

Crossing Session IV would operate as a one-year pilot.

The text of the proposed rule change is below. Proposed new language is in *italics*; proposed deletions are in brackets.

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Rule 900

(a) Through (d)—No Change.

(e) As used in this 900 series of Rules and other Rules in their application to Off-Hours Trading, the following terms shall have the meanings specified below:

(i) The term “aggregate-price order” means an order to buy or sell a group of securities, which group includes no fewer than 15 Exchange-listed securities having a total market value of \$1 million or more.

(ii) The term “closing price” means the price established by the last “regular way” sale in a security prior to the official closing of the 9:30 a.m. to 4 p.m. trading session, as determined by the Exchange.

(iii) The term “closing-price order” means an order to buy or sell a security at its closing price.

(iv) The term “guaranteed price coupled order” means an order to buy for a minimum of 10,000 shares coupled with an order to sell the same quantity of the same security. One side of the guaranteed price coupled order must be for the account of a member organization and the other side must be for the account of one of its customers. Such orders must be entered and priced in accordance with Rule 907.

(v) [(iv)] The term “Off-Hours Trading Facility” means the Exchange facility that permits members and member organizations to effect securities transactions on the Exchange pursuant to this 900 series of Rules. The term “Off-Hours Trading” refers to trading through that facility.

Rule 907

Guaranteed Price Coupled Orders

(a) A member organization may enter into the Off-Hours Trading Facility a guaranteed price coupled order or an order to be executed at the volume weighted average price (“VWAP”), subject to the following:

(i) The member organization has accepted from its customer prior to the close of trading of the Exchange’s 9:30 a.m. to 4 p.m. trading session an order for at least 10,000 shares, and has guaranteed its customer a specific price with respect to the entire order or the VWAP;

(ii) The member organization has recorded, along with all required details

of the order, the guaranteed price or that the customer has elected the order be executed at the VWAP and has documented the basis upon which the VWAP is to be calculated;

(iii) The guaranteed price coupled order or an order to be executed at the VWAP is for that portion of the customer’s order that could not be executed prior to 4 p.m., but in any event must be at least 10,000 shares;

(iv) The guaranteed price coupled order or VWAP order is priced at a price that ensures that the entire order is executed at a price that is no worse than the guaranteed price or VWAP;

(v) The member organization designates the guaranteed price coupled order as Crossing Session III and the VWAP order as Crossing Session IV.

(b) A guaranteed price coupled order or VWAP order may be entered at any time following the close of the 9:30 a.m. to 4 p.m. trading session on the Exchange until the close of the Consolidated Tape.

(c) A guaranteed price coupled order may be priced at a price that is outside the range of prices for the subject security during the 9:30 a.m. to 4 p.m. trading session.

(d) A guaranteed price coupled order or VWAP order shall be immediately executed upon entry into the Off-Hours Trading Facility.

(e) Upon the close of the Consolidated Tape, the Exchange shall print each trade reported through the Off-Hours Trading Facility as guaranteed price coupled orders or VWAP orders. Guaranteed price coupled orders shall be designated as Crossing Session III.

VWAP orders shall be designated as Crossing Session IV.

(f) Member organizations shall not enter a guaranteed price coupled order or VWAP order pursuant to paragraph (a) of this Rule if the order is for a security that was subject to a trading halt at the time the Exchange’s 9:30 a.m. to 4 p.m. trading session ended.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change, as amended, is to add two additional “Crossing Sessions” to the Exchange’s Off-Hours Trading Facility (“OHTF”). Currently, the OHTF consists of “Crossing Session I,” which permits the execution, at the Exchange’s closing price, of single stock, single sided closing price orders and crosses of single-stock, closing price buy and sell orders. The OHTF also consists of “Crossing Session II,” which permits the execution of crosses of multiple-stock (“basket”) aggregate price buy and sell orders. For Crossing Session II, trade reporting is accomplished by reporting to the Consolidated Tape the total number of shares and the total market value of the aggregate-price trades. There is no indication of the individual component stocks involved in the aggregate-price transactions.

As described below, the Exchange is proposing to add a new “Crossing Session III,” which would allow for the execution on the NYSE of “guaranteed price coupled orders” whereby member organizations could fill the unfilled balance of a customer order at a price which was guaranteed to the customer prior to the close of the Exchange’s 9:30 a.m. to 4 p.m. trading session. Crossing Session III would be implemented initially as a one-year pilot program.

The Granting of “Upstairs Stops”. In serving their institutional customers, member firms may offer them a guarantee that a large size order will receive no worse than a particular price. Such a practice is usually referred to as an “upstairs stop” meaning that the firm guarantees that its customer’s order will be executed at no worse price than the agreed-upon, guaranteed price, with the member firm trading for its own account, if necessary, to effectuate the guarantee.

Typically, a member firm will seek to execute as much of the order as possible during the trading day at or below the “stop” price (in the case of a buy order) or at or above the “stop” price (in the case of a sell order). Any portion of the order not filled during the trading day will be completed after hours, with the firm either buying from, or selling to, its customer at a price which ensures that the entire order is executed at a price which is no worse than the “stop” price.

Member firms typically execute the unfilled balance of the order, after the U.S. Consolidated Tape is closed, in the London over-the-counter market, where