Mary Yeager
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Nancy M. Morris, Esq.
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-9303

Re: Request for Exemptions under Rule 608(e) of Regulation NMS under the Securities Exchange Act of 1934 from Certain Provisions of the Intermarket Trading System Plan

Dear Ms. Morris:

The New York Stock Exchange LLC (the "NYSE" or "Exchange") respectfully requests Securities and Exchange Commission ("Commission") to grant an exemption under Rule 608(e) under the Securities Exchange Act of 1934 from Section 8(d)(i) of the ITS Plan, Exhibit B, Section (b)(i) and Exchange Rule 15A, the corresponding NYSE rule, in connection with implementation of Phase IV of the Exchange's Hybrid Market^sm rollout.[1] Specifically, the Exchange requests relief with respect to the use of intermarket sweep orders ("ISOs"), and trading through crossed markets and quotes affirmatively marked "slow" or "non-firm." These exemptions would allow us to implement and test our systems for Reg. NMS compliance prior to the March 5, 2007 Trading Phase implementation date.

NYSE compliance with the requirements of Reg. NMS has been programmed into the several phases of the NYSE Hybrid Market rollout, as approved by the SEC.[2] Phase III, which was completed on January 24, 2007, included automatic execution of incoming orders and auto-routing of orders to quotations of other markets to avoid trading through those quotes. Phase III also included the increase of order size for auto-execution to one million shares and the lifting of time restrictions on Direct+®. In compliance with Reg. NMS, as part of Phase III, the NYSE now indicates when our quotes are deemed "slow" or "non-firm."

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1 Section 8(d)(i) of the ITS Plan states: "Absent reasonable justification or excuse, a member located in an Exchange Market, or an ITS/CAES Market Maker, should not purchase any security that he is permitted to trade through the System at a price that is higher than the price at which that security, at the time of such purchase, is offered in one or more other Participant's Markets that trade the security through ITS as reflected by the offer from such other Participant's Market(s) then being displayed on the trading floor of, or available in the quotation service used by, such member or available in the quotation service used by an ITS/CAES Market Maker. Similarly, absent reasonable justification or excuse, a member located in an Exchange Market, or an ITS/CAES Market Maker, should not sell any such security at a price that is lower than the price at which that security, at the time of such sale, is bid for in one or more other Participant's Markets that trade the security through ITS as reflected by the bid from such other Participant's Market(s) then being displayed on the trading floor of, or available in the quotation service used by, such member or available in the quotation service used by an ITS/CAES Market Maker."

2 Securities Exchange Act Release No. 53539 (March 22, 2006), 71 FR 16353 (March 31, 2006) (SR-NYSE-2004-05).

Phase IV of Hybrid rollout completes the NYSE's compliance with Reg. NMS, with the acceptance of ISOs and non-routing IOCs, auto-routing to 100-share quotes, and implementation of new SEC-approved locking and crossing rules.[3] This new software release also allows trading through all better-priced quotes when the NBBO is crossed, and trading through better-priced top of book quotes that are marked as "slow" or "non-firm." All of these functions are bundled into a single software cutover and cannot be rolled out function by function. Once the Phase IV software is put into operation for a particular security, the NYSE would trade through only those quotations in those securities that another market affirmatively designates "slow" or "non-firm" by use of the CTA-approved indicators.[4] In the absence of such an indictor, the NYSE would automatically route to better-priced top of book quotations when executing a trade at a price inferior to those quotations. Thus, this exemptive relief would not disadvantage any market that is not yet ready to implement its Reg. NMS-compliant systems.

The requested exemption satisfies the requirements of Rule 608(e) of Regulation NMS, in that it is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and the perfection of the mechanisms of, a national market system. Specifically, the Exchange believes that the exemption will promote the goals of Regulation NMS by fostering market efficiencies. Allowing the Exchange to roll out the final phase of its Hybrid Market implementation plan in this manner gives us the opportunity to test and deal with any issues that arise prior to the final March 5, 2007 Reg. NMS Trading Phase implementation date, to mitigate risk, and implement our Reg. NMS compliant systems in an orderly manner. The requested exemption period is also reasonably short – five weeks.

We thank you for your attention to this request.

Sincerely,

Mary Yeager
Assistant Secretary

cc: Erik Sirri, Director
Robert L.D. Colby, Deputy Director
Steven Williams, Senior Special Advisor
Katherine England, Assistant Director
Natasha Cowen, Special Counsel

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[3] Concurrent with the letter, the Exchange is also filing new Rule 15B(T), which states that member organizations who route ISOs to the Exchange during this interim period would be required to simultaneously send ISOs (or comparable orders) to execute against the full displayed size of every other ITS Participant displaying a better priced quotation. The Exchange will conduct surveillance to assure that its members are in compliance with the Exchange's rules governing the use of ISOs.

[4] A, B, and H indicate "slow" quotes; E, F and U indicate "non-firm" quotes.