

have been widely adopted by equities and options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. Easing the criteria for the Customer Step-Up Volume Tier is intended to incentivize Members to send additional orders to the Exchange in an effort to qualify for the enhanced rebate available by the respective tier.

The Exchange believes that this change is reasonable, fair and equitable and non-discriminatory, for the reasons set forth with respect to volume-based pricing generally and because such change will either incentivize participants to further contribute to market quality on the Exchange or will allow the Exchange to earn additional revenue that can be used to offset the addition of new pricing incentives. The Exchange also believes that the proposed rebate remains consistent with pricing previously offered by the Exchange as well as competitors of the Exchange and does not represent a significant departure from the Exchange's general pricing structure.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange believes the proposed amendment to its fee schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange does not believe that the proposed change to the Exchange's tiered pricing structure burdens competition, but instead, enhances competition as it is intended to increase the competitiveness of the Exchange by easing the criteria necessary to qualify for the Customer Step-Up Volume tier. Also, the Exchange believes that the decrease to the tier's threshold contributes to, rather than burdens

competition, as such change is intended to incentivize participants to increase their participation on the Exchange.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>10</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**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 No. SR-BATS-2015-120 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File No. SR-BATS-2015-120. 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 such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-BATS-2015-120 and should be submitted on or before February 5, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2016-00640 Filed 1-14-16; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-76869; File No. SR-NYSEArca-2015-86]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change, and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 1 and 3 Thereto, Relating to Auctions for Pillar, the Exchange's New Trading Technology Platform**

January 11, 2016.

**I. Introduction**

On September 22, 2015, NYSE Arca, Inc. ("Exchange" or "Arca") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to adopt new equity trading rules relating to auctions for Pillar, the Exchange's new trading technology platform. The proposed rule change was published for comment in the **Federal**

<sup>11</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.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f).

Register on October 13, 2015.<sup>3</sup> The Commission received no comments on the proposed rule change. On November 20, 2015, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>4</sup> On December 22, 2015, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>5</sup> On January 7, 2016, the Exchange filed Amendment No. 3 to the proposed rule change.<sup>6</sup> The Commission is publishing this notice to solicit comment on Amendment Nos. 1 and 3 from interested persons, and is approving the proposed rule change, as modified by Amendment Nos. 1 and 3, on an accelerated basis.

## II. Description of the Proposed Rule Change

The Exchange proposes to adopt Rule 7.35P, which relates to auctions for Pillar, the Exchange's new trading technology platform. The Exchange also proposes to amend existing definitions in Rule 1.1.<sup>7</sup>

<sup>3</sup> See Securities Exchange Act Release No. 76085 (October 6, 2015), 80 FR 61513 ("Notice").

<sup>4</sup> See Securities Exchange Act Release No. 76493, 80 FR 74169 (November 27, 2015).

<sup>5</sup> In Amendment No. 1, the Exchange: (i) Amends proposed Rule 7.35P(h) to provide that the rule would address how orders would be handled not only in the transition to continuous trading following an auction, but also when transitioning from one trading session to the next trading session; (ii) amends proposed Rule 7.35P(h)(3)(B) to provide that, before continuous trading following a prior trading session or an auction begins, the display price and working price of orders would be adjusted as provided for in Rule 7.31P, and that when transitioning to continuous trading, the display price and working price of Day ISOs would be adjusted in the same manner as Arca Only Orders until the Day ISO is either traded in full or displayed at its limit price; and (iii) provides additional discussions related to certain proposed rules.

<sup>6</sup> Amendment No. 3 superseded Amendment No. 2 in its entirety. In Amendment No. 3, the Exchange: (i) Specifies the percentages for the Auction Collar thresholds; (ii) removes the reference to the Trading Halt Auction in the definition of Auction Collar; (iii) states that the Exchange would provide prior notice to ETP Holders if additional UTP Securities are to be designated as Auction-Eligible Securities; (iv) includes cross-references to Rule 7.16P in Commentary .01 to proposed Rule 7.35P to clarify where certain terms are defined; and (v) provides additional discussions related to certain proposed rules.

<sup>7</sup> The Exchange proposes to amend Rules 1.1(r) and (s) to specify that the definition of "Imbalance" and "Indicative Match Price" in those rules would be applicable only for auctions conducted on the current trading platform. The Exchange states that these changes would remove impediments to and perfect the mechanism of a fair and orderly market because they would not make any substantive changes, 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. See Notice at 61525.

### A. Background

The Exchange represents that Pillar is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by Arca and its affiliates, New York Stock Exchange LLC ("NYSE") and NYSE MKT LLC ("NYSE MKT").<sup>8</sup> On April 30, 2015, the Exchange filed the first rule filing relating to the implementation of Pillar, which adopted rules relating to Trading Sessions, Order Ranking and Display, and Order Execution.<sup>9</sup> On July 7, 2015, the Exchange filed the second rule filing relating to the implementation of Pillar, which adopted rules relating to Orders and Modifiers and the Retail Liquidity Program.<sup>10</sup> On July 1, 2015, the Exchange filed the third rule filing relating to the implementation of Pillar, which adopted rules relating to Trading Halts, Short Sales, Limit Up-Limit Down, and Odd Lots and Mixed Lots.<sup>11</sup>

This filing is the fourth set of proposed rule changes to support Pillar implementation. As proposed, the new rule governing trading on Pillar would have the same numbering as the current rule, but with the modifier "P" appended to the rule number. Specifically, Rule 7.35, which governs 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 trading in symbols migrated to the Pillar platform.

### B. Proposed Modifications

As stated in the Notice, the Exchange proposes new Rule 7.35P to describe auctions on Pillar, which would be based on Rule 7.35 and Rules 1.1(r) and (s).<sup>12</sup> The Exchange states that auctions on Pillar would function similarly to auctions on the current trading

<sup>8</sup> See Notice at 61513.

<sup>9</sup> See Securities Exchange Act Release No. 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (SR-NYSEArca-2015-38) ("Pillar I Filing"). The Commission approved the Pillar I Filing on July 20, 2015. See Securities Exchange Act Release No. 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015).

<sup>10</sup> See Securities Exchange Act Release No. 75497 (July 21, 2015), 80 FR 45022 (July 28, 2015) (SR-NYSEArca-2015-56) ("Pillar II Filing"). The Commission approved the Pillar II Filing on October 26, 2015. See Securities Exchange Act Release No. 76267 (October 26, 2015), 80 FR 66951 (October 30, 2015).

<sup>11</sup> See Securities Exchange Act Release No. 75467 (July 16, 2015), 80 FR 43515 (July 22, 2015) (SR-NYSEArca-2015-58) ("Pillar III Filing"). The Commission approved the Pillar III Filing on October 20, 2015. See Securities Exchange Act Release No. 76198 (October 20, 2015), 80 FR 65274 (October 26, 2015). See also Securities Exchange Act Release No. 76198A (October 28, 2015), 80 FR 67822 (November 3, 2015).

<sup>12</sup> See Notice at 61513.

platform.<sup>13</sup> According to the Exchange, proposed Rule 7.35P would use Pillar terminology and include both substantive and non-substantive differences and clarifications from the current rule text.<sup>14</sup> The proposed changes that are more substantive in nature are noted in Section III below and are discussed in the Notice.

## III. Discussion and Commission Findings

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>15</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>16</sup> which requires, among other things, that the rules of a national securities exchange be 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 and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission notes that, in the proposal, the Exchange states its belief that proposed Rule 7.35P, together with rules from the three previous Pillar filings, 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 Pillar.<sup>17</sup> The Exchange also states that the proposed use of Pillar terminology would promote consistency in the Exchange's rulebook regarding how the Exchange would process orders during an auction.<sup>18</sup> Moreover, the Exchange states that adding new rules with the modifier "P" to denote the rules that would be

<sup>13</sup> See Notice at 61513-14.

<sup>14</sup> See Notice at 61514.

<sup>15</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>16</sup> 15 U.S.C. 78f(b)(5).

<sup>17</sup> See Notice at 61525.

<sup>18</sup> See *id.*

operative for Pillar would remove impediments to and perfect the mechanism of a free and open market by providing transparency regarding which rules govern trading once a symbol has been migrated to Pillar.<sup>19</sup>

The Commission also notes that, with respect to the substantive differences between proposed Rule 7.35P and the current rules, the Exchange states that they would remove impediments to and perfect the mechanism of a fair and orderly market.<sup>20</sup> In particular, the Exchange proposes to make several changes that are more substantive in nature, which include:

#### Definitions

**Auction-Eligible Security:** The Exchange proposes a new definition for the term “Auction-Eligible Security.”<sup>21</sup> According to the Exchange, as with the current rule, all securities for which the Exchange is the primary listing market would be Auction-Eligible Securities.<sup>22</sup> However, for Pillar, the Exchange would designate UTP Securities<sup>23</sup> that would be Auction-Eligible Securities for the Early Open Auction, the Core Open Auction, and the Closing Auction.<sup>24</sup> According to the Exchange, this approach would support the initiatives of the Exchange, NYSE, and the NASDAQ Stock Market LLC (“Nasdaq”) to increase resiliency by having auctions on Arca serve as a backup to either NYSE or Nasdaq if one of those markets is unable to conduct an auction.<sup>25</sup>

**Auction Imbalance Information:** The Exchange proposes to define “Auction Imbalance Information” to mean the information that is disseminated by the Corporation<sup>26</sup> for an auction.<sup>27</sup> As proposed, Auction Imbalance Information would be updated at least every second (unless there is no change to the information), rather than on a real-time basis.<sup>28</sup> According to the Exchange, by updating Auction Imbalance Information on a one-second basis, ETP Holders that are interested in entering offsetting interest during an

Auction Imbalance Freeze would have greater certainty of the Imbalance in effect at the time of order entry.<sup>29</sup>

**Auction NBBO:** The Exchange proposes to define “Auction NBBO” to mean an NBBO that is used for purposes of pricing an auction. As proposed, an NBBO is an Auction NBBO when (i) there is an NBB above zero and NBO for the security and (ii) the NBBO is not crossed.<sup>30</sup> In addition, for the Core Open Auction, an NBBO is an Auction NBBO when the midpoint of the NBBO, when multiplied by a designated percentage, is greater than or equal to the spread of that NBBO.<sup>31</sup> According to the Exchange, this approach would promote transparency regarding how the Exchange determines pricing for its auctions.<sup>32</sup> Moreover, according to the Exchange, the proposed method for determining the Auction NBBO for the Core Open Auction is designed to validate whether an NBBO bears a relation to the value of the security.<sup>33</sup>

**Auction Ranking:** The Exchange proposes to define “Auction Ranking” to mean how orders on the side of an Imbalance would be ranked for allocation in an Auction. Specifically, orders on the side of the Imbalance would be ranked in price-time priority under Rule 7.36P(c)–(g) consistent with the priority ranking associated with each order, provided that: (i) MOO and MOC Orders would be ranked Priority 1—Market Orders; (ii) LOO and LOC Orders would be ranked Priority 2—Display Orders; and (iii) the limit price of Limit, LOO, and LOC orders would be used for ranking purposes.<sup>34</sup> According to the Exchange, the only order ranked Priority 3—Non-Display Orders that would be eligible to participate in an auction would be the non-displayed quantity of a Reserve Order.<sup>35</sup> The Exchange states that the proposed approach would promote transparency in Exchange rules by consolidating into a single location how orders would be ranked for auctions.<sup>36</sup> The Exchange also states that 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 Pillar, whether for continuous trading or for

auctions.<sup>37</sup> In addition, during a Short Sale Period (as defined in Rule 7.16P(f)(4)), for purposes of pricing an auction and ranking orders for allocation in an auction, sell short Market Orders that are adjusted to a Permitted Price (as defined in Rule 7.16P(f)(5)(A)) would be processed as Limit Orders ranked Priority 2—Display Orders, and would not be included in the Market Imbalance.<sup>38</sup> The Exchange states that, once adjusted to a Permitted Price, a sell short Market Order has a price and such price could be used for purposes of determining the price of the auction.<sup>39</sup> As such, the Exchange believes that it is appropriate to treat these re-priced Market Orders as Limit Orders for purposes of determining allocation in an auction, and that this approach would promote transparency by processing all orders that have a price similarly in an auction.<sup>40</sup>

**Market Orders:** The Exchange proposes that, for purposes of Rule 7.35P, unless otherwise specified, the term “Market Orders” would include MOO Orders (for the Core Open Auction and Trading Halt Auction) and MOC Orders (for the Closing Auction).<sup>41</sup> According to the Exchange, consistent with Rule 7.31P(c)(2), the term “Market Orders” in proposed Rule 7.35P would include MOO Orders for the Trading Halt Auction.<sup>42</sup> Also, the Exchange states that 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, proposed Rule 7.35P would refer to Market Orders generally for the Closing Auction, which would include MOC Orders.<sup>43</sup>

**Market Imbalance:** As proposed, the term “Market Imbalance” would mean the imbalance of any remaining buy (sell) Market Orders that are not matched for trading in an auction against any interest, and not just Market Orders not matched for trading against

<sup>19</sup> See *id.*

<sup>20</sup> See *id.*

<sup>21</sup> See proposed Rule 7.35P(a)(1).

<sup>22</sup> See Notice at 61515.

<sup>23</sup> The term “UTP Security” means 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 Rule 1.1(ii).

<sup>24</sup> See Notice at 61515. According to the Exchange, consistent with Rule 7.18P(b), for the Trading Halt Auction, Auction-Eligible Securities means securities for which Arca is the primary listing market. See *id.*

<sup>25</sup> See *id.*

<sup>26</sup> The term “Corporation” means NYSE Arca Equities, Inc. See Rule 1.1(k).

<sup>27</sup> See proposed Rule 7.35P(a)(4).

<sup>28</sup> See proposed Rule 7.35P(a)(4)(A).

<sup>29</sup> See Amendment No. 1.

<sup>30</sup> See proposed Rule 7.35P(a)(5).

<sup>31</sup> See *id.* The designated percentage would be determined by the Corporation from time to time upon prior notice to ETP Holders. See *id.*

<sup>32</sup> See Notice at 61516 and 61526.

<sup>33</sup> See Notice at 61516.

<sup>34</sup> See proposed Rule 7.35P(a)(6).

<sup>35</sup> See Notice at note 29.

<sup>36</sup> See Notice at 61526.

<sup>37</sup> See *id.*

<sup>38</sup> See proposed Rule 7.35P, Commentary .01(a). As proposed, sell short orders that are included in the Auction Imbalance Information, but are not eligible for continuous trading before the applicable auction, would be adjusted to a Permitted Price as the NBB moves both up and down. See proposed Rule 7.35P, Commentary .01(b). The Exchange states that continuously re-pricing sell short orders consistent with Rule 7.16P(f)(5), even though they are not yet eligible to trade, would provide greater transparency regarding the price at which such orders would be included in the Auction Imbalance Information. See Notice at 61525 and Amendment No. 1.

<sup>39</sup> See Notice at 61525 and Amendment No. 1.

<sup>40</sup> See Notice at 61526.

<sup>41</sup> See proposed Rule 7.35P(a).

<sup>42</sup> See Notice at 61514–15.

<sup>43</sup> See Notice at 61515.

other Market Orders.<sup>44</sup> The Exchange states its belief that the proposed approach would provide transparency regarding the volume of Market Orders not paired up against any interest.<sup>45</sup>

**Indicative Match Price:** As proposed, the term “Indicative Match Price” would 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.<sup>46</sup> 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” (provided that the Indicative Match Price would not be lower (higher) than the price of an order to buy (sell) ranked Priority 2 that was eligible to participate in the auction).<sup>47</sup> If the Matched Volume for an auction consists of Market Orders only, the Indicative Match Price would be: (i) for the Core open Auction, the Auction Reference Price; (ii) for the Closing Auction, the midpoint of the Auction NBBO as of the time the auction is conducted, provided that if the Auction NBBO is locked, the locked price, and if there is no Auction NBBO, the Auction Reference Price; and (iii) for the Trading Halt Auction, the Auction Reference Price.<sup>48</sup> In addition, if there is a BBO but no Matched Volume, the Indicative Match Price and Total Imbalance for the Auction Imbalance Information would be the side of the

BBO that has the higher volume, and if the volume of BB equals the volume of BO, the BB.<sup>49</sup> As proposed, if there is no Matched Volume and Market Orders on only one side of the market, the Indicative Match Price would be zero.<sup>50</sup>

**Auction Reference Price:** The Auction Reference Price for the Core Open Auction would be the midpoint of an Auction NBBO or, if the Auction NBBO is locked, the locked price. If there is no Auction NBBO, the Exchange would use the prior trading day’s Official Closing Price.<sup>51</sup> The Exchange states its belief that using the midpoint of the Auction NBBO for the Core Open Auction would better reflect the most recent value of the security, as compared to a closing price from the prior trading day.<sup>52</sup> The Auction Reference Price for the Trading Halt Auction and the Closing Auction would be the last consolidated round-lot price of that trading day and, if none, the prior trading day’s Official Closing Price.<sup>53</sup> The Exchange states that the Auction Reference Price for the Trading Halt Auction and the Closing Auction is based on Rule 1.1(s), with additional specificity that it would be a last consolidated round-lot price of that trading day, and to specify the reference price if there were no last consolidated round-lot trades that day.<sup>54</sup> The Exchange states its belief that the last consolidated round-lot price prior to a Trading Halt Auction would reflect the most recent value for a security, and that the last consolidated round-lot

price would be representative of the value of the security going into the Closing Auction.<sup>55</sup> With respect to the IPO Auction, the Exchange proposes that the Auction Reference Price would be zero, unless the Corporation is provided with a price for the security.<sup>56</sup> The Exchange states that it proposes to use zero (unless the Corporation is provided with a price for the security) because there would not be any prior trading in that security.<sup>57</sup>

**Auction Collar:** The Exchange proposes to define “Auction Collar” to mean the price collar thresholds for the Indicative Match Price for the Core Open Auction and Closing Auction.<sup>58</sup> As proposed, the Auction Collar would be based on a price that is a specified percentage away from the Auction Reference Price.<sup>59</sup> An Indicative Match Price that is equal to or outside the Auction Collar would be adjusted to be one minimum price variation (“MPV”) inside the Auction Collar, and orders eligible to participate in the applicable auction would trade at the collared Indicative Match Price.<sup>60</sup> According to the Exchange, 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.<sup>61</sup> Under the proposal, the specified percentages for the Auction Collar would be:<sup>62</sup>

Auction reference price	Core open auction (%)	Closing auction (%)
\$25.00 or less .....	10	5
Greater than \$25.00 but less than or equal to \$50.00 .....	5	2
Greater than \$50.00 .....	3	1

**Early Open Auction**

Similar to the Core Open Auction, 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 Imbalance Freeze begins.<sup>63</sup>

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

the Exchange, 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.<sup>64</sup> The Exchange also notes that, because an

<sup>44</sup> See proposed Rule 7.35P(a)(7)(B).

<sup>45</sup> See Notice at 61517.

<sup>46</sup> See proposed Rule 7.35P(a)(8). As proposed, 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. See Notice at 61514. The Exchange states that this would promote clarity and transparency in Exchange rules and streamline how auctions would be processed. See Notice at 61526.

<sup>47</sup> See proposed Rule 7.35P(a)(8)(A). 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. See proposed Rule 7.35P(a)(8)(B).

<sup>48</sup> See proposed Rule 7.35P(a)(8)(C).

<sup>49</sup> See proposed Rule 7.35P(a)(8)(D). According to the Exchange, while there would be no Matched Volume, the Indicative Match Price would be a benchmark price that could attract more interest for participation in the auction, thereby promoting price discovery. See Notice at 61526.

<sup>50</sup> See proposed Rule 7.35P(a)(8)(E).

<sup>51</sup> See proposed Rule 7.35P(a)(8).

<sup>52</sup> See Amendment No. 1.

<sup>53</sup> See proposed Rule 7.35P(a)(8).

<sup>54</sup> See Notice at 61518.

<sup>55</sup> See Amendment No. 1.

<sup>56</sup> See proposed Rule 7.35P(a)(8).

<sup>57</sup> See Notice at 61518. As with the current rule, the Auction Reference Price for the Early Open Auction would be the prior day’s Official Closing Price. See proposed Rule 7.35P(a)(8).

<sup>58</sup> See proposed Rule 7.35P(a)(10) and Amendment No. 3.

<sup>59</sup> See proposed Rule 7.35P(a)(10)(A).

<sup>60</sup> See proposed Rule 7.35P(a)(10)(B).

<sup>61</sup> See Notice at 61526.

<sup>62</sup> See proposed Rule 7.35P(a)(10) and Amendment No. 3. These thresholds are the same as the current price collar thresholds for the Market Order Auction and the Closing Auction.

<sup>63</sup> See proposed Rule 7.35P(b)(1) and discussion below regarding the Core Open Auction.

<sup>64</sup> See Notice at 61526.

Early Open Auction would occur at 4:00 a.m. Eastern Time, which is well before regular market hours, the Exchange generally does not receive sufficient buying and selling interest to warrant conducting such an auction in the vast majority of Exchange-listed securities.<sup>65</sup> The Exchange notes that, because it generally conducts an Early Open Auction in fewer than 20 securities on a given trading day, the need for order entry or cancellation restrictions in advance of such auctions is abated.<sup>66</sup>

#### Core Open Auction

As proposed, the non-displayed quantity of Reserve Orders 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 Auction Imbalance Freeze begins.<sup>67</sup> The Exchange states its belief that it is appropriate to exclude the volume of the non-displayed portion of Reserve Orders until the Core Open Auction Imbalance Freeze begins because it reduces the potential for market participants to identify the volume of interest that is intended to be non-displayed.<sup>68</sup> The Exchange also states its belief that it is appropriate to include this information once the Core Open Auction Imbalance Freeze begins so that market participants can have greater certainty of the full size of the Imbalance in order to assess whether to enter offsetting interest and to promote transparency regarding the pricing of an auction.<sup>69</sup>

As proposed, the Core Open Auction Imbalance Freeze would be five seconds, instead of one minute.<sup>70</sup> According to the Exchange, this shorter Freeze period would provide additional time for market participants to enter orders for the Core Open Auction without restriction, thereby promoting

price discovery for the auction.<sup>71</sup> The Exchange also states its belief that, with today's faster technology, five seconds provides sufficient time for industry participants to respond to a published Imbalance and enter offsetting interest, if applicable.<sup>72</sup>

Under the proposal, because of the shorter Freeze period, MOO and LOO Orders entered during the Freeze would be rejected regardless of side.<sup>73</sup> The Exchange states its belief that rejecting all MOO and LOO Orders would remove the potential for such orders to impact the Imbalance.<sup>74</sup> As proposed, during the Freeze, the Exchange would accept Market Orders (other than MOO Orders) and Limit Orders designated for the Core Trading Session on both sides of the market, but such orders would be eligible to participate in the auction only to offset the Imbalance that remains after all orders entered before the Freeze are allocated in the Core Open Auction.<sup>75</sup> The Exchange states that this approach would eliminate the possibility for these orders to create or increase an Imbalance.<sup>76</sup> The Exchange also states that it proposes to process Market Orders (other than MOO Orders) and Limit Orders differently from MOO and LOO Orders because Market Orders (other than MOO Orders) and Limit Orders would not expire at the end of the auction.<sup>77</sup> Therefore, rather than rejecting these orders upon entry, they would be accepted and would be eligible to be offsetting interest for the auction.<sup>78</sup> If these orders do not participate in the Core Open Auction, they would become eligible to participate in the Core Trading Session.<sup>79</sup> As proposed, during the Freeze, 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 would not be processed until after the Core Open Auction concludes.<sup>80</sup> All other order instructions would be accepted during the Freeze.<sup>81</sup>

#### Closing Auction

As with the Core Open Auction, the non-displayed quantity of Reserve Orders 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 begins.<sup>82</sup>

As proposed, the Exchange would conduct a Closing Auction in Pillar even if there are only Market Orders eligible to participate in the Closing Auction.<sup>83</sup> According to the Exchange, this proposal 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.<sup>84</sup>

#### 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 the Early Trading Session, Core Trading Session, or Late Trading Session, as applicable.<sup>85</sup> As proposed, during a trading halt or pause in an Auction-Eligible Security, entry and cancellation of orders eligible to participate in the Trading Halt Auction would be processed as provided for in Rule 7.18P(c).<sup>86</sup>

Under current Rule 7.35(f)(3)(C), 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. The Exchange states that, on the current trading platform, it has not invoked this authority, and it proposes to not include it in the Pillar rules.<sup>87</sup>

#### IPO Auction

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,<sup>88</sup> for which Arca is

<sup>65</sup> See Amendment No. 1.

<sup>66</sup> See *id.*

<sup>67</sup> See proposed Rule 7.35P(c)(1).

<sup>68</sup> See Amendment No. 1. According to the Exchange, the Indicative Match Price would include the volume of the non-displayed portion of Reserve Orders at all times because that data point only provides pricing information, and not volume of shares eligible to trade. See *id.*

<sup>69</sup> See Amendment No. 3. Also, according to the Exchange, because the proposed rule would specify that reserve interest would be included in specified Auction Imbalance Information, ETP Holders that enter these orders would be on notice that certain information about the reserve quantity of their orders would be included in the information provided in advance of an auction. See *id.*

<sup>70</sup> See proposed Rule 7.35P(c)(3). However, similar to the current rule, the Exchange would reject requests to cancel and requests to cancel and replace MOO and LOO Orders beginning one minute before the scheduled time for the Core Open Auction. See proposed Rule 7.35P(c)(2).

<sup>71</sup> See Notice at 61521 and 61526.

<sup>72</sup> See Amendment No. 1.

<sup>73</sup> See proposed Rule 7.35P(c)(3)(A).

<sup>74</sup> See Notice at 61526.

<sup>75</sup> See proposed Rule 7.35P(c)(3)(B).

<sup>76</sup> See Notice at 61526.

<sup>77</sup> See Notice at 61521.

<sup>78</sup> See *id.*

<sup>79</sup> See *id.*

<sup>80</sup> See proposed Rule 7.35P(c)(3)(C).

<sup>81</sup> See proposed Rule 7.35P(c)(3)(D).

<sup>82</sup> See proposed Rule 7.35P(d)(1).

<sup>83</sup> See discussion above regarding the determination of Indicative Match Price where the Matched Volume for an auction consists of Market Orders only.

<sup>84</sup> See Notice at 61526. The Exchange states that the midpoint of the Auction NBBO in effect as of the scheduled time of the Closing Auction as bound by Auction Collars that would be based on the last consolidated round-lot price of that trading day would reflect the most recent quoting activity and price in a stock. See Amendment No. 3. In addition, the Exchange states that pricing an auction with only Market Orders on both sides of the market based on the midpoint of an uncrossed NBBO is not novel. See *id.*

<sup>85</sup> See proposed Rule 7.35P(e).

<sup>86</sup> See proposed Rule 7.35P(e)(3).

<sup>87</sup> See Amendment No. 1.

<sup>88</sup> The Exchange notes that although the first day of trading of a Derivative Securities Product may not technically be an initial public offering, it 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. See Notice at 61523.

the primary listing market, excluding transfers.<sup>89</sup> As proposed, an IPO Auction would follow the processing rules of a Core Open Auction, provided that NYSE Arca Marketplace would specify the time that an IPO Auction would be conducted.<sup>90</sup> Also, there would be no Auction Imbalance Freeze, Auction Collars, or restrictions on the entry or cancellation of orders for an IPO Auction.<sup>91</sup> According to the Exchange, 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 or would be necessary to prevent fraudulent and manipulative acts and practices.<sup>92</sup> Moreover, according to the Exchange, 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 before an IPO Auction.<sup>93</sup> The Exchange states that if there is an Imbalance going into an IPO Auction, the Exchange could extend the time for the IPO Auction in order to attract additional offsetting interest or allow ETP Holders to cancel orders that are on the side of the Imbalance.<sup>94</sup> Finally, an IPO Auction would not be conducted if there are only Market Orders on both sides of the market.<sup>95</sup> According to the Exchange, if there are 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.<sup>96</sup>

#### Auction Processing Period

As proposed, new orders, requests to cancel, and requests to cancel and replace an order that are received during the Auction Processing Period<sup>97</sup> would be accepted but would not be processed until after the auction concludes.<sup>98</sup> The Exchange states its belief that it is appropriate to wait to process such new order instructions until after the auction processing concludes in order to provide certainty regarding the timing and pricing of an auction.<sup>99</sup> Moreover,

as proposed, 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.<sup>100</sup>

#### Transition to Continuous Trading

As proposed, after auction processing concludes, including if there is no Matched Volume and an auction is not conducted, or when transitioning from one trading session to another, orders that are no longer eligible to trade would expire.<sup>101</sup> Orders that are designated for a trading session and that were received during a prior trading session or during the Auction Processing Period and that did not participate in the auction would become eligible to trade.<sup>102</sup> Also, before continuous trading following a prior trading session or an auction begins, any order instructions received during either the Auction Imbalance Freeze or Auction Processing Period that were not processed would be processed.<sup>103</sup> The display price and working price of orders would be adjusted based on the PBBO or NBBO as provided in Rule 7.31P.<sup>104</sup> Moreover, when transitioning to continuous trading, the display price and working price of Day ISOs would be adjusted in the same manner as Arca Only Orders until the Day ISO is either traded in full or displayed at its limit price.<sup>105</sup>

As proposed, if orders eligible to trade in the next trading session are marketable, such orders would trade and/or route based on price-time priority of individual orders, as provided in Rule 7.37P.<sup>106</sup> According to the Exchange, if such orders are marketable, they would trade or route, as applicable, rather than publishing a locked or crossed quote from the NYSE Arca Book.<sup>107</sup> After marketable orders have traded or routed, the NYSE Arca Marketplace would publish a quote for the next trading session.<sup>108</sup>

Based on the Exchange's representations, the Commission

believes that the proposed rule change does not raise any novel regulatory considerations and should provide greater specificity with respect to the functionality available on the Exchange as symbols are migrated to the Pillar platform. For these reasons, the Commission believes that the proposal should help prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

#### IV. Accelerated Approval of Amendment Nos. 1 and 3

As noted above, in Amendment No. 1, the Exchange: (i) Amends proposed Rule 7.35P(h) to provide that the rule would address how orders would be handled not only in the transition to continuous trading following an auction, but also when transitioning from one trading session to the next trading session; (ii) amends proposed Rule 7.35P(h)(3)(B) to provide that, before continuous trading following a prior trading session or an auction begins, the display price and working price of orders would be adjusted as provided for in Rule 7.31P, and that when transitioning to continuous trading, the display price and working price of Day ISOs would be adjusted in the same manner as Arca Only Orders until the Day ISO is either traded in full or displayed at its limit price; and (iii) provides additional discussions related to certain proposed rules. In addition, in Amendment No. 3, the Exchange: (i) Specifies the percentages for the Auction Collar thresholds; (ii) removes the reference to the Trading Halt Auction in the definition of Auction Collar; (iii) states that the Exchange would provide prior notice to ETP Holders if additional UTP Securities are to be designated as Auction-Eligible Securities; (iv) includes cross-references to Rule 7.16P in Commentary .01 to proposed Rule 7.35P to clarify where certain terms are defined; and (v) provides additional discussions related to certain proposed rules. The Commission believes that the changes proposed in Amendment Nos. 1 and 3 do not raise novel regulatory issues and provide further discussions regarding the proposed rules governing Pillar. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>109</sup> to approve the proposed

<sup>89</sup> See proposed Rule 7.35P(f).

<sup>90</sup> See proposed Rule 7.35P(f)(1).

<sup>91</sup> See proposed Rule 7.35P(f)(2).

<sup>92</sup> See Notice at 61523.

<sup>93</sup> See *id.*

<sup>94</sup> See Amendment No. 1.

<sup>95</sup> See proposed Rule 7.35P(f)(3).

<sup>96</sup> See Notice at 61523–24.

<sup>97</sup> The Exchange proposes to define "Auction Processing Period" to mean the period during which the applicable auction is being processed. See proposed Rule 7.35P(a)(2).

<sup>98</sup> See proposed Rule 7.35P(g).

<sup>99</sup> See Amendment No. 1.

<sup>100</sup> See proposed Rule 7.35P(g).

<sup>101</sup> See proposed Rule 7.35P(h)(1) and Amendment No. 1.

<sup>102</sup> See proposed Rule 7.35P(h)(2) and Amendment No. 1.

<sup>103</sup> See proposed Rule 7.35P(h)(3)(A) and Amendment No. 1.

<sup>104</sup> See proposed Rule 7.35P(h)(3)(B) and Amendment No. 1.

<sup>105</sup> See proposed Rule 7.35P(h)(3)(B) and Amendment No. 1. The Exchange states its belief that this proposed treatment of Day ISO orders would be consistent with the original terms of the order. See Amendment No. 1.

<sup>106</sup> See proposed Rule 7.35P(h)(3)(C) and Amendment No. 1.

<sup>107</sup> See Amendment No. 1.

<sup>108</sup> See proposed Rule 7.35P(h)(3)(D).

<sup>109</sup> 15 U.S.C. 78s(b)(2).

rule change, as modified by Amendment Nos. 1 and 3, on an accelerated basis.

#### V. Solicitation of Comments on Amendment Nos. 1 and 3

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment Nos. 1 and 3 are 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 also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2015-86 and should be submitted on or before February 5, 2016.

#### VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the

Act,<sup>110</sup> that the proposed rule change (SR-NYSEArca-2015-86), as modified by Amendment Nos. 1 and 3, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>111</sup>

**Robert W. Errett,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76862; File No. SR-BATS-2015-94]

#### Self-Regulatory Organizations; BATS Exchange, Inc., Notice of Filing of Proposed Rule Change To List and Trade Shares of the SPDR DoubleLine Emerging Markets Fixed Income ETF of the SSgA Active Trust

January 11, 2016.

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 December 28, 2015, BATS Exchange, Inc. (the "Exchange" or "BATS") 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 Exchange. 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 is proposing a rule change to list and trade shares of the SPDR® DoubleLine® Emerging Markets Fixed Income ETF (the "Fund") of the SSgA Active Trust (the "Trust") under BATS Rule 14.11(i) ("Managed Fund Shares"). The shares of the Fund are collectively referred to herein as the "Shares."

The text of the proposed rule change is available at the Exchange's Web site at [www.batstrading.com](http://www.batstrading.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

<sup>110</sup> 15 U.S.C. 78s(b)(2).

<sup>111</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.

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

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

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

###### 1. Purpose

The Exchange proposes to list and trade the Shares under BATS Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.<sup>3</sup> The Fund will be an actively managed fund. The Shares will be offered by the Trust, which was established as a Massachusetts business trust on March 30, 2011. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Fund on Form N-1A ("Registration Statement") with the Commission.<sup>4</sup>

###### Description of the Shares and the Fund

SSGA Funds Management, Inc. will be the investment adviser ("SSGA FM" or "Adviser") to the Fund. The Adviser will serve as the administrator for the Fund (the "Administrator"). DoubleLine Capital LP will be the Fund's sub-adviser ("Sub-Adviser"). State Street Global Markets, LLC (the "Distributor") will be the principal underwriter and distributor of the Fund's Shares. State Street Bank and Trust Company (the "Sub-Administrator", "Custodian", "Transfer Agent" or "Lending Agent") will serve as sub-administrator, custodian, transfer agent, and, where applicable, lending agent for the Fund.

<sup>3</sup> The Commission approved BATS Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

<sup>4</sup> See Registration Statement on Form N-1A for the Trust, dated October 8, 2015 (File Nos. 333-173276 and 811-22542). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") (the "Exemptive Order"). See Investment Company Act Release No. 29524 (December 13, 2010) (File No. 812-13487).