absence of the d-Quote being evaluated for whether to exercise discretion, these displayed DNS Orders would not have cancelled because the updated protected bid locked the Exchange’s offer. Under proposed Rule 67(f)(4)(D), for Pilot Securities in Test Group Three, that resting d-Quote order to buy would not exercise price discretion.

required for an allocation, as provided for under Rule 70.25(e)(i)(A).<sup>39</sup> The Exchange believes that it would be appropriate to prevent d-Quotes from exercising discretion in these scenarios so that the requirements of the Trade-at Prohibition do not conflict with the operation of order types on the Exchange.<sup>40</sup>

Based on the following data, the Exchange believes that the proposed restrictions on when a d-Quote may exercise discretion in Pilot Securities in Test Group Three will have a negligible impact on how d-Quotes will trade.<sup>41</sup> Specifically, from April 1, 2016 through September 26, 2016, d-Quotes, which may be entered by Floor brokers only, represent on average 0.126 percent of all orders entered at the Exchange and NYSE MKT. For Pilot Securities in Test Group Three, for the same period, d-Quotes represent on average only 0.003 percent of all orders at the Exchange and NYSE MKT. Across all securities that trade at the Exchange and NYSE MKT, on average, d-Quotes that exercise discretion represent only 3.6 percent of all d-Quote executed volume. In Pilot Securities, the percentage of time that d-Quotes exercise discretion is even lower, representing on average 1.61 percent of all d-Quote executed volume in those securities, which is only 0.013 percent of the total executed volume of all Pilot Securities. For Pilot Securities in Test Group Three, d-Quotes that exercise discretion represent 1.65 percent of

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<sup>39</sup> For example, assume the Exchange's best bid and offer is \$10.00 x \$10.20 200 x 200, and the Exchange has a resting d-Quote to buy "A" of 200 shares that is filed at \$10.00 and has \$0.15 of price discretion. Assume next that the away market protected bid is updated to \$10.05 for 100 shares and then the Exchange receives a Limit Order to sell "B" of 300 shares at \$10.00. As discussed above, allowing a d-Quote to exercise discretion at the price of an away quote may result in cancellation of orders with instructions not to route. Accordingly, in this scenario, the Exchange would not allow the d-Quote to exercise discretion to trade at \$10.05. Instead, the d-Quote would exercise discretion to trade at \$10.10, where it would get the same allocation it would have received if it could have traded at \$10.05. As such, in the presence of better-priced protected quotations, a d-Quote would have to exercise more discretion than necessary for the same allocation, which would not be consistent with the requirement of Rule 70.25(e)(i)(A) that the d-Quote exercise the least amount of discretion.

<sup>40</sup> To simplify order processing, the Exchange would also prevent d-Quotes that have a file price equal to a same-side protected quotation from exercising discretion.

<sup>41</sup> The data is for securities that trade on the Exchange and its affiliate, NYSE MKT LLC ("NYSE MKT"), which uses the same trading platform as the Exchange, and do not include orders designated solely for the opening, re-opening, or closing auctions.

all d-Quote executed volume in those securities and only 0.001 percent of all executed volume in Pilot Securities in Test Group Three. Accordingly, the Exchange's proposed limitations on when d-Quotes in Pilot Securities in Test Group Three would exercise discretion would have an insignificant impact on how d-Quotes trade at the Exchange.

The Exchange proposes to amend the last paragraph on page 20 of the Filing, which carries over to page 21 of the Filing (last paragraph beginning on page 52 of the Exhibit 1, which carries over to page 53 of the Exhibit 1) in the Statutory Basis section as follows (new text underlined):

The Exchange believes that the proposed changes regarding ISOs, MPL Orders, RPI Orders, resting non-displayed interest, d-Quotes, buy and sell orders entered into the Cross Function, STPN modifiers, Buy Minus/Zero Plus Orders, and g-Quotes and how the Exchange allocates and routes incoming orders are consistent with the Act because they are intended to modify the Exchange's system to comply with the provisions of the Plan and the different requirements for the three Test Groups and are designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan. For Pilot Securities in Test Group Three, the Exchange believes that the proposed modifications to order behavior are designed to prevent executions of orders with a non-displayed working price from price matching a protected quotation. These are precisely the type of order behavior changes contemplated by the Plan; complying with the Trade-at Prohibition by definition requires differing order behavior as compared to the other Test Groups or the control group. For example, the Exchange proposes that order types that are eligible to trade at non-displayed prices that would be equal to the PBBO would be re-priced, cancelled, or routed to assure that such orders would not price match a protected quotation in violation of the Trade-at Prohibition. Likewise, for d-Quotes, for Pilot Securities in Test Group Three only, the Exchange would not exercise discretion if it could result in a violation of the Trade-at Prohibition or would conflict with the operation of resting orders or rules governing d-Quotes. The Exchange further believes that the proposed changes to d-Quotes are narrowly construed to simplify order processing of d-Quotes for Pilot Securities in Test Group Three and would have a negligible impact on the operation of d-Quotes in Test Group Three. As discussed above, in all Pilot Securities, d-Quotes that exercise discretion represent on average less than two percent of all d-Quote executions, excluding d-Quotes that participate in the opening and closing transactions. Accordingly, the proposed limitations of when d-Quotes would exercise discretion for Pilot Securities in Test Group Three would be negligible. The Exchange would not apply these order behavior changes to Pilot Securities in Test Groups One and Two because to do so would subvert the quality of data collected; Test Groups One and Two do not have the Trade-at Prohibition and therefore non-displayed orders in those Test Groups may price match a protected quotation, provided such executions are in the applicable MPV for the security.

The Exchange further proposes to amend proposed Rule 67(f)(4)(D) as follows (original proposed text underlined; new text double-underlined; deleted text in strike through):

(D) d-Quotes will not exercise discretion as provided for in Rule 70.25 if (i) exercising such discretion would result in an execution of a d-Quote equal to or higher (lower) than at the price of a protected offer (bid)-quotation, or (ii) the price of a protected bid (offer) is equal to or higher (lower) than the filed price of the d-Quote.

**2. Amend proposed Rule 67(f)(1)(B) on page 61 of the Exhibit 5 and the fourth full paragraph on page 9 of the Filing (page 34 of the Exhibit 1)**

The Exchange proposes to amend proposed Rule 67(f)(1)(B) on page 61 of the Exhibit 5 and the fourth full paragraph on page 9 of the Filing (page 34 of the Exhibit 1) to correct a cross reference specified in that proposed rule from Rule 1000(d)(iii) to instead cross reference Rule 1000(e)(iii). The Exchange proposes to amend proposed Rule 67(f)(1)(B) to correct the cross reference as follows (original proposed text underlined; new text double-underlined; deleted text in strike through):

(B) A TA ISO will be immediately and automatically executed against the displayed and non-displayed bid (offer) up to its full size in accordance with and to the extent provided by Exchange Rules 1000 – 1004 and will then sweep the Exchange’s book as provided in Rule 1000(e)(iii)~~1000(d)(iii)~~, and the portion not so executed will be immediately and automatically cancelled.

To further reflect this change, the Exchange proposes to amend the fourth full paragraph on page 9 of the Filing (page 34 of the Exhibit 1) as follows (new text underlined; deleted text in brackets)”

In addition, proposed Rule 67(f)(1)(B) would provide that the Exchange would immediately and automatically execute a TA ISO against the displayed and non-displayed bid (offer) up to its full size in accordance with and to the extent provided by Exchange Rules 1000 – 1004 and will then sweep the Exchange’s book as provided in Rule 1000(e)(iii)[1000(d)(iii)]. Any portion of the TA ISO that is not executed would be immediately and automatically cancelled. This proposed rule text is based on current Rule 13(e)(3)(B).

**3. Amend proposed Rule 67(f)(4)(B)(i) on page 62 of the Exhibit 5**

The Exchange proposes to amend proposed Rule 67(f)(4)(B)(i) on page 62 of the Exhibit 5 to correct the cross reference specified in that proposed rule from Rule 67(e)(4)(C)(x) to instead cross reference Rule 67(e)(4)(C)(ix) as follows (new text double underlined; deleted text in strike through):



(i) On entry, Day ISOs will be eligible for the exception set forth in paragraph (e)(4)(C)(~~x~~)(ix) of this Rule.

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All other representations in the Filing remain as stated therein and no other changes are being made.