

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-57063; File No. SR-NYSE-2007-123]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Rule 1000 (Automatic Execution of Limit Orders Against Orders Reflected in NYSE Published Quotation)

December 28, 2007.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 27, 2007, the New York Stock Exchange LLC (“Exchange” or “NYSE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Exchange has designated this proposal as non-controversial under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change 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 is proposing to amend Exchange Rule 1000(a)(iv) to provide for, in specified circumstances, Liquidity Replenishment Points (“LRPs”) to be calculated based on the last published quote rather than the last sale price. The text of the proposed rule change is available at NYSE, the Commission’s Public Reference Room, and <http://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 Exchange 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 these 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 aspects of such statements.

#### A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The NYSE proposes to amend Exchange Rule 1000(a)(iv) to provide for, in specified circumstances, LRPs to be calculated based on the last published quote rather than the last sale price.

##### a. Current Exchange Rule 1000(a) (Automatic Execution of Limit Orders Against Orders Reflected in NYSE Published Quotation)

Currently, Exchange Rule 1000(a) provides that, subject to certain exceptions, an automatically executing order shall receive an automatic execution against orders reflected in the Exchange published quotation, orders on the Display Book, e-Quotes, s-Quotes, and CAP-DI orders.<sup>5</sup> One exception is where a Liquidity Replenishment Point (“LRP”) has been reached.<sup>6</sup>

LRPs are pre-determined price points that function as “speed bumps” to moderate volatility in a particular security, improve price continuity, and foster market quality by temporarily converting the electronic market to an auction market and permitting new orders, the Crowd, and the specialist to add liquidity.<sup>7</sup> LRPs are calculated and reset automatically every 30 seconds throughout the day by both adding and subtracting a value to the last sale price on the Exchange in the relevant security.<sup>8</sup> LRPs are also automatically calculated after a manual trade by a specialist.<sup>9</sup> When a LRP is reached, Auto Execution is suspended and the market for the particular security temporarily changes to an auction (or

“slow”) market.<sup>10</sup> Auto Execution resumes as soon as possible after a LRP is reached, usually in no more than 5 to 10 seconds or immediately following a manual transaction.<sup>11</sup> LRPs are automatically recalculated when Auto Execution resumes after a LRP has been reached.<sup>12</sup> The values used to calculate the LRPs are determined and disseminated by the Exchange and do not change intraday.<sup>13</sup> LRPs are not calculated and active until a trade in the relevant security occurs on the Exchange.<sup>14</sup>

##### b. Proposed Amendments to Exchange Rule 1000(a)(iv)

The Exchange proposes to amend Rule 1000(a)(iv) to provide for, in specified circumstances, LRPs to be calculated based on the last published quote rather than the last sale price. Because of the way the system is currently designed, when a stock is opened on a quote, the system cannot calculate LRPs in that stock until the first new sale occurs on the Exchange. Similarly, when Auto Execution resumes after it was disabled due to quoting beyond the LRP, the system resets the LRP for the “slow” side to zero and will not recalculate a new LRP until the next sale on the Exchange. In both instances, particularly with a thinly traded stock, the next sale may not occur for some time.

In order to address these technical limitations and fill in gaps in the calculation of LRPs, proposed new Rule 1000(a)(iv) would provide for LRPs to be calculated based on the last published quote, rather than the last sale price, when (i) a stock opens on a quote, or (ii) upon resumption of Auto Execution after it was disabled due to quoting beyond the LRP.

##### c. Calculation of LRPs When Opening on Quote

Under the proposed new Rule 1000(a)(iv), when a stock opens on a quote, the LRPs will be calculated immediately using the opening quote by taking the offer and adding the LRP value (High LRP = offer + LRP value) and taking the bid and subtracting the LRP value (Low LRP = bid – LRP value). These LRPs will remain in effect until the first sale of the security on the Exchange, at which time the LRPs will be reset based upon that sale price.

<sup>5</sup> See Exchange Rule 1000(a). Rule 1000(a)(iv), governing the calculation of LRPs, was originally adopted on March 22, 2006, as part of the Exchange’s development and implementation of the Hybrid market. See Securities Exchange Act Release No. 53539 (March 22, 2006), 71 FR 16353 (March 31, 2006) (SR-NYSE-2004-05). The Rule was subsequently amended in November 2006 to simplify the LRP procedures to their current form. See Securities Exchange Act Release No. 54820 (November 27, 2006), 71 FR 70824 (December 6, 2006) (SR-NYSE-2006-65).

<sup>6</sup> See Exchange Rule 1000(a)(iv).

<sup>7</sup> See Securities Exchange Act Release No. 53539 (March 22, 2006), 71 FR 16353, at 16362 (March 31, 2006) (SR-NYSE-2004-05).

<sup>8</sup> See Exchange Rules 1000(a)(iv)(A) and (C). LRPs are calculated based only on sale prices for trades executed on the Exchange and do not take into account trades executed on away markets.

<sup>9</sup> See Exchange Rule 1000(a)(iv)(C).

<sup>10</sup> See Exchange Rules 1000(a) and (b). See also Exchange Rules 60(e)(ii)(C), 79A.30(a).

<sup>11</sup> See Exchange Rule 60(e)(ii)(C).

<sup>12</sup> See Exchange Rule 1000(a)(iv)(C).

<sup>13</sup> See Exchange Rule 1000(a)(iv)(A).

<sup>14</sup> See Exchange Rule 1000(a)(iv)(B).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

*d. Calculation of LRPs When the Market Is Slow*

Under the proposed new Rule 1000(a)(iv), upon resumption of Auto Execution after it was suspended due to quoting beyond one (or both) of the LRPs (the “slow” side), the LRP will be recalculated on the “slow” side using the last published quote for that side by taking either the offer (or the bid) and adding (or subtracting) the LRP value. Only the “slow” side LRP will be recalculated. This LRP will not be recalculated until a manual trade is entered, there is a new sale of the security on the Exchange, or the stock becomes “slow” again and the specialist again resumes Auto Execution. When a manual trade is entered or there is a new sale, both LRPs will be immediately recalculated based on the last sale price.

The Exchange believes these changes would expand the advantages of LRPs and would better inform its customers, specialists and the market as a whole what the Exchange’s trading ranges are and when Automatic Execution may be halted by the Exchange.

**2. Statutory Basis**

The basis for the proposed rule change is the requirement under Section 6(b)(5) of the Act<sup>15</sup> 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)<sup>16</sup> of the Act in that it seeks to ensure economically efficient execution of securities transactions, to make it practicable for brokers to execute investors’ orders in the best market, and to provide an opportunity for investors’ orders to be executed without the participation of a dealer.

*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*

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and subparagraph (f)(6) of Rule 19b–4 thereunder.<sup>18</sup> Because the foregoing proposed rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6)(iii) thereunder.<sup>19</sup>

A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative for 30 days after the date of filing. However, Rule 19b–4(f)(6)(iii) permits the Commission to waive the operative delay if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the operative delay to permit the proposed rule change to become effective prior to the 30th day after filing.

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Waiver of the 30-day pre-operative waiting period will allow the benefits of expanding the recalculation and use of LRPs to certain times when there is no available last sale price to be realized without delay. Therefore, the Commission has determined to waive the 30-day delay and allow the proposed rule change to become operative upon filing.<sup>20</sup>

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b–4(f)(6).

<sup>19</sup> Rule 19b–4(f)(6) also requires the Exchange to give 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 the five-day pre-filing requirement.

<sup>20</sup> For purposes only of waiving the operative delay of this proposal, the Commission notes that

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 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](mailto:rule-comments@sec.gov). Please include File No. SR–NYSE–2007–123 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR–NYSE–2007–123. 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 Commissions 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, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 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

it has considered the proposed rule’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>15</sup> 15 U.S.C. 78f(b)(5).

<sup>16</sup> 15 U.S.C. 78k–1(a)(1).

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-2007-123 and should be submitted on or before January 28, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Nancy M. Morris,  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-57072; File No. SR-NYSE-2007-125]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Exchange Rule 107A (Registered Competitive Market Makers) and Exchange Rule 110 (Competitive Traders)

December 31, 2007.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 31, 2007, the New York Stock Exchange LLC ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. 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 NYSE proposes to extend for three months the moratorium related to the qualification and registration of Registered Competitive Market Makers ("RCMMs") pursuant to Exchange Rule 107A and Competitive Traders ("CTs") pursuant to Exchange Rule 110. The text of the proposed rule change is available on the NYSE's Web site (<http://www.nyse.com>), at the NYSE, and at the Commission's Public Reference Room.

#### 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 Exchange included statements concerning the purpose of, and basis for, the proposed rule change. The text of these 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 aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to extend for three months the current moratorium related to the qualification and registration of RCMMs pursuant to Exchange Rule 107A and CTs pursuant to Exchange Rule 110.

On September 22, 2005, the Exchange filed SR-NYSE-2005-63<sup>3</sup> with the Commission proposing to implement a moratorium on the qualification and registration of new RCMMs and CTs ("Moratorium"). The purpose of the Moratorium was to allow the Exchange an opportunity to review the viability of RCMMs and CTs in the NYSE HYBRID MARKETSM ("Hybrid Market").<sup>4</sup>

The phased-in implementation of the Hybrid Market required the Exchange to extend the Moratorium an additional four times over the next eighteen (18) months.<sup>5</sup> During each phase of the Hybrid Market, new system functionality was included in the operation of Exchange systems and new data was generated. As a result, the Exchange was unable to make an informed decision as to the viability of RCMMs and CTs in the Hybrid Market.

The Exchange is now proposing to extend the Moratorium, as amended,<sup>6</sup> for an additional three months to March

31, 2008 in order to finalize its determination as to the roles of RCMMs and CTs in the Exchange's Hybrid Market and to formally submit a proposal to the Commission outlining these roles. The Exchange has continued to review the data related to RCMMs and CTs generated during the phasing in of the Hybrid Market.

The Exchange is currently undergoing significant developments in its technology and market model. Accordingly, the Exchange requests additional time to decide what roles, if any, RCMMs and CTs should perform in the current Hybrid Market.

The Exchange will issue an Information Memo announcing the extension of the Moratorium.

###### 2. Statutory Basis

The basis under the Act<sup>7</sup> for this proposed rule change is the requirement under section 6(b)(5)<sup>8</sup> 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.

##### 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Because the proposed rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to section

<sup>3</sup> See Securities Exchange Act Release No. 52648 (October 21, 2005), 70 FR 62155 (October 28, 2005) (SR-NYSE-2005-63).

<sup>4</sup> See Securities Exchange Act Release No. 53539 (March 22, 2006), 71 FR 16353 (March 31, 2006) (SR-NYSE-2004-05) (establishing the Hybrid Market).

<sup>5</sup> See Securities Exchange Act Release Nos. 54140 (July 13, 2006), 71 FR 41491 (July 21, 2006) (SR-NYSE-2006-48); 54985 (December 21, 2006), 72 FR 171 (January 3, 2007) (SR-NYSE-2006-113); 55992 (June 29, 2007), 72 FR 37289 (July 9, 2007) (SR-NYSE-2007-57); and 56556 (September 27, 2007), 72 FR 56421 (October 3, 2007) (SR-NYSE-2007-86).

<sup>6</sup> See Securities Exchange Act Release No. 53549 (March 24, 2006), 71 FR 16388 (March 31, 2006) (SR-NYSE-2006-11) (making certain amendments to the Moratorium).

<sup>7</sup> 15 U.S.C. 78a.

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.