

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75444; File No. SR-NYSE-2015-15)

July 13, 2015

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 2, to Amend NYSE Rule 13 and Related Rules Governing Order Types and Modifiers

I. Introduction

On March 24, 2015, New York Stock Exchange LLC (“Exchange” or “NYSE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Exchange Rule 13, and related Exchange rules, governing order types and modifiers. The proposed rule change was published for comment in the Federal Register on April 14, 2015.³ On May 14, 2015, the Exchange filed Partial Amendment No. 1 to the proposed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 74678 (April 8, 2015), 80 FR 20053 (“Notice”). Prior to filing this proposal, the Exchange filed a similar proposal to amend Rule 13, and related Exchange rules, governing order types and modifiers. See Securities Exchange Act Release No. 73703 (November 28, 2014), 79 FR 72039 (December 4, 2014) (SR-NYSE-2014-59). For that proposal, the Commission extended the time period for action, see Securities Exchange Act Release No. 74051 (January 14, 2015), 80 FR 2983 (January 21, 2015) (SR-NYSE-2014-59), and for an almost identical filing of NYSE MKT LLC (“NYSE MKT”), the Commission instituted proceedings to determine whether to approve or disapprove NYSE MKT’s proposal, see Securities Exchange Act Release No. 74298 (February 18, 2015), 80 FR 9770 (February 24, 2015) (SR-NYSEMKT-2014-95). Prior to the conclusion of those proceedings for NYSE MKT’s proposal, both NYSE and NYSE MKT withdrew their respective proposals. See Securities Exchange Act Release Nos. 74642 (April 3, 2015), 80 FR 19096 (April 9, 2015) (SR-NYSE-2014-59) and 74643 (April 3, 2015), 80 FR 19102 (April 9, 2015) (SR-NYSEMKT-2014-95).

rule change⁴ On May 27, 2015, pursuant to Section 19(b)(2) of the Act,⁵ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁶ On July 10, 2015, the Exchange filed Amendment No. 2 to the proposed rule change.⁷ The Commission received no comment letters regarding the proposed rule change. The Commission is publishing this notice to solicit comments on Amendment No. 2 from interested persons and is approving the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

II. Description of the Proposal, As Modified by Amendment No. 2

On June 5, 2014, in a speech entitled “Enhancing Our Market Equity Structure,” Mary Jo White, Chair of the Commission, requested that the equity exchanges conduct a comprehensive review of their order types and how they operate in practice and, as part of this review, consider appropriate rule changes to help clarify the nature of their order types and how they interact with

⁴ The Exchange subsequently withdrew Partial Amendment No. 1 on May 20, 2015.

⁵ 15 U.S.C. 78s(b)(2).

⁶ See Securities Exchange Act Release No. 75048, 80 FR 31419 (June 2, 2015). The Commission designated July 13, 2015, as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

⁷ For a description of the proposals contained within Amendment No. 2, see infra Section V.

each other.⁸ Subsequent to the Chair’s speech, the Commission’s Division of Trading and Markets requested that the Exchange complete its review and submit any proposed rule changes.⁹

The Exchange proposes to amend Rule 13 by re-grouping and re-numbering existing order types and order modifiers. The Exchange also proposes to amend Rule 13 to revise the definitions of certain order types and modifiers in both substantive and non-substantive ways and to add text stating that, unless otherwise specified in either Rules 13, 70 (applicable to Exchange Floor brokers), or 104 (applicable to Exchange Designated Market Makers (“DMMs”)), orders and modifiers listed in Rule 13 are available for all Exchange member organizations. The Exchange represents that these revisions are not intended to reflect changes to the functionality of any order type or modifier, but rather to clarify Rule 13 to make it easier to navigate.¹⁰ In addition, the Exchange proposes to amend related Exchange rules to relocate rule text contained in current Rule 13; further explain the functionality of certain Floor broker and DMM interest; further explain the operation of non-displayed interest entered into the Exchange’s systems; add, update, or revise cross references; and make other non-substantive technical amendments.

Under the proposal, Rule 13 would be reorganized into six categories: (1) Primary Order Types; (2) Time in Force Modifiers; (3) Auction-Only Orders; (4) Orders with Instructions Not to Display All or a Portion of the Order; (5) Orders with Instructions Not to Route; and (6) Additional Order Instructions and Modifiers. Currently, Rule 13 lists order types and

⁸ See Mary Jo White, Chair, Commission, Speech at the Sandler, O’Neill & Partners, L.P. Global Exchange and Brokerage Conference (June 5, 2014), available at <http://www.sec.gov/News/Speech/Detail/Speech/1370542004312>.

⁹ See Letter from James Burns, Deputy Director, Division of Trading and Markets, Securities and Exchange Commission, to Jeffrey C. Sprecher, Chief Executive Officer, Intercontinental Exchange, Inc., dated June 20, 2014.

¹⁰ See Notice, supra note 3, 80 FR at 20054.

modifiers alphabetically and does not categorize order types and modifiers based on characteristic or function.

A. Primary Order Types

Proposed section (a) of Rule 13 would set forth two primary order types—Market Orders and Limit Orders—and specify which orders are eligible for automatic executions. The Exchange proposes to delete the current definition of “Auto Ex Order” and proposes that all orders entered electronically will be eligible for automatic execution. Interest represented manually by a floor broker, however, would not be eligible for automatic execution.

The Exchange is not changing the definition of “Market Order” and would replace the current term “Display Book” with the proposed term “Exchange systems.”¹¹ With respect to Limit Orders, current Rule 13 defines a “marketable Limit Order” as “an order on the Exchange that can be immediately executed; that is, an order to buy priced at or above the Exchange best offer or an order to sell price at or below the Exchange best bid.” In the proposed rule change, the Exchange proposes to add a definition for a Limit Order as an order to buy or sell a stated amount of a security at a specified price or better. The definition of a “marketable Limit Order” would be revised non-substantively so that a marketable Limit Order would be defined as “a Limit Order to buy (sell) at or above (below) the Exchange best offer (bid) for the security.”

B. Time in Force Modifiers

Proposed section (b) of Rule 13 would set forth three Time in Force modifiers for orders: (1) Day; (2) Good til Cancelled (“GTC”) or Open; and (3) Immediate or Cancel (“IOC”). For Day modifiers, the Exchange proposes to allow only Limit Orders to be designated as Day

¹¹ The Exchange proposes to replace the term “Display Book” with “Exchange systems,” when the term refers to Exchange systems that receive and execute orders, and with “Exchange book” when the term refers to the interest that has been entered and ranked in Exchange systems, as applicable throughout the proposed rule text.

orders. Currently, any order could be designated as a Day order. For the GTC or Open modifier, the Exchange is proposing to allow only Limit Orders to be designated with the GTC or Open modifier. Currently, any order could be a GTC or Open order.

With respect to IOC modifiers, the Exchange currently has three different modifiers: (1) Regulation NMS-compliant IOC; (2) NYSE IOC; and (3) IOC-MTS (minimum trade size). The Exchange is proposing to make non-substantive changes to the definitions of all three IOC modifiers.¹²

C. Auction-Only Orders

Proposed section (c) of Rule 13 would set forth five Auction-Only Orders: (1) Closing Offset (“CO”) Orders; (2) Limit-on-Close (“LOC”) Orders; (3) Limit-on-Open (“LOO”) Orders; (4) Market-on Close (“MOC”) Orders; and (5) Market-on-Open (“MOO”) Orders. The Exchange is proposing to make non-substantive changes to these definitions.

D. Non-Displayable Orders (All or a Portion of the Order)

Proposed section (d) of Rule 13 contains orders that are partially or fully undisplayed. There are two types of non-displayable orders: (1) Mid-Point Passive Liquidity Orders (“MPL Orders”) and (2) Reserve Orders. The Exchange proposes to make non-substantive changes to the definition of MPL Orders.

With respect to Reserve Orders, the Exchange proposes to make non-substantive changes to the definition. The Exchange also proposes to add new rule text to state that a Minimum Display Reserve Order, which is a Limit Order that has a portion of the interest displayed when the order is or becomes the Exchange best bid or offer (“Exchange BBO”) and a portion not displayed (the reserve interest), would participate in both automatic and manual executions. The

¹² Throughout the proposed rule text, the Exchange proposes to capitalize terms, including, but not limited to, Limit Order and Market Order.

Exchange also proposes to add new rule text to state that a Non-Displayed Reserve Order, which is a Limit Order that is not displayed, would not participate in manual executions. The Exchange represents that these changes would reflect how those orders currently operate on the Exchange.¹³ Moreover, the Exchange proposes to change the circumstances in which the reserve interest of a Reserve Order would be available for execution. Currently, the Exchange's rule text specifies that reserve interest of a Non-Displayed Reserve Order is available for execution only after all displayed interest at the price has been executed. The Exchange proposes to amend the rule text to specify that reserve interest of all Reserve Orders is available for execution only after all displayed interest at the price has been executed.

E. Do Not Route Orders

Proposed section (e) of Rule 13 would set forth order modifiers and order types that would not be routed: (1) the Add Liquidity Only ("ALO") modifier; (2) Do Not Ship ("DNS") orders; and (3) Intermarket Sweep ("ISO") orders. For the ALO modifier, the Exchange proposes to make non-substantive changes and to update cross references. The Exchange also proposes to add new rule text to specify that Limit Orders with the ALO modifier may participate in re-openings, but that the ALO designation would be ignored. This proposed change would expand the text of current Rule 13, which states that Limit Orders with the ALO modifier may participate in the Exchange's open or close, but that the ALO designation would be ignored. The Exchange is also proposing to make non-substantive changes to the DNS order and ISO definitions.

¹³ See Notice, supra note 3, 80 FR at 20055.

F. Other Modifiers

Proposed section (f) of Rule 13 would include the Exchange's other order instructions and modifiers: (1) Do Not Reduce ("DNR") modifier; (2) Do Not Increase ("DNI") modifier; (3) Pegging interest; (4) Retail modifier; (5) Self-Trade Prevention ("STP") modifier; (6) Sell "Plus" – Buy "Minus" instruction; and (7) Stop order. The Exchange proposes to make non-substantive changes to the DNR and DNI modifiers.

With respect to Pegging interest, the Exchange proposes to specify that Pegging interest must be a Floor broker agency interest file ("e-Quote") or a discretionary e-Quote ("d-Quote") and proposes to delete the reference to the term "Primary Pegging Interest" in proposed Rule 13(f)(3)(B) because the Exchange represents that it only has one form of Pegging interest.¹⁴

The Exchange proposes to make non-substantive changes to the Retail modifier, STP modifier, and the Sell "Plus" – Buy "Minus" instruction definitions. With respect to the STP modifier, the Exchange proposes to add rule text specifying that the STP modifier is not available for DMM interest, and with respect to Stop orders, the Exchange proposes to make non-substantive changes and to replace the term "Exchange's automated order routing system" with "Exchange systems."

G. Other Proposed Changes

The Exchange proposes to move the definition of "Routing Broker" to Rule 17(c) because the Exchange states that Rule 17(c) governs the operations of Routing Brokers.¹⁵

The Exchange also proposes to amend the definition of Not Held orders and relocate that definition to Supplementary Material .20 to Rule 13 because the Exchange states that Supplementary material .20 of Rule 13 reflects the obligations that members have in handling

¹⁴ See Notice, supra note 3, 80 FR at 20055.

¹⁵ See id.

customer orders and Not Held instructions are instructions from a customer to a member or member organization regarding the handling of an order.¹⁶ Rule 13 currently defines a Not Held order as a market or limited price order marked “not held,” “disregard tape,” “take time,” “buy or sell on print,” or which bears any such qualifying notation. Under the proposed rule change, a Not Held order would refer to an unpriced, discretionary order voluntarily categorized as such by the customer and with respect to which the customer has granted the member or member organization price and time discretion.

The Exchange proposes several amendments to Rule 70, which governs the execution of Exchange Floor Broker interest. The Exchange proposes to amend Rule 70(a)(i) to (1) delete current rule text indicating that Floor Brokers can only enter e-Quotes at or outside the Exchange BBO because, in Amendment No. 2, the Exchange explains that Floor brokers may use e-Quotes to enter non-displayed orders, such as Non-Display Reserve e-Quotes or MPL Orders, priced between the Exchange BBO, and (2) add rule text stating that e-Quotes would not include unelected Stop Orders, Market Orders, ISOs, GTC modifiers, DNR modifiers, or DNI modifiers. Furthermore, the Exchange proposes to add text to Rule 70.25(a)(ii) explaining that discretionary instructions may include instructions to participate in the Exchange’s opening or closing transaction only. The Exchange also proposes to amend Rule 70.25(c) to clarify that certain functionality set forth in the Rule is no longer available. Specifically, Rule 70.25(c)(ii) currently provides that a Floor broker may designate a maximum size of contra-side volume with which it is willing to trade using discretionary pricing instructions. Because this functionality is not available, the Exchange proposes to delete references to the maximum discretionary size parameter from Rules 70.25(c)(ii) and (c)(v). Additionally, the Exchange proposes to amend

¹⁶ See id.

Rule 70.25(c)(iv) to clarify that the circumstances under which the Exchange would consider interest displayed by other market centers at the price at which a d-Quote may trade are not limited to determining when a d-Quote's minimum or maximum size range is met. Accordingly, the Exchange proposes to delete the clause "when determining if the d-Quote's minimum and/or maximum size range is met." The Exchange also proposes to make non-substantive changes to Rules 70(a)(i) and 70(b)(i) by replacing the term "Display Book" with the term "Exchange systems," and in Rule 70(f), the Exchange proposes to update cross references.

The Exchange proposes several amendments to amend Rule 72, which governs the priority of bids and offers and allocation of executions on the Exchange. First, the Exchange proposes to amend Rule 72(c)(i) to (1) replace the term "reserve interest" with the term "non-displayable interest" so that the rule sets forth that all non-displayable interest, which includes certain types of reserve interest and MPL Orders, trades on parity in accordance with the order allocation provisions of Rule 72 and (2) change the phrase "the displayed bid (offer)" to "displayable bids (offers)" and change the phrase "displayed volume" to "displayable volume" to specify that an automatically executing order will trade first with displayable bids (offers) and, if there is insufficient displayable volume to fill the order, will trade next with non-displayable interest. The Exchange also proposes to amend Rule 72(c)(x) to add MPL Orders to the orders identified as being eligible to trade at price points between the Exchange BBO and delete a cross reference to Rule 13.

The Exchange proposes two amendments to Rule 104, which governs the dealings and responsibilities of DMMs. First, the Exchange proposes to add text to Rule 104(b)(ii) explaining that the Exchange's systems will prevent incoming DMM interest from trading with resting DMM interest. Specifically, proposed Rule 104(b)(ii) would now provide that if an incoming

DMM interest would trade with resting DMM interest only, the incoming DMM interest would be cancelled, and if the incoming DMM interest would trade with interest other than DMM interest, the resting DMM interest would be cancelled. Furthermore, the Exchange proposes to add new Rule 104(b)(vi) to specify that DMMs may not enter the following orders and modifiers: (1) Market Orders; (2) GTC modifiers; (3) MOO orders; (4) CO orders; (5) MOC orders; (6) LOC orders; (7) DNR modifiers; (8) DNI modifiers; (9) Sell “Plus”—Buy “Minus” instructions; and (10) Stop orders.

Finally, the Exchange proposes to amend Rule 1000, which governs automatic executions, by adding cross references to other Exchange rules applicable to automatic executions in Rule 1000(a).

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 2, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁷ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁸ which requires, among other things, that the rules of a national securities exchange be 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 facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

¹⁷ In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁸ 15 U.S.C. 78f(b)(5).

The Exchange represents that it continually assesses its rules governing order types¹⁹ and that this proposal is part of that continued effort to review and clarify its rules governing order types.²⁰ In addition, the Commission notes that the Exchange asserts that the proposal is consistent with Section 6(b)(5) of the Act because it would, among other things, clarify existing functionality of the Exchange's order types and ensure that Exchange members, regulators, and the public can both more easily navigate the Exchange's rulebook and better understand the order types available for trading on the Exchange.²¹

The Exchange's proposal would restructure and reorganize Rule 13 so that order types with similar functionality are grouped together by subsection. The Commission also notes that the proposal contains several revisions to the Exchange's current rule text to clarify the descriptions of how certain orders, modifiers, and the "not held" instruction function and to specify which member organizations can and cannot enter certain order types. The Commission believes that the proposed rule change should provide greater specificity, clarity, and transparency with respect to the order type and modifier functionalities available on the Exchange, as well as the Exchange's methodology for handling certain order types, when compared to the existing rule text today. Accordingly, the Commission believes that the proposal is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

¹⁹ See Notice, supra note 3, 80 FR at 20053.

²⁰ See Notice, supra note 3, 80 FR at 20053-54.

²¹ See Notice, supra note 3, 80 FR at 20056.

IV. Solicitation of Comments on Amendment No. 2

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 2 to 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. Please include File Number SR-NYSE-2015-15 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSE-2015-15. 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 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 this filing will also 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-2015-15 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 2

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 2, prior to the 30th day after the date of publication of notice of Amendment No. 2 in the Federal Register. In Amendment No. 2, the Exchange proposes to add to Rule 13 text that: (1) states that, unless otherwise specified in either Rules 13, 70, or 104, orders and modifiers listed in Rule 13 are available for all Exchange member organizations; and (2) specifies that the STP modifier is not available for DMM interest. The Exchange also proposes to delete a proposed change to the definition of MPL Orders that would have required the Exchange's systems to: (1) reject an MPL Order on entry if it has a Minimum Triggering Volume larger than the size of the order and (2) to reject a request to partially cancel a resting MPL Order when the partial cancellation would result in a Minimum Triggering Volume that is larger than the size of the order. Furthermore, the Exchange proposes several non-substantive technical amendments to the filing so that the proposed text in Rules 13(a)(1) (definition of Market Order) and 13(d)(1)(A) (definition of MPL Order), and the current Rule 13 text marked for deletion under the present alphabetically listed format, accurately reflect the proposed rule changes to the current rule text and the proposed rule text that is not being changed from the current rule text.

The Exchange also proposes to amend Rule 70 to: (1) delete current rule text in Rule 70(a)(i) indicating that Floor Brokers can only enter e-Quotes at or outside the Exchange BBO;

(2) add text to Rule 70(a)(i) stating that e-Quotes shall not include unelected Stop orders, Market Orders, ISOs, GTC modifiers, DNR modifiers, or DNI modifiers; (3) add text to Rule 70.25(a)(ii) explaining that discretionary instructions may include instructions to participate in the Exchange's opening or closing transaction only; (4) make non-substantive changes to Rules 70(a)(i) and 70(b)(i) by replacing the term "Display Book" with the term "Exchange systems;" and (5) update cross references in Rule 70(f).

The Exchange proposes to amend Rule 72(c)(i) to: (1) set forth that all non-displayable interest, which includes certain types of reserve interest and MPL Orders, trades on parity; and (2) to change the phrase "the displayed bid (offer)" to "displayable bids (offers)" and change the phrase "displayed volume" to "displayable volume." The Exchange also proposes to amend Rule 72(c)(x) to add MPL Orders to the orders identified as being eligible to trade at price points between the Exchange BBO and delete a cross reference to Rule 13.

The Exchange also proposes to add text to Rule 104(b)(ii) explaining that the Exchange's systems will prevent incoming DMM interest from trading with resting DMM interest.

Furthermore, the Exchange proposes to add new Rule 104(b)(vi) to specify that DMMs may not enter the following orders and modifiers: (1) Market Orders; (2) GTC modifiers; (3) MOO orders; (4) CO orders; (5) MOC orders; (6) LOC orders; (7) DNR modifiers; (8) DNI modifiers; (9) Sell "Plus"—Buy "Minus" instructions; and (10) Stop orders.

Finally, the Exchange proposes to amend Rule 1000(a) to provide cross references to other Exchange rules applicable to automatic executions.

The Commission believes that the revisions proposed in Amendment No. 2 do not raise any novel regulatory issues. The Commission further believes that the proposed revisions to the rule text set forth in Amendment No. 2 do not represent any significant changes to the current

functionality of the Exchange's order types and modifiers. Rather, these proposed rule text changes primarily help clarify and better explain how the Exchange's order types and modifiers currently operate and interact. For instance, the Commission believes that the Exchange's proposal to add text at the beginning of Rule 13 stating that, unless otherwise specified in Rules 13, 70, or 104, orders and modifiers are available for all member organizations, coupled with the proposed addition of subparagraph (b)(vi) to Rule 104 that specifically enumerates which orders and modifiers a DMM may not enter into the Exchange's systems, should help member organizations better understand which orders and modifiers they can and cannot enter into the Exchange's systems. Therefore, the Commission finds that Amendment No. 2 is consistent with the protection of investors and the public interest.

Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,²² to approve the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

²² 15 U.S.C. 78s(b)(2).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,²³ that the proposed rule change (NYSE-2015-15), as modified by Amendment No. 2, be, and it hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

Robert W. Errett
Deputy Secretary

²³ 15 U.S.C. 78s(b)(2).

²⁴ 17 CFR 200.30-3(a)(12).