



Date: February 17, 2016
Audience: NYSE & NYSE MKT Traders
Subject: Priority of Bids and Offers and Allocation of Executions

NYSE and NYSE MKT (the Exchanges) are providing an update to the notice disseminated on January 15, 2016.

The Exchanges previously advised that they had identified scenarios in their priority allocation processes that, under certain circumstances, resting interest that simultaneously re-prices to the price of an order that has set a new Exchange BBO prevents the arriving order from receiving the benefit of the additional priority allocation. Upon further review, this behavior is consistent with NYSE and NYSE MKT Rule 72(a)(ii). However, as part of their investigation, the Exchanges have identified rare circumstances when an order that sets a new Exchange BBO is treated as setting interest, even when resting interest, other than pegging interest, simultaneously re-prices to the price of the setting interest. Because Rule 72(a)(ii)(G) provides that an order that sets a new Exchange BBO retains priority only when pegging interest re-prices to the Exchange BBO, but not when other interest re-prices to the Exchange BBO, this behavior is not consistent with Rule 72(a)(ii).

The Exchanges plan to file a proposed rule change to amend NYSE and NYSE MKT Rule 72(a)(ii) to provide that interest that sets a new Exchange BBO will be considered setting interest entitled to the additional priority allocation even if pegging interest, ALO Orders, or sell short orders during an SSR are re-priced and displayed at the price of such interest. Subject to effectiveness of such rule filing, the Exchanges will also make system changes so that ALO Orders or sell short orders during an SSR that are re-priced to the price of interest that establishes a new Exchange BBO will no longer prevent such interest from receiving the benefit of the additional allocation.

The Exchanges will announce the implementation date for these changes via a separate Trader Update.

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