

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 42	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2016 - * 87	Amendment No. (req. for Amendments *)
Filing by New York Stock Exchange LLC Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule	
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934	
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>		Section 3C(b)(2) * <input type="checkbox"/>	
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>			
<b>Description</b>				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Proposed Rule Change to Conform to Proposed Amendments to Securities Exchange Act Rule 15c6 1a to Shorten the Standard Settlement Cycle from Three Business Days after the Trade Date to Two Business Days after the Trade Date"/>				
<b>Contact Information</b>				
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.				
First Name *	<input type="text" value="David"/>	Last Name *	<input type="text" value="De Gregorio"/>	
Title *	<input type="text" value="Senior Counsel NYSE Group Inc"/>			
E-mail *	<input type="text" value="David.DeGregorio@theice.com"/>			
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<b>Signature</b>				
Pursuant to the requirements of the Securities Exchange Act of 1934,				
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.				
(Title *)				
Date	<input type="text" value="12/15/2016"/>	<input type="text" value="Associate General Counsel"/>		
By	<input type="text" value="Clare Saperstein"/>	<input type="text" value="Clare Saperstein"/>		
(Name *)				
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.				

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> New York Stock Exchange LLC (“NYSE” or the “Exchange”) proposes new Rules 14T, Dealings and SettlementsT (Rules 45—299C), 64T, 235T, 236T, 282.65T and 257T, and new Section 703.02T (part 2) of the Listed Company Manual to conform to proposed amendments to Securities Exchange Act Rule 15c6-1(a) to shorten the standard settlement cycle from three business days after the trade date (“T+3”) to two business days after the trade date (“T+2”).

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

David De Gregorio  
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NYSE Group, Inc.  
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<sup>1</sup> 15 U.S.C. 78s(b)(1).

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

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

(a) Purpose

The Exchange proposes to adopt the following new rules to conform to proposed amendments to Securities Exchange Act Rule 15c6-1(a)<sup>3</sup> to shorten the standard settlement cycle from T+3 to T+2:

- Rule 14T (Non-Regular Way Settlement Instructions);
- Dealings and SettlementsT (Rules 45—299C);
- Rule 64T (Bonds, Rights and 100-Share-Unit Stocks);
- Rule 235T (Ex-Dividend, Ex-Rights);
- Rule 236T (Ex-Warrants);
- Rule 257T (Deliveries After "Ex" Date);
- Rule 282.65T (Failure to Deliver and Liability Notice Procedures);
- and
- Section 703.02T (part 2) of the Listed Company Manual (Stock Split/Stock Rights/Stock Dividend Listing Process).

The proposed new rules would have the same numbering as the current rules, but with the modifier “T” appended to the rule number. For example, Rule 14, governing non-regular way settlement instructions for orders, would remain unchanged and continue to apply to non-regular way settlements on the Exchange. Proposed Rule 14T would reflect that a regular way settlement would be two days and not the current three days. As discussed below, because the Exchange would not implement the proposed rules until after the final implementation of T+2, the Exchange proposes to retain the current versions of each rule on its books and not delete it until after the proposed rules are approved. The Exchange also proposes to file separate proposed rule changes to establish the operative date of the proposed rules and to delete the current version of each rule.

Background

In 1993, the Securities and Exchange Commission (the “SEC” or “Commission”) adopted Rule 15c6-1(a)<sup>4</sup> under the Act, which established three business days after trade date instead of five business days (“T+5”), as the standard trade settlement cycle for most securities transactions. The rule became effective in

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<sup>3</sup> See 17 CFR 240.15c6-1(a); see also notes 7-8, *infra*.

<sup>4</sup> 17 CFR 240.15c6-1(a).

June 1995.<sup>5</sup> In November 1994, the Exchange amended its rules to be consistent with the T+3 settlement cycle for securities transactions.<sup>6</sup>

On September 28, 2016, the SEC proposed amendments to Rule 15c6-1(a) to shorten the standard settlement cycle from T+3 to T+2 on the basis that the shorter settlement cycle would reduce the risks that arise from the value and number of unsettled securities transactions prior to completion of settlement, including credit, market and liquidity risk faced by U.S. market participants.<sup>7</sup> The proposed rule amendment was published for comment in the Federal Register on October 5, 2016.<sup>8</sup> In light of this action by the SEC, the Exchange proposes new rules to reflect “regular way” settlement as occurring on T+2.<sup>9</sup>

### Proposed Rule Change

The Exchange proposes the following new rules identified with the modifier “T” in order to reflect a T+2 settlement cycle. Except for changes reflecting the shortened settlement period, the proposed rules are the same as their current counterparts.

### Rule 14

- Current Rule 14(a)(i) defines non-regular way settlement instructions as instructions that allow for settlement other than regular way, that is, “settlement on the third business day following trade date for securities other than U.S. Government Securities”. The Exchange proposes a new Rule 14T that replaces

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<sup>5</sup> See Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (order adopting Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (order changing the effective date from June 1, 1995, to June 7, 1995).

<sup>6</sup> See Securities Exchange Act Release Nos. 35110 (December 16, 1994), 59 FR 0 (December 23, 1994) (SR-NYSE-94-40) (Notice) and 35506 (March 17, 1995), 60 FR 15618 (March 24, 1995) (SR-NYSE-94-40) (Approval Order).

<sup>7</sup> See SEC Press Release 2016-200: “SEC Proposes Rule Amendment to Expedite Process for Settling Securities Transactions” (September 28, 2016).

<sup>8</sup> See Securities Exchange Act Release No. 78962 (September 28, 2016), 81 FR 69240 (October 5, 2016) (File No. S7-22-16) (“SEC Proposing Release”).

<sup>9</sup> Earlier this year the MSRB also filed a rule change to reflect “regular way” settlement as occurring on T+2. See Securities Exchange Act Release Nos. 77744 (April 29, 2016), 81 FR 26851 (May 4, 2016) (SR-MSRB-2016-04) (approving proposed amendments to MSRB Rules G-12 and G-15 to define regular-way settlement for municipal securities transactions as occurring on a two-day settlement cycle and technical conforming amendments).

“third” business day with “second.”

- Current Dealings and Settlements (Rules 45—299C) defines regular way as “due on the third business day following the day of the contract.” The Exchange proposes a new version that changes “third” business day to “second”;
- Current Rule 64(a) defines “regular way” as “for delivery on the third business day following the day of the contract.” The Exchange proposes a new Rule 64T(a) that changes “third” business day to “second.” Current Rule 64(a)(ii) provides that on the second and third business days preceding the final day for subscription, bids and offers in rights to subscribe shall be made only “next day.” To conform with the move to a T+2 settlement cycle, proposed Rule 64T(a)(ii) would not contain a clause referring to the third business day preceding the final day for subscription because the third business day preceding the final day for subscription in a T+2 settlement cycle would simply be a regular way settlement. Finally, current Rule 64(c) requires “seller’s option” trades, defined as trades for delivery between two and 60 business days, to be reported to the tape only in calendar day. Proposed Rule 64T(c) would define “seller’s option” trades as trades for delivery between three and 60 business days to reflect the shortened settlement period. Further, the final sentence of current Rule 64 provides that the settlement date of a “seller’s option” transaction printed as calendar days cannot coincide with the normal three business day “regular way” settlement. In proposed Rule 64T, the Exchange would change the reference to “regular way” settlements to two business day.<sup>10</sup>
- Current Rule 235 provides that transactions in stocks, except those made for “cash” as prescribed in Rule 14, shall be ex-dividend or ex-rights on the second business day preceding the record date fixed by the corporation or the date of the closing of transfer books. The Exchange proposes to adopt proposed Rule 235T that would delete the word “second” so the reference would be to the “business day” preceding the record date. The current Rule further provides that if the record date or closing of transfer books occurs upon a day other than a business day, Rule 235 shall apply for the third preceding business day. The Exchange proposes to change “third preceding business day” to “second preceding business day” in proposed Rule 235T;

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<sup>10</sup> The Exchange also proposes to make a non-substantive change and remove the bold from the “(a)” in proposed Rule 64T(a).

- Current Rule 236 prescribes that ex-warrant trading will begin on the second business day preceding the date of expiration of the warrants, except that when expiration occurs on a non-business day, in which case it will begin on the third business day preceding date of expiration. The Exchange proposes to adopt proposed Rule 236T and change the warrant period to the business day preceding expiration of the warrants instead of the second business day. Under the proposed Rule, when warrant expiration occurs on other than a business day, the ex-warrant period will begin on the second business day preceding the expiration date instead of on the third business day;
- Current Rule 257 prescribes the time frame for delivery of dividends or rights for securities sold before the “ex” date but delivered after the record date. The current time frame is within three days after the record date. Consistent with the T+2 initiative, proposed Rule 257T would shorten the time frame to two days;
- Subdivision (1)(A) of Supplementary Material .65 to current Rule 282 sets forth the fail-to-deliver and liability notice procedures where a securities contract is for warrants, rights, convertible securities or other securities which have been called for redemption; are due to expire by their terms; are the subject of a tender or exchange offer; or are subject to other expiring events such as a record date for the underlying security and the last day on which the securities must be delivered or surrendered is the settlement date of the contract or later.

Under current Rule 282.65(1)(A), the receiving member organization delivers a liability notice to the delivering member organization as an alternative to the close-out procedures set forth in the Rule. The liability notice sets a cutoff date for the delivery or surrender of the securities and provides notice to the delivering member organization of the liability attendant to its failure to deliver or surrender the securities in time. If the delivering member organization delivers or surrenders the securities in response to the liability notice, it has met its delivery obligation. If the delivering member organization fails to deliver or surrender the securities on the expiration date, it will be liable for any damages that may accrue thereby.

Current Rule 282.65(1)(A) further provides that when the parties to a contract are both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through

such automated notification service. When the parties to a contract are not both participants in a Qualified Clearing Agency<sup>11</sup> that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities no later than one business day prior to the latest time and the date of the offer or other event in order to obtain the protection provided by this Rule.<sup>12</sup>

Given the proposed shortened settlement cycle, and in order to address concerns that the requirement for the delivering member organization to deliver a liability notice to the receiving member no later than one business day prior to the latest time and the date of the offer or other event in order to obtain the protection provided by the Rule may no longer be appropriate in a T+2 environment,<sup>13</sup> the Exchange proposes to amend Rule 282.65(1)(A) in situations where both parties to a contract are not participants of a registered clearing agency with an automated notification service by extending the time frame for delivery of the liability notice. Rule 282.65(1)(A) would accordingly be amended

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<sup>11</sup> Rule 180 governs failure to deliver and provides in part that “[w]hen the parties to a contract are both participants in a registered clearing agency which has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver and that contract was to be settled through the facilities of said registered clearing agency, the transmission of the liability notification must be accomplished through use of said automated notification service.” Rule 180 does not address the transmission of the liability notification for parties to a contract that are not both participants in a registered clearing agency, which is governed by Rule 282.65.

<sup>12</sup> The one-day time frame also appears in comparable provisions of other SROs. See, e.g., FINRA Rule 11810(j)(1)(A); NSCC Rules & Procedures, Procedure X (Execution of Buy-Ins) (Effective August 10, 2016); and Nasdaq Rule IM-11810 (Buying-in).

<sup>13</sup> See, e.g., Letter from Thomas F. Price, Managing Director, Operations, Technology & BCP, Securities Industry and Financial Markets Association, to Marcia E. Asquith, Corporate Secretary, FINRA, dated April 4, 2016 (“SIFMA”) (April 4, 2016), noting in connection with FINRA Rule 11810(j), the comparable provision to Rule 282.65(1)(A), that the “industry has identified a number of situations where one-day notice may no longer be appropriate in a T+2 environment, including (1) where the delivery obligation is transferred to another party as a result of continuous net settlement, (2) settlements outside of National Securities Clearing Corporation (the “NSCC”) and (3) settlements where the third party is not a[n NYSE] member.”



to provide that in such cases, the receiving member organization must send the liability notice to the delivering member organization as soon as practicable but not later than two hours prior to the cutoff time set forth in the instructions on a specific offer or other event to obtain the protection provided by the Rule. The proposed change would be the only change to the text of current Supplementary Material .65.

- Current Section 703.02 (part 2) of the Listed Company Manual (Stock Split/Stock Rights/Stock Dividend Listing Process) provides that a distribution of less than 25% of a company's common stock is traded "ex" (without the distribution) on and after the second business day prior to the record date based on the Exchange's three-day delivery rule, pursuant to which contracts made on the Exchange for the purchase and sale of securities are settled by delivery on the third business day after the contract is made, unless other terms of settlement specify otherwise. Given the change to a two day delivery rule, the Exchange's proposed Section 703.02 would change the first sentence of the rule to reflect that a distribution of less than 25% of a company's common stock is traded "ex" on and after the business day prior to the record date. The second sentence in the proposed Rule would refer to the Exchange's two-day delivery rule pursuant to which contracts made on the Exchange for the purchase and sale of securities are settled by delivery on the second business day after the contract is made.

#### Operative Date Preambles

As noted above, because the Exchange would not implement the proposed rules until after the final implementation of T+2, the Exchange proposes to retain the current versions of each rule on its books and not delete them until after the proposed rules are approved. The Exchange also proposes to file separate proposed rule changes as necessary to establish the operative date of the proposed rules and to delete the current version of each rule.

To reduce the potential for confusion regarding which version of a given rule governs, the Exchange proposes to add a preamble to each current rule providing that: (1) the rule will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of the revised rule, to delete the current rule and proposed preamble, and to remove the preamble text from the revised rule; and (2) in addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of the current rule and implementation of the proposed rule designated with a T.

The Exchange also proposes to add a preamble to each proposed rule that would

provide that: (1) the Exchange will file a separate rule change to establish the operative date of the proposed rule, delete the current version and the proposed preamble, and remove the preamble text from the revised rule; and (2) until such time, the current version of the rule will remain operative and that, in addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of the proposed rule and the operative date of the deletion of the current rule.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>14</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>15</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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.

In particular, the Exchange believes that the proposed rule change supports the industry-led initiative to shorten the settlement cycle to two business days. Moreover, the proposed rule change is consistent with the SEC's proposed amendment to SEA Rule 15c6-1(a) to require standard settlement no later than T+2. The Exchange believes that the proposed rule change will provide the regulatory certainty to facilitate the industry-led move to a T+2 settlement cycle. Further, the Exchange believes that, by shortening the time period for settlement of most securities transactions, the proposed rule change would protect investors and the public interest by reducing the number of unsettled trades in the clearance and settlement system at any given time, thereby reducing the risk inherent in settling securities transactions to clearing corporations, their members and public investors. The Exchange also believes that adding a preamble to each current rule and to each proposed rule clarifying the operative dates of the respective versions would remove impediments to and perfect the mechanism of a free and open market and a national market system by adding clarity and transparency to the Exchange's rules, reducing potential confusion, and making the Exchange's rules easier to navigate.

4. 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. The proposed change is not designed to address any

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<sup>14</sup> 15 U.S.C. 78f(b).

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

competitive issue but rather facilitate the industry's transition to a T+2 regular-way settlement cycle. The Exchange also believes that the proposed rule change will serve to promote clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection. Moreover, the proposed rule changes are consistent with the SEC's proposed amendment to SEA Rule 15c6-1(a) to require standard settlement no later than T+2. Accordingly, the Exchange believes that the proposed changes do not impose any burdens on the industry in addition to those necessary to implement amendments to SEA Rule 15c6-1(a) as described and enumerated in the SEC Proposing Release.<sup>16</sup>

5. 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.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2)<sup>17</sup> of the Act.

7. Basis for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on the SEC Proposing Release and would facilitate amendments to SEA Rule 15c6-1.<sup>18</sup>

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advanced Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

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<sup>16</sup> See note 8, *supra*.

<sup>17</sup> 15 U.S.C. 78s(b)(2).

<sup>18</sup> See note 8, *supra*.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 5 – Text of the Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION  
 (Release No. 34- ; File No. SR-NYSE-2016-87)

[Date]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change to Conform to Proposed Amendments to Securities Exchange Act Rule 15c6-1(a) to Shorten the Standard Settlement Cycle from Three Business Days after the Trade Date (“T+3”) to Two Business Days after the Trade Date (“T+2”)

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on December 15, 2016, 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, II, and III below, which Items have been prepared by the self-regulatory organization. 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 new Rules 14T, Dealings and SettlementsT (Rules 45—299C), 64T, 235T, 236T, 282.65T and 257T, and new Section 703.02T (part 2) of the Listed Company Manual to conform to proposed amendments to Securities Exchange Act Rule 15c6-1(a) to shorten the standard settlement cycle from three business days after the trade date (“T+3”) to two business days after the trade date (“T+2”). The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

of the Exchange, 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 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt the following new rules to conform to proposed amendments to Securities Exchange Act Rule 15c6-1(a)<sup>4</sup> to shorten the standard settlement cycle from T+3 to T+2:

- Rule 14T (Non-Regular Way Settlement Instructions);
  - Dealings and SettlementsT (Rules 45—299C);
  - Rule 64T (Bonds, Rights and 100-Share-Unit Stocks);
  - Rule 235T (Ex-Dividend, Ex-Rights);
  - Rule 236T (Ex-Warrants);
  - Rule 257T (Deliveries After "Ex" Date);
  - Rule 282.65T (Failure to Deliver and Liability Notice Procedures);
- and

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<sup>4</sup> See 17 CFR 240.15c6-1(a); see also notes 8-9, *infra*.

- Section 703.02T (part 2) of the Listed Company Manual (Stock Split/Stock Rights/Stock Dividend Listing Process).

The proposed new rules would have the same numbering as the current rules, but with the modifier “T” appended to the rule number. For example, Rule 14, governing non-regular way settlement instructions for orders, would remain unchanged and continue to apply to non-regular way settlements on the Exchange. Proposed Rule 14T would reflect that a regular way settlement would be two days and not the current three days. As discussed below, because the Exchange would not implement the proposed rules until after the final implementation of T+2, the Exchange proposes to retain the current versions of each rule on its books and not delete it until after the proposed rules are approved. The Exchange also proposes to file separate proposed rule changes to establish the operative date of the proposed rules and to delete the current version of each rule.

#### Background

In 1993, the Securities and Exchange Commission (the “SEC” or “Commission”) adopted Rule 15c6-1(a)<sup>5</sup> under the Act, which established three business days after trade date instead of five business days (“T+5”), as the standard trade settlement cycle for most securities transactions. The rule became effective in June 1995.<sup>6</sup> In November 1994, the Exchange amended its rules to be consistent with the T+3 settlement cycle for securities

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<sup>5</sup> 17 CFR 240.15c6-1(a).

<sup>6</sup> See Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (order adopting Rule 15c6-1) and 34952 (November 9, 1994), 59 FR 59137 (order changing the effective date from June 1, 1995, to June 7, 1995).

transactions.<sup>7</sup>

On September 28, 2016, the SEC proposed amendments to Rule 15c6-1(a) to shorten the standard settlement cycle from T+3 to T+2 on the basis that the shorter settlement cycle would reduce the risks that arise from the value and number of unsettled securities transactions prior to completion of settlement, including credit, market and liquidity risk faced by U.S. market participants.<sup>8</sup> The proposed rule amendment was published for comment in the Federal Register on October 5, 2016.<sup>9</sup> In light of this action by the SEC, the Exchange proposes new rules to reflect “regular way” settlement as occurring on T+2.<sup>10</sup>

#### Proposed Rule Change

The Exchange proposes the following new rules identified with the modifier “T” in order to reflect a T+2 settlement cycle. Except for changes reflecting the shortened settlement period, the proposed rules are the same as their current counterparts.

#### Rule 14

- Current Rule 14(a)(i) defines non-regular way settlement

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<sup>7</sup> See Securities Exchange Act Release Nos. 35110 (December 16, 1994), 59 FR 0 (December 23, 1994) (SR-NYSE-94-40) (Notice) and 35506 (March 17, 1995), 60 FR 15618 (March 24, 1995) (SR-NYSE-94-40) (Approval Order).

<sup>8</sup> See SEC Press Release 2016-200: “SEC Proposes Rule Amendment to Expedite Process for Settling Securities Transactions” (September 28, 2016).

<sup>9</sup> See Securities Exchange Act Release No. 78962 (September 28, 2016), 81 FR 69240 (October 5, 2016) (File No. S7-22-16) (“SEC Proposing Release”).

<sup>10</sup> Earlier this year the MSRB also filed a rule change to reflect “regular way” settlement as occurring on T+2. See Securities Exchange Act Release Nos. 77744 (April 29, 2016), 81 FR 26851 (May 4, 2016) (SR-MSRB-2016-04) (approving proposed amendments to MSRB Rules G-12 and G-15 to define regular-way settlement for municipal securities transactions as occurring on a two-day settlement cycle and technical conforming amendments).



instructions as instructions that allow for settlement other than regular way, that is, “settlement on the third business day following trade date for securities other than U.S. Government Securities”. The Exchange proposes a new Rule 14T that replaces “third” business day with “second.”

- Current Dealings and Settlements (Rules 45—299C) defines regular way as “due on the third business day following the day of the contract.” The Exchange proposes a new version that changes “third” business day to “second”;
- Current Rule 64(a) defines “regular way” as “for delivery on the third business day following the day of the contract.” The Exchange proposes a new Rule 64T(a) that changes “third” business day to “second.” Current Rule 64(a)(ii) provides that on the second and third business days preceding the final day for subscription, bids and offers in rights to subscribe shall be made only “next day.” To conform with the move to a T+2 settlement cycle, proposed Rule 64T(a)(ii) would not contain a clause referring to the third business day preceding the final day for subscription because the third business day preceding the final day for subscription in a T+2 settlement cycle would simply be a regular way settlement. Finally, current Rule 64(c) requires “seller’s option” trades, defined as trades for delivery between two and 60 business days, to be reported to the tape only in calendar

day. Proposed Rule 64T(c) would define “seller’s option” trades as trades for delivery between three and 60 business days to reflect the shortened settlement period. Further, the final sentence of current Rule 64 provides that the settlement date of a “seller’s option” transaction printed as calendar days cannot coincide with the normal three business day “regular way” settlement. In proposed Rule 64T, the Exchange would change the reference to “regular way” settlements to two business day.<sup>11</sup>

- Current Rule 235 provides that transactions in stocks, except those made for “cash” as prescribed in Rule 14, shall be ex-dividend or ex-rights on the second business day preceding the record date fixed by the corporation or the date of the closing of transfer books. The Exchange proposes to adopt proposed Rule 235T that would delete the word “second” so the reference would be to the “business day” preceding the record date. The current Rule further provides that if the record date or closing of transfer books occurs upon a day other than a business day, Rule 235 shall apply for the third preceding business day. The Exchange proposes to change “third preceding business day” to “second preceding business day” in proposed Rule 235T;
- Current Rule 236 prescribes that ex-warrant trading will begin on the second business day preceding the date of expiration of the

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<sup>11</sup> The Exchange also proposes to make a non-substantive change and remove the bold from the “(a)” in proposed Rule 64T(a).

warrants, except that when expiration occurs on a non-business day, in which case it will begin on the third business day preceding date of expiration. The Exchange proposes to adopt proposed Rule 236T and change the warrant period to the business day preceding expiration of the warrants instead of the second business day.

Under the proposed Rule, when warrant expiration occurs on other than a business day, the ex-warrant period will begin on the second business day preceding the expiration date instead of on the third business day;

- Current Rule 257 prescribes the time frame for delivery of dividends or rights for securities sold before the “ex” date but delivered after the record date. The current time frame is within three days after the record date. Consistent with the T+2 initiative, proposed Rule 257T would shorten the time frame to two days;
- Subdivision (1)(A) of Supplementary Material .65 to current Rule 282 sets forth the fail-to-deliver and liability notice procedures where a securities contract is for warrants, rights, convertible securities or other securities which have been called for redemption; are due to expire by their terms; are the subject of a tender or exchange offer; or are subject to other expiring events such as a record date for the underlying security and the last day on which the securities must be delivered or surrendered is the settlement date of the contract or later.

Under current Rule 282.65(1)(A), the receiving member organization delivers a liability notice to the delivering member organization as an alternative to the close-out procedures set forth in the Rule. The liability notice sets a cutoff date for the delivery or surrender of the securities and provides notice to the delivering member organization of the liability attendant to its failure to deliver or surrender the securities in time. If the delivering member organization delivers or surrenders the securities in response to the liability notice, it has met its delivery obligation. If the delivering member organization fails to deliver or surrender the securities on the expiration date, it will be liable for any damages that may accrue thereby.

Current Rule 282.65(1)(A) further provides that when the parties to a contract are both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through such automated notification service. When the parties to a contract are not both participants in a Qualified Clearing Agency<sup>12</sup> that has

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<sup>12</sup> Rule 180 governs failure to deliver and provides in part that “[w]hen the parties to a contract are both participants in a registered clearing agency which has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver and that contract was to be settled through the facilities of said registered clearing agency, the transmission of the liability notification must be accomplished through use of said automated notification service.” Rule 180 does not address the transmission of the liability notification

an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities no later than one business day prior to the latest time and the date of the offer or other event in order to obtain the protection provided by this Rule.<sup>13</sup>

Given the proposed shortened settlement cycle, and in order to address concerns that the requirement for the delivering member organization to deliver a liability notice to the receiving member no later than one business day prior to the latest time and the date of the offer or other event in order to obtain the protection provided by the Rule may no longer be appropriate in a T+2 environment,<sup>14</sup> the Exchange proposes to amend Rule 282.65(1)(A) in situations where both parties to a contract are not

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for parties to a contract that are not both participants in a registered clearing agency, which is governed by Rule 282.65.

<sup>13</sup> The one-day time frame also appears in comparable provisions of other SROs. See, e.g., FINRA Rule 11810(j)(1)(A); NSCC Rules & Procedures, Procedure X (Execution of Buy-Ins) (Effective August 10, 2016); and Nasdaq Rule IM-11810 (Buying-in).

<sup>14</sup> See, e.g., Letter from Thomas F. Price, Managing Director, Operations, Technology & BCP, Securities Industry and Financial Markets Association, to Marcia E. Asquith, Corporate Secretary, FINRA, dated April 4, 2016 (“SIFMA”) (April 4, 2016), noting in connection with FINRA Rule 11810(j), the comparable provision to Rule 282.65(1)(A), that the “industry has identified a number of situations where one-day notice may no longer be appropriate in a T+2 environment, including (1) where the delivery obligation is transferred to another party as a result of continuous net settlement, (2) settlements outside of National Securities Clearing Corporation (the “NSCC”) and (3) settlements where the third party is not a[n NYSE] member.”

participants of a registered clearing agency with an automated notification service by extending the time frame for delivery of the liability notice. Rule 282.65(1)(A) would accordingly be amended to provide that in such cases, the receiving member organization must send the liability notice to the delivering member organization as soon as practicable but not later than two hours prior to the cutoff time set forth in the instructions on a specific offer or other event to obtain the protection provided by the Rule. The proposed change would be the only change to the text of current Supplementary Material .65.

- Current Section 703.02 (part 2) of the Listed Company Manual (Stock Split/Stock Rights/Stock Dividend Listing Process) provides that a distribution of less than 25% of a company's common stock is traded "ex" (without the distribution) on and after the second business day prior to the record date based on the Exchange's three-day delivery rule, pursuant to which contracts made on the Exchange for the purchase and sale of securities are settled by delivery on the third business day after the contract is made, unless other terms of settlement specify otherwise. Given the change to a two day delivery rule, the Exchange's proposed Section 703.02 would change the first sentence of the rule to reflect that a distribution of less than 25% of a company's common stock is traded "ex" on and after the business day prior to the record date.

The second sentence in the proposed Rule would refer to the Exchange's two-day delivery rule pursuant to which contracts made on the Exchange for the purchase and sale of securities are settled by delivery on the second business day after the contract is made.

#### Operative Date Preambles

As noted above, because the Exchange would not implement the proposed rules until after the final implementation of T+2, the Exchange proposes to retain the current versions of each rule on its books and not delete them until after the proposed rules are approved. The Exchange also proposes to file separate proposed rule changes as necessary to establish the operative date of the proposed rules and to delete the current version of each rule.

To reduce the potential for confusion regarding which version of a given rule governs, the Exchange proposes to add a preamble to each current rule providing that: (1) the rule will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of the revised rule, to delete the current rule and proposed preamble, and to remove the preamble text from the revised rule; and (2) in addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of the current rule and implementation of the proposed rule designated with a T.

The Exchange also proposes to add a preamble to each proposed rule that would provide that: (1) the Exchange will file a separate rule change to establish the operative date of the proposed rule, delete the current version and the proposed preamble, and

remove the preamble text from the revised rule; and (2) until such time, the current version of the rule will remain operative and that, in addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of the proposed rule and the operative date of the deletion of the current rule.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>15</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>16</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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.

In particular, the Exchange believes that the proposed rule change supports the industry-led initiative to shorten the settlement cycle to two business days. Moreover, the proposed rule change is consistent with the SEC's proposed amendment to SEA Rule 15c6-1(a) to require standard settlement no later than T+2. The Exchange believes that the proposed rule change will provide the regulatory certainty to facilitate the industry-led move to a T+2 settlement cycle. Further, the Exchange believes that, by shortening the time period for settlement of most securities transactions, the proposed rule change

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

<sup>16</sup> 15 U.S.C. 78f(b)(5).



would protect investors and the public interest by reducing the number of unsettled trades in the clearance and settlement system at any given time, thereby reducing the risk inherent in settling securities transactions to clearing corporations, their members and public investors. The Exchange also believes that adding a preamble to each current rule and to each proposed rule clarifying the operative dates of the respective versions would remove impediments to and perfect the mechanism of a free and open market and a national market system by adding clarity and transparency to the Exchange's rules, reducing potential confusion, and making the Exchange's rules easier to navigate.

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. The proposed change is not designed to address any competitive issue but rather facilitate the industry's transition to a T+2 regular-way settlement cycle. The Exchange also believes that the proposed rule change will serve to promote clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection. Moreover, the proposed rule changes are consistent with the SEC's proposed amendment to SEA Rule 15c6-1(a) to require standard settlement no later than T+2. Accordingly, the Exchange believes that the proposed changes do not impose any burdens on the industry in addition to those necessary to implement amendments to SEA Rule 15c6-1(a) as described and enumerated in the SEC Proposing Release.<sup>17</sup>

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

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<sup>17</sup> See note 9, *supra*.

change.

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

Within 45 days of the date of publication of this notice in the Federal Register or up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

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 Number SR-NYSE-2016-87 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSE-2016-87. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the 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-2016-87 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.<sup>18</sup>

Robert W. Errett  
Deputy Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).

Additions underlined  
Deletions [bracketed]

Rules of New York Stock Exchange LLC

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**Rule 14. Non-Regular Way Settlement Instructions for Orders**

*This version of Rule 14 will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of "Rule 14T. Non-Regular Way Settlement Instructions," to delete this version of Rule 14 and preamble, and to remove the preamble text from the version of Rule 14T. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of "Rule 14T. Non-Regular Way Settlement Instructions."*

(a)(i) Bids and offers in securities admitted to dealings on the Exchange may be submitted with instructions that allow for settlement other than regular way (i.e., settlement on the third business day following trade date for securities other than U.S. Government Securities). These may be known as "non-regular way" settlement instructions.

(ii) Bids and offers in securities admitted to dealings on the Exchange submitted with instructions that allow for settlement other than regular way (i.e., non-regular way, as defined below) must be transmitted to a Floor broker for representation in the Exchange's market.

(b) Non-regular way settlement instructions are: (i) cash; (ii) next day; and (iii) seller's option.

(c) An order submitted with a cash settlement instruction requires delivery of the securities the same day as the trade date.

(d) An order submitted with a next day settlement instruction requires deliver of the securities on the first business day following the trade date.

(e) An order submitted with a seller's option settlement instruction require delivery any time period after trade date that is not less than two business days after trade date and not more than sixty days after trade date for securities as specified by the seller at the time of the transaction. In the case of U.S. government securities, delivery shall be any time period after trade date that is not less than two business days after trade date and no more than sixty days after trade date as specified by the seller at the time of the transaction.

(f) Regular way settlement for U.S. Government Securities pursuant to Rule 66 requires delivery on the business day following the day of the trade.

**Rule 14T. Non-Regular Way Settlement Instructions for Orders**

*The Exchange will file separate proposed rule changes to establish the operative date of Rule 14T, to delete “Rule 14. Non-Regular Way Settlement Instructions for Orders” and the preamble text from Rule 14, and to remove the preamble text from the version of Rule 14T. Until such time, “Rule 14. Non-Regular Way Settlement Instructions for Orders” will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of “Rule 14. Non-Regular Way Settlement Instructions for Orders.”*

(a)(i) Bids and offers in securities admitted to dealings on the Exchange may be submitted with instructions that allow for settlement other than regular way (i.e., settlement on the second business day following trade date for securities other than U.S. Government Securities). These may be known as "non-regular way" settlement instructions.

(ii) Bids and offers in securities admitted to dealings on the Exchange submitted with instructions that allow for settlement other than regular way (i.e., non-regular way, as defined below) must be transmitted to a Floor broker for representation in the Exchange's market.

(b) Non-regular way settlement instructions are: (i) cash; (ii) next day; and (iii) seller's option.

(c) An order submitted with a cash settlement instruction requires delivery of the securities the same day as the trade date.

(d) An order submitted with a next day settlement instruction requires deliver of the securities on the first business day following the trade date.

(e) An order submitted with a seller's option settlement instruction require delivery any time period after trade date that is not less than two business days after trade date and not more than sixty days after trade date for securities as specified by the seller at the time of the transaction. In the case of U.S. government securities, delivery shall be any time period after trade date that is not less than two business days after trade date and no more than sixty days after trade date as specified by the seller at the time of the transaction.

(f) Regular way settlement for U.S. Government Securities pursuant to Rule 66 requires delivery on the business day following the day of the trade.

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## Dealings and Settlements (Rules 45—299C)

*This version of “Dealings and Settlements (Rules 45—299C)” will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of “Dealings and SettlementsT (Rules 45—299C),” to delete this version of “Dealings and Settlements (Rules 45—299C)” and preamble, and to remove the preamble text from the version of “Dealings and SettlementsT (Rules 45—299C).” In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of “Dealings and SettlementsT (Rules 45—299C).”*

## Delivery Dates on Exchange Contracts

Contracts for Sale of Securities (Rules 64, 65)

<i>Nature of Contract</i>	<i>Delivery Date</i>	<i>Remarks</i>
Cash	Due on the day of the contract.	Transactions made at or before 2:00 P.M. are due before 2:30 P.M.; those made after 2:00 P.M. are due within 30 min. after sale (Rule 177.)
Regular Way	Due on the third business day following the day of the contract.	
Seller's Option	Due on the date of expiration of the option, which may not be less than two business days nor more than 60 days. If due date is a day other than a business day, delivery shall be due on the next succeeding business day unless otherwise agreed. (Rule 178.)	Seller may deliver earlier by giving written notice, on or after the day when delivery would have been due if the contract had been made "regular way," of intention to make delivery on next business day following such notice. (Rule 179(a).)
	For trades not submitted to the Exchange or a Qualified Clearing Agency for comparison, written contracts must be exchanged. (Rule	

137.)

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When Issued and When Distributed (Rule 63).	Due as determined by Exchange.	Written contracts on transactions not cleared through a Qualified Clearing Agency must be exchanged. (Rule 137.)
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### **Dealings and SettlementsT (Rules 45—299C)**

*The Exchange will file a separate proposed rule change to establish the operative date of “Dealings and SettlementsT (Rules 45—299C),” to delete “Dealings and Settlements (Rules 45—299C)” and the preamble text from the version of “Dealings and SettlementsT (Rules 45—299C).” Until such time, “Dealings and Settlements (Rules 45—299C)” will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of “Dealings and Settlements (Rules 45—299C).”*

### **Delivery Dates on Exchange Contracts**

Contracts for Sale of Securities (Rules 64, 65)

<u><i>Nature of Contract</i></u>	<u><i>Delivery Date</i></u>	<u><i>Remarks</i></u>
Cash	<u>Due on the day of the contract.</u>	<u>Transactions made at or before 2:00 P.M. are due before 2:30 P.M.; those made after 2:00 P.M. are due within 30 min. after sale (Rule 177.)</u>
Regular Way	<u>Due on the second business day following the day of the contract.</u>	
Seller's Option	<u>Due on the date of expiration of the option, which may not be less than two business</u>	<u>Seller may deliver earlier by giving written notice, on or after the day when delivery</u>

days nor more than 60 days. If due date is a day other than a business day, delivery shall be due on the next succeeding business day unless otherwise agreed. (Rule 178.)      would have been due if the contract had been made "regular way," of intention to make delivery on next business day following such notice. (Rule 179(a).)

For trades not submitted to the Exchange or a Qualified Clearing Agency for comparison, written contracts must be exchanged. (Rule 137.)

When Issued and When Distributed (Rule 63).

Due as determined by Exchange.

Written contracts on transactions not cleared through a Qualified Clearing Agency must be exchanged. (Rule 137.)

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**Rule 64. Bonds, Rights and 100-Share-Unit Stocks**

*This version of Rule 64 will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of "Rule 64T. Bonds, Rights and 100-Share-Unit Stocks," to delete this version of Rule 64 and preamble, and to remove the preamble text from the version of Rule 64T. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of "Rule 64T. Bonds, Rights and 100-Share-Unit Stocks."*

- (a) (i) Except as provided in (ii) below, bids and offers in securities admitted to dealings on an "issued" basis, shall be made as "regular way," i.e., for delivery on the third business day following the day of the contract. In addition, the Exchange may allow for any such additional settlement instructions and periods as the Exchange may from time to time determine. (See Rule 14 (Non-Regular Way Settlement Instructions for Orders) for additional permissible settlement instructions.)
- (ii) On the second and third business days preceding the final day for subscription, bids and offers in rights to subscribe shall be made only "next day," i.e., for delivery on the next business day following the day of the contract; and shall be made only for "cash" on the day preceding the final day for subscription.



(b) All trades effected for other than "regular way" settlement that are more than 0.10 point away from the "regular way" bid or offer must be approved by a Floor Official, except during the last calendar week of the year at which time Floor Official approval is required only for sales more than 0.25 point away from the "regular way" bid or offer. In considering whether or not to grant such approval, the Floor Official should take into consideration whether the price of the transaction is reasonable in relation to the "regular way" market.

(c) All "seller's option" trades, for delivery between two and 60 business days, should be reported to the tape only in calendar days. For example, a trade settling in six business days would print as a "seller's 8" unless there is an intervening holiday (in which case it would print as a "seller's 9"). Weekends and holidays are counted and the trade date is not included when calculating the print for "seller's option" trades. The settlement date of a "seller's option" transaction printed as calendar days cannot coincide with the normal three business day "regular way" settlement.

### **Rule 64T. Bonds, Rights and 100-Share-Unit Stocks**

*The Exchange will file separate proposed rule changes to establish the operative date of Rule 64T, to delete "Rule 64. Bonds, Rights and 100-Share-Unit Stocks" and the preamble text from Rule 64, and to remove the preamble text from the version of Rule 64T. Until such time, "Rule 64. Bonds, Rights and 100-Share-Unit Stocks" will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of "Rule 64. Bonds, Rights and 100-Share-Unit Stocks."*

(a) (i) Except as provided in (ii) below, bids and offers in securities admitted to dealings on an "issued" basis, shall be made as "regular way," i.e., for delivery on the second business day following the day of the contract. In addition, the Exchange may allow for any such additional settlement instructions and periods as the Exchange may from time to time determine. (See Rule 14 (Non-Regular Way Settlement Instructions for Orders) for additional permissible settlement instructions.)

(ii) On the second business day preceding the final day for subscription, bids and offers in rights to subscribe shall be made only "next day," i.e., for delivery on the next business day following the day of the contract; and shall be made only for "cash" on the day preceding the final day for subscription.

(b) All trades effected for other than "regular way" settlement that are more than 0.10 point away from the "regular way" bid or offer must be approved by a Floor Official, except during the last calendar week of the year at which time Floor Official approval is required only for sales more than 0.25 point away from the "regular way" bid or offer. In considering whether or not to grant such approval, the Floor Official should take into consideration whether the price of the transaction is reasonable in relation to the "regular way" market.

(c) All "seller's option" trades, for delivery between three and 60 business days, should be reported to the tape only in calendar days. For example, a trade settling in six business days would print as a "seller's 8" unless there is an intervening holiday (in which case it would print as a "seller's 9"). Weekends and holidays are counted and the trade date is not included when calculating the print for "seller's option" trades. The settlement date of a "seller's option" transaction printed as calendar days cannot coincide with the normal **two** business day "regular way" settlement.

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## **Dividends, Interest, Rights, etc. (Rules 235—251)**

### **Rule 235. Ex-Dividend, Ex-Rights**

*This version of Rule 235 will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of "Rule 235T. Ex-Dividend, Ex-Rights," to delete this version of Rule 235 and preamble, and to remove the preamble text from the version of Rule 235T. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of "Rule 235T. Ex-Dividend, Ex-Rights."*

Transactions in stocks, except those made for "cash" as prescribed in Rule 14, shall be ex-dividend or ex-rights on the second business day preceding the record date fixed by the corporation or the date of the closing of transfer books. Should such record date or such closing of transfer books occur upon a day other than a business day, this Rule shall apply for the third preceding business day.

Transactions in stocks made for "cash" shall be ex-dividend or ex-rights on the business day following said record date or date of closing of transfer books.

The Exchange may, however, in any specific case, direct otherwise.

*(See Rule 118 [ ¶2118] as to types of orders which shall or shall not be reduced and Rule 118.10- .30 [ ¶2118.10- .30] regarding reduction of orders, odd amounts, optional amounts and responsibility.)*

### **Rule 235T. Ex-Dividend, Ex-Rights**

*The Exchange will file separate proposed rule changes to establish the operative date of Rule 235T, to delete "Rule 235. Ex-Dividend, Ex-Rights" and the preamble text from Rule 235, and to remove the preamble text from the version of Rule 235T. Until such time, "Rule 235. Ex-Dividend, Ex-Rights" will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of "Rule 235. Ex-Dividend, Ex-Rights."*

Transactions in stocks, except those made for "cash" as prescribed in Rule 14, shall be ex-dividend or ex-rights on the business day preceding the record date fixed by the corporation or the date of the closing of transfer books. Should such record date or such closing of transfer books occur upon a day other than a business day, this Rule shall apply for the second preceding business day.

Transactions in stocks made for "cash" shall be ex-dividend or ex-rights on the business day following said record date or date of closing of transfer books.

The Exchange may, however, in any specific case, direct otherwise.

**(See Rule 118 as to types of orders which shall or shall not be reduced and Rule 118.10-.30 regarding reduction of orders, odd amounts, optional amounts and responsibility.)**

### **Rule 236. Ex-Warrants**

This version of Rule 236 will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of "Rule 236T. Ex-Warrants," to delete this version of Rule 236 and preamble, and to remove the preamble text from the version of Rule 236T. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of "Rule 236T. Ex-Warrants."

Transactions in securities which have subscription warrants attached (except those made for "cash"), as prescribed in Rule 14, shall be ex-warrants on the second business day preceding the date of expiration of the warrants, except that when the date of expiration occurs on a day other than a business day, said transactions shall be ex-warrants on the third business day preceding said date of expiration.

Transactions in securities made for "cash" shall be ex-warrants on the business day following the date of expiration of the warrants.

The Exchange may, however, in any specific case, direct otherwise.

### **Rule 236T. Ex-Warrants**

The Exchange will file separate proposed rule changes to establish the operative date of Rule 236T, to delete "Rule 236. Ex-Warrants" and the preamble text from Rule 236, and to remove the preamble text from the version of Rule 236T. Until such time, "Rule 236. Ex-Warrants" will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of "Rule 236. Ex-Warrants."

Transactions in securities which have subscription warrants attached (except those made for "cash"), as prescribed in Rule 14, shall be ex-warrants on the business day preceding

the date of expiration of the warrants, except that when the date of expiration occurs on a day other than a business day, said transactions shall be ex-warrants on the second business day preceding said date of expiration.

Transactions in securities made for "cash" shall be ex-warrants on the business day following the date of expiration of the warrants.

The Exchange may, however, in any specific case, direct otherwise.

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### **Rule 257. Deliveries After "Ex" Date**

*This version of Rule 257 will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of "Rule 257T. Deliveries After 'Ex' Date," to delete this version of Rule 257 and preamble, and to remove the preamble text from the version of Rule 257T. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of "Rule 257T. Deliveries After 'Ex' Date."*

When a security is sold before it is ex-dividend or ex-rights, or is sold thereafter to and including the record date for "cash," as prescribed in Rule 14, and delivery is made too late to enable the buyer to obtain transfer in time to become a holder of record to receive the distribution to be made with respect to such security, the seller shall pay or deliver the distribution to the buyer in the following manner, unless otherwise directed by the Exchange:

- (1) In the case of stock dividends or rights to subscribe, the seller shall deliver to the buyer, within three days after the record date, either the dividend or rights, or a due-bill for such dividend or rights.
- (2) In the case of cash dividends, the seller shall deliver to the buyer, within three days after the record date, a due-bill-check for the amount of the dividend.

The same principle shall apply to the return of loans of securities after the record date.

### **Rule 257T. Deliveries After "Ex" Date**

*The Exchange will file separate proposed rule changes to establish the operative date of Rule 257T, to delete "Rule 257. Deliveries After 'Ex' Date" and the preamble text from Rule 257, and to remove the preamble text from the version of Rule 257T. Until such time, "Rule 257. Deliveries After 'Ex' Date" will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of "Rule 257. Deliveries After 'Ex' Date."*

When a security is sold before it is ex-dividend or ex-rights, or is sold thereafter to and including the record date for "cash," as prescribed in Rule 14, and delivery is made too late to enable the buyer to obtain transfer in time to become a holder of record to receive the distribution to be made with respect to such security, the seller shall pay or deliver the distribution to the buyer in the following manner, unless otherwise directed by the Exchange:

(1) In the case of stock dividends or rights to subscribe, the seller shall deliver to the buyer, within two days after the record date, either the dividend or rights, or a due-bill for such dividend or rights.

(2) In the case of cash dividends, the seller shall deliver to the buyer, within two days after the record date, a due-bill-check for the amount of the dividend.

The same principle shall apply to the return of loans of securities after the record date.

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**Rule 282. Buy-in Procedures**

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**••• *Supplementary Material* -----**

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**.65 Failure to Deliver and Liability Notice Procedures**

*This version of Supplementary Material .65 of Rule 282 will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of Supplementary Material .65T, to delete this version of Supplementary Material .65 and preamble, and to remove the preamble text from the version of Supplementary Material .65T. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of revised Supplementary Material .65T.*

(1)(A) If a contract is for warrants, rights, convertible securities or other securities which: (i) have been called for redemption; (ii) are due to expire by their terms; (iii) are the subject of a tender or exchange offer; or (iv) are subject to other expiring events such as a record date for the underlying security and the last day on which the securities must be delivered or surrendered (the expiration date) is the settlement date of the contract or later the receiving member organization may deliver a Liability Notice to the delivering member organization as an alternative to the close-out procedures set forth in this Rule. When the parties to a contract are both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through the use of said automated notification service. When the parties to a contract are

not both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities no later than one business day prior to the latest time and the date of the offer or other event in order to obtain the protection provided by this Rule.

(B) If the contract is for a deliverable instrument with an exercise provision and the exercise may be accomplished on a daily basis, and the settlement date of the contract to purchase the instrument is on or before the requested exercise date, the receiving member organization may deliver a Liability Notice to the delivering member organization no later than 11:00 a.m. ET on the day the exercise is to be effected. Notice may be redelivered immediately to another member organization but no later than noon on the same day. When the parties to a contract are both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through use of said automated notification service. When the parties to a contract are not both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities. If the contract remains undelivered at expiration, and has not been canceled by mutual consent, the receiving member organization shall notify the defaulting member organization of the exact amount of the liability on the next business day.

(C) In all cases, member organizations must be prepared to document requests for which a Liability Notice is initiated.

(2) If the delivering member organization fails to deliver the securities on the expiration date, the delivering member organization shall be liable for any damages which may accrue thereby. A Liability Notice delivered in accordance with the provisions of this Rule shall serve as notification by the receiving member organization of the existence of a claim for damages. All claims for such damages shall be made promptly.

(3) For the purposes of this Rule, the term "expiration date" shall be defined as the latest time and date on which securities must be delivered or surrendered, up to and including the last day of the protect period, if any.

(4) If the above procedures are not utilized as provided under this Rule, contracts may be "bought-in" without prior notice after normal delivery hours on the expiration date. Such buy-in execution shall be for the account and risk of the defaulting member organization.

#### .65T Failure to Deliver and Liability Notice Procedures

*The Exchange will file separate proposed rule changes to establish the operative date of Supplementary Material .65T of Rule 282, to delete current Supplementary Material .65 of Rule 282 and the preamble text from Rule 282.65, and to remove the preamble text*

from the version of Supplementary Material .65T of Rule 282. Until such time, Supplementary Material .65 of current Rule 282 will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of Supplementary Material .65 of current Rule 282.

(1)(A) If a contract is for warrants, rights, convertible securities or other securities which: (i) have been called for redemption; (ii) are due to expire by their terms; (iii) are the subject of a tender or exchange offer; or (iv) are subject to other expiring events such as a record date for the underlying security and the last day on which the securities must be delivered or surrendered (the expiration date) is the settlement date of the contract or later the receiving member organization may deliver a Liability Notice to the delivering member organization as an alternative to the close-out procedures set forth in this Rule. When the parties to a contract are both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through the use of said automated notification service. When the parties to a contract are not both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities and must be sent as soon as practicable but not later than two hours prior to the cutoff time set forth in the instructions on a specific offer or other event in order to obtain the protection provided by this Rule.

(B) If the contract is for a deliverable instrument with an exercise provision and the exercise may be accomplished on a daily basis, and the settlement date of the contract to purchase the instrument is on or before the requested exercise date, the receiving member organization may deliver a Liability Notice to the delivering member organization no later than 11:00 a.m. ET on the day the exercise is to be effected. Notice may be redelivered immediately to another member organization but no later than noon on the same day. When the parties to a contract are both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through use of said automated notification service. When the parties to a contract are not both participants in a Qualified Clearing Agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities. If the contract remains undelivered at expiration, and has not been canceled by mutual consent, the receiving member organization shall notify the defaulting member organization of the exact amount of the liability on the next business day.

(C) In all cases, member organizations must be prepared to document requests for which a Liability Notice is initiated.

(2) If the delivering member organization fails to deliver the securities on the expiration date, the delivering member organization shall be liable for any damages which may accrue thereby. A Liability Notice delivered in accordance with the provisions of this Rule shall serve as notification by the receiving member organization of the existence of a claim for damages. All claims for such damages shall be made promptly.

(3) For the purposes of this Rule, the term "expiration date" shall be defined as the latest time and date on which securities must be delivered or surrendered, up to and including the last day of the protect period, if any.

(4) If the above procedures are not utilized as provided under this Rule, contracts may be "bought-in" without prior notice after normal delivery hours on the expiration date. Such buy-in execution shall be for the account and risk of the defaulting member organization.

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Additions underlined

Deletions [bracketed]

New York Stock Exchange LLC Listed Company Manual

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**Section 7 Listing Applications**

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**703.02 (part 2) Stock Split/Stock Rights/Stock Dividend Listing Process**

*This version of Section 703.02 (part 2) will remain operative until the Exchange files separate proposed rule changes as necessary to establish the operative date of “Section 703.02T (part 2) Stock Split/Stock Rights/Stock Dividend Listing Process,” to delete this version of Section 703.02 (part 2) and preamble, and to remove the preamble text from the version of Section 703.02T. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the operative date of the deletion of this Rule and implementation of Section 703.02T.*

"Regular Way" Trading with a Deferred "Ex" Date—

Normally, a distribution of less than 25 % is traded "ex" (without the distribution) on and after the second business day prior to the record date. This procedure is based on the Exchange's three-day delivery rule, pursuant to which contracts made on the Exchange for the purchase and sale of securities are settled by delivery on the third business day after the contract is made, unless other terms of settlement are specified at the time the contract is made.

703.02T (part 2) Stock Split/Stock Rights/Stock Dividend Listing Process

*The Exchange will file separate proposed rule changes to establish the operative date of Section 703.02T, to delete Section “703.02 (part 2) Stock Split/Stock Rights/Stock Dividend Listing Process” and the preamble text, and to remove the preamble text from the version of Section 703.02T. Until such time, Section “703.02 (part 2) Stock Split/Stock Rights/Stock Dividend Listing Process” will remain operative. In addition to filing the necessary proposed rule changes, the Exchange will announce via Information Memo the implementation of this Rule and the operative date of the deletion of Section “703.02 (part 2) Stock Split/Stock Rights/Stock Dividend Listing Process.”*

"Regular Way" Trading with a Deferred "Ex" Date—

Normally, a distribution of less than 25 % is traded "ex" (without the distribution) on and after the business day prior to the record date. This procedure is based on the Exchange's **two**-day delivery rule, pursuant to which contracts made on the Exchange for the purchase and sale of securities are settled by delivery on the second business day after the contract is made, unless other terms of settlement are specified at the time the contract is made.

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