Janet M. Kissane
Senior Vice President – Legal & Corporate Secretary
Office of the General Counsel

NYSE Euronext

20 Broad Street
New York, New York 10005
t 212.656.2039 | f 212.656.8101
jkissane@nyx.com

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Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
Station Place
100 F Street, NE
Washington, D.C. 20549-9303

Re: SR-NYSE-2009-111 – Response to Comment Letter ("Response")

Dear Ms. Murphy:

The New York Stock Exchange LLC ("NYSE" or the "Exchange") submits this letter in response to the Morgan Stanley and Co. Incorporated ("Morgan Stanley") comment letter received by the Securities and Exchange Commission in connection with SR-NYSE-2009-111 (the "Rule Filing"), which proposes amendments to NYSE Rule 123C (Market On The Close Policy And Expiration Procedures) to modify the procedures for its closing process; and make conforming changes to NYSE Rules 13 ("Definitions of Orders") and Rule 15 ("Pre-Opening Indications").

The NYSE appreciates the comments offered by Morgan Stanley. The changes proposed in the Rule Filing represent the most significant change to the Exchange's closing process in recent history, and are designed to both streamline and increase transparency of the closing process in response to fundamental market structure changes over the past few years. Crafting changes that will satisfy the broad range of Exchange constituencies is never easy, and this amendment is no exception. In developing the proposed amendments, NYSE took into consideration input provided by its diverse constituent base, including Morgan Stanley. The NYSE believes that the Rule Filing represents the most appropriate approach to enhance the efficiency and transparency of the closing process while addressing the sometimes competing interests of its constituents.

Specifically, in designing the proposal, the NYSE was mindful of two sometimes conflicting considerations: accommodating the interests of diverse constituencies whose business models vary widely, and ensuring that changes are implemented in a way that minimizes the possibility of unintended consequences. We believe that the Rule Filing represents a careful balancing of these considerations. In particular, we believe the proposed changes are consistent with our overarching goal of providing market participants with an enhanced electronic market structure that also incorporates manual trading in order to encourage the addition of liquidity, as well as to facilitate the trading of larger orders more efficiently and that operates to reward aggressive liquidity providers. At the same time, we believe that, given available development resources and the complexity of modern markets, we were hesitant to introduce a level of incremental change that could have broad-ranging and unforeseen consequences.

The Exchange is sensitive Morgan Stanley's concerns about accuracy and transparency at the Close, but disagrees that the proposed process is flawed. The NYSE's closing auction takes into account, as it always has all the available liquidity including Crowd interest. To ensure that this process is fair to all participants, the NYSE has worked to make certain that its members and member organizations maintain appropriate policies and procedures around the closing process through its rules and interpretive guidance. NYSE Regulation, Inc. ("NYSER") re-issues such interpretive guidance annually and during sensitive trading dates such as the annual Russell Reconstitution. Members and member organizations are advised that they should avoid holding back large interest for entry at or near the Close, since otherwise they could face regulatory exposure for inappropriately impacting the Close.[1] Moreover, the NYSE has implemented procedures through NYSE Rule 123C(8) to attract offsetting interest where there exists such a large imbalance at the Close that a DMM is unable to Close the security without significantly dislocating the price of the security.[2]

In addition, NYSER reviews trading in NYSE-listed securities for, among other things, possible manipulative activity, including marking the Close, which may be in violation of federal securities laws and/or NYSE Rules, including Sections 9(a) and 10(b) of the Securities Exchange Act of 1934, Securities Exchange Act Rule 10b-5, and NYSE Rules 435 and 476(a).

The NYSE's market model is continually evolving to best meet the needs of all its market participants. As the NYSE implements the changes to the closing process, it will continue to work with its varied constituency, including Morgan Stanley, to assess the operation of the closing process, with an eye toward any potential changes in the behavior of market participants and to identify further ways to enhance the efficiency and transparency of the Close.

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1 Member organizations, including Morgan Stanley, sometimes receive large orders from customers very near to the Close that must be executed that day. This precaution does not apply to those situations.

2 These extreme imbalances are rare. The NYSE has had to invoke this provision only once since the approval of the pilot on April 20, 2009.

In view of all of the foregoing, the Exchange respectfully submits that the amendments proposed in the Rule Filing are consistent with the provisions of the Exchange Act.

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If you have any questions regarding the foregoing, please feel free to contact Daniel Labovitz, Vice President, at (212) 656-2081, Deanna Logan, Managing Director, Office of the General Counsel, at (212) 656-2389 and Clare Saperstein, Managing Director, Office of the General Counsel, at (212) 656-2355.

Sincerely yours,

Janet M Kissane