SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-60289; File No. SR-NYSE-2009-68)

July 10, 2009

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by New York Stock Exchange LLC Amending NYSE Rules 60, 70 and 1000 to Reflect Modifications to the Manner in which the Exchange will Quote and Trade With Respect to Liquidity Replenishment Points

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on July 9, 2009, 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 and II below, which Items have been prepared by the self-regulatory organization. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act[4] and Rule 19b-4(f)(6) thereunder,[5] which renders it effective upon filing with the Commission. 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 NYSE Rules 60 (Dissemination of Quotations), 70 (Execution of Floor Broker Interest) and 1000 (Automatic Executions) to reflect modifications to the manner in which the Exchange will quote and trade with respect to

1 15 U.S.C.78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

4 15 U.S.C. 78s(b)(3)(A).

5 17 CFR 240.19b-4(f)(6).

Liquidity Replenishment Points. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and www.nyse.com.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

New York Stock Exchange LLC ("NYSE" or the "Exchange") proposes to amend Exchange Rules 60 (Dissemination of Quotations), 70 (Execution of Floor Broker Interest) and 1000 (Automatic Executions) to reflect modifications to the manner in which the Exchange will quote and trade with respect to Liquidity Replenishment Points ("LRPs").[6] As proposed, LRPs will convert the Display Book to an auction market by causing autoquote to be suspended only when an LRP is reached that will result in a locked or crossed market condition on the Exchange or with respect to an away market center ("lock/cross") or where the next action required is to consummate a trade. Once

[6] LRPs are pre-determined price points that temporarily convert the automatic Exchange market to an auction market in order to dampen volatility when the market is experiencing a large price movement based on a security's typical trading characteristics or market conditions over short periods of time during the trading day. LRPs allow the DMM to solicit additional liquidity.

the locked/crossed condition is cleared or the required trade is consummated, the automatic quoting and executions will resume immediately without any pre-set timing delays. As such, the proposal will allow Exchange systems to quote interest through an LRP price point without converting the Exchange market to an auction market where the next required action is simply to quote the interest.

The Exchange notes that parallel changes are proposed to be made to the rules of the NYSE Amex LLC (formerly the American Stock Exchange).[7]

a. Background

The Exchange uses LRPs to temporarily convert the automatic Exchange market to an auction market in order to dampen volatility when the market is experiencing a large price movement based on a security's typical trading characteristics or market conditions over short periods of time during the trading day. For example, a large sized order on one side of the market, or a series of orders that will trade beyond the current market could cause the price of a security to move to its current LRP value. Conversion to an auction market as a result of an LRP allows the Exchange to solicit additional liquidity.

Floor broker interest with discretionary trading instructions ("d-Quotes") is prohibited from triggering an LRP. Specifically, a d-Quote participating in a sweep transaction cannot use its price discretion to trade at a price that would trigger an LRP.[8] d-Quotes were designed in this manner so they would not cause the Exchange's market to "go slow" by triggering an LRP. It should also be noted that a d-Quote cannot cause a

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[7] See SR-NYSE Amex-2009-39.

[8] Exchange systems automatically prevent a d-Quote from using its price discretion to trade at an LRP price.

lock/cross market because the d-Quote only trades at prices within its designated discretion but does not quote at a price using its price discretion.

b. Functioning of Autoquote and Auomatic [sic] Executions

Autoquote is a part of the Display Book®[9] that immediately displays customer limit orders received on the Exchange. When autoquote is suspended, it is suspended on both sides of the market. The Exchange will publish a "slow" quote (i.e., one that is not eligible for automatic execution) when autoquote is suspended. The Exchange can also publish a slow quote on one side of the market, under certain market conditions, such as when there is no interest on one side of the market.

Pursuant to NYSE Rule 60, autoquote is suspended when an LRP is reached and resumes in no more than ten seconds after the LRP is reached. Specifically, NYSE Rule 60(d)(ii)(C) provides that autoquoting is suspended when an LRP is reached, that is, if an automatic execution would take place at or beyond an LRP. When autoquoting is suspended in this situation, the Display Book "goes slow", i.e., quotes and trading in that security do not take place automatically. Pursuant to current Rule 60, autoquoting will resume in no more than ten seconds (but usually in five seconds) after an LRP is reached. Autoquoting resumes unless there is interest on the Display Book system that would lock/cross the market. In such case, autoquoting will resume following a manual transaction.

9 The Display Book® system is an order management and execution facility. The Display Book system receives and displays orders to the DMMs, contains the Book, and provides a mechanism to execute and report transactions and publish the results to the Consolidated Tape. The Display Book system is connected to a number of other Exchange systems for the purposes of comparison, surveillance, and reporting information to customers and other market data and national market systems.

For example, if the market on the Exchange for a security is 20.10 bid and 20.15 offered. The designated LRP for this security is at a price of 20.15 on the offer side. A buy order is received to lift the offer at 20.15. Exchange systems will execute the buy order against the interest at 20.15 and then suspend autoquote. Autoquote resumes in no more than ten seconds unless there is interest on the NYSE Display Book system that would lock/cross the market. An example of this would be if in the same market situation after autoquote suspended, interest arrived to sell below the bid price (e.g., sell at 20.09 or below), the market would be "crossed". In such case, autoquote will resume after a manual transaction, conducted by the DMM to trade out of the cross market and resume automatic quoting.

Similarly, pursuant to NYSE Rule 1000(a)(iv), automatic executions are suspended when an LRP is reached, and resume pursuant to the same parameters for the resumption of autoquote. Automatic executions on the Exchange are suspended when autoquote is suspended. In certain instances, autoquote is available to disseminate a slow quote. This may occur on either the bid or offer side or both sides of the market. In instances when autoquote is disseminating a slow quote, auto executions will not be available against the quote that is slow.

Pursuant to current NYSE Rules, once an LRP is reached interest may not quote through the price point. For example the Exchange market is 500 shares bid 20.10 and 300 shares offered at 20.15. The designated LRP for this security is at a price of 20.15 on the offer side. An order to buy 600 shares with a limit price of 20.16 is received. There is no interest offered on the Display Book at 20.16. The next offer is 400 shares at 20.20. The order will execute 300 shares at 20.15. Thereafter, autoquote and automatic executions will be suspended. No more than ten seconds later, the quote will be updated to reflect the new bid price of 20.16 and the new offer price of 20.20 and auto quote and auto execution will resume.

Similarly, pursuant to current NYSE Rules interest may also not trade through the price point. Again, the Exchange market is 500 shares bid 20.10 and 300 shares offered at 20.15. The designated LRP for this security is at a price of 20 .15 on the offer side. An order to buy 600 shares with a limit price of 20.16 is received. There are 200 shares offered on the Display Book at 20.16 and the next offer on the Display Book is for 400 shares at 20.20. The order will execute 300 shares at 20.15. Thereafter, autoquote and automatic executions will be suspended. The DMM will manually execute an additional 200 shares of the order at 20.16 and auto quote and auto execution will resume. The Exchange quote will be updated to reflect 100 shares bid at 20.16 and 400 shares offered at the price of 20.20.

c. Proposed Amendment to NYSE Rules

In order to have the Exchange market increase the amount of continuous automatic quoting and executions, it is proposed to reduce the number of situations when an LRP converts the Exchange to a manual market. The Exchange is proposing to allow Exchange systems to quote interest through an LRP price point without converting the Exchange market to an auction market where the next required action is simply to quote. In the event a trade is required after reaching an LRP, the Exchange market will continue to be converted to an auction market.

In instances where the next action after the LRP would be to quote because there is no interest capable of trading at the relevant price point, the Exchange proposes to have the Display Book® maintain fast market conditions and not convert to a manual market for any period of time. Rather, interest will be immediately and automatically quoted and available for automatic executions. As proposed, an LRP will convert the Display Book to an auction market when an automated quote following such LRP would result in a locked/crossed market condition. Once the locked/crossed condition is cleared, automatic quoting and executions will resume immediately without any pre-set timing delays.

The Exchange believes that in certain situations, when an LRP is reached, and there is not a locked/crossed market situation, keeping autoquote active is beneficial to the market since interest on the Display Book will continue to be autoquoted, and therefore available for automatic executions.[10] For example, suppose the market on the NYSE is 20.10 bid and 20.15 offered, last sale at 19.90, with the current LRP for this security at 20.15 on the offer side since the LRP is .25. If there is incoming interest that would trade up to the .15 offer, and there is interest on the Display Book to sell at .16, the Exchange believes the .16 offer should be eligible for autoquoting and, therefore, automatic execution, rather than the Exchange's market having to go slow.

Therefore, the Exchange proposes to amend NYSE Rule 60(d) to allow autoquote to continue when an LRP is reached if the market on the Exchange is not locked/crossed. For example the Exchange market is 500 shares bid 20.10 and 300 shares offered at 20.15. The designated LRP for this security is at a price of 20.15 on the offer side. An

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[10] The Exchange notes that in its experience it does not often receive additional liquidity in the prescribed amount of time during LRP situations where the next required action is to quote the remaining interest, and, therefore, the Exchange believes that allowing for the continuation of autoquoting will be beneficial to its market.

order to buy 600 shares with a limit price of 20.16 is received. There is no interest offered on the Display Book at 20.16. The next offer is 400 shares at 20.20. The order will execute 300 shares at 20.15. Autoquote and automatic executions <u>will not</u> be suspended. Thereafter autoquote will reflect the new quote of 300 shares bid at a price of 20.16 and 400 shares offered at a price of 20.20.

Pursuant to the proposal, there will be no interruption of autoquote unless the market would be locked/crossed by the interest that would be autoquoted. Moreover, Exchange systems will still not allow the Display Book to trade through an LRP. As such, if the Exchange market is 500 shares bid 20.10 and 300 shares offered at 20.15. The designated LRP for this security is at a price of 20.15 on the offer side. An order to buy 600 shares with a limit price of 20.16 is received. There are 200 shares offered on the Display Book at 20.16 and the next offer on the Display Book is 400 shares at 20.20. The order will execute 300 shares at 20.15. Thereafter, autoquote and automatic executions will be suspended as it is today. The DMM must intervene to execute the additional 200 shares of the order at 20.16. Autoquoting will also resume as soon as a locked/crossed market is cleared by a manual execution or cancellation of the locking/crossing interest. [11]

The Exchange further proposes to amend NYSE Rule 1000(a)(iv) to allow for the continuation of automatic execution unless a) any residual interest of the executing order is locking/crossing the market on the Exchange; or b) if the resulting bid or

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11 The Exchange is working on technology to replicate certain manual functions currently done by the individual DMM, including trading out of LRPs that would lock/cross the market. The proposed change to Rule 60(d) will thus have the effect of providing for the resumption of Autoquoting when a locked/crossed market is cleared manually or automatically.

offer is beyond the revised LRP in that security. NYSE Rule 1000(a)(iv) will further be amended to suspend automatic executions only on the side of the market that is quoted beyond the newly calculated LRP, except that undisplayed reserve orders at price points before the LRP will continue to be eligible for automatic executions.

For example, suppose the market on the NYSE is 20.10 bid and 20.15 offered, with an LRP Parameter of .25. The designated LRP for this security is at a price of 20 .15 on the offer side. An incoming buy order limited to 20.15 is entered. It trades up to the 20.15 offer with residual shares to be executed. There is no other sell interest on the Display Book until 20.45. An LRP will be calculated based on the last sale price of 20.15 (i.e., last sale of 20.15 plus the .25 LRP parameter equals 20.40). The offer will be published as slow since it is beyond the newly calculated offer side LRP of 20.40 (last sale of 20.15 plus .25). The bid will remain fast since the bid side LRP is calculated as 19.90 (last sale of 20.15 minus .25). The offer will stay slow until new interest arrives to quote within the LRP, the LRP is recalculated off of a new trade or the DMM intervenes and trades manually.

Finally, the Exchange proposes to amend NYSE Rule 70.25(d)(ix)(A) to remove the restriction that a d-Quote participating in a sweep transaction must stop within one minimum price variation, for most Exchange securities, one cent, of a security's LRP. Given the proposed modification to LRP functionality, allowing d-Quotes to trade at an LRP price will not cause the Exchange's market to go slow if the next action will be a quote. For example, presume the market is 20.05 bid and offered at 20.10, with the security's LRP on the sell side set at 20.13, but with interest on the Display Book to sell higher than the LRP. If a d-Quote to buy has three cents maximum discretion, it would not be able to trade at 20.13 under current rules since this price is a LRP price point. However, since there is interest eligible to be quoted beyond the LRP, under the proposed rule changes allowing the d-Quote to use its maximum discretion to trade at 20.13 would not cause the market to go slow. Therefore, the restriction on the d-quote trading at the LRP no longer serves its original purpose. As such, the Exchange proposes to remove said restriction.

The Exchange will commence implementation of the systemic changes to allow Exchange systems to quote interest through an LRP price point without converting the Exchange market to an auction market where the next required action is simply to quote the interest on or about July 10, 2009. The Exchange intends to progressively implement this systemic change for LRPs on a security by security basis as it gains experience with the new technology until it is operative in all securities traded on the Floor. During the implementation, the Exchange will identify on its website which securities have been transitioned to the new system.

In addition to the substantive change proposed above, the Exchange further proposes to make a technical amendment to NYSE Rule 1000 to delete a reference to the timing of the beginning of the New Market Model Pilot[12] from the preliminary provisions of Rule 1000 since this Pilot has been underway for a number of months.

[12] See Securities Exchange Act Release No. 58845 (October 24, 2008), 73 FR 64379 (October 29, 2008) (SR-NYSE-2008-46).

2. Statutory Basis

The basis under the Securities Exchange Act of 1934 (the "Act")[13] for these proposed rule changes is the requirement under Section 6(b)(5)[14] that an Exchange have rules that are designed to promote just and equitable principles of trade, 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. The proposed rule change also is designed to support the principles of Section 11A(a)(1)[15] in that it seeks to assure economically efficient execution of securities transactions, make it practicable for brokers to execute investors' orders in the best market and provide an opportunity for investors' orders to be executed without the participation of a dealer. The Exchange's proposal to maintain fast market conditions more often is consistent with the principles above in that it will increase the amount of time that the Exchange's quote is eligible for immediate and automatic executions.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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.

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[13] 15 U.S.C. 78a.

[14] 15 U.S.C. 78f(b)(5).

[15] 15 U.S.C. 78k-1(a)(1).

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

Because the foregoing 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 for 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act[16] and Rule 19b-4(f)(6) thereunder.[17]

The Exchange has requested that the Commission waive the 30-day operative delay in order to permit the Exchange to immediately implement the modifications to its systems discussed in full above, which should permit the Exchange to maintain fast market conditions more often, thus increasing the amount of time that the Exchange's quote is eligible for automatic executions. The Commission believes such waiver is consistent with the protection of investors and the public interest.[18] Accordingly, the Commission designates the proposed rule change operative upon filing with the Commission.

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

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[16] 15 U.S.C. 78s(b)(3)(A).

[17] 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the self-regulatory organization to submit to the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

[18] For purposes only of waiving the 30-day operative delay of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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.

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. Please include File Number SR-NYSE-2009-68 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-NYSE-2009-68. 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 Web site (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 inspection and copying in the Commission's Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such 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-2009-68 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.[19]

Elizabeth M. Murphy
Secretary

[19] 17 CFR 200.30-3(a)(12).