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18 December 2013

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
USA

Re: Release No. 34-70909; File No. SR-NYSE-2013-72

Proposal to Establish an Institutional Liquidity Program

Dear Ms. Murphy,

CFA Institute appreciates the opportunity to respond to the Securities and Exchange Commission's (SEC's) solicitation of comments on the NYSE's proposal to establish an Institutional Liquidity Program on a one-year pilot basis.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 120,000 members in 139 countries and territories, including 115,000 Chartered Financial Analyst® charterholders, and 139 member societies.

Summary of the Proposal

The NYSE proposal is to establish an Institutional Liquidity Program (ILP). The purpose of the ILP would be to attract institutional trading interest to the exchange through the creation of a non-displayed trading mechanism that matches orders according to price, then size, and then time priority. The ILP therefore represents a dark trading functionality that caters to institutional investors by facilitating size discovery.

Under the proposal, Institutional Liquidity Orders (ILOs), which would be undisplayed orders of at least 5,000 shares or $50,000 in value, would execute against undisplayed Oversize Liquidity Orders (OLOs), which would be orders of at least 500 shares, or other orders in the limit order book. A "Liquidity Identifier" (LI) would be disseminated in the consolidated quotation data to indicate the presence of OLOs. An incoming ILO will interact, at each price level, first with displayed interest in exchange systems, then available contra-side OLOs or ILOs in size-time priority, then with any remaining non-displayed interest in exchange systems. That is, displayed liquidity will have priority over equally-priced ILOs and OLOs, but will yield priority to better-priced ILOs and OLOs.

General Comments

CFA Institute believes that the efficient functioning and integrity of the equity secondary market is of utmost importance to serve the diverse needs of all types of investors. To that end, rules and policies should support price transparency and promote investor interests.

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CFA Institute appreciates the intent of this proposal which is to provide a mechanism for institutional trading interest to interact within an exchange environment through a priority algorithm that rewards size over time. We believe that the ILP should at least provide for the possibility of superior executions and thus reduced transaction costs for institutional investors trading in size.

Moreover, the ILP should not negatively affect, and may even positively affect, the incentives to use displayed markets generally by allowing institutional order types to interact with displayed orders. The integration of the priority rules of the program with the exchange limit order book is an important and welcome feature as it limits segmentation of order flow and thus promotes heterogeneity (albeit in a small way) among investor types within exchange markets. If successful, the ILP could help to reduce adverse selection risk in exchange markets via a reduction, however small, in the dominance of informed or "toxic" order flow (typically of a high-frequency nature) in exchange markets. In turn, reduced adverse selction risk will incentivize investors to post displayed orders, with the attendant benefits of improved liquidity, price discovery, and market quality.

An important feature of this proposal, and a differentiating factor from the exchange's Retail Liquidity Program (RLP), is that OLOs may not be priced in sub-penny increments. Thus, OLOs may only provide a superior price to the best bid or best offer when the bid-offer spread is greater than $0.01. We believe this is an essential feature of the program to uphold market integrity as it ensures displayed limit orders yield priority only to genuinely better-priced orders. Again, this feature should not negatively affect, and may even positively affect, the incentives to use displayed limit orders, which are the building blocks of price discovery. For the same reasons, we believe the NYSE's RLP should not allow retail price improvement orders to be priced in sub-penny increments.[1]

Overall, CFA Institute is supportive of this proposal, on the basis that it seeks to encourage more heterogeneity among investors and order types in the public market; provides a mechanism for institutional investors to trade in size and thereby reduce transaction costs; and allows displayed trading interest to interact within the program in a way that rewards size and superior pricing, thereby upholding the incentives to display liquidity.

Concluding Remarks

CFA Institute appreciates the opportunity to comment on the NYSE's proposal to establish an Institutional Liquidity Program.

If you or your staff have questions or seek clarification of our views, please feel free to contact either James Allen, CFA, at +1.434.951.5558 or james.allen@cfainstitute.org , or Rhodri Preece, CFA at +44.207.330.9522 or rhodri.preece@cfainstitute.org .

Sincerely,

/s/ James Allen

James Allen, CFA
Head, Capital Markets Policy, Americas
CFA Institute

/s/ Rhodri Preece

Rhodri Preece, CFA
Director, Capital Markets Policy
CFA Institute

[1] See CFA Institute comment letter to the SEC on NYSE's proposal to establish a retail liquidity program (http://www.cfainstitute.org/Comment%20Letters/20111130.pdf)