

Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street NE., Washington, DC 20549 or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: October 6, 2015.

**Robert W. Errett,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76085; File No. SR-NYSEARCA-2015-86]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change for New Equity Trading Rules Relating to Auctions for Pillar, the Exchange's New Trading Technology Platform

October 6, 2015.

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 September 22, 2015, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") 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 equity trading rules relating to auctions for Pillar, the Exchange's new trading technology platform. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://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

On April 30, 2015, the Exchange filed its first rule filing relating to the implementation of Pillar, which is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by NYSE Arca and its affiliates, New York Stock Exchange LLC ("NYSE") and NYSE MKT LLC ("NYSE MKT").<sup>4</sup> The Pillar I Filing, which was approved on July 20, 2015, adopted new rules for Trading Sessions, Order Ranking and Display, and Order Execution.<sup>5</sup> The second rule filing relating to the implementation of Pillar proposes to adopt new rules for Orders and Modifiers and the Retail Liquidity Program.<sup>6</sup> The third rule filing relating to the implementation of Pillar proposes to adopt new rules for Trading Halts, Short Sales, Limit Up-Limit Down, and Odd Lots and Mixed Lots.<sup>7</sup>

This filing is the fourth and final set of proposed rule changes to support Pillar implementation and is intended to be read together with the rules approved in the Pillar I Filing, and the proposed rule changes in the Pillar II Filing and the Pillar III Filing. As described in the Pillar I Filing, new rules to govern trading on Pillar will have the same numbering as current rules, but with the modifier "P" appended to the rule number. For example, Rule 7.35, governing auctions, would remain unchanged and continue to apply to any trading in symbols on the current trading platform. Proposed Rule 7.35P would govern auctions for

<sup>4</sup> See Securities Exchange Act Release No. 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (SR-NYSEArca-2015-38) (Notice of Filing) ("Pillar I Filing"). In the Pillar I Filing, the Exchange described its proposed implementation of Pillar, including that it would be submitting more than one rule filing to correspond to the anticipated phased migration to Pillar.

<sup>5</sup> See Securities Exchange Act Release No. 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015) (SR-NYSEArca-2015-38) (Pillar I Filing Approval Order).

<sup>6</sup> See Securities Exchange Act Release No. 75497 (July 21, 2015), 80 FR 45022 (July 28, 2015) (SR-NYSEArca-2015-56) (Notice of Filing) ("Pillar II Filing").

<sup>7</sup> See Securities Exchange Act Release No. 75467 (July 16, 2015), 80 FR 43515 (July 22, 2015) (SR-NYSE-2015-58) (Notice of Filing) ("Pillar III Filing").

trading in symbols migrated to the Pillar platform. In addition, the proposed new rules to support Pillar in this filing would use the terms and definitions approved in the Pillar I Filing and proposed in the Pillar II Filing and Pillar III Filing.<sup>8</sup>

In this filing, the Exchange proposes new Pillar Rule 7.35P relating to auctions. The Exchange also proposes to change definitions in Rule 1.1.

#### Rule 1.1 Definitions

Rule 1.1 sets forth definitions. In the Pillar I Filing, the Exchange amended specified definitions and, in the Pillar II Filing and the Pillar III Filing, proposed additional amendments to Rule 1.1.<sup>9</sup> In this filing, the Exchange proposes to amend Rules 1.1(r) and (s) to specify that these definitions would be applicable only for auctions conducted on the current trading platform.

Current Rule 1.1(r) defines an Imbalance for the purposes of the Opening Auction, the Market Order Auction, the Closing Auction, and the Trading Halt Auction. Current Rule 1.1(s) defines the Indicative Match Price for the Opening Auction, the Market Order Auction, the Closing Auction, and the Trading Halt Auction. As discussed below, the Exchange proposes to define the terms "Imbalance" and "Indicative Match Price" for Pillar in Rule 7.35P, and therefore would not use these terms as defined in current Rules 1.1(r) and (s).

In order to specify that the current Rules 1.1(r) and (s) definitions would be applicable only to trading on the current trading platform, the Exchange proposes to specify that each definition is for purposes of Rule 7.35 and delete the clause in each definition that provides "the Opening Auction, the Market Order Auction, the Closing Auction, and the trading Auction, as the case may be." Because Rule 7.35 governs auctions on the current trading platform, by specifying that these definitions are for purposes of Rule 7.35, these definitions would not be applicable to Rule 7.35P, which will govern auctions on Pillar.

#### Proposed New Rule 7.35P—Auctions

The Exchange proposes new Rule 7.35P to describe auctions on the Pillar trading platform and is based on current Rule 7.35 and Rules 1.1(r) and (s). Auctions in Pillar would function

<sup>8</sup> Capitalized terms not proposed to be defined in this filing are the defined terms set forth in the Pillar I Filing, Pillar II Filing, Pillar III Filing, or in Exchange rules.

<sup>9</sup> As discussed in the Pillar I Filing, *supra* note 4, the Exchange appended the letter "P" for definitions that only would be applicable for symbols trading on the Pillar trading platform.

<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.

similarly to auctions on the current trading platform. However, as with other proposed Pillar rules, the Exchange proposes new rule text for Rule 7.35P that uses Pillar terminology that includes both substantive and non-substantive differences and clarifications from the current rule text.

For example, consistent with Rule 7.34P, in proposed Rule 7.35P, the Exchange would use Pillar terminology, including the terms “Early Open Auction” instead of “Opening Auction,” “Core Open Auction” instead of “Market Order Auction,” and the terms Early Trading Session, Core Trading Session, and Late Trading Session. In addition, proposed Rule 7.35P would use terms defined in Rule 7.36P, including terms relating to the priority ranking of orders in Pillar. Further, the Exchange proposes to include in Rule 7.35P the definitions that are used for auctions rather than have them be set forth in Rule 1.1.

The Exchange also proposes the following substantive differences for auctions in Pillar:

- Consistent with the substantive difference proposed in the Pillar II Filing that MOO Orders would participate in Trading Halt Auctions, the term “Market Orders” in proposed Rule 7.35P would also mean MOO Orders for the Trading Halt Auction, unless otherwise specified. In addition, because in Pillar, unexecuted Market Orders would participate in the Closing Auction, for the Closing Auction, the term “Market Orders” would include MOC Orders, unless otherwise specified.

- The securities eligible to participate in an auction, *i.e.*, “Auction-Eligible Securities,” would be defined more broadly to provide the Exchange with the ability to conduct auctions in all securities that trade on the Exchange.

- The Exchange would consolidate existing definitions relating to auctions in proposed Rule 7.35P and would create new definitions for Pillar for the terms Auction Processing Period, Auction Imbalance Freeze, Auction NBBO, Auction Ranking, and Auction Reference Price.<sup>10</sup>

- Auction Imbalance Information would be updated at least every second, rather than on a real-time basis, both for the proprietary data feed dissemination and for determining order entry eligibility during the applicable Auction Imbalance Freeze period.

- The Exchange is proposing a new term, “Auction NBBO,” which would be used as the basis for pricing the Core

Open Auction and the Indicative Match Price for the Closing Auction when that auction consists only of Market Orders.

- The Exchange would allocate orders on the side of the Imbalance the same for all auctions and would consolidate the description of such ranking in the new defined term “Auction Ranking.” MOO and MOC Orders would be ranked Priority 1—Market Orders, LOO Orders and LOC Orders would be ranked as Priority 2—Display Orders, and the limit price of an order would be used for ranking purposes,

- During a Short Sale Period, for purposes of pricing an auction and ranking orders for allocation in an auction, sell short orders that have been adjusted to a Permitted Price would be processed as Limit Orders ranked Priority 2—Display Orders. In addition, for Auction Imbalance Information, sell short orders that are not yet eligible to trade would be adjusted to a Permitted Price as the NBB moves up and down.<sup>11</sup>

- The Market Imbalance would be Market Orders not matched for trading in an auction against any interest, and not just Market Orders not matched for trading against other Market Orders.

- To attract interest for an auction, the Exchange would publish an Indicative Match Price value when there is no Matched Volume but there is a published BBO.<sup>12</sup> If the BB equals the BO volume, the Exchange would use the BB as the Indicative Match Price.

- The Indicative Match Price would be determined for all securities in the same manner regardless of whether the Exchange is the primary listing market for a security or the security is a UTP Security.

- The Auction Reference Price for purposes of determining the Indicative Match Price and Auction Collars for the Core Open Auction would be based on the midpoint of an Auction NBBO and would use the prior trading day’s Official Closing Price if there is no Auction NBBO.

- The Exchange would conduct a Closing Auction if there are only Market Orders on both sides of the market, in which case, the Indicative Match Price

<sup>11</sup> In Pillar, the term “Short Sale Period” would be defined in proposed Rule 7.16P(f)(4) and the term “Permitted Price” would be defined in proposed Rule 7.16P(f)(5)(A). See Pillar III Filing, *supra* note 7. The term “NBB” is defined in Rule 1.1(dd).

<sup>12</sup> In Rule 1.1(h), the term “BBO” is defined as the best bid or offer on the NYSE Arca Marketplace, the term “BB” means the best bid on the NYSE Arca Marketplace, and the term “BO” means the best offer on the NYSE Arca Marketplace. The term “NYSE Arca Marketplace” is defined in Rule 1.1(e) as the electronic securities communications and trading facility designated by the Board of Directors through which orders of Users are consolidated for execution and/or display.

would be the midpoint of the Auction NBBO. For the Core Open Auction, if there are only Market Orders, the Indicative Match Price would also be the midpoint of the Auction NBBO.

- An Indicative Match Price that is outside the Auction Collars would be adjusted to be one MPV inside the Auction Collars, rather than to the Auction Collar.<sup>13</sup>

- As specified in Rule 7.34P, because the Core Open Auction would be conducted in the Core Trading Session and not the Early Trading Session, orders designated for the Early Trading Session would not be eligible to participate in the Core Open Auction.

- There would not be any order entry or cancellation restrictions during the one-minute Auction Imbalance Freeze before the Early Open Auction.

- The Core Open Auction Imbalance Freeze would be five seconds, instead of one minute, and during this period, MOO Orders and LOO Orders would be rejected regardless of the Imbalance. In addition, during the Core Open Auction Imbalance Freeze, the Exchange would accept Market Orders and Limit Orders designated for the Core Trading Session only on both sides of the market, but such orders would be eligible to participate in the auction only to offset the Imbalance as of the time of the scheduled Auction, and requests to cancel such orders would not be processed until after the Core Open Auction concludes. All other order instructions would be accepted during the Core Open Auction Imbalance Freeze. As with the current trading platform, requests to cancel MOO Orders and LOO Orders entered beginning one minute before the scheduled time for the Core Open Auction would be rejected.

*Definitions:* Proposed Rule 7.35P(a) would set forth definitions used in Rule 7.35P and is based on text from Rules 1.1(r) and (s) as well as rule text throughout Rule 7.35.

Rule 7.35P(a) would provide that for purposes of proposed Rule 7.35P, unless otherwise specified, the term “Market Orders” includes MOO Orders (for the Core Open Auction and Trading Halt Auction) and MOC Orders (for the Closing Auction). With respect to the Core Open Auction, this text is based on the last clause of current Rule 7.35(c), which provides that unless stated otherwise, for the Market Order Auction, reference to Market Orders shall include MOO Orders.

With respect to the Trading Halt Auction, the Exchange proposes a

<sup>10</sup> Capitalized terms used in proposed Rule 7.35P are described below.

<sup>13</sup> Rule 7.6 defines the term MPV as the minimum price variation for quoting and entry of orders.

substantive difference in Rule 7.35P to provide that Market Orders would include MOO Orders. This proposed substantive difference is consistent with the proposal in the Pillar II Filing that in Pillar, MOO Orders would be eligible to participate in a Trading Halt Auction.<sup>14</sup>

The Exchange further proposes to include in Rule 7.35P(a) that for the Closing Auction, Market Orders would include MOC Orders. Current Rule 7.35(e) refers only to MOC Orders for Closing Auctions. However, because unexecuted Market Orders that are held at a Trading Collar or NBBO would be eligible to participate in the Closing Auction and would be included in Closing Auction Imbalance Information, the Exchange proposes that Rule 7.35P would refer to Market Orders generally for the Closing Auction, which would include MOC Orders.<sup>15</sup>

The Exchange proposes the following definitions for purposes of Rule 7.35P:

**Auction-Eligible Security.** Proposed Rule 7.35P(a)(1)(A) would define an “Auction-Eligible Security” for the Early Open Auction, Core Open Auction, and Closing Auction, as all securities for which the Exchange is the primary listing market and UTP Securities<sup>16</sup> designated by the Corporation.<sup>17</sup> This rule text is based on the first sentence of the first paragraph of current Rule 7.35(c),<sup>18</sup> Rule 7.35(c)(1)(A), 7.35(c)(2)(A), 7.34(c)(3)(A), and the first sentence of the first paragraph of Rule 7.35(e), which provide that the Market Order Auction and Closing Auction will be conducted in exchange-listed securities, including: (i) Exchange-listed securities for which the Corporation is the primary market and (ii) all exchange-listed Derivative Securities Products as defined in Rule 7.34(a)(4)(A).<sup>19</sup>

<sup>14</sup> See Pillar II Filing, *supra* note 6 at proposed Rule 7.31P(c)(2).

<sup>15</sup> *Id.* at proposed Rule 7.31P(a)(1)(A) and (B).

<sup>16</sup> The Exchange has proposed to define the term “UTP Security” to mean a security that is listed on a national securities exchange other than the Exchange and that trades on the NYSE Arca Marketplace pursuant to unlisted trading privileges. See Pillar III Filing, *supra* note 7 at proposed Rule 1.1(ii).

<sup>17</sup> The term “Corporation” is defined in Rule 1.1(k) as NYSE Arca Equities, Inc., as described in NYSE Arca Equities, Inc.’s Certificate of Incorporation and Bylaws.

<sup>18</sup> In Pillar, the subject matter of the second sentence of Rule 7.35(c) is set forth in Rule 7.34P(c)(2)(A).

<sup>19</sup> Current Rule 7.34(a)(4)(A) defines a “Derivative Securities Product” as a security described in NYSE Arca Equities Rules 5.1(b)(13), 5.1(b)(18), 5.2(j)(3), 8.100, 8.200, 8.201, 8.202, 8.203, 8.204, 8.300, 8.400, 8.500, 8.600 and 8.700. The Exchange now defines the terms “Derivative Securities Product” and “UTP Derivative Securities Product,” in Rule 1.1(bbb).

As with the current rule, all securities for which the Exchange is the primary listing market would be Auction-Eligible Securities. The Exchange proposes a substantive difference for Pillar to provide that the Exchange would designate UTP Securities that would be Auction-Eligible Securities. This proposed rule text would allow, as under the current rules, for the Exchange to conduct auctions in UTP Derivative Securities Products. It would also allow the Exchange to designate Tape A, B, or C securities that are not UTP Derivative Securities Products as being auction eligible. The Exchange believes this proposed rule change would support the initiatives of the Exchange, NYSE, and the NASDAQ Stock Market LLC (“Nasdaq”) to increase resiliency by having auctions on NYSE Arca serve as a back-up to either NYSE or Nasdaq if one of those markets is unable to conduct an auction.<sup>20</sup>

Proposed Rule 7.35P(a)(1)(B) would define Auction-Eligible Securities for the Trading Halt Auction as securities for which NYSE Arca is the primary listing market. This proposed rule text is consistent with the substantive difference proposed in the Pillar III Filing that the Exchange would not conduct a Trading Halt Auction in a UTP Security.<sup>21</sup>

**Auction Processing Period.** Proposed Rule 7.35P(a)(2) would define the term “Auction Processing Period” to mean the period during which the applicable auction is being processed. This definition would be new in Pillar.

**Auction Imbalance Freeze.** Proposed Rule 7.35P(a)(3) would define the term “Auction Imbalance Freeze” to mean the period that begins before the scheduled time for the Early Open Auction, Core Open Auction, or Closing Auction, which would be specified in paragraphs (b), (c), and (d) in proposed Rule 7.35P, as described below, and ending once the Auction Processing Period begins. The Auction Imbalance Freeze would be a new defined term in Rule 7.35P that would represent the period before the commencement of the Auction Processing Period during which Auction Imbalance Information may differ or order entry eligibility may be restricted. Currently, this period is described in Rules 7.35(a)(4), 7.35(c)(2)(A)(2) and (3), 7.35(d)(1) and (2), 7.35(e)(2)(B) and (C), but is not a defined term. The Exchange proposes to

<sup>20</sup> See NYSE press release dated July 22, 2015, available here: <http://ir.theice.com/press-and-publications/press-releases/all-categories/2015/07-22-2015.aspx>.

<sup>21</sup> See Pillar III Filing, *supra* note 7 at proposed Rule 7.18P(b).

use a defined term to describe this period for clarity.

**Auction Imbalance Information.** Proposed Rule 7.35P(a)(4) would define the term “Auction Imbalance Information” to mean the information that is disseminated by the Corporation for an auction and includes, if applicable, the Total Imbalance, Market Imbalance, Indicative Match Price, and Matched Volume, each of which are proposed to be separately defined terms and are described below. The Auction Imbalance Information would be a new defined term in Rule 7.35P to refer collectively to the information that the Exchange currently provides in advance of an auction and, in Pillar, would continue to provide in advance of an auction.<sup>22</sup> As described in greater detail below, using a single defined term would provide clarity in Exchange rules by using a common term to describe the information that is disseminated in advance of an auction.

Proposed Rule 7.35P(a)(4)(A) would provide that Auction Imbalance Information would be updated at least every second, unless there is no change to the information. The frequency of how often Auction Imbalance Information would be updated is based on rule text from Rules 7.35(a)(3) (imbalance information before the Opening Auction will be published at “various times . . . as determined from time to time by the Corporation”), 7.35(c)(1)(A)(1) (imbalance information before the Market Order Auction will be “updated real-time”), 7.35(e)(1) (imbalance information before the Closing Auction will be “updated real-time”), and 7.35(f)(2)(A) (imbalance information before a Trading Halt Auction will be “updated real-time”).

The Exchange proposes a substantive difference in Pillar that Auction Imbalance Information would be updated at least every second, unless there is no change to the information. To reflect that order entry eligibility would be based on the Imbalance that is updated on this schedule, if applicable for the respective auction as described below, proposed Rule 7.35P(a)(4)(B) would provide that order entry eligibility during an Auction Imbalance Freeze would be based on the most recently-updated Auction Imbalance Information.

In addition, to reflect that in Pillar the Exchange would disseminate Auction Imbalance Information via a proprietary market data feed, proposed Rule

<sup>22</sup> The Exchange disseminates order imbalance information in advance of auctions through its NYSE Arca Integrated Data Feed. See Securities Exchange Act Release No. 65669 (Nov. 2, 2011), 76 FR 69311 (Nov. 8, 2011) (SR-NYSEArca-2011-78).

7.35P(a)(4)(C) would provide that the Corporation would disseminate Auction Imbalance Information via a proprietary data feed during the times specified in Rule 7.35P.<sup>23</sup>

*Auction NBBO.* Proposed Rule 7.35P(a)(5) would define the term “Auction NBBO,” which would be a new term in Pillar, as an NBBO<sup>24</sup> that is used for purposes of pricing an auction. As described in greater detail below, the Exchange proposes to use the Auction NBBO as a basis for determining the Auction Reference Price for the Core Open Auction and for determining the Indicative Match Price in specified situations for the Closing Auction. As proposed, an NBBO would be an Auction NBBO when:

- There is an NBB above zero and NBO for the security; and
- The NBBO is not crossed

In addition, for the Core Open Auction, the Exchange proposes that an NBBO would be an Auction NBBO when the midpoint of the NBBO when multiplied by the designated percentage, is greater than or equal to the spread of that NBBO. As further proposed, the designated percentage would be determined by the Corporation from time to time upon prior notice to ETP Holders. The proposed method for determining an Auction NBBO for the Core Open Auction is designed to validate whether an NBBO bears a relation to the value of the applicable security.

The proposed definition of Auction NBBO is based in part on BATS Exchange, Inc. (“Bats”) Rule 11.23(a)(23), which defines a “Valid NBBO” as when there is both an NBB and NBO for a security, the NBBO is not crossed, and the midpoint of the NBBO is less than the Maximum Percentage way from both the NBB and the NBO. The Exchange proposes to include greater specificity than the Bats rule to describe that the requirement to have both an NBB and an NBO means that the NBB cannot be zero.

In addition to requiring an NBB that is above zero and an NBBO that is not crossed, for the Core Open Auction, the Exchange proposes to validate whether an NBBO bears a relation to the value of the security. Similar to Bats, the

<sup>23</sup> This information is currently disseminated as part of the Exchange’s NYSE Arca Integrated feed proprietary data product and would continue to be disseminated on this proprietary data feed in Pillar. In addition, for Pillar, the Exchange proposes to establish through a separate proposed rule change a stand-alone proprietary data feed that would disseminate Auction Imbalance Information only.

<sup>24</sup> In Rule 1.1(dd), the term “NBBO” means the best bid or offer and the term “NBB” means the national best bid and the term “NBO” means the national best offer.

Exchange would compare the midpoint price to the NBBO. However, unlike Bats, the Exchange proposes to multiply the midpoint by a designated percentage and compare this value to the spread of the NBBO. If the value of the midpoint when multiplied by the designated percentage is greater than or equal to the spread of the NBBO, the Exchange would use the NBBO as an Auction NBBO. The Exchange believes that if the NBBO spread is greater than the value of the midpoint as multiplied by the designated percentage, it would indicate that the spread is too wide, and therefore may not be representative of the value of the security. In such scenario, the NBBO would not be considered an Auction NBBO and therefore would not be used as an Auction Reference Price for the Core Open Auction.

Bats determines the Maximum Percentage for determining its Valid NBBO and publishes that percentage to its members via a Circular. The Exchange proposes to similarly specify the designated percentage used for determining the Auction NBBO for the Core Open Auction via Trader Update. The Exchange believes that it is consistent with a fair and orderly market and the protection of investors and the public to be able to change the designated percentage on notice to ETP Holders because such flexibility would provide the Exchange with the ability to respond quickly to market-wide events that may warrant use of a different designated percentage.

*Auction Ranking.* Proposed Rule 7.35P(a)(6) would define the term “Auction Ranking” to mean how orders on the side of an Imbalance would be ranked for allocation in an auction. This proposed definition would be a new term in Pillar and is based on text from current Rule 7.35(c)(2)(A)(1)(i)–(iv), which describes the priority of executions of orders on the side of the imbalance for the Market Order Auction,<sup>25</sup> Rule 7.35(e)(2)(A)(i)–(iii), which describes the priority of executions of orders on the side of the imbalance for the Closing Auction,<sup>26</sup> and Rule 7.35(f)(3)(A)(i)–(ii), which describes the priority of executions of

<sup>25</sup> The current priority specified in Rule 7.35(c)(2)(A)(1)(i)–(iv) is Market Orders, Limit Orders eligible for the Opening Session, Limit Orders designated for the Core Trading Session and entered before 6:29 a.m. (Pacific Time), and LOO Orders.

<sup>26</sup> The current priority specified in Rule 7.35(e)(2)(A)(i)–(iii) is MOC Orders, Limit Orders eligible prior to the Closing Auction, and LOC Orders.

orders on the side of the imbalance for the Trading Halt Auction.<sup>27</sup>

The Exchange proposes a substantive difference in Pillar to allocate orders on the side of the Imbalance the same for all auctions and therefore would consolidate the description of how orders would be allocated in a single definition of Auction Ranking in new Rule 7.35P(a)(6). As proposed, orders on the side of an Imbalance would be ranked in price-time priority under Rule 7.36P(c)–(g) consistent with the priority ranking associated with each order.<sup>28</sup> Accordingly, Market Orders would trade first in priority, then at each price point, orders ranked Priority 2—Display Orders would trade before orders ranked Priority 3—Non-Display Orders.<sup>29</sup> In addition, the Exchange proposes the following for auctions:

- As proposed in Rule 7.35P(a)(6)(A), Limit Orders, LOO Orders, and LOC Orders would be ranked based on their limit price and not the price at which they would participate in the auction.<sup>30</sup> A Limit Order, LOO Order, or LOC Order to buy (sell) priced higher (lower) than the Indicative Match Price would be eligible to participate in the auction at the Indicative Match Price, not the order’s limit price. The Exchange proposes, however, to use the order’s limit price for ranking purposes.

- As proposed in Rule 7.35P(a)(6)(B), MOO Orders and MOC Orders would be ranked Priority 1—Market Orders. This priority is based on current Rule 7.35(c), which provides that Market Orders includes MOO Orders, and then provides that Market Orders are executed first, but uses Pillar terminology to specify the priority ranking for MOO Orders and MOC Orders.

- As proposed in Rule 7.35P(a)(6)(C), LOO Orders and LOC Orders would be ranked in time priority with Limit Orders ranked Priority 2—Display Orders. For the Core Open Auction, this proposed ranking of LOO Orders would be a substantive difference in Pillar and differs from the ranking set forth in current Rule 7.35(c)(2)(1)(ii)–(iv), which provides priority to Limit Orders eligible for the Opening Session first, then Limit Orders designated for the

<sup>27</sup> The current priority specified in Rule 7.35(f)(3)(A)(i)–(ii) is Market Orders and then Limit Orders.

<sup>28</sup> Proposed Rule 7.31P would specify the priority ranking associated with specific orders. See Pillar II Filing, *supra* note 6.

<sup>29</sup> The only order ranked Priority 3mNon-Display Orders that would be eligible to participate in an auction is the non-displayed quantity of a Reserve Order.

<sup>30</sup> The term “limit price” is defined in Rule 7.36P(a)(2) as the highest (lowest) specified price at which a Limit Order to buy (sell) is eligible to trade.

Core Trading Session and entered before 6:29 a.m. (Pacific Time), and finally LOO Orders. For the Closing Auction, this proposed ranking of LOC Orders would be a substantive difference in Pillar and differs from the ranking set forth in current Rule 7.35(e)(2)(A)(i)–(iii), which provides priority to Limit Orders entered before the Closing Auction before LOC Orders. Finally, for the Trading Halt Auction, this proposed ranking of LOO Orders would be a substantive difference in Pillar because LOO Orders do not currently participate in a Trading Halt Auction.<sup>31</sup>

- As proposed in Rule 7.35P(a)(6)(D), orders on the side of the Imbalance would not be guaranteed to participate in an auction. This proposed rule text would be new in Pillar and makes explicit that the reason why orders are ranked for an auction is because not all orders on the side of the Imbalance are guaranteed to participate in an auction.

**Imbalance.** Proposed Rule 7.35P(a)(7) would define the term “Imbalance” to mean the number of buy (sell) shares that cannot be matched with sell (buy) shares at the Indicative Match Price at any given time and unless otherwise specified, includes the non-displayed quantity of Reserve Orders eligible to participate in the applicable auction. This proposed rule text is based on current Rule 1.1(r)(1), which defines the term “Imbalance” as the number of buy or sell shares that cannot be matched with other shares at the Indicative Match Price at any given time, with non-substantive differences regarding how buy and sell orders are described. The Exchange proposes an additional non-substantive difference to provide greater specificity in Pillar that unless otherwise specified (and as described below), the Imbalance would include information about the non-display quantity of Reserve Orders.

**Total Imbalance.** Proposed Rule 7.35P(a)(7)(A) would define the term “Total Imbalance” to mean the net Imbalance of all buy (sell) shares at the Indicative Match Price for all orders that are eligible to trade in the applicable auction. This proposed rule text is based on current Rule 1.1(r)(1)(A), which defines the term “Total Imbalance” as the net imbalance of buy (sell) shares at the Indicative Match price for all orders that are eligible for execution during the applicable auction, with non-substantive differences to use the term “to trade” instead of “for execution.”

**Market Imbalance.** Proposed Rule 7.35P(a)(7)(B) would define the term “Market Imbalance” to mean the imbalance of any remaining buy (sell) Market Orders that are not matched for trading in the applicable auction. This proposed rule text is based on current Rule 1.1(r)(1)(B)(i) and (ii), which provides that the Market Imbalance, as it relates to the Market Order Auction, is the imbalance of any remaining buy (sell) Market Orders that are not matched for execution against Market Orders during the applicable auction and as it relates to the Closing Auction, the imbalance of any remaining buy (sell) Market-on-Close Orders that are not matched for execution against Market-on-Close Orders during the applicable auction.

The Exchange proposes a substantive difference in Pillar regarding how it would calculate the Market Imbalance. As proposed, the Market Imbalance would be the volume of Market Orders that are not paired off with any interest, including Limit Orders. By contrast, under current rules, the Market Imbalance only shows the Market Orders that are not paired off with other Market Orders. The Exchange believes that this proposed substantive difference would provide transparency

regarding the volume of Market Orders that are not paired up against any interest. The Exchange also proposes a non-substantive difference to use the term “Market Orders” generally for all applicable auctions, and not use the term “Market-on-Close Orders” for the Closing Auction. As discussed above, unless stated otherwise, the term “Market Orders” in Rule 7.35P would include MOO Orders or MOC Orders, as applicable.

**Indicative Match Price.** Proposed Rule 7.35P(a)(8) would define “Indicative Match Price” to mean the best price at which the maximum volume of shares, including the non-displayed quantity of Reserve Orders, is tradable in the applicable auction, subject to the Auction Collars. This proposed rule text is based on current Rule 1.1(s), which provides that the term “Indicative Match Price” means the best price at which the maximum volume of shares are executable. The Exchange proposes non-substantive differences to use the term “tradable” instead of “executable,” refer to Auction Collars, and to add clarity to the definition to specify that the non-displayed quantity of Reserve Orders would be included for purposes of determining the Indicative Match Price.

Proposed Rule 7.35P(a)(8)(A)–(E) would provide greater specificity regarding how the Indicative Match Price in Pillar would be determined in different scenarios.

Proposed Rule 7.35P(a)(8)(A) would provide that if there are two or more prices at which the maximum volume of shares is tradable, the Indicative Match Price would be the price closest to the Auction Reference Price, which would be specified in the rule text as follows:

Auction	Auction reference price
Early Open Auction .....	Prior trading day’s Official Closing Price.
Core Open Auction .....	The midpoint of the Auction NBBO or, if the Auction NBBO is locked, the locked price. If there is no Auction NBBO, the prior day’s Official Closing Price.
Closing Auction .....	Last consolidated round-lot price of that trading day and, if none, the prior trading day’s Official Closing Price.
Trading Halt Auction .....	Last consolidated round-lot price of that trading day and, if none, the prior trading day’s Official Closing Price.
IPO Auction .....	Zero, unless the Corporation is provided with a price for the security.

This rule text is based on current Rule 1.1(s), which provides that if there are two or more prices at which the maximum volume of shares are executable, the price that is closest to

the closing price of the previous trading day’s normal market hours (or, in the case of a Closing Auction or a Trading Halt Auction, the last sale during normal market hours), as determined by

the consolidated tape will establish the opening price (or the closing price in the case of a Closing Auction). The Exchange proposes in Rule 7.35P(a)(8)(A) to add a new defined

<sup>31</sup> The Exchange has proposed a substantive difference in Pillar that MOO Orders and LOO

Orders would be eligible to participate in Trading

Halt Auctions. See Pillar II Filing, *supra* note 6, at proposed Rule 7.31P(c)(1) and (2).

term, the “Auction Reference Price,” to describe the prices used for determining the Indicative Match Price for auctions.

- For the Early Open Auction, the Exchange proposes that the Auction Reference Price would be the prior trading day’s Official Closing Price. This proposed rule text is based on current rule text in Rule 1.1(s) that the Opening Auction uses the closing price of the previous trading day’s normal market hours, with a non-substantive difference to use the term “Official Closing Price,” which would be a new defined term in Pillar.<sup>32</sup>

- For the Core Open Auction, the Exchange proposes a substantive difference in Pillar that the Auction Reference Price would be the midpoint of the Auction NBBO or, if the Auction NBBO is locked, the locked price. The Exchange further proposes that if there is no Auction NBBO, *e.g.*, the NBBO does not qualify as an Auction NBBO under proposed Rule 7.35P(a)(5), the Exchange would use the prior trading day’s Official Closing Price as the Auction Reference Price. Because the Indicative Match Price would be included in the information for the Auction Imbalance Information, and because the Auction Reference Price for the Core Open Auction would be based on the Auction NBBO, the Exchange would begin calculating an Auction NBBO at the same time it begins disseminating Auction Imbalance Information for the Core Open Auction, described below.

- For the Trading Halt Auction and Closing Auction, the Exchange proposes that the Auction Reference Price would be the last consolidated round-lot price of that trading day and, if none, the prior trading day’s Official Closing Price. This Auction Reference Price would be based on current rule text in Rule 1.1(s), with non-substantive differences to provide more specificity that it would be a last consolidated round-lot price of that trading day, and to provide specificity regarding which reference price to use if there were no last consolidated round lot trades that day.

- For an IPO Auction, the Exchange proposes that the Auction Reference Price would be zero unless the Corporation is provided with a price for the security. This proposed rule text would be new for Pillar. As is currently used for an IPO Auction, the Exchange proposes to use zero as the Auction Reference Price if there are two prices at which the maximum volume of shares can be traded because there

would not be any prior trading in that security. In Pillar, the Exchange proposes to add the ability to use a value other than zero in such cases if, for example, on the first day of trading of a new listing of a Derivative Securities Product, the Exchange is provided with a deal price for such Derivative Securities Product. In such a case, the deal price would be used as the Auction Reference Price in lieu of the default of zero.

Proposed Rule 7.35P(a)(8)(A) would further provide that the Indicative Match Price would not be lower (higher) than the price of an order to buy (sell) ranked Priority 2—Display Orders that was eligible to participate in the applicable auction. This rule text is based on current rule text in Rule 1.1(s) that provides that if the Indicative Match price would trade through eligible Limited Price Order designated for such auction, then the auction price will occur at the best price level available where no trade through occurs. The Exchange proposes non-substantive differences in Rule 7.35P(a)(8)(A) to use Pillar terminology, including reference to priority ranking defined in Rule 7.36P, to describe how the Indicative Match Price would not trade through an order that was eligible to participate in the auction. Rather than use the phrase “trade through,” the Exchange proposes a non-substantive difference to describe that the Indicative Match Price would not be lower (higher) than the price of an order to buy (sell).<sup>33</sup>

Proposed Rule 7.35P(a)(8)(B) would provide that if there are two prices at which the maximum volume of shares is tradable and both prices are equidistant to the Auction Reference Price, the Indicative Match Price would be the Auction Reference Price. This proposed rule text is based in part on rule text in current Rule 1.1(s), but is more specific regarding the price that would be used if the two prices at which the maximum volume of tradable shares are equidistant to the Auction Reference Price.

Proposed Rule 7.35P(a)(8)(C) would specify the Indicative Match Price if the Matched Volume for an auction consists of buy and sell Market Orders only.

- For the Core Open Auction, the Indicative Match Price would be the Auction Reference Price, which as described above, would be the midpoint

of the Auction NBBO and, if no Auction NBBO, the last Official Closing Price for that security. Matching Market Orders at the Auction Reference Price would be a substantive difference in Pillar.

Accordingly, the Exchange would not include in Rule 7.35P the current rule text in Rule 7.35(c)(3)(A)(2)(i) and (ii), which describes how the Exchange currently determines the Market Order Auction price if there are no limit orders eligible for execution in the Market Order Auction.

The Exchange proposes a substantive difference in Pillar that the Exchange would use the Auction Reference Price for all Auction-Eligible Securities, regardless of where the security is listed.

- For the Closing Auction, the Indicative Match Price would be the midpoint of the Auction NBBO as of the time the auction is conducted, provided that if the Auction NBBO is locked, it would be the locked price, and if there is no Auction NBBO, it would be the Auction Reference Price.

This proposed rule text represents a substantive difference because in Pillar, the Exchange would conduct a Closing Auction if there are only buy and sell Market Orders, and would price such auction based on the Auction NBBO. The Exchange, therefore, is not proposing to include in the Pillar rule, text in current Rule 7.35(e)(3)(B) that provides that if there are no Limit Orders eligible for execution in the Closing Auction, MOC Orders would be rejected.

- For the Trading Halt Auction, the Indicative Match Price would be the Auction Reference Price. This rule text is based in part on current Rule 7.35(f)(4)(A), which provides that if equilibrium exists between buy and sell Market Orders, the match price shall be the last Corporation sale price in the security regardless of the trading session. In Pillar, by using the Auction Reference Price as the Indicative Match Price for a Trading Halt Auction, the Exchange would be using the last consolidated round lot trading price during that trading day, which could include an Early Trading Session trade, just as under current rules.<sup>34</sup>

Proposed Rule 7.35P(a)(8)(D) would provide that if there is a BBO, but no Matched Volume (*i.e.*, the Exchange has

<sup>32</sup> See Pillar III Filing, *supra* note 7 at proposed Rule 1.1(ggP).

<sup>33</sup> The Exchange proposes to refer to an order ranked Priority 2—Display Orders rather than a Limit Order ranked Priority 2—Display Orders because, as discussed below in proposed Commentary .01(a) to Rule 7.35P, sell short Market Orders that are adjusted to a Permitted Price during a Short Sale Period would be ranked as Priority 2—Display Orders.

<sup>34</sup> The Exchange would not include in the Pillar rule the current rule text set forth in current Rule 7.35(f)(4)(A) that for the Trading Halt Auction, if there are only Market Orders and the last Corporation sale price is lower than the BBO, the match price shall be the displayed bid in the security or, if the last Corporation sale price is higher than the BBO, the match price will be the displayed offer in the security.

buy and sell Limit Orders that do not cross in price and no Market Orders), the Indicative Match Price and Total Imbalance for the Auction Imbalance Information would be (i) the side of the BBO that has the higher volume; or (ii) of the volume of the BB equals the volume of the BO, the BB. While there would be no Matched Volume with which to conduct an auction, this Indicative Match Price would be a benchmark price that could attract more interest for participation in the applicable auction. The Exchange proposes to use the side of the BBO that has more volume because it represents a volume imbalance of orders on the buy or sell side, and therefore the side likely to set the price. The Exchange proposes a substantive difference in Pillar that if the volumes of the BBO are equal, the Exchange would publish the price of the BB as the Indicative Match Price to provide ETP Holders with a benchmark price to attract additional interest.

Proposed Rule 7.35P(a)(8)(E) would provide that, if there is no Matched Volume and Market Orders on only one side of the market, the Indicative Match Price for the Auction Imbalance Information would be zero. This proposed rule text would be new for Pillar and provides specificity regarding the price that would be disseminated as part of the Auction Imbalance Information if there is no Matched Volume and Market Orders on only one side of the market.

Because of the additional level of specificity in proposed Rule 7.35P regarding how the Exchange would determine the Indicative Match Price, as well as the substantive differences of how these values would be determined in Pillar, the Exchange proposes that Rule 7.35P would not include the examples of Indicative Match Price and Imbalance calculations set forth in current Rules 7.35(c)(1)(A) and 7.35(e)(1)(A). Rather, the Exchange believes that the detailed rule text provides transparency regarding how the Indicative Match Price and Imbalances are determined without the need for examples.

**Matched Volume.** Proposed Rule 7.35P(a)(9) would define “Matched Volume” to mean the number of buy and sell shares that can be matched at the Indicative Match Price at any given time. The term “match volume” is currently used in the examples set forth Rules 7.35(c)(1)(A) and 7.35(e)(1)(A), but is not defined separately in the current rule. Because text from these rules would not be included in Rule 7.35P, the Exchange proposes to define

the term “Matched Volume” separately in Pillar.

**Auction Collar.** Proposed Rule 7.35P(a)(10) would define “Auction Collar” to mean the price collar thresholds for the Indicative Match Price for the Core Open Auction, Trading Halt Auction, or Closing Auction. This term is based on rule text set forth in current Rule 1.1(s)(A), which provides that when the Market Order Auction Price or Closing Auction Price is established by NYSE Arca Equities Rule 7.35(c)(3)(A)(1) or 7.35(e)(3), the Limit Orders eligible for determining the Indicative Match Price will be limited by the price collar thresholds established by the Corporation and that the Corporation sets and modifies such thresholds from time to time upon prior notice to ETP Holders.<sup>35</sup>

The Exchange proposes a non-substantive difference in Pillar to provide that the Auction Collars would be applicable to the “Core Open Auction” instead of the “Market Order Auction.” The Exchange also proposes in Pillar to refer to it as a price collar threshold for the Indicative Match Price, rather than a price collar threshold for the Limit Orders eligible for determining the Indicative Match Price. Both manners of describing Auction Collars result in orders participating in an auction being priced within price collar thresholds. However, in Pillar, the Exchange has proposed new terminology to describe the limit price of an order being the highest (lowest) specified price at which a Limit Orders to buy (sell) is eligible to trade.<sup>36</sup> As described above, when allocating Limit Orders in an auction, the Exchange would use the limit price for determining its ranking, even if it participates at an Indicative Match Price that is different from the limit price or if the Indicative Match Price has been collared. Accordingly, in Pillar, the Auction Collars would not re-price the limit price of Limit Orders, but would re-price the Indicative Match Price to be within the collar thresholds.

Proposed Rule 7.35P(a)(10)(A) would provide that the Auction Collar would be based on a price that is a specified percentage away from the Auction Reference Price for the applicable

auction and that the Corporation would set and modify such thresholds from time to time upon prior notice to ETP Holders. The rule would further provide that the upper (lower) boundary of the Auction Collar would be the Auction Reference Price increased (decreased) by the specified percentage, truncated to the MPV. This proposed rule text specifies in detail how Auction Collars would be set in Pillar, except for the specified percentage. As provided for in current Rule 1.1(s)(A), the Exchange would continue to set and modify the thresholds from time to time upon prior notice to ETP Holders.<sup>37</sup>

Proposed Rule 7.35P(a)(10)(B) would provide that an Indicative Match Price that is equal to or higher (lower) than the upper (lower) boundary of the Auction Collar would be adjusted to one MPV below (above) the upper (lower) boundary of the Auction Collar and orders eligible to participate in the applicable auction would trade at the collared Indicative Match Price. This proposed rule text uses Pillar terminology to provide specificity regarding how the Auction Collars would function and is based on current functionality. The Exchange proposes a substantive difference in Pillar that the Indicative Match Price would be at least one MPV inside the Auction Collars, and could not be equal to the Auction Collar.

Proposed Rule 7.35P(a)(10)(C) would provide that Limit Orders to buy (sell) with a limit price at or above (below) the upper (lower) Auction Collar would be included in the Auction Imbalance Information at the collared Indicative Match Price and would be eligible to trade at the Indicative Match Price. Proposed Rule 7.35P(a)(10)(D) would further provide that Limit Orders to buy (sell) with a limit price below (above) the lower (upper) Auction Collar would not be included in the Auction Imbalance Information and would not participate in the applicable auction. This proposed rule text uses Pillar terminology to provide specificity regarding how Limit Orders would participate in an auction that is subject to Auction Collars and is based on current functionality.

**Early Open Auction:** Proposed Rule 7.35P(b) would set forth how the Exchange would conduct the Early Open Auction in Pillar. As proposed, the Early Open Auction would be conducted at the beginning of the Early Trading Session, which is based on rule

<sup>35</sup> The price collar thresholds were modified on April 13, 2015 and September 8, 2015. See NYSE Arca Trader Update, “NYSE Arca Equities Enhancements to Auction Collars,” dated April 10, 2015, and NYSE Arca Trader Update, “NYSE Arca Equities Enhancements to Auction Collars,” dated September 4, 2015, available here: <https://www.nyse.com/trader-update/history> and here: [https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Trader\\_Update\\_Auction\\_Collars\\_Sept\\_2015.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Trader_Update_Auction_Collars_Sept_2015.pdf).

<sup>36</sup> See NYSE Arca Equities Rule 7.36P(a)(2).

<sup>37</sup> See, e.g., Nasdaq Rules 4752(b)(2)(E) and 4754(b)(2)(E) (Nasdaq establishes threshold benchmarks for its Opening Cross and Closing Cross).

text in current Rule 7.35(b)(1), which provides that at 1:00 a.m. (Pacific Time), Limit Orders designated for the Opening Session are matched and executed in the Opening Auction. In Pillar, Rule 7.34P sets forth the specific times associated with each trading session and, as set forth in Rule 7.34P(a)(1), the Early Trading Session will begin at 4:00 a.m. Eastern Time. Accordingly, the Early Open Auction would be conducted at 4:00 a.m. Eastern Time.

Proposed Rule 7.35P(b) would further provide that only Limit Orders in Auction-Eligible Securities would be eligible to participate in the Early Open Auction. This text is based on current Rule 7.35(a)(2), which provides that only Limit Orders designated for the Opening Session will be eligible for the Opening Auction.<sup>38</sup> Proposed Rule 7.35P(b) would also provide that if there is no Matched Volume for the Early Open Auction, the NYSE Arca Marketplace would open the Early Trading Session with a quote. This proposed rule text uses Pillar terminology to describe how the Exchange would open Early Trading Session trading in the absence of an Early Open Auction.

Proposed Rule 7.35P(b)(1) would provide that thirty minutes before the Early Trading Session begins, the NYSE Arca Marketplace would begin disseminating the Early Open Auction Imbalance Information. This proposed rule text is based on current Rule 7.35(a)(3), which provides that, beginning 30 minutes prior to the Opening Session, and various times thereafter as determined from time to time by the Corporation, the Indicative Match Price of the Opening Auction and any Imbalance associated therewith, shall be published by electronic means as determined from time to time by the Corporation. Proposed Rule 7.35P(b)(1) would further provide that the non-displayed quantity of Reserve Orders eligible to participate in the Early Open Auction would not be included in the Matched Volume or Total Imbalance until the Early Open Auction Freeze begins, which would be new in Pillar. In addition, the Exchange proposes non-substantive differences for proposed Rule 7.35P(b)(1) to use Pillar terminology that is defined in proposed Rule 7.35P(a) to describe the same functionality as Rule 7.35(a)(3).

Proposed Rule 7.35P(b)(2) would provide that the Early Open Auction Imbalance Freeze would begin one

minute before the scheduled time for the Early Open Auction. This proposed rule text is based on rule text in Rule 7.35(a)(4), which describes the one minute period prior to the Opening Auction as when orders may not be cancelled.

In Pillar, the Exchange proposes a substantive difference that during the Early Open Auction Imbalance Freeze, there would be no restrictions on order entry or cancellation. Accordingly, the Exchange would not include in Rule 7.35P rule text from current Rule 7.35(a)(4), which provides that orders that are eligible for the Opening Auction may not be cancelled one minute prior to the Opening Session until the conclusion of the Opening Auction.

Proposed Rule 7.35P(b)(3) would provide that Limit Orders eligible to trade in the Early Open Auction would be matched and traded in the Early Open Auction at the Indicative Match Price following Auction Ranking as of the time of the Early Open Auction. This proposed rule text is based on current Rule 7.35(b)(2), which provides that the orders in the Opening Auction shall be executed at the Indicative Match Price as of the time of the Opening Auction.

Proposed Rule 7.35P(b)(4) would provide that the Early Open Auction trade would be designated with a modifier to identify it as an extended hour .T trade. This rule text is based on current Rule 7.34(f), which provides that trades on the NYSE Arca Marketplace executed and reported outside of the Core Trading Session shall be designated as .T trades. The Exchange proposes to include this text in Rule 7.35P to provide specificity that an auction that occurs outside the Core Trading Session would also be designated as a .T trade.

*Core Open Auction:* Proposed Rule 7.35P(c) would set forth how the Exchange would conduct the Core Open Auction. As proposed, the Core Open Auction would be conducted at the beginning of the Core Trading Session. As noted in the Pillar I Filing and Rule 7.34P, the Exchange proposes a substantive difference in Pillar that the Core Open Auction would occur at the beginning of the Core Trading Session, rather than be the end of the Early Trading Session.<sup>39</sup> Specifically, Rule 7.34P(a)(2) provides that the Core Trading Session will begin for each security at 9:30 a.m. Eastern Time and

that the Core Open Auction will begin the Core Trading Session. Accordingly, the Core Open Auction would be conducted at 9:30 a.m. Eastern Time.

Proposed Rule 7.35P(c) would further provide that orders in Auction-Eligible Securities that include a designation for the Core Trading Session and that are eligible to participate in an auction would be eligible to participate in the Core Open Auction. The Exchange has proposed in new Rule 7.31P to define which orders and modifiers are not eligible to participate in an auction.<sup>40</sup> As noted in the Pillar I Filing, the Exchange proposes a substantive difference in Pillar that, because the Core Open Auction would occur during the Core Trading Session, orders designated to participate in the Early Trading Session only would not be eligible to participate in the Core Open Auction.<sup>41</sup>

Proposed Rule 7.35P(c)(1) would provide that the NYSE Arca Marketplace would begin publishing Core Open Auction Imbalance Information at 8:00 a.m. Eastern Time. This rule text is based on current Rule 7.35(c)(1), which provides that beginning at 5:00 a.m. (Pacific Time), and updated real-time thereafter, the Indicative Match Price of the Market Order Auction and the volume of Market Orders and Limit Orders available to trade at such price, and the Market Imbalance and Total Imbalance, if any, shall be published via electronic means and that Market Orders shall be included for purposes of calculating the Total Imbalance and Market Imbalance. The Exchange proposes non-substantive differences to use Eastern Time rather than Pacific Time, and to use new Pillar terminology, as proposed in Rule 7.35P(a)(7) above, to describe which information would be disseminated.

Proposed Rule 7.35P(c)(1) would further provide that the non-displayed quantity of Reserve Orders that are eligible to participate in the Core Open Auction would not be included in the Matched Volume, Total Imbalance, or Market Imbalance until the Core Open

<sup>40</sup> See Pillar II Filing, *supra* note 6 at Rules 7.31P(b)(2) (Limit Orders designated IOC, which would include Cross Orders, are not eligible to participate in auctions and would be cancelled if arrives during auction processing), 7.31P(d)(2) (Limit Non-Displayed Orders do not participate in any auctions), 7.31P(d)(3) (MPL Orders do not participate in any auctions), 7.31P(d)(4) (Tracking Orders are only triggered to trade by an order that would otherwise route to an Away Market), 7.31P(f) (Primary Only Orders route to the primary listing market), and 7.31P(h)(1) (Market Pegged Orders will not participate in any auctions).

<sup>41</sup> See *supra* note 39.

<sup>38</sup> The substance of the rule text set forth in current Rule 7.35(a)(1) and the second and third sentence of Rule 7.35(a)(2) is set forth in Rule 7.34P(a)(1) and 7.34P(b)(1) and 7.34P(c).

<sup>39</sup> See Pillar I Filing, *supra* note 4. Rule 7.34(a)(2), which governs trading on the current platform, provides that the Core Trading Session shall begin for each security at 6:30:00 a.m. (Pacific Time) or at the conclusion of the Market Order Auction, whichever comes later.

Auction Imbalance Freeze begins.<sup>42</sup> This would be new rule text for Pillar, to specify that for Reserve Orders that are eligible to participate in the Core Open Auction, the reserve quantity would not be included in specified Imbalance information until the Core Open Auction Imbalance Freeze begins.

Proposed Rule 7.35P(c)(3) would specify that the Core Open Auction Imbalance Freeze would begin five seconds before the scheduled time for the Core Open Auction. This proposed time frame would be a substantive difference for Pillar because on the current trading platform, order entry and cancellation restrictions begin one minute before the Market Order Auction. The Exchange also proposes substantive differences to how order entry and cancellation would be processed before the Core Open Auction. Accordingly, rule text in current Rule 7.35(c) and (d), which describe the order entry and cancellation requirements during the period between 6:29 a.m. (Pacific Time) and the conclusion of the Market Order Auction, would not be included in proposed Rule 7.35P.<sup>43</sup>

The Exchange proposes a shorter Auction Imbalance Freeze period in order to provide additional time for market participants to enter orders for the Core Open Auction without restriction. As further proposed, in Pillar, the Exchange would not validate order entry during the freeze period based on whether an order offsets the real-time Imbalance. Rather, because of the shorter freeze period, MOO Orders and LOO Orders entered during the Core Open Auction Imbalance Freeze would be rejected, regardless of the side of the market. Market Orders and Limit Orders designated for the Core Trading Session only would be accepted during

the Auction Imbalance Freeze without validating them on entry against the published Imbalance. Such orders would be eligible to participate in the Core Open Auction only to offset the Imbalance for the auction. The Exchange also proposes to retain the current functionality that MOO Orders and LOO Orders may not be cancelled beginning one minute before the scheduled time of the Core Open Auction.

Specifically, the Exchange proposes to process order entry and cancellation of orders before and during the Core Open Auction Imbalance Freeze as follows:

- Proposed Rule 7.35P(c)(2) would provide that beginning one minute before the scheduled time for the Core Open Auction, requests to cancel and requests to cancel and replace MOO Orders and LOO Orders would be rejected. This is based on current Rule 7.35(c)(2)(A)(2), which provides that beginning at 6:29 a.m. (Pacific Time) Market Orders (which include MOO Orders) and Limit Orders designated for the Core Trading Session may not be cancelled. The Exchange proposes a non-substantive difference to specify that such requests to cancel or cancel and replace would be rejected.

- Proposed Rule 7.35P(c)(3)(A) would provide that during the Core Open Auction Imbalance Freeze, MOO Orders and LOO Orders would be rejected. This proposed rule text would be a substantive difference in Pillar because currently, under Rule 7.35(c)(2)(A)(3), MOO Orders and LOO Orders may be entered to offset an Imbalance. Because the proposed Core Auction Imbalance Freeze period would be shorter in Pillar, the Exchange proposes instead to reject new MOO or LOO Orders, regardless of the side of the order.

- Proposed Rule 7.35P(c)(3)(B) would provide that Market Orders (other than MOO Orders) and Limit Orders designated for the Core Trading Session only would be accepted but would not be included in the calculation of the Indicative Match Price or the Core Open Auction Imbalance Information and that such orders would participate in the Core Open Auction only to offset the Imbalance that would remain after all orders entered before the Core Open Auction Imbalance Freeze, including the non-display quantity of Reserve Orders, are allocated in the Core Open Auction. The proposed rule would further provide that these offsetting orders would be allocated in price-time priority under Rule 7.36P(c)–(g) consistent with the priority ranking associated with each order.

This proposed rule text would be similar to current Rules 7.35(c)(2)(A)(3) 7.35(d)(2) in that Market Orders and Limit Orders designated for the Core Trading Session would participate in the auction only to reduce the Imbalance. The Exchange proposes a substantive difference in Pillar because the Exchange would not validate such orders on entry against the published Imbalance. Rather, such orders would be accepted but would only participate in the Core Open Auction if they were to offset the final Imbalance for the auction. As interest of last resort, such orders would be ranked in price-time priority after all other orders have been allocated.

The Exchange proposes to process Market Orders and Limit Orders differently from MOO Orders and LOO Orders because such orders would not expire at the end of the Core Open Auction. Rather than rejecting Market Orders and Limit Orders upon entry, they would be accepted and would be eligible to be offsetting interest for the auction. If these orders do not participate in the Core Open Auction, they would become eligible to participate in the Core Trading Session.

- Proposed Rule 7.35P(c)(3)(C) would provide that requests to cancel and requests to cancel and replace Market Orders (other than MOO Orders) and Limit Orders designated for the Core Trading Session only would be accepted but not processed until after the Core Open Auction concludes. This proposed rule text is based on current Rule 7.35(c)(2)(A)(2), but with a proposed substantive difference that order entry restrictions would be during a five-second rather than a one-minute period. The proposed Pillar rule would function similarly to the current rule in that requests to cancel pending Market Orders and Limit Orders would not be permitted during the Core Open Auction Imbalance Freeze period.

- Proposed Rule 7.35P(c)(3)(D) would provide that all other order instructions would be accepted. Proposed Rule 7.35P(c)(3)(D) would therefore include that requests to cancel Limit Orders designated for both the Early Trading Session and Core Trading Session would be accepted, which is based on current Rule 7.35(c)(2)(A)(2).

Proposed Rule 7.35P(c)(4) would provide that all orders eligible to trade in the Core Open Auction would be matched and traded at the Indicative Match Price following Auction Ranking as of the time of the Core Open Auction. This rule text is based on current Rule 7.35(c)(3), which specifies how the Market Order Auction Price is determined. As discussed above, in

<sup>42</sup> As with current functionality, the Indicative Match Price would include the non-display quantity of such Reserve Orders at all times.

<sup>43</sup> The current rule provides for order entry and cancellation in the one-minute period before the Market Order Auction as follows: Limit Orders eligible for the Opening Session may be cancelled (Rule 7.35(c)(2)(A)(2)); Limit Orders not eligible for the Opening Session, Market Orders, and LOO Orders may not be cancelled (Rule 7.35(c)(2)(A)(2)); Market Orders and LOO Orders may not be entered on the same side of the Imbalance (Rule 7.35(c)(2)(A)(3)); Market Orders and LOO Orders may be entered on the opposite side of the Imbalance any time before the conclusion of the Market Order Auction (Rule 7.35(c)(2)(A)(3)); Limit Orders entered after 6:29 a.m. (Pacific Time) will become eligible for execution at 6:30 a.m. (Pacific Time) or the conclusion of the Market Order Auction, whichever is later (Rule 7.35(d)(1)); and Market Orders entered after 6:29 a.m. (Pacific Time), unless eligible to participate in the Auction because it reduces the Imbalance, will become eligible for execution at 6:30 a.m. (Pacific Time) or the conclusion of the Market Order Auction, whichever is later (Rule 7.35(d)(2)).

Pillar, the Exchange proposes to describe how the Indicative Match Price would be determined in proposed Rule 7.35P(a)(6)(A)–(E), and therefore would not duplicate the text currently set forth in Rule 7.35(c)(A)(3)(1)–(2) in the Pillar rule.

Proposed Rule 7.35P(c)(5) would provide that the Core Open Auction trade would be designated with a modifier to identify it as a Core Open Auction trade. This rule text is based on current Rule 7.35(c)(4), with non-substantive differences to use Pillar terminology.

*Closing Auction:* Proposed Rule 7.35P(d) would set forth how the Exchange would conduct the Closing Auction. As proposed, the Closing Auction would be conducted at the end of the Core Trading Session. As noted in the Pillar I Filing and Rule 7.34P(a)(2), the Core Trading Session ends at the conclusion of the Core Trading Hours or the Core Closing Auction, whichever comes later.<sup>44</sup> Because Core Trading Hours end at 4:00 p.m. Eastern Time, the Exchange would conduct the Closing Auction at 4:00 p.m. Eastern Time, except on days when the Exchange has an early scheduled close, in which case, the Closing Auction would be conducted at 1:00 p.m. Eastern Time.<sup>45</sup>

Proposed Rule 7.35P(d) would further provide that orders in Auction-Eligible Securities that include a designation for the Core Trading Session and that are eligible to participate in an auction would be eligible to participate in the Closing Auction. As discussed above, proposed Rule 7.31P would specify which orders are eligible to participate in an auction.<sup>46</sup>

Proposed Rule 7.35P(d)(1) would provide that the NYSE Arca Marketplace would begin publishing Closing Auction Imbalance Information one hour before the scheduled time for the Closing Auction. This proposed rule text is based on current Rule 7.35(e)(1)(A), which provides that beginning at 12:00 p.m. (Pacific Time), and updated real-time thereafter, the Indicative Match Price of the Closing Auction and volume available to trade at such price, and the Total Imbalance and Market Imbalance associated with the Closing Auction, if any, will be

published via electronic means. The Exchange proposes non-substantive differences to specify that the information would begin being published one hour before the scheduled time for the Closing Auction, rather than specifying 12:00 p.m. Pacific Time. This proposed difference would address those days when the Exchange has an early scheduled close, in which case, Closing Auction Imbalance Information would be disseminated beginning at 12:00 p.m. Eastern Time, which is one hour before the early scheduled close of 1:00 p.m. Eastern Time. The Exchange also proposes non-substantive differences to use new Pillar terminology, as proposed in Rule 7.35P(a)(4) above, to describe which information would be disseminated. Proposed Rule 7.35P(d)(1) would further provide that the non-displayed quantity of Reserve Orders that would be eligible to participate in the Closing Auction would not be included in the Matched Volume, Total Imbalance, or Market Imbalance until the Closing Auction Imbalance Freeze would begin. This would be new rule text in Pillar.

Proposed Rule 7.35P(d)(2) would specify that the Closing Auction Imbalance Freeze would begin one minute before the scheduled time for the Closing Auction. This proposed time frame is based on rule text in current Rule 7.35(e)(2)(B) and (C), which describe the order entry and cancellation requirements during the period between 12:59 p.m. (Pacific Time) and the conclusion of the Closing Auction.

The Exchange proposes non-substantive differences in Pillar regarding how order entry and cancellation would be handled during the Closing Auction Imbalance Freeze. The Exchange proposes to process order entry and cancellation of orders during the Closing Auction Imbalance Freeze as follows:

- Proposed Rule 7.35P(d)(2)(A) would provide that LOC Orders and MOC Orders that are on the same side of the Imbalance, would flip the Imbalance, or would create a new Imbalance would be rejected. This proposed rule text is based on the first and third sentences of current Rule 7.35(e)(2)(C), which provides that MOC Orders and LOC Orders may not be entered on the same side as the Imbalance and that MOC Orders and LOC Orders that create equilibrium and thereafter convert the Imbalance from a buy to a sell (or convert the Imbalance from a sell to a buy) Imbalance will be rejected. The Exchange proposes non-substantive differences in Rule 7.35P to use Pillar terminology and to specify

that such orders would be rejected. The Exchange would not include the examples set forth in current Rule 7.35(e)(2)(C)(1) and (2) in the Pillar rule because the Exchange believes that the proposed Pillar rule describes which orders would be rejected without the need for examples.

- Proposed Rule 7.35P(d)(2)(B) would provide that requests to cancel and requests to cancel and replace MOC Orders and LOC Orders would be rejected. This proposed rule text is based on current Rule 7.35(e)(2)(B), which provides that MOC Orders and LOC Orders may not be cancelled. The Exchange proposes a non-substantive difference to specify that any such requests would be rejected.

- Proposed Rule 7.35P(d)(2)(C) would provide that all other order instructions would be accepted. Because the Exchange would continue to accept requests to cancel Limit Orders, rule text set forth in Rule 7.35(e)(2)(B), which provides that Limit Orders (except LOC Orders) may be cancelled, would not be included in proposed Rule 7.35P(d)(2). Similarly, because MOC Orders and LOC Orders, other than those specified in proposed Rule 7.35P(d)(2)(A), would be accepted during the Closing Auction Imbalance Freeze, the Exchange would not include text from the second sentence of Rule 7.35(e)(2)(C), which provides that MOC Orders and LOC Orders that reduce the Imbalance may be entered on the opposite side of the Imbalance any time before the conclusion of the Closing Auction, in the Pillar rule.

Proposed Rule 7.35P(d)(3) would provide that all orders eligible to trade in the Closing Auction would be matched and traded at the Indicative Match Price following Auction Ranking as of the time of the Closing Auction. This rule text is based on current Rule 7.35(e)(3), which specifies how the Closing Auction Price is determined. As discussed above, in Pillar, the Exchange proposes to describe how the Indicative Match Price would be determined in proposed Rule 7.35P(a)(6)(A)–(E), and therefore would not duplicate the text currently set forth in Rule 7.35(e)(3)(A)–(B) in the Pillar rule.<sup>47</sup>

Proposed Rule 7.35P(d)(4) would provide that the Closing Auction trade would be designated with a modifier to identify it as a Closing Auction trade. This rule text is based on current Rule 7.35(e)(3)(D), with non-substantive differences to use Pillar terminology.

<sup>47</sup> As described above, the Exchange proposes a substantive difference in Pillar and would conduct a Closing Auction if there are only Market Orders eligible to participate in the Closing Auction. See proposed Rule 7.35P(a)(6)(C)(ii).

<sup>44</sup> The Core Trading Hours are defined in Rule 1.1(j) to mean the hours of 9:30 a.m. Eastern Time through 4:00 p.m. Eastern Time, or such other hours as may be determined by the Corporation from time to time.

<sup>45</sup> The Exchange is scheduled to close early on the day after Thanksgiving and December 24 of each year. See NYSE holiday schedule, available here: <https://www.nyse.com/markets/hours-calendars#holidays>.

<sup>46</sup> See *supra* note 40.

Proposed Rule 7.35P(d)(4) would further provide that the Exchange would publish an Official Closing Price for all securities that trade on the NYSE Arca Marketplace. This proposed rule text uses Pillar terminology, specifically the proposed term “Official Closing Price,” to describe current functionality that would continue in Pillar.

*Trading Halt Auction:* Proposed Rule 7.35P(e) would set forth how the Exchange would conduct a Trading Halt Auction. As proposed, a Trading Halt Auction would be conducted to re-open trading in an Auction-Eligible Security following a halt or pause of trading in that security in either the Early Trading Session, Core Trading Session, or Late Trading Session, as applicable.<sup>48</sup> The rule would further provide that orders that include a designation for the applicable trading session and are eligible to participate in an auction would be eligible to participate in a Trading Halt Auction.<sup>49</sup> This proposed rule text is based on current Rule 7.35(f), with non-substantive differences to use Pillar terminology.

Proposed Rule 7.35P(e)(1) would provide that immediately after trading in an Auction-Eligible Security is halted or paused, the NYSE Arca Marketplace would begin publishing Trading Halt Auction Imbalance Information. This proposed rule text is based on current Rule 7.35(f)(2)(A) and (B), which provides that immediately after trading is halted in a security, and updated real-time thereafter, the Indicative Match Price of the Trading Halt Auction and the volume available to trade at such price, as well as the Market and Total Imbalance information, shall be published via electronic means and that if such a price does not exist, the NYSE Arca Marketplace shall indicate via electronic means that an Indicative Match Price does not exist. The Exchange proposes non-substantive differences to use new Pillar terminology, as proposed in Rule 7.35P(a)(4) above, to describe which information would be disseminated. The Exchange also proposes to specify that Trading Halt Auction Imbalance Information would be disseminated during a trading pause, which is current functionality.<sup>50</sup>

<sup>48</sup> As proposed in Rule 7.35P(a)(1)(B), described above, Auction-Eligible Securities for Trading Halt Auctions would be only those securities for which the Exchange is the primary listing market.

<sup>49</sup> As proposed in the Pillar II Filing, *see supra* note 6, MOO Orders and LOO Orders would be eligible to participate in Trading Halt Auctions. *See* Proposed Rule 7.31P(c)(1) and (2).

<sup>50</sup> In Pillar, the Exchange would not disseminate a “SIG” designator during a halt or pause if the difference between the Indicative Match Price and the last price before the halt is equal to or greater

Proposed Rule 7.35P(e)(2) would provide that after trading in a security has been halted or paused, the NYSE Arca Marketplace would disseminate the estimated time at which trading in that security would re-open, which would be defined as the “Re-Opening Time.” This proposed rule text is based on current Rule 7.35(f)(1), which provides that after trading in a security has been halted, the NYSE Arca Marketplace shall disseminate the estimated time at which trading in that security will re-open (the “Re-Opening Time”). The Exchange proposes non-substantive differences in the Pillar rule to specify that a Re-Opening Time would be disseminated during a trading pause and to use the term “will” instead of “shall.”

Proposed Rule 7.35P(e)(3) would provide that during a trading halt or pause in an Auction-Eligible Security, entry and cancellations of orders eligible to participate in the Trading Halt Auction would be processed as provided for in Rule 7.18P(c).<sup>51</sup> This rule text would be new in Pillar to provide clarity of which rule would govern entry and cancellation of orders during a trading halt or pause.

Proposed Rule 7.35P(e)(4) would provide that all orders eligible to trade in a Trading Halt Auction would be matched and traded at the Indicative Match Price following Auction Ranking as of the Re-Opening Time. This rule text is based on the first sentence of current Rule 7.35(f)(4)(A), which provides that for those issues for which the Corporation is the primary market, Orders will be executed at the Indicative Match Price at the Re-Opening Time. As discussed above, in Pillar, the Exchange proposes to describe how the Indicative Match Price would be determined in proposed Rule 7.35P(a)(6)(A)–(E), and therefore would not duplicate the remaining text currently set forth in Rule 7.35(f)(4) in the Pillar rule.

Proposed Rule 7.35P(e)(5) would provide that a Trading Halt Auction that occurs during the Early Trading Session or the Late Trading Session would be designated with a modifier to identify it as an extended hour .T trade. A Trading Halt Auction that occurs during the Core Trading Session would be designated with a modifier to identify it

than a pre-determined amount. Accordingly, rule text in current Rule 7.35(f)(2)(C) would not be included in Rule 7.35P.

<sup>51</sup> *See* Pillar III Filing, *supra* note 7, which proposes to adopt Rule 7.18P(c). Because proposed Rule 7.18P(c) would specify which orders may be entered during a halt, the Exchange would not include in Rule 7.35P rule text currently set forth in Rule 7.35(f)(3)(B), which provides that Primary Only Orders may be submitted to the NYSE Arca Marketplace during a trading halt.

as a halt auction. This would be new rule text in Pillar, but represents how trades are currently reported.

In Pillar, the Exchange would not have a Trading Halt Auction Imbalance Freeze. Accordingly, rule text in current Rule 7.35(f)(3)(C), which provides that the Corporation, if it deems such action necessary, will disseminate the time, prior to the time that orders are matched pursuant to the Trading Halt Auction, at which orders may no longer be cancelled, would not be included in Rule 7.35P.

*IPO Auction:* Proposed Rule 7.35P(f) would set forth how the Exchange would conduct an IPO Auction and would be new rule text for Pillar. As proposed, an IPO Auction would be conducted during the Core Trading Session on the first day of trading for any security, including a Derivative Securities Product, for which NYSE Arca is the primary listing market, excluding transfers. While the Exchange would define such auction as an “IPO Auction,” the first day of trading of a Derivative Securities Product may not technically be an initial public offering. However, the Exchange proposes to use the term “IPO” as signifying that this would be the auction on the first day of trading of a new listing on the Exchange, and thus is similar to an IPO of a new operating company.

As further proposed, an IPO Auction would follow the processing rules of a Core Open Auction, provided that:

- As provided for in proposed Rule 7.35P(f)(1), the NYSE Arca Marketplace would specify the time that an IPO Auction would be conducted. While an IPO Auction would occur during the Core Trading Session, the Exchange proposes to provide the Exchange with discretion to designate the time for the IPO Auction.
- As provided for in proposed Rule 7.35P(f)(2), there would be no Auction Imbalance Freeze, Auction Collars, or restrictions on the entry or cancellation of orders for an IPO Auction. Because an IPO Auction would not be set at a specific time, nor would there be any trading in the security before the IPO Auction, the Exchange does not believe that an Auction Imbalance Freeze or Auction Collars would assist in the price discovery process. Similarly, because the time of an IPO Auction may change, the Exchange does not believe that there needs to be any restrictions on the entry or cancellation of orders, including cancellation of MOO Orders and LOO Orders, before an IPO Auction. Accordingly, an IPO Auction would not be subject to these requirements.
- As provided for in proposed Rule 7.35P(f)(3), an IPO Auction would not

be conducted if there were only Market Orders on both sides of the market. Because the Exchange would be able to specify the time for an IPO Auction, if there were only Market Orders on both sides of the market, the Exchange has the flexibility to change the time in order to attract more interest for the auction.

*Order Processing during an Auction Processing Period:* Proposed Rule 7.35P(g) would specify how the Exchange would process order instructions during an Auction Processing Period. This rule text would be new in Pillar. As proposed, new orders, requests to cancel, and requests to cancel and replace an order that are received during the Auction Processing Period would be accepted but would not be processed until after the applicable auction concludes. The rule would further provide that a request to cancel and replace an order that was entered during the Auction Processing Period for an order that was also entered during the Auction Processing Period would be rejected. The proposed rule text provides specificity in the Pillar rule of how order instructions that are received during the Auction Processing Period would be processed.

*Transition from Auction to Continuous Trading:* Proposed Rule 7.35P(h) would specify how the Exchange would transition from auction processing to continuous trading. As proposed, after auction processing concludes, including if there is no Matched Volume and an auction is not conducted, the Exchange would transition to continuous trading for the applicable trading session as specified in Rule 7.35P(h)(1)–(3).

As proposed in Rule 7.35P(h)(1), after auction processing concludes, orders that are no longer eligible to trade, either because they are Auction-Only Orders or not eligible for the next trading session, would expire. This proposed rule text is based on current Rule 7.35(e)(3)(C), which provides that MOC Orders that are eligible for, but not executed in, the Closing Auction, shall be cancelled immediately upon conclusion of the Closing Auction. The Exchange proposes non-substantive differences to specify that any order that is not eligible for the next trading session, and not just MOC Orders, would expire after the respective auction concludes.

As proposed in Rule 7.35P(h)(2), orders that are designated for the trading session following an auction and that were received before the auction or during the Auction Processing Period, and that did not participate in the auction, would become eligible to trade.

This proposed rule text is based on the following rules:

- Rule 7.35(b)(3), which provides that orders that are eligible for, but not executed in, the Opening Auction shall become eligible for the Opening Session immediately upon conclusion of the Opening Auction;

- Rule 7.35(c)(3)(A)(3), which provides that the Market Orders that are eligible for both the Market Order Auction and the Core Trading Session, but which are not executed in the Market Order Auction, shall become eligible for execution in the Core Trading Session immediately upon conclusion of the Market Order Auction;

- Rule 7.35(d)(1) and (2), which provide that Limit and Market Orders entered after 6:29 a.m. (Pacific Time) become eligible for execution at 6:30 a.m. (Pacific Time) or the conclusion of the Market Order Auction, whichever is later; and

- Rule 7.35(f)(5), which provides that if any orders are not executed in their entirety during the Trading Halt Auction, then such orders shall be executed in accordance with Rule 7.37 after the completion of the Trading Halt Auction.

The Exchange proposes non-substantive differences in proposed Rule 7.35P(h)(2) to consolidate the text of Rules 7.35(b)(3), 7.35(c)(3)(A)(3), 7.35(d)(1) and (2), and 7.35(f)(5) into a single rule that uses Pillar terminology to describe that orders that do not participate in an auction and that are eligible for the trading session following such auction would become eligible to trade.

Proposed Rule 7.35P(h)(3) would provide that before continuous trading in the Trading Session following the applicable auction begins, the Exchange would process orders as follows:

- As provided for in proposed Rule 7.35P(h)(3)(A), any order instructions received during either the Auction Imbalance Freeze or Auction Processing Period that were not processed will be processed. For example, a request to cancel a Limit Order designated for the Core Trading Session only and that was entered during the Core Open Auction Imbalance Freeze would be processed after the auction processing concludes. This rule text would be new in Pillar and uses Pillar terminology to specify when order instructions would be processed.

- As provided for in proposed Rule 7.35P(h)(3)(B), the working price of orders would be adjusted based on the PBBO or NBBO, as provided for in proposed Rule 7.31P. Before becoming eligible to trade in the next trading session, orders would have their

working prices adjusted as provided for in proposed Rule 7.31P and consistent with the terms of the respective orders. This rule text would be new in Pillar and uses Pillar terminology regarding when an order would receive a new working price.

- As provided for in proposed Rule 7.35P(h)(3)(C), if orders that become eligible to trade would be marketable, such orders would trade and/or route based on price-time priority of individual orders as provided for in Rule 7.37P. This rule text would be new in Pillar and uses Pillar terminology to describe that following an auction, orders that are marketable would trade or route, as provided for in Rule 7.37P, before the Exchange would disseminate its first quote following an auction. The Exchange proposes that following an auction, if orders that did not trade in an auction, or were not eligible to trade in an auction, are marketable, these orders should trade or route, as applicable, rather than publishing a locked or crossed quote from the NYSE Arca Book.

- As provided for in proposed Rule 7.35P(h)(3)(D), after marketable orders have been routed or traded, the NYSE Arca Marketplace would publish a quote for the next trading session. This rule text would be new in Pillar.

*Proposed Rule 7.35P(i):* Proposed Rule 7.35P(i) would provide that whenever in the judgment of the Corporation the interest of a fair and orderly market so require, the Corporation may adjust the timing of or suspend the auctions set forth in this Rule with prior notice to ETP Holders. This proposed rule text is based on current Rule 7.35(g), which provides that whenever in the judgment of the Corporation the interests of a fair and orderly market so require, the Corporation may adjust the timing of or suspend the auctions set forth in this Rule with prior notice to ETP Holders.

*Proposed Rule 7.35P(j):* Proposed Rule 7.35P(j) would provide that for purposes of Rule 611(b)(3) of Regulation NMS,<sup>52</sup> the Early Open Auction, Core Open Auction, Closing Auction, Trading Halt Auction, and IPO Auction are single-priced opening, reopening, or closing transactions and may trade through any other Away Market's Manual or Protected Quotations. This proposed rule text is based on current Rule 7.35(h), which provides that for purposes of Rule 611(b)(3) of Regulation NMS, orders executed pursuant to the Opening Auction, Closing Auction, Market Order Auction, and Halt Auction may trade-through any other Trading Center Manual or Protected Quotation if

<sup>52</sup> 17 CFR 242.611(b)(3).

the transaction that constituted the trade-through was a single-priced opening, reopening, or closing transaction by the trading center. The Exchange proposes non-substantive differences to use Pillar terminology to specify that the auctions described in Rule 7.35P would be eligible for the exception set forth in Rule 611(b)(3) of Regulation NMS from trading through a protected quotation.

*Commentary:* The Exchange proposes to add Commentary .01 to proposed Rule 7.35P to address how sell short orders would be processed during a Short Sale Period in auctions. As proposed in Commentary .01(a) to Rule 7.35P, during a Short Sale Period, for purposes of pricing an auction and ranking orders for allocation in an auction, sell short Market Orders that would be adjusted to a Permitted Price would be processed as Limit Orders ranked Priority 2—Display Orders and would not be included in the Market Imbalance.

This proposed treatment of sell short Market Orders would be applicable only for purposes of auctions because once adjusted to a Permitted Price, a sell short Market Order has a price and such price would be used for purposes of determining the price of an auction. For example, if there are only buy Market Orders and sell short Market Orders for an auction, the Permitted Price at which sell short Market Orders are priced to a Permitted Price would be the basis for determining the Indicative Match Price for that auction, instead of the applicable Auction Reference Price, as described above. Because the Permitted Price of sell short Market Orders would be used for purposes of determining the Indicative Match Price, the Exchange proposes that for purposes of order allocation during an auction, sell short Market Orders that have been adjusted to a Permitted Price would be ranked as Priority 2—Display Orders.

Proposed Commentary .01(b) to Rule 7.35P would further provide that, during a Short Sale Period, sell short orders that would be included in Auction Imbalance Information, but which would not be eligible for continuous trading before the applicable auction, would be adjusted to a Permitted Price as the NBB moves both up and down. The Exchange believes this proposed rule text provides clarity that for purposes of calculating Auction Imbalance Information before each applicable auction, orders that are not eligible for continuous trading (*e.g.*, Auction-Only Orders, or for the Core Open Auction, Market Orders and Limit Orders designated for the Core Trading Session only) would be continuously re-

priced based on the then-applicable NBB. The Exchange believes that during a Short Sale Period, continuously repricing sell short orders that are not yet eligible to trade would provide greater transparency regarding the price at which such orders would be included in Auction Imbalance Information in advance of the applicable auction.

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As discussed in the Pillar I Filing, because of the technology changes associated with the migration to the Pillar trading platform, the Exchange will announce by Trader Update when rules with a “P” modifier will become operative and for which symbols. The Exchange believes that keeping existing rules pending the full migration of Pillar is necessary because they would continue to govern trading on the current trading platform pending the full migration.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>53</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>54</sup> 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 facilitating transactions in securities, 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 believes that new Rule 7.35P, together with the rules adopted in the Pillar I Filing and the rules proposed in the Pillar II Filing and Pillar III Filing, would remove impediments to and perfect the mechanism of a free and open market because they would promote transparency by using consistent terminology for rules governing equities trading, thereby ensuring that members, regulators, and the public can more easily navigate the Exchange’s rulebook and better understand how equity trading would be conducted on the Pillar trading platform. Adding new rules with the modifier “P” to denote those rules that would be operative for the Pillar trading platform would remove impediments to and perfect the mechanism of a free and open market by providing transparency of which rules govern trading once a symbol has been migrated to the Pillar platform. In

<sup>53</sup> 15 U.S.C. 78f(b).

<sup>54</sup> 15 U.S.C. 78f(b)(5).

addition, the proposed use of new Pillar terminology would promote consistency in the Exchange’s rulebook regarding how the Exchange would process orders during an auction.

The Exchange believes that the proposed amendments to existing definitions in Rule 1.1 would remove impediments to and perfect the mechanism of a fair and orderly market because they would not make any substantive changes to Exchange rules, but rather are designed to reduce confusion by specifying that Rules 1.1(r) and (s) would be applicable to auctions on the current trading platform only, and would not be applicable to auctions trading on the Pillar platform.

The Exchange believes that proposed Rule 7.35P, which would govern auctions in Pillar, would remove impediments to and perfect the mechanism of a fair and orderly market because it would set forth in a single rule the requirements for auctions in Pillar in both UTP Securities and Exchange-listed securities, which are currently described in Rules 1.1(r) and (s) and Rule 7.35. The proposed new definitions for new Rule 7.35P, including the new terms Auction Processing Period, Auction Imbalance Freeze, Auction NBBO, Auction Ranking, and Auction Reference Price, would promote transparency by using common definitions that incorporate Pillar terminology to describe how auctions would function in Pillar.

The Exchange believes that the proposed substantive differences for Rule 7.35P as compared to the current rules would remove impediments to and perfect the mechanism of a fair and orderly market for the following reasons:

- The proposed substantive difference to add that Market Orders would include not only MOO Orders for the Core Open Auction, but also MOO Orders for a Trading Halt Auction and MOC Orders for the Closing Auction, and use Pillar terminology to specify that all such orders would be ranked Priority 1—Market Orders, would promote transparency in Exchange rules regarding how Market Orders, MOO Orders, and MOC Orders would be processed during an auction.

- The proposed substantive difference to define the term “Auction-Eligible Securities,” to provide the Exchange with the ability to conduct auctions in all securities that trade on the Exchange, including UTP Securities, would support the initiatives of the Exchange, NYSE, and Nasdaq to increase resiliency by having auctions on the Exchange serve as a back-up to

either NYSE or Nasdaq if one of those markets is unable to conduct an auction.

- The proposed substantive difference to update Auction Imbalance Information at least every second, rather than on a real-time basis, both for the proprietary data feed dissemination and for determining order entry eligibility during the applicable Auction Imbalance Freeze period would promote transparency in Exchange rules regarding which Imbalance would be used to determine order entry eligibility during specified Auction Imbalance Freeze periods.

- The proposed substantive difference to define a new term, "Auction NBBO," to use as the basis for pricing the Core Open Auction and the Indicative Match Price for the Closing Auction when that auction consists only of Market Orders would promote transparency regarding how the Exchange would determine pricing for such auctions. Further to this point, the Exchange believes that creating a process to validate the Auction NBBO for the Core Open Auction by comparing the midpoint value to the spread of the NBBO, and if the NBBO is not valid, to use the prior day's Official Closing Price, would ensure that the NBBO is sufficiently tight to guarantee that the midpoint of the NBBO would be a meaningful and accurate basis for pricing the Core Open Auction.

- The proposed substantive difference to allocate orders on the side of the Imbalance the same for all auctions and describe such ranking in the new defined term "Auction Ranking" would promote transparency in Exchange rules by consolidating into a single location how orders would be ranked for auctions. In addition, using the same methodology to rank and allocate orders on the side of the Imbalance for all auctions based on the priority ranking described in Rule 7.36P would promote consistency in how the Exchange would rank orders on the Pillar trading platform, whether for continuous trading or for auctions.

- The proposed substantive difference that during a Short Sale Period, processing sell short Market Orders that have been adjusted to a Permitted Price as Limit Orders ranked Priority 2—Display Orders for purposes of pricing an auction and ranking orders for allocation in an auction would ensure that such orders would not trade at or below the NBB. In addition, processing such re-priced sell short Market Orders as Limit Orders would promote transparency by processing all orders that have a price similarly in an auction.

- The proposed substantive difference that the Market Imbalance would be Market Orders not matched for trading in an auction against any interest, and not just Market Orders not matched for trading against other Market Orders, would promote transparency regarding the volume of Market Orders that have not been paired against any interest for an auction.

- The proposed substantive difference to publish an Indicative Match Price based on a published BBO when there is no Matched Volume, and more specifically, if the BB equals the BO volume, to use the BB as the Indicative Match Price, would serve as a benchmark price to attract additional interest for an auction, thereby promoting price discovery.

- The proposed substantive difference to determine the Indicative Match Price for all securities in the same manner regardless of whether the Exchange is the primary listing market for a security or the security is a UTP Security would promote clarity and transparency in Exchange rules and streamline how auctions would be processed.

- The proposed substantive difference to conduct a Closing Auction if there are only Market Orders on both sides of the market and use the midpoint of the Auction NBBO to price such auction would increase the potential for market participants that have entered MOC Orders to receive an execution in an auction that is priced based on the prevailing value of the security. Specifically, pricing such auction based on the midpoint of the Auction NBBO in effect as of the scheduled time of the Closing Auction would reflect the most recent quoting activity in a stock and therefore the market's view of the value of the security. If there is no Auction NBBO, which would indicate that there is not a good quote in a security, the Exchange would instead price the auction based on the last consolidated round lot sale, which, in the absence of an Auction NBBO, would reflect the most recent price for the security.

- The proposed substantive difference to adjust an Indicative Match Price that is outside the Auction Collars to be one MPV inside the Auction Collars, rather than to the Auction Collar, would reduce the potential for an auction to be priced at the Auction Collar. More specifically, if the Auction Collars are based on the clearly erroneous execution thresholds (which is currently the case for the Core Open Auction), pricing an auction one MPV inside the Auction Collar would

potentially prevent an auction from being a clearly erroneous execution.

- The proposed substantive difference not to have any order entry or cancellation restrictions during the one-minute Auction Imbalance Freeze before the Early Open Auction reflects that there is not any trading occurring before the Early Open Auction, and therefore the risk to manipulate market prices before the Early Open Auction is minimal.

- The proposed substantive difference to have a Core Open Auction Imbalance Freeze of five seconds instead of one minute would increase the period during which orders may be entered to participate in the Core Open Auction, thereby promoting price discovery for the auction. To reduce the potential to manipulate pricing for the auction, the Exchange proposes to retain the current functionality that MOO Orders and LOO Orders may not be cancelled beginning one minute before the scheduled time for the auction.

With respect to order entry and cancellation during the Core Open Auction Imbalance Freeze, the Exchange believes that rejecting all MOO Orders and LOO Orders during this period would remove the potential for such orders to impact the Imbalance. The Exchange further believes that accepting Market Orders and Limit Orders designated for the Core Trading Session only on both sides of the market during the Core Open Auction Freeze and then allowing such orders to participate in the Core Open Auction only if they offset the Imbalance in effect at the scheduled time of the Core Open Auction would eliminate the possibility for these orders to create an Imbalance or increase an Imbalance.

#### *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 to adopt new rules to support the Exchange's new Pillar trading platform. As discussed in detail above, the Exchange proposes a new rule for auctions in Pillar, which would be based on current rules with both substantive and non-substantive differences. The proposed substantive differences would promote competition because the Exchange would be offering functionality that would promote price discovery and liquidity on the primary listing market for auctions, thereby supporting competition. The proposed

non-substantive differences in Rule 7.35P would be to use new Pillar terminology, which would promote consistent use of terminology to support the Pillar trading platform making the Exchange's rules easier to navigate.

*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 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEARCA-2015-86 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-NYSEARCA-2015-86. This file number should be included on the subject line if email 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 Web site (<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 Web site 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 will also be available for inspection and copying at the NYSE's principal office and on its Internet Web site at [www.nyse.com](http://www.nyse.com). 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-NYSEARCA-2015-86 and should be submitted on or before November 3, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>55</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-76086; File No. SR-BOX-2015-33]

**Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 7270 (Block Trades)**

October 6, 2015.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 2, 2015, BOX Options Exchange LLC (the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II 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.

<sup>55</sup> 17 CFR 200.30-3(a)(12).

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

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

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

The Exchange proposes to amend Rule 7270 (Block Trades). The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's Internet Web site at <http://boxexchange.com>.

**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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization 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 is to amend Rule 7270 (Block Trades) to permit an Order Flow Provider ("OFP") initiating a Facilitation Auction, at its option, to designate a lower amount for which it will retain certain priority and trade allocation privileges upon the conclusion of the Facilitation Auction.

Background

The Facilitation Auction mechanism allows OFPs to enter crossing transactions where the OFP represents a block-size order as agent ("Agency Order") and (1) is trading against the Agency Order as principal (*i.e.*, facilitating the Agency Order) and/or (2) has solicited an order to take the opposite side of the Agency Order.<sup>3</sup> The Facilitation Auction allows block-size order executions against facilitated or solicited orders, or against a combination of facilitated or solicited orders. The Facilitation Auction is limited to orders of fifty (50) contracts or more.

OFPs must be willing to execute the entire size of the Agency Orders entered into the Facilitation Auction through the submission of a contra "Facilitation Order." Upon the entry of an Agency

<sup>3</sup> See Rule 7270(a).