



11 Wall Street  
New York, NY 10005

January 16, 2015

**TO:** All Members and Member Organizations

**SUBJECT:** NYSE Cash Equities Trading Collars

**ROUTE TO:** Business Leaders, Technology and Operations Officers

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The NYSE and NYSE MKT markets will be introducing new Trading Collars designed to safeguard the execution of market orders and marketable limit orders. The Exchanges will notify market participants of activation dates of the new Trading Collars by Trader Update.

The new Trading Collars will prevent buy orders from executing or routing to another trading venue at a price above the upper Trading Collar and will prevent sell orders from executing or routing to another trading venue at a price below the lower Trading Collar.

The upper Trading Collar for buy interest will be a percentage away from the NBO and the lower Trading Collar for sell interest will be a percentage away from the NBB. These percentages are based upon the current numerical guidelines for determining whether a clearly erroneous execution has occurred under NYSE Rule 128.

Trading Collar Calculation

NBB / NBO	Percentage Away From the NBB / NBO
Up to and including \$25.00	10%
Greater than \$25.00 up to and including \$50.00	5%
Greater than \$50.00	3%

*Example:*

NBBO = 24.95 X 25.01

Lower Collar is 24.95 minus 10% = 22.45

Upper Collar is 25.01 plus 5% = 26.26

**Trading Collar Details:**

Trading Collars will be in effect whenever the stock is open for trading and auto-execution is available.

- The Collars will not be in effect on the Opening / Re-Opening or Closing trade, and other manual executions.



Upon arrival, market orders (including elected STOP orders) and marketable limit orders will execute up/down to and including the collar price. After execution, any residual interest that locks or crosses the Trading Collar will be canceled.

- If the order hits an LULD band before reaching a Trading Collar, the order/residual will file at the LULD band, as it does today (See Exchange Rule 80C). It will not be cancelled.
- In the event the LULD price band equals the Trading Collar price, the Trading Collar rule will govern and the interest will be canceled after executing at the collar price.
- Short sale orders in symbols in a short sale restriction state that would refile to the Trading Collar when the NBBO is crossed shall be cancelled.

Upon arrival or after being returned unexecuted from an away market, non-marketable interest that locks or crosses the opposite-side collar shall be canceled.

Unless marked as Do Not Ship, interest will route to at and better away market quotes priced at or better than the collar whenever necessary to avoid trading through or quoting through the away market.

**Trading Example:**

The following example illustrates the Trading Collar function:

NBBO: 9.90 x 10.01, 1x1

NY Best: 9.80 x 10.02 1x1

Trading Collars: 8.91 x 11.01

NYSE Market Evaluation (Limit Sell Orders):

100 shares at 10.02

200 shares at 10.50

200 shares at 11.00

300 shares at 11.02

Arrival of a Buy Market order of 1,000 shares

**Results:**

- 100 shares routes to the away offer at 10.01
- 100 shares trades at 10.02
- 200 shares trades at 10.50
- 200 shares trades at 11.00
- 400 shares residual is cancelled, since it is restricted by the upper Trading Collar at 11.01

**Note:** If the 300 share order to sell at 11.02 above had been priced instead at 11.01, 300 shares would have executed at 11.01 – the Upper Collar – with 100 shares residual cancelled.



**Additional Changes**

With the implementation of the Trading Collars, the NYSE and NYSE MKT markets will eliminate the use of Liquidity Replenishment Points (“LRPs”) for rights and warrants, which are not subject to the Limit Up/Limit Down Plan, and will discontinue the use of Gap Quotes.

The NYSE and NYSE MKT markets will publish a zero quote (price = 0.00 and quantity = 0) when there is no interest in a stock (one or both sides). The quote will be published as a regular, fast quote.

If a market order to sell has exhausted all eligible buy interest, any unfilled balance of the market order to sell will be cancelled.

**Contact Information:**

For any business questions concerning this notice, please contact your NYSE Relationship Manager or:

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Additional information about this functionality can be found in the ruling filing linked below:

<http://www.sec.gov/rules/sro/nyse/2015/34-74063.pdf>