Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1 Thereto, to Amend Rule 86 to Add Additional Order Types to the NYSE BondsSM Platform, Codify Functionality of Order Types Currently Available on NYSE Bonds, and Amend the Definition of Indicative Match Price in Current Rule 86(B)(2)(G) to Provide Greater Detail of How an IMP is Established with Respect to Bond Auctions

Pursuant to Section 19(b)(1)\(^1\) of the Securities Exchange Act of 1934 (the “Act”)\(^2\) and Rule 19b-4 thereunder,\(^3\) notice is hereby given that, on March 16, 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. On March 29, 2016, the Exchange filed Amendment No. 1 to the proposal.\(^4\) The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 86 to add additional order types to the NYSE BondsSM platform and to codify functionality of order types currently available on NYSE Bonds.

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\(^3\) 17 CFR 240.19b-4.
\(^4\) In Amendment No. 1, the Exchange proposed changes to amend the proposed rule text of Rule 86(j)(A)(ii) in Exhibit 5 and the purpose section of each of the Form 19b-4 and Exhibit 1 to clarify the effective time used to determine the priority of Timed Orders. The Exchange also amended the purpose section of each of the Form 19b-4 and Exhibit 1 to add that all-or-none and minimum quantity contingencies are displayed.
The Exchange also proposes to amend the definition of Indicative Match Price (“IMP”) in current Rule 86(b)(2)(G) to provide greater detail of how an IMP is established with respect to Bond Auctions.\(^5\) The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office 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 amend Rule 86 to add NYSE Bonds Fill-or-Kill Order, NYSE Bonds All-or-None Order and NYSE Bonds Minimum Quantity Order as new order types to the NYSE Bonds platform, and to codify the operation of NYSE Bonds Good ‘Til Date Order and NYSE Bonds Timed Order that are currently available on NYSE Bonds platform. The Exchange also proposes to amend the definition of IMP to provide greater detail of how an IMP is established with respect to Bond Auctions.

NYSE Bonds is the Exchange’s electronic system for receiving, processing, executing and reporting bids, offers, and executions in bonds. Rule 86 prescribes how bonds are traded on

\(^5\) As part of this proposal, the Exchange proposes to renumber the current rule to Rule 86(b)(2)(D).
the NYSE Bonds trading platform and sets forth available order types. NYSE Bonds currently allows Users\(^6\) to submit limit orders\(^7\) and reserve orders.\(^8\) Orders are displayed, matched and executed on a price-time priority basis.\(^9\) However, undisplayed reserve interest in NYSE Bonds always yields to displayed interest at a particular price.\(^10\) Orders are matched and executed if marketable at the time of entry, and if not marketable at the time of entry, would post to the NYSE Bonds order book.\(^11\) An order is marketable if contra side interest is available at that price or better price at the time the order is entered in NYSE Bonds. Further, orders that are marketable beyond the price collar established for the bond at the time of entry are rejected by NYSE Bonds to help avoid executions at erroneous prices.\(^12\)

The Exchange believes each of the order types described below is currently offered by alternative trading systems (“ATSs”) for bonds, such as Tradeweb’s BondDesk Group, KCG

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6. Current Rule 86(b)(2)(M) defines a User as any Member or Member Organization, Sponsored Participant, or Authorized Trader that is authorized to access NYSE Bonds. The Exchange proposes to renumber the current rule to Rule 86(b)(2)(I).

7. A NYSE Bonds Limit Order is an order to buy or sell a stated amount of bonds at a specified price or at a better price. See current Rule 86(b)(2)(B). The Exchange proposes to renumber the current rule to Rule 86(b)(2)(B)(i).

8. A NYSE Bonds Reserve Order is a NYSE Bonds Limit Order with a portion of the order’s size designated for display and a portion of the order’s size “reserve size” that is not to be displayed on NYSE Bonds. See current Rule 86(b)(2)(C). The Exchange proposes to renumber the current rule to Rule 86(b)(2)(B)(ii).

9. See Rule 86(j)(A). The display and execution rules would also be applicable to the additional order types proposed herein.

10. See Rule 86(j)(B).

11. Timed Orders, as proposed herein, maybe [sic] matched and executed or posted at a time different from the time of entry. See Proposed Rule 86(b)(2)(B)(vi)(3)(a)-(c).

12. See Rule 86(e). The price collar thresholds would also be applicable to the additional order types proposed herein.
Bondpoint, and TMC Bonds.\textsuperscript{13}

\textbf{NYSE Bonds Fill-or-Kill Order}

A NYSE Bonds Fill-or-Kill Order (“NYSE Bonds FOK Order”) is a NYSE Bonds Limit Order that would be executed immediately in its entirety at the best price available against a single contra party and, if not executed immediately in its entirety, would be cancelled.\textsuperscript{14} A NYSE Bonds FOK Order would be eligible to participate in all trading sessions\textsuperscript{15} but can be executed only during the trading session in which the order is sent; otherwise the order would be rejected. A NYSE Bonds FOK Order cannot participate in either the Opening Bond Auction or the Core Bond Auction.

The following example illustrates the proposed functionality:

\textbf{Example 1} – A NYSE Bonds FOK Order that gets executed when there is sufficient size and the order is at the top of the book.

- T1 submits a buy order for 200 bonds @ $101
- T2 submits a sell order for 150 bonds @ $102

Posted market on NYSE Bonds: $101 - $102 (200 x 150)

- T3 enters a sell order for 50 bonds @ $101 FOK

\textsuperscript{13} Order types such as Good \textquoteleft Til Date, All-or-None, Fill-or-Kill, and Minimum Quantity are available on various equity and options markets. \textit{See, e.g.}, NYSE Arca Equities Rule 7.31(b)(2) and International Securities Exchange (“ISE”) Rule 715.

\textsuperscript{14} A NYSE Bonds FOK Order cannot be a NYSE Bonds Reserve Order. \textit{See} proposed Rule 86(b)(2)(B)(ii).

\textsuperscript{15} The Opening Bond Trading Session commences with the Opening Bond Auction at 4:00 a.m. ET and concludes at 8:00 a.m. ET. \textit{See} Rule 86(i)(1)(A). The Core Bond Trading Session commences with the Core Bond Auction at 8:00:00 a.m. ET and concludes at 5:00 p.m. ET. \textit{See} Rule 86(i)(2)(A). The Late Bond Trading Session commences at 5:00 p.m. ET and concludes at 8:00 p.m. ET. \textit{See} Rule 86(i)(3)(A).
Result: T3’s 50 bonds are traded at $101 since the price is at the top of the order book and quantity is fully satisfied.

Example 2 – A NYSE Bonds FOK Order that does not get executed when there is insufficient size and the order is at the top of the book.

After the trade in Example 1, posted market on NYSE Bonds: $101 – $102 (150 x 150)

- T4 then enters a buy order for 75 bonds at $101.25

Posted market on NYSE bonds: $101.25 - $102 (75 x 150)

- T5 enters a sell order for 100 bonds @ $101.25 FOK

Result: T5’s order is cancelled because there is not enough size at the best price of 101.25.

Example 3 – A NYSE Bonds FOK Order that does not get executed when interacting with a NYSE Bonds AON Order.

After T5 is cancelled in Example 2, posted market on NYSE Bonds remains at $101.25 - $102 (75 x 150)

- T6 enters a sell order for 100 bonds at $101.50 AON

Posted market on NYSE Bonds: $101.25 - $101.50 (75 x 100)

- T7 enters a buy order for 75 bonds at $101.50 FOK

Result: T7’s order is cancelled because the order cannot satisfy T6’s AON size, which is the top of the order book

Posted market on NYSE Bonds remains at $101.25 – $101.50 (75 x 100)

**NYSE Bonds All-or-None Order**

A NYSE Bonds All-or-None Order (“NYSE Bonds AON Order”) is a NYSE Bonds Limit Order (whose AON contingency would be displayed on the order book) that would be
executed in its entirety against one or more contra party, or not at all.\footnote{A NYSE Bonds AON Order cannot be a NYSE Bonds Reserve Order. See proposed Rule 86(b)(2)(B)(ii).} If a NYSE Bonds AON Order is not executed in full, NYSE Bonds would post the order to the order book at its limit price until it is executed in full, or is cancelled. Incoming contra-side orders that cannot meet the AON quantity may trade at or bypass the price of the NYSE Bonds AON Order. A NYSE Bonds AON Order would not participate in either the Opening Bond Auction or the Core Bond Auction and the order is eligible for execution only during the trading session for which it is designated.

A NYSE Bonds AON Order must be designated as “day,” “good ‘til cancelled,” or “good ‘til date.” A NYSE Bonds AON Order designated as “day” can participate in all trading sessions. A NYSE bonds AON Order designated as “day,” if not executed or cancelled, would expire at the end of the trading session for which it was designated, on the day on which it was entered. A NYSE Bonds AON Order designated as “day” and not designated for a particular trading session but entered during the Opening Bond Trading Session would participate in the Opening Bond Trading Session, and if not executed during the Opening Bond Trading Session or cancelled, would be eligible for execution in the Core Bond Trading Session. A NYSE Bonds AON Order designated as “day” and not designated for a particular trading session but entered during the Core Bond Trading Session would participate in the Core Bond Trading Session only and if not executed in full, the order would be cancelled at the end of such trading session.

A NYSE Bonds AON Order designated as “good ‘til cancelled” may be entered during the Opening Bond Trading Session and the Core Bond Trading Session but can be executed in the Core Bond Trading Session only. A NYSE Bonds AON Order designated as “good ‘til cancelled” and not designated for a particular trading session but entered during the Core Bond
Trading Session would participate in the Core Bond Trading Session only and if not executed in full, the order would remain on NYSE Bonds until cancelled. Unless a NYSE Bonds AON Order that is designated as “good ‘til cancelled” is executed or cancelled in full, the order would be placed on the order book for the following day in price-time priority for participation in the Core Bond Trading Session after the end of the Core Bond Auction.

A NYSE Bonds AON Order designated as “good ‘til date” may be entered during the Opening Bond Trading Session and the Core Bond Trading Session but can be executed in the Core Bond Trading Session only. A NYSE Bonds AON Order designated as “good ‘til date” and not designated for a particular trading session but entered during the Core Bond Trading Session would participate in the Core Bond Trading Session only and if not executed in full, would remain on NYSE Bonds until the end of the Core Bond Trading Session on the date specified. Unless a NYSE Bonds AON Order that is designated as “good ‘til date” is executed or cancelled in full, the order would be placed on the order book for the following day in price-time priority for participation in the Core Bond Trading Session after the end of the Core Bond Auction.

The following examples illustrate the proposed functionality:

**Example 1** – A NYSE Bonds AON Order that gets executed when there is sufficient size.

Posted Market on NYSE Bonds: $102.50 - $103.50 (1000 x 1000)

- T1 enters a sell order for 500 bonds @ $102.50 AON

**Result:** T1’s AON quantity is satisfied and the order for 500 bonds is executed at $102.50.

After the trade, posted market on NYSE Bonds: $102.50 - $103.50 (500 x 1000)

**Example 2** – A NYSE Bonds AON Order that does not get executed and is bypassed.
- T1 submits an order to buy 100 bonds @ $101.39
- T2 submits an order to sell 400 bonds @$102.01

Posted Market on NYSE Bonds: $101.39 - $102.01 (100 x 400)

- T3 enters a sell order for 500 bonds @ $102 AON

Posted market on NYSE Bonds: $101.39 - $102 (100 x 500).

- T4 enters an order to buy 400 bonds @ $102.01.

**Result:** T4 trades 400 bonds with T2’s $102.01 offer. T3’s $102 AON offer with a quantity of 500 bonds would be bypassed because the specified quantity was not satisfied. T3 would remain on the Exchange’s order book and continue to be displayed on the quote display feed with the AON quantity until it is either executed in full or cancelled.

**Example 3** - A NYSE Bonds AON Order that gets executed after aggregating liquidity to satisfy size requirement.

- T1 submits an order to buy 400 bonds @ $100
- T2 submits an order to sell 500 bonds @ $101
- T3 submits an order to sell 200 bonds @ $100.75
- T4 submits an order to sell 200 bonds @ $100.50

Posted market on NYSE Bonds: $100 - $100.50 (400 x 200)

- T5 submits an order to buy 500 bonds @ $101 AON

**Result:** Since there are no size restrictions on any of the orders on the book, T5 would execute against the best price available and then trade at each price level until the order is fully executed. Therefore, T5 trades 200 @ 100.50 with T4, 200 @ $100.75 with T3 and 100 @ $101 with T2.
**NYSE Bonds Minimum Quantity Order**

A NYSE Bonds Minimum Quantity Order is a NYSE Bonds Limit Order (whose minimum quantity contingency would be displayed on the order book) that would trade against one or more contra side order(s), provided the order’s quantity requirement is met. In the event there is not enough contra-side liquidity available at the time a NYSE Bonds Minimum Quantity Order is submitted, NYSE Bonds would post the order on the order book at its limit price until it is executed in full, or is cancelled. Incoming contra-side orders that cannot meet the minimum quantity may trade at or bypass the price of a NYSE Bonds Minimum Quantity Order. A NYSE Bonds Minimum Quantity Order would be rejected if the minimum quantity entered on the order is greater than the total number of bonds of the order.

A NYSE Bonds Minimum Quantity Order may be partially executed as long as each partial execution is for the minimum number of bonds or greater. If there remains a balance after one or more partial executions and such balance is for less than the minimum quantity specified on the order, such balance would be treated as a regular limit order and placed on the order book in price-time priority. A NYSE Bonds Minimum Quantity Order would not participate in either the Opening Bond Auction or the Core Bond Auction and the order would be eligible for execution only in the trading session during which it was sent.

A NYSE Bonds Minimum Quantity Order must be designated as “day,” “good ‘til cancelled,” or “good ‘til date.” A NYSE Bonds Minimum Quantity Order designated as “day” is eligible to participate in all three trading sessions. A NYSE Bonds Minimum Quantity Order designated as “day,” if not executed or cancelled, would expire at the end of the trading session for which it was designated, on the day on which it was entered. A NYSE Bonds Minimum Quantity Order cannot be a NYSE Bonds Reserve Order. See proposed Rule 86(b)(2)(B)(ii).
Quantity Order designated as “day” and not designated for a particular trading session but entered during the Opening Bond Trading Session would participate in the Opening Bond Trading Session, and if not executed during the Opening Bond Trading Session or cancelled, would be eligible for execution in the Core Bond Trading Session. A NYSE Bonds Minimum Quantity Order designated as “day” and not designated for a particular trading session but entered during the Core Bond Trading Session would participate in the Core Bond Trading Session only and if not executed in full, the order would be cancelled at the end of such trading session.

A NYSE Bonds Minimum Quantity Order designated as “good ‘til cancelled” may be entered during the Opening Bond Trading Session and the Core Bond Trading Session but would be eligible to participate in the Core Bond Trading Session only. Unless a NYSE bonds Minimum Quantity Order that is designated as “good ‘til cancelled” is executed in full, or is cancelled, the order would be placed on the order book for the following day in price-time priority for participation in the Core Bond Trading Session after the end of the Core Bond Auction.

A NYSE Bonds Minimum Quantity Order designated as “good ‘til date” may be entered during the Opening Bond Trading Session and the Core Bond Trading Session but would be eligible to participate in the Core Bond Trading Session only. Unless a NYSE bonds Minimum Quantity Order that is designated as “good ‘til date” is executed in full, or is cancelled, the order would be placed on the order book for the following day in price-time priority for participation in the Core Bond Trading Session after the end of the Core Bond Auction.

The following examples illustrate the proposed functionality:
**Example 1** – A NYSE Bonds Minimum Quantity Order that gets fully executed after interacting with multiple orders including with a NYSE Bonds AON Order.

- T1 submits an order to buy 400 bonds @ $100
- T2 submits an order to sell 400 bonds @ $102

Posted market on NYSE Bonds: $100 - $102 (400 x 400)

- T3 submits an order to sell 600 bonds @ $101 with a minimum quantity of 100 bonds
- T4 submits an order to sell 200 bonds @ $101

T3 moves ahead of T2 on the order book (and T4 moves up and is now behind T3).

Posted market on NYSE Bonds: $100 - $101 (400 x 800).

- T5 submits an order to buy 100 bonds @ $101

**Result:** T5 executes with T3. T3 is decremented by 100 bonds, leaving 500 bonds that remain to be executed.

Posted market on NYSE Bonds: $100 - $101 (400 x 700)

- T6 submits an order to buy 500 bonds @ $101 AON

**Result:** T6 trades 500 @ $101 with T3 since T3 has 500 bonds remaining and T3’s minimum quantity requirement is satisfied.

Posted market on NYSE Bonds: $100 - $101 (400 x 200)

**Example 2** – A NYSE Bonds Minimum Quantity Order that does not get executed and is bypassed.

- T1 submits an order to buy 100 bonds @ $101.39
- T2 submits an order to sell 400 bonds @ $102.01
Posted market on NYSE Bonds: $101.39 - $102.01 (100 x 400)

- T3 submits an order to sell 1000 bonds @ $102 with a minimum quantity of 500 bonds. T3 moves ahead of T2 on the order book.

Posted market on NYSE Bonds: $101.39 - $102 (100 x 1000 (with a minimum quantity of 500))

- T4 submits an order to buy 400 bonds @ $102.01

Result: T4 trades 400 @ $102.01 with T2. T3’s $102 offer has a minimum quantity of 500 and is bypassed because the minimum quantity was not satisfied.

Example 3 – Multiple NYSE Bonds Minimum Quantity Orders where one order does not get executed because the order’s size requirement cannot be met and the order is therefore bypassed, and another order that is partially executed and the remainder of the order is converted to a limit order.

- T1 submits an order to buy 400 bonds @ $100
- T2 submits an order to sell 400 bonds @ $102

Posted market on NYSE Bonds: $100 - $102 (400 x 400)

- T3 submits an order to sell 600 bonds @ $101 with a minimum quantity of 300 bonds

T3 provides a better market and therefore moves ahead of T2

Posted market on NYSE Bonds: $100 - $101 (400 x 600 (with a minimum quantity of 300))

- T4 submits an order to sell 200 bonds @ $100.75

T4 provides a better market and therefore moves ahead of T3

Posted market on NYSE Bonds” $100 - $100.75 (400 x 200)
- T5 submits an order to sell 100 bonds @ 101

T5 moves behind T3

- T6 submits an order to buy 250 bonds @ $101 with a minimum quantity of 200 bonds

**Result:** T6 trades 200 with T4 @ $100.75. T6’s minimum quantity is higher than the quantity remaining, so the order becomes a regular limit order to buy 50 bonds at $101. T3 does not get executed because T3’s minimum quantity cannot be satisfied. T6 then trades 50 bonds @ $101 with T5 since T5 has no size restrictions.

Posted market on NYSE Bonds: $100 - $101 (400 x 600 (with a minimum quantity of 300))

**NYSE Bonds Good ‘Til Date Order**

A NYSE Bonds Good ‘Til Date Order (“NYSE Bonds GTD Order”) is a NYSE Bonds Limit Order or a NYSE Bonds Reserve Order, which if not executed or cancelled, would expire at the end of the Core Bond Trading Session on the date specified on the order. A NYSE Bonds GTD Order must include an Expire Date or be designated for the Core Bond Trading Session; otherwise, the order would be rejected. A NYSE Bonds GTD Order can participate in the Core Bond Auction and the Core Bond Trading Session only. A NYSE Bonds GTD Order would participate in the Core Bond Auction if it is entered before commencement of the Core Bond Auction, and if not executed in the Core Bond Auction, would remain live on NYSE Bonds and would be eligible for execution in the Core Bond Trading Session, unless the order is cancelled. A NYSE Bonds GTD Order entered after commencement of the Core Bond Auction would participate in the Core Bond Trading Session, unless the order is cancelled.
A NYSE Bonds GTD Order can participate only in the Core Bond Trading Session, and such order designated for any other trading session would be rejected. A NYSE Bonds GTD Order that is not executed or cancelled in full at the end of the trading day would be placed on the order book for the following day in price-time priority for participation in the Core Bond Trading Session after the end of the Core Bond Auction.

The following example illustrates how a NYSE Bonds GTD Order would be executed once it becomes effective:

Suppose on October 14, a NYSE Bonds trading day, at 7:00 A.M. (during the Early Bond Trading Session):

- T1 submits a Day order to buy 100 bonds @ $100.20
- T2 submits a Day order to sell 20 bonds @ $100.25
- T3 submits a GTD order (October 15) to buy 100 bonds @ $100.30
- T4 submits an order to sell 50 bonds @ $100.35 for participation in all three bond trading sessions

Posted market on NYSE Bonds: $100.20 x $100.25 (100 x 20)

T3’s GTD order not effective yet (becomes effective at 8:00 A.M.)

On the same trading day, at 8:00 A.M., when the Core Bond Auction commences, these orders would be processed as follows:

- T3 becomes effective for the Core Bond Auction;
- T1, T2 and T3 participate in the Core Bond Auction;
- T2 and T3 overlap in price, therefore 20 Bonds are matched at $100.30 with an imbalance on the buy side of 80 bonds.

T3’s GTD order becomes live for the Core Bond Trading Session.
Posted market on NYSE Bonds: $100.30 x $100.35 (80 x 50)

On the same trading day, at 8:30 A.M. (during the Core Bond Trading Session):

- T5 submits an order to sell 25 bonds @ $100.30

Result: T3 trades 25 bonds with T5.

Posted market on NYSE Bonds: $100.30 x $100.35 (55 x 50)

On the same trading day, at 5:01 P.M. (during the Late Bond Trading Session), the remaining orders would be processed as follows:

- T1 expires (as Day orders expire at the end of the Core Bond Trading Session);
- T3 is a GTD order, which trades only in the Core Bond Trading Session. Since T3 has not been executed in its entirety, the remaining portion of the order would be held and placed on the order book for the start of the Core Bond Trading Session the following day in price-time priority.
- T4 remains effective and would participate in the Late Bond Trading Session.

Posted market on NYSE Bonds: $ 0.00 x $100.35 (0 x 50)

On the next trading day, October 15, at 7:58 A.M. (during the Opening Bond Trading Session):

- T1 submits a Day order to buy 50 bonds @ $100.20
- T2 submits a Day order to sell 50 bonds @ $100.45

Posted market on NYSE Bonds: $100.20 x $100.45 (50 x 50)

Result: T3 is placed on the order book for the following day in price-time priority for participation in the Core Bond Trading Session after the end of the Core Bond Auction at 8:00
A.M.; no prices overlap, auction imbalance of 50 on buy side and 50 on sell side. T3 becomes effective.

Posted market on NYSE Bonds: $100.30 x $100.45 (55 x 50)

On the same trading day, October 15, at 5:00 P.M., when the Late Bond Trading Session commences, the remaining orders would be processed as follows:

- T1 and T2 expire (as Day orders expire at the end of the Core Bond Trading Session);
- T3 also expires (T3 was submitted with a good ‘til date of 20151015 therefore, the order expires at the end of the Core Bond Trading Session on the date specified on the order).

**NYSE Bonds Timed Order**

A NYSE Bonds Timed Order is a NYSE Bonds Limit Order or a NYSE Bonds Reserve Order that remains in effect for a period of time specified on the order (e.g., Effective Time and Expire Time) for the day on which the order is entered until the order is executed or cancelled. A NYSE Bonds Timed Order would be accepted, and may be cancelled, during all trading sessions, provided that the order is submitted during the trading session in which it is to become effective.

A NYSE Bonds Timed Order would participate in the Core Bond Auction and Core Bond Trading Session if the order is entered before commencement of the Core Bond Auction, and if the order is not executed in the Core Bond Auction, or not cancelled, it would be eligible for execution in the Core Bond Trading Session. A NYSE Bonds Timed Order must include at least one of the following: an Effective Time, an Expire Time or a designated trading session, otherwise the order would be rejected.
A NYSE Bonds Timed Order submitted with an Effective Time alone becomes effective at the Effective Time and if not executed, the order would be cancelled at the end of the Late Bond Trading Session. A NYSE Bonds Timed Order submitted with an Expire Time alone becomes effective at the time it is sent to the Exchange and if not executed, the order would be cancelled at the Expire Time designated on the order. A NYSE Bonds Timed Order submitted with a designated trading session alone or with a designated trading session and either an Effective Time or an Expire Time would become effective at the time the designated trading session begins and if not executed, the order would be cancelled at the end of the designated trading session.\textsuperscript{18} NYSE Bonds would disregard the Effective Time or Expire Time submitted with a NYSE Bonds Timed Order that is designated for a specific trading session. Additionally, a NYSE Bonds Timed Order submitted with a time in force of Day during a trading session without an Effective Time, an Expire Time or a designated trading session would be treated as a Day limit order and, if not executed, would be cancelled at the end of the Core Bond Trading Session.

The following examples illustrate the functionality:

**Example 1** – A NYSE Bonds Timed Order submitted with an Effective Time that does not get executed on the day the order is submitted.

Suppose on October 14, a NYSE Bonds trading day, at 8:05 A.M. (during the Core Bond Trading Session):

- T1 submits a Day order to buy 50 bonds @ $100.25
- T2 submits a Day order to sell 50 bonds @ 100.45

\textsuperscript{18} A NYSE Bonds Timed Order submitted during a designated trading session becomes effective at the time the order is received and, if not executed, would be cancelled at the end of such designated trading session.
• T3 submits a Timed Order to buy 100 bonds @ 100.30 with an Effective Time of 8:45 A.M.

T3 waits to become effective until 8:45 A.M.; T1 and T2 remain effective

Posted market on NYSE Bonds: $100.25 x $100.45 (50 x 50)

On the same trading day, at 8:45 A.M., T3 becomes effective. T1 and T2 remain effective

Posted market on NYSE Bonds: $100.30 x $100.45 (100 x 50)

On the same trading day, October 15, at 5:00 P.M., when the Late Bond Trading Session commences, with no executions occurring during the day, the remaining orders would be processed as follows:

• T1 and T2 expire (as Day orders expire at the end of the Core Bond Trading Session);

• T3 would also expire at the end of the Core Bond Trading Session as the order was submitted without an Expire Time.

**Example 2** - A NYSE Bonds Timed Order submitted with an Expire Time that does not get executed on the day the order is submitted.

Suppose on October 14, a NYSE Bonds trading day, at 8:35 A.M. (during the Core Bond Trading Session):

• T1 submits a Day order to buy 50 bonds @ $100.25

• T2 submits a Day order to sell 50 bonds @ $100.45

• T3 submits a Timed Order to buy 100 bonds @ $100.30 with an Expire Time of 8:45 A.M.
Since T3 was submitted without an Effective Time, the order becomes effective upon order entry. T1 and T2 remain effective.

Posted market on NYSE Bonds: $100.30 x $100.45 (100 x 50)

On the same trading day, October 14, at 8:45 A.M.: T3 expires as the order was submitted with an Expire Time of 8:45 A.M. T1 and T2 remain effective during the Core Bond Trading Session

Posted market on NYSE Bonds: $100.25 x $100.45 (50 x 50)

Example 3 - A NYSE Bonds Timed Order submitted with an Effective Time and an Expire Time that does not get executed on the day the order is submitted.

Suppose on October 14, a NYSE Bonds trading day, at 8:35 A.M. (during the Core Bond Trading Session):

- T1 submits a Day order to buy 50 bonds @ $100.25
- T2 submits a Day order to sell 50 bonds @ $100.45
- T3 submits a Timed Order to buy 100 bonds @ $100.30 with an Effective Time of 8:45 A.M. and an Expire Time of 8:55 A.M.

T3 waits to become effective until 8:45 A.M.; T1 and T2 remain effective

Posted market on NYSE Bonds: $100.25 x $100.45 (50 x 50)

On the same trading day, October 14, at 8:45 A.M.: T1 and T2 remain effective. T3 becomes effective

Posted market on NYSE Bonds: $100.30 x $100.45 (100 x 50)

On the same trading day, October 14, at 8:55 A.M.: T3 expires as the order was submitted with an Expire Time of 8:55 A.M. T1 and T2 remain effective during the Core Bond Trading Session.
Posted market on NYSE Bonds: $100.25 x $100.45 (50 x 50)

**Indicative Match Price**

Finally, the Exchange proposes to amend the definition of Indicative Match Price (“IMP”) in current Rule 86(b)(2)(G) to provide greater detail of how an IMP is established with respect to Bond Auctions. Specifically, the IMP in a particular bond means a single price at which the maximum number of bonds is executable. If there are two or more prices at which the maximum number of bonds is executable, the IMP would be the price that is closest to the Reference Price provided that the IMP cannot be lower (higher) than any unmatched top of book order to buy (sell) that was eligible to participate in an auction at the IMP. For the Opening Bond Auction, the Reference Price is the closing price in a bond on the previous trading day or if the bond did not trade on the previous trading day, the closing price on the last day that the bond traded. For the Core Bond Auction and the Bond Halt Auction, the Reference Price is the last price of a bond on the trading day prior to the applicable auction, and if none, the previous trading day’s closing price, and if none, the closing price on the last day that the bond traded. If orders to buy and orders to sell are not marketable (i.e., the price of a bond order to buy is not equal to or greater than the price of a bond order to sell), then the IMP would be determined by the side and volume at the top of book, with the price of the side with the greater volume establishing the IMP.

Current Rule 86(l)(3)(A) provides that a Bond Auction would not occur in the event of a failure to establish an IMP. The Exchange proposes to amend the current rule to provide that, for

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19 The Exchange proposes to delete the words “the price that is closest to” from the current rule to more precisely reflect the price that would be used to determine the Reference Price on the last day that a bond traded.
non-marketable buy and sell orders entered in NYSE Bonds where the size of the best bid and best offer are the same, an IMP would not be established and a Bond Auction would not occur.

Current Rule 86(n)(2)(E) provides that a Bond Halt Auction would not occur in the event of a failure to establish an IMP. The Exchange proposes to amend the current rule to provide that, for non-marketable buy and sell orders entered in NYSE Bonds where the size of the best bid and best offer are the same, an IMP would not be established and a Bond Halt Auction would not occur.

The following example illustrates how an IMP would be established and there is no overlapping interest for a trade to occur:

Suppose that the previous closing price of a bond is $101.50 and the order book just prior to a Bond Auction is as follows:

- T1 - Buy 300 @ $101.00
- T2 - Sell 200 @ $102.00
- T3 - Sell 500 @ $101.75

<table>
<thead>
<tr>
<th>Order</th>
<th>Buy Volume</th>
<th>Sell Volume</th>
<th>Order Price</th>
<th>Matchable Volume</th>
<th>Imbalance</th>
<th>Indicative Match Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1</td>
<td>300</td>
<td></td>
<td>$101.00</td>
<td>0</td>
<td>300</td>
<td>$101.00</td>
</tr>
<tr>
<td>T2</td>
<td>200</td>
<td></td>
<td>$102.00</td>
<td>0</td>
<td>300</td>
<td>$101.00</td>
</tr>
<tr>
<td>T3</td>
<td>500</td>
<td></td>
<td>$101.75</td>
<td>0</td>
<td>500</td>
<td>$101.75</td>
</tr>
</tbody>
</table>

Result: No match. The buy order (300 @ $101.00) and sell order (500 @ $101.75) do not overlap. Per proposed Rule 86(d)(ii) which states that if orders to buy and orders to sell are not marketable (i.e., the price of a bond order to buy is not equal to or greater than the price of a bond order to sell), then the IMP would be determined by the side and volume at the top of book,
with the price of the side with the greater volume establishing the IMP. Thus, the maximum size that could have been matched is T3, and T3 therefore establishes the IMP at $101.75.

The following example illustrates how an IMP would be established and there is overlapping interest for a trade to occur:

Suppose that the previous closing price of a bond is $101.50 and the order book just prior to a Bond Auction is as follows:

- T1 - Buy 500 @ $102.00
- T2 - Buy 500 @ $101.75
- T3 - Sell 500 @ $101.00

<table>
<thead>
<tr>
<th>Order</th>
<th>Buy Volume</th>
<th>Sell Volume</th>
<th>Order Price</th>
<th>Matchable Volume</th>
<th>Imbalance</th>
<th>Indicative Match Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1</td>
<td>500</td>
<td></td>
<td>$102.00</td>
<td>0</td>
<td>500</td>
<td>$102.00</td>
</tr>
<tr>
<td>T2</td>
<td>500</td>
<td></td>
<td>$101.75</td>
<td>0</td>
<td>500</td>
<td>$102.00</td>
</tr>
<tr>
<td>T3</td>
<td></td>
<td>500</td>
<td>$101.00</td>
<td>500</td>
<td>500</td>
<td>$101.75</td>
</tr>
</tbody>
</table>

Result: Considering there are two or more prices at which the maximum number of bonds is executable (i.e., all three orders on the order book), a match can occur between $101.00 and $102.00. To establish the IMP, NYSE Bonds would select a price closest to the Reference Price (i.e., previous close of $101.50) without such price being lower than the unmatched buy order price of $101.75 (T2). Therefore, the auction would occur at $101.75 with T1 and T2 participating in the auction for 500 bonds. In another words, the IMP would be established at $101.75 because that price is closest to the previous close price of $101.50 and not lower that the price of the unmatched buy order, T2.

**Other Changes**
In addition to adding order types to the NYSE Bonds platform and codifying functionality of order types currently available on NYSE Bonds, the Exchange also proposes to amend other parts of Rule 86 that are impacted by this proposed rule change. Rule 86(h) currently states that orders can only be designated for Bond Trading Sessions and cannot be designated for participation in Bond Auctions. The rule further states that participation in Bond Auctions is automatic if an order is designated for participation in a particular Bond trading Session and is entered prior to the commencement of the related Bond Auction. Given that not all of the new order types are eligible to participate in Bond Auctions, the Exchange proposes to amend the current rule to clarify that participation in Bond Auctions is not automatic if an order is designated for participation in a particular Bond Trading Session.

Additionally, Rule 86(j) currently states that buy and sell orders in NYSE Bonds are displayed, matched and executed according to price, with the highest bid price and the lowest offer price receiving highest priority and within each price, according to the time of order entry. For Timed Orders, priority within each price is determined based on the effective time of the order, as provided in proposed Rule 86(b)(2)(B)(vi)(3)(a)-(c). Timed Orders submitted with an Effective Time become effective at the time designated on the order, i.e., at the Effective Time, whereas Timed Orders submitted with an Expire Time become effective at the time such order is submitted. Additionally, Timed Orders submitted with a designated trading session alone or with a designated trading session and either an Effective Time or an Expire Time become effective at the time the designated trading session begins, whereas Timed Orders submitted during a designated trading session become effective at the time such order is received. The Exchange proposes to reflect these difference with an amendment to Rule 86(j)(A)(ii).
Finally, the Exchange proposes to make non-substantive organizational changes to the rule text in order to make the rule easier to read and understand. Specifically, the Exchange is proposing to renumber each of paragraphs (C), (D) and (E) to (B)(ii), (B)(iii) and (B)(iv) and to renumber each of paragraphs (F) through (O) to (C) through (K).

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5) of the Act, in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to 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 facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed change would protect investors and remove impediments to, and perfect the mechanisms of, a free and open market and a national market system by offering Users additional order types and therefore afford them greater opportunities to execute their bond orders on the Exchange.

The proposal to adopt All-or-None, Fill-or-Kill and Minimum Quantity order types would allow Users the discretion to utilize specifically designed order execution strategies. These new order types would be substantially the same as other All-or-None, Fill-or-Kill or

\begin{footnotes}
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Minimum Quantity order types that have been available on debt and equity markets and ATSS.\textsuperscript{22} The Exchange notes that because fixed income securities are not subject to Regulation NMS, unlike similar All-or-None and Minimum Quantity order types on equity exchanges, the Exchange proposes to display the All-or-None and Minimum Quantity and permit executions that bypass an All-or-None order or Minimum Quantity order if the terms of such orders cannot be met.

The proposed rule change to codify Good ‘Til Date Orders and Timed Orders is designed to add clarity and transparency regarding current functionality without substantively modifying such functionality. Specifically, the Exchange believes that the proposed rule change will provide additional clarity and specificity regarding the functionality of NYSE Bonds and thus would promote just and equitable principles of trade and remove impediments to a free and open market. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange’s rules easier to understand and would provide Users greater flexibility in how they quote and trade bonds on the NYSE Bonds platform, while also enhancing the overall market quality for bonds traded on the Exchange.

The Exchange believes the proposed rule change would perfect the mechanism of a free and open market and a national market system by aligning the Exchange’s offerings of order type functionality for bonds with those available for over-the-counter trading of bonds. The Exchange believes that the proposed rule change is not unfairly discriminatory because the new order types would be available to all Users.

The determination of the IMP is essential to executing the greatest number of bonds

\textsuperscript{22} See supra note 13.
during a Bond Auction and the Exchange believes providing the level of detail, as proposed in the revised definition, will promote transparency and provide clarity to the rule, which serves to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The proposed amendments to current Rules 86(h) and (j) reflect the addition of new order types and the codification of existing order types and provide clarity and transparency to Exchange rules, which serves to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange also believes that the proposed non-substantive organizational changes are reasonable, fair, and equitable because they are designed to make the rule easier to comprehend. The proposed amendments to Rules 86(h) and (j) and the organizational changes to Rule 86 are intended to make the rules clearer and less confusing for participants and investors and to eliminate potential confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange’s statement regarding the burden on competition.

For these reasons, the Exchange believes that the proposal is consistent with the Act.

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

In accordance with Section 6(b)(8) of the Act, the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed change

would contribute to competition because it would expand investor choices on NYSE Bonds and allow the Exchange to compete better with ATSs that already offer similar order types. The proposed rule change also could encourage additional bond transactions on a public exchange, which would contribute to greater price transparency.24

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

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, as modified by Amendment No. 1, 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

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24 Bonds were traded almost exclusively via private telephone negotiations until about 10 years ago, when regulatory changes and technological advances prompted more electronic trading, which now makes up about half of U.S. government-bond trading and 20 percent of corporate, agency and municipal issues according to industry estimates. See “Bond ‘Electronification’: Catalyst Needed,” (June 5, 2014), available at http://marketsmedia.com/bond-electronification-catalyst-needed/.
Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2016-17 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-2016-17. 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-2016-17 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.\footnote{17 CFR 200.30-3(a)(12).}

Robert W. Errett
Deputy Secretary