provides additional clarity in the rule text and additional analysis of several aspects of the proposal, thus facilitating the Commission’s ability to make the findings set forth above to approve the proposal. Accordingly, the Commission finds good cause for approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,\footnote{15 U.S.C. 78t(b)(2).} that the proposed rule change (SR–BatsEDCX–2017–29), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.\footnote{17 CFR 200.30–3(a)(12).}

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 964NY To Adopt Additional Self-Trade Prevention Modifiers

October 17, 2017.

Pursuant to Section 19(b)(1)\footnote{15 U.S.C. 78s(b)(1).} of the Securities Exchange Act of 1934 (the “Act”),\footnote{15 U.S.C. 78a.} and Rule 19b–4 thereunder,\footnote{17 CFR 240.19b–4.} notice is hereby given that on October 3, 2017, NYSE American LLC (the “Exchange” or “NYSE American”) filed with the Securities and Exchange Commission (the “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.

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


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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the filing is to amend Commentary .02 to NYSE American Options Rule 964NY (Display, Priority and Order Allocation—Trading Systems) regarding the Exchange’s Self-Trade Prevention (“STP”) functionality.\footnote{4 Self-Trade Prevention is only applicable to electronic trading on the Exchange.} The Exchange currently offers a basic form of self-trade prevention \footnote{5 See Securities Exchange Act Release No. 66385 (February 13, 2012), 77 FR 9719 (February 17, 2012) (SR–NYSEAmex–2012–03).} pursuant to which the Exchange cancels any resting Market Maker quote(s) and order(s) \footnote{6 Self-Trade Prevention currently is applicable to the following order types used by Market Makers: “PnP Orders” and “PnP–Blind Orders.” PnP Orders and PnP–Blind Orders are defined in NYSE American Options Rule 900.3NY, and each is a type of non-routable Limit Order that is only executed on the Exchange. The Exchange notes that Market Makers primarily use these order types, as opposed to other order types offered by the Exchange, because they are similar to quotes (i.e., they are non-routable Limit Orders). See Regulatory Information Bulletin RBO–AMEX–12–04 at https://www.nyse.com/docs/nymex/markets/amERICAN//options/rule-interpretations/2012/NYSEAmex%20B0BO–12–04%20Ex%20Trade.pdf.} to buy (sell) that are priced equal to or higher (lower) than an incoming Market Maker quote, order or both to sell (buy) entered under the same trading permit identification (“TPID”). The Exchange proposes to expand the self-trade functionality by adopting three STP modifiers. The proposed STP modifiers are designed to prevent incoming Market Maker order(s) or quote(s) designated with an STP modifier from executing against an opposite side resting Market Maker order(s) or quote(s) also designated with an STP modifier and entered from the same TPID. As proposed, the STP modifier on the incoming Market Maker order or quote would control the interaction between two orders and/or quotes marked with STP modifiers. The proposed STP modifiers are intended to prevent interaction between the same TPIDs. STP modifiers must be present on both the buy and the sell interest in order to prevent an interaction from occurring and to effect a cancel instruction.

The Exchange believes the proposed functionality will allow ATP Holders to better manage order flow and prevent undesirable or unexpected executions with themselves. Given enhancements in technology in today’s trading environment, ATP Holders often have multiple connections into the Exchange. Orders, for example, routed by the same ATP Holder via different connections may, in certain circumstances, trade against each other. The proposed STP modifiers would provide ATP Holders the opportunity to prevent these potentially undesirable interactions occurring under the same TPID on both the buy and sell side of an execution. The three new STP modifiers are discussed more thoroughly below.

2. STP Cancel Newest (“STPN”)

An incoming order or quote marked with the STP modifier will not execute against opposite side resting interest marked with any STP modifier from the same TPID. The incoming order or quote marked with the STP modifier will be cancelled back to the originating TPID. The resting order(s) or quote(s) will remain on the Consolidated Book.

STPN Example 1: Market Maker 1 is configured for one of the three proposed STP modifiers and submits a quote to sell 100 contracts @ $5.50. A Customer order to sell 5 contracts @ $5.49 is resting on the Consolidated Book. Market Maker 1 enters an order to buy 100 contracts @ $5.60 with an STPN modifier.

STPN Result 1: Market Maker 1 buys 5 contracts @ $5.49 because Market Maker 1 has no interest at $5.49. The remaining quantity of Market Maker 1’s order will be cancelled due to Market Maker 1’s quote at $5.50.

3. STPN Example 2: Market Maker 1 is configured for one of the three proposed
STP modifiers and submits a quote to sell 100 contracts @ $5.50. A Customer order to sell 5 contracts @ $5.50 is resting on the Consolidated Book. Market Maker 1 enters an order to buy 200 contracts @ $5.60 with an STP modifier.

**STPN Result 2:** Market Maker 1’s entire order to buy 200 contracts is cancelled due to Market Maker 1’s quote at $5.50. No execution with any other interest at $5.50 occurs.

**STP Cancel Oldest ("STPO")**

An incoming order or quote marked with the STPO modifier will not execute against opposite side resting interest market with any STP modifier from the same TPID. The resting order(s) or quote(s) marked with the STP modifier will be cancelled back to the originating TPID. The incoming order or quote marked with the STPO modifier will remain on the Consolidated Book.

**STP Example 1:** Market Maker 1 is configured for one of the three proposed STP modifiers and submits a quote to sell 100 contracts @ $5.50. Market Maker 1 enters an order to buy 100 contracts @ $5.50 with an STPC modifier.

**STPC Result 1:** Market Maker 1’s buy order cannot trade with Market Maker 1’s quote because the buy order is marked for STP and the quotes are configured for STP. Market Maker 1’s quote to sell is cancelled and removed from the Consolidated Book. Market Maker 1’s buy order will post to the Consolidated Book at $5.50.

**STPC Result 2:** Market Maker 1 has a resting order on the Consolidated Book to sell 10 contracts @ 5.51 with an STPN modifier. Market Maker 1 is configured for one of the three proposed STP modifiers and submits a quote to sell 100 contracts @ $5.50. Customer 1 has an order to sell 5 contracts @ $5.50 resting on the Consolidated Book. Customer 2 has an order to sell 10 contracts @ $5.51 resting on the Consolidated Book. Market Maker 1 enters an order to buy 100 contracts @ $5.51 with an STPO modifier.

**STPO Result 1:** Market Maker 1’s buy order cannot trade with Market Maker 1’s quote because the buy order is marked for STP and the quotes are configured for STP. Market Maker 1’s quote to sell is cancelled and removed from the Consolidated Book. Market Maker 1’s buy order will then trade 10 contracts with the Customer 2 @ $5.51. The remaining 85 contracts of Market Maker 1’s buy order will post to the Consolidated Book at $5.51.

**STP Cancel Both ("STPC")**

An incoming order or quote marked with the STPC modifier will not execute against opposite side resting interest marked with any STP modifier from the same TPID. The entire size of both orders and/or quotes will be cancelled back to the originating TPID.

**STPC Example 1:** Market Maker 1 is configured for one of the three proposed STP modifiers and submits a quote to sell 100 contracts @ $5.50. Market Maker 1 enters an order to buy 100 contracts @ $5.50 with an STPC modifier.

**STPC Result 1:** No execution occurs. Both Market Maker 1’s buy order and Market Maker 1’s quote to sell are cancelled and removed from the Consolidated Book.

**STPC Result 2:** Market Maker 1 has a resting order on the Consolidated Book to sell 10 contracts @ $5.51 with an STPN modifier. Market Maker 1 is configured for one of the three proposed STP modifiers and submits a quote to sell 100 contracts @ $5.50. Market Maker 1 enters an additional order to buy 100 contracts @ $5.51 with an STPC modifier.

**STPC Cancel Both (''STPC")**

As proposed, the enhanced STP functionality proposed herein is similar to functionality currently offered by the Bats Exchange, Inc. (“Bats”).

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9 Market Markers on the Exchange would not have the ability to deactivate Self-Trade Prevention or change any settings related to it.

10 See supra, note 5. The Exchange also previously noted that it would be difficult to implement STP from a technological and operational perspective because it would require the Exchange to cancel resting, executable Market Maker trading interest as it is calculating the price at which to conduct the Trading Auction.

11 See supra, note 5.

12 A QCC Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 mini-options contracts, that is identified as being part of a qualified contingent trade, as that term is defined in Commentary .01 to Rule 900.3NY, coupled with a contra-side order or orders totaling an equal number of contracts. See NYSE American Options Rule 900.3NY(y).

13 CUBE is the Exchange’s price improvement auction mechanism that allows an ATP Holder to electronically submit a limit order it represents as agent on behalf of a public customer, broker dealer, or any other entity (“CUBE Order”) provided that the Initiating Participant guarantees the execution of the CUBE Order by submitting a contra-side order representing principal interest or interest it has solicited to trade with the CUBE Order at a specified price or by utilizing auto-match or auto-match limit features provided in the Rule. See NYSE American Options Rule 971.1NY.

14 See Bats Rule 21.1(g).
particular, Bats offers Match Trade Prevention ("MTP"), a self-trade prevention functionality where any incoming order designated with an MTP modifier is prevented from executing against a resting opposite side order also designated with an MTP modifier and originating from the same market participant identifier. Additionally, NYSE American, the Exchange’s equities market, provides for self-trade prevention order modifiers that prevent orders so designated from executing against resting opposite side orders entered under the same equity trading permit identification that are also designated with the modifier. With two exceptions, the Exchange is proposing to adopt all the STP modifiers that are currently available on Bats. And with one exception, the Exchange is proposing to adopt all the STP modifiers that are currently available on the Exchange’s equities market. The Exchange notes that while the Bats rule and the NYSE American equities rule apply to orders, and not to orders and quotes, the Exchange’s proposal is otherwise similar to functionality offered on Bats and on the Exchange’s equities market.

The NASDAQ Options Market ("NOM") currently offers functionality that applies to orders and quotes, but in a limited manner. Notwithstanding the fact that the STPN and STPC modifiers, as proposed for orders and quotes, are not currently available on an options market, the Exchange does not believe the proposed functionality is novel and does not raise any new regulatory concerns. Further, the STP functionality currently available on the Exchange applies to both orders and quotes, and Market Makers are therefore generally familiar with the application of self-trade prevention to orders and quotes. The Exchange further believes the proposed adoption of the STPN and STPC modifiers would add further specificity to the rule while aligning the proposed functionality with Market Makers’ expectations. Self-trade prevention is a risk mechanism tool to prevent inadvertent trading of both orders and quotes that has been widely used for many years in both the equities and options markets. The enhanced functionality proposed herein would provide Market Makers with a method of managing their trading interest that is similar to functionality currently available on other markets.

The Exchange also proposes at this time to make a procedural change for announcements regarding the STP functionality. Presently the Exchange issues Regulatory Information Bulletins when making announcements related to STP functionality. Going forward, the Exchange proposes to issue a Trader Update in lieu of a Regulatory Information Bulletin. Regulatory Information Bulletins generally contain information regarding legal and regulatory matters while a Trader Update deals with issues such as trading, systems changes and real-time market announcements. The Exchange believes that it is more appropriate to make announcements regarding the STP functionality via Trader Update. Trader Updates, like Regulatory Information Bulletins, are electronically distributed to ATP Holders and posted on the Exchange’s Web site. Accordingly, the Exchange proposes to amend Commentary .02 to current Rule 964NY by replacing reference to “Regulatory Information Bulletin” with “Trader Update.”

Implementation

Because of the technology changes associated with this proposed rule change, the Exchange will announce by Trader Update the implementation date of the proposed rule change, which will be no later than 60 days from the effective date of this rule filing.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”), in general, and furthers the objectives of Section 6(b)(5). In particular, in that 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, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

As discussed above, the Exchange believes that the proposed rule change is designed to promote just and equitable principles of trade because it would provide Market Makers with a functionality that is similar to functionality currently available on other markets. Additionally, the Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest, because it would allow Market Makers to better manage their trading interest and provide a means to prevent executions against their own trading interest.

The Exchange notes that Market Makers have expressed an interest in the proposed functionality as it would prevent them from inadvertently trading with their own interest. In such a situation, ATP Holders currently ask the Exchange to nullify such inadvertent trades, which they are permitted to do under the Exchange’s rules because the ATP Holder is on both sides of the trade.21 While the proposed STP functionality would prevent inadvertent self-trading, the Exchange notes that the functionality would also prevent intentional self-trading. In this regard, the proposed rule change provides a means to prevent manipulative conduct such as “wash trading.”

Finally, the replacement of reference to Regulatory Information Bulletin with Trader Update, would foster cooperation and coordination with persons engaged in facilitating transactions in securities as Trader Updates deal with issues such as trading, systems changes and real-time market announcements and are electronically distributed to ATP Holders and posted on the Exchange’s Web site.

See NYSE American Rule 7.31E(i)(2).

Bats currently offers MTP Cancel Smallest ("MCS") where an incoming order with the MDC modifier is prevented from executing against opposite side resting interest marked with any MTP modifier originating from the same user on that exchange. If both orders are equal in size, both orders are canceled. For those not equivalent in size, the smaller order is canceled and the larger order remains on the order book. Bats also currently offers MTP Cancel Smallest ("MCS") where an incoming order with the MCS modifier is prevented from executing against opposite side resting interest marked with any MTP modifier originating from the same user. If both orders are equal in size, both orders are canceled. For those not equivalent in size, the smaller order is canceled and the larger order remains on the book.

The NASDAQ Options Market also currently offers STP functionality similar to the proposed STPO modifier in that quotes and orders entered by NOM market makers using the same market participant identifier are automatically prevented from interacting with each other. Rather than executing quotes and orders from the same market participant identifier, the ARQ functionality cancels the oldest of the quotes and orders.

See NOM, Chapter VI, Section 106(e). The NOM anti-internalization ("ARQ") functionality works similar to the proposed STPO modifier in that quotes and orders entered by NOM market makers using the same market participant identifier are automatically prevented from interacting with each other.

See supra notes 14, 15 and 18.

See NYSE American Options Rule 966NY.
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 not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is designed to enhance STP functionality provided to Exchange Market Makers, and will benefit members that wish to protect their orders and quotes against trading with other orders and quotes that originate from the same TPID. The new functionality, which is similar to functionality currently offered on other markets, is also voluntary, and the Exchange therefore does not believe that providing an enhanced offering to prevent against self-trading will have any significant impact on competition. The Exchange believes that the proposed rule change is evidence of the competitive environment in the options industry where exchanges must continually improve their offerings to maintain competitive standing.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6) thereunder.23

A proposed rule change filed pursuant to Rule 19b–4(f)(6) under the Act24 normally does not become operative for 30 days after the date of its filing. However, Rule 19b–4(f)(6)(iii)25 permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the Exchange can implement the enhanced functionality without delay. The Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it would enable the Exchange to implement the change when the technology supporting the change is available, which the Exchange anticipates will be no later than 60 days from the effective date of this rule filing. The Commission believes that waiving the 30-day proposed delay is consistent with the protection of investors and the public interest because the new functionality is designed to provide market makers with a tool to prevent undesirable executions against themselves and therefore may assist market makers in managing their order flow. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.26

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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. Please include File Number SR–NYSEAMER–2017–21 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 Number SR–NYSEAMER–2017–21, and should be submitted on or before November 13, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.27

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017–22882 Filed 10–20–17; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

Submission for OMB Review; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE., Washington, DC 20549–2736

Extension:

Form N–17f–2, SEC File No. 270–317, OMB Control No. 3235–0360

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (the “Commission”) has submitted to the

