

Exchanges believe that the CUBE and COPIP are analogous to the COA in that they are designed to attract liquidity and provide opportunities for price improvement.²⁵

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule changes are consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.²⁶ In particular, the Commission finds that the proposed rule changes are consistent with section 6(b)(5) of the Act,²⁷ which requires that the rules of the exchange be designed, among other things, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

Users trading as principal on the Exchanges may not trade with orders they represent as agent unless the one-second order exposure requirements of NYSE Arca Rule 6.47A or NYSE MKT Rule 935NY, as applicable, are satisfied. The proposals amend NYSE Arca Rule 6.47A and NYSE MKT Rule 935NY to allow Users to utilize the COA to satisfy the order exposure requirements.²⁸ Thus, an electronic complex order subject to a COA would not be subject to the one-second order exposure requirements of NYSE Arca Rule 6.47A or NYSE MKT Rule 935NY, and a User that utilizes the COA pursuant to NYSE Arca Rule 6.91(c) or NYSE MKT Rule 980NY(e) would be able to submit a principal order during the Response Time Interval to trade against an order it represents as agent.²⁹ The proposals also amend NYSE Arca Rule 6.91(c)(4) and NYSE MKT Rule 980NY(e)(4) to allow all trading permit holders—rather than only market makers in the relevant options class and trading permit holders representing orders at the top of the Consolidated Book in the relevant series—to respond to a COA. Finally,

the proposals amend NYSE Arca Rule 6.91(c)(3) and NYSE MKT Rule 980NY(e)(3) to establish a minimum duration of 500 milliseconds for the Response Time Interval.³⁰

The Commission believes that the changes establishing a minimum duration for the Response Time Interval and providing for expanded participation in the COA could enhance competition in the COA. As noted above, each Exchange surveyed its trading permit holders to determine whether they would be able to respond to a COA auction lasting 100 milliseconds. According to the Exchanges, 77% of the survey respondents indicated that they would be able to respond to an auction lasting 100 milliseconds.³¹ Based on the Exchanges' statements, the Commission believes that establishing a minimum duration of 500 milliseconds for the Response Time Interval should provide market participants with an opportunity to compete for exposed bids and offers in a COA auction while facilitating the prompt execution of orders in the COA.³² In addition, allowing all trading permit holders to submit RFR Responses could result in greater participation and increased competition in the COA, potentially leading to greater opportunities for price improvement for orders submitted to a COA. Accordingly, the Commission believes that it is consistent with the Act to allow Users to utilize the COA to satisfy the order exposure requirements of NYSE Arca Rule 6.47A and NYSE MKT Rule 935NY.

IV. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,³³ that the proposed rule changes (File Nos. SR–NYSEArca–2015–43 and SR–NYSEMKT–2015–41) are approved.

³⁰ The rules will continue to provide that the Response Time Interval will not exceed one second.

³¹ See notes 20–21, *supra*, and accompanying text.

³² The Commission notes that it has previously approved 500-millisecond response periods for other auctions, as well as a response period of 100 milliseconds for BOX's COPIP auction. See ISE Rules 716, Supplementary Material .04 (providing 500 milliseconds to submit Responses in the Block Order Mechanism, the Facilitation Mechanism, and the Solicited Order Mechanism); and 723(c)(1) (establishing a 500-millisecond exposure period for the Price Improvement Mechanism); and BOX Rule 7245(f)(1).

³³ 15 U.S.C. 78s(b)(2).

³⁴ 17 CFR 200.30–3(a)(12).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁴

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–75494; File No. SR–NYSEArca–2015–38]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change Adopting New Equity Trading Rules Relating to Trading Sessions, Order Ranking and Display, and Order Execution To Reflect the Implementation of Pillar, the Exchange's New Trading Technology Platform

July 20, 2015.

I. Introduction

On April 30, 2015, NYSE Arca, Inc. (the “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”)¹ and Rule 19b–4 thereunder,² a proposed rule change to adopt new equity trading rules relating to Trading Sessions, Order Ranking and Display, and Order Execution to reflect the implementation of Pillar, the Exchange's new trading technology platform. The proposed rule change was published for comment in the **Federal Register** on May 19, 2015.³ The Commission received no comment letters on the proposed rule change. On June 23, 2015, pursuant to section 19(b)(2) of the Act,³ 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.⁴ This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to adopt new equity trading rules relating to the implementation of Pillar, the Exchange's new trading technology platform. The Exchange proposes to adopt the following new Pillar rules: (1) NYSE

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4

³ See Securities Exchange Act Release No. 74951 (May 13, 2015), 80 FR 28721 (“Notice”).

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 75273, 80 FR 37033 (June 29, 2015).

²⁵ See NYSE Arca Notice, 80 FR at 32421; and NYSE MKT Notice, 80 FR at 32428.

²⁶ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²⁷ 15 U.S.C. 78(b)(5).

²⁸ The proposals also make conforming changes to NYSE Arca Rule 6.91(c)(3) and NYSE MKT Rule 980NY(e)(3) to delete sentences stating that the obligations of NYSE Arca Rule 6.47A and 935NY are separate from the duration of the Response Time Interval.

²⁹ See NYSE Arca Notice, 80 FR at 32422 and NYSE MKT Notice, 80 FR at 32428.

Arca Equities Rule 7.34P (“Rule 7.34P”) related to trading session; (2) NYSE Arca Equities Rule 7.36P (“Rule 7.36P”) related to order ranking and display; and NYSE Arca Equities Rule 7.37P (“Rule 7.37P”) related to order execution. According to the Exchange, these three rules would set forth the foundation of the Exchange’s equity trading model in Pillar, including the hours of operation, how orders would be ranked and displayed, and how orders would be executed.⁵

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 and NYSE MKT LLC. NYSE Arca Equities will be the first trading system to migrate to Pillar.⁶ The Exchange states that during the first phase of Pillar implementation, it will roll out the new technology platform over a period of time based on a range of symbols.⁷ Because orders entered in symbols not yet migrated to Pillar would continue to operate under current rules, the Exchange will keep its current rules, pending complete migration of symbols to Pillar and retirement of the current trading system, and will add new rules that would be applicable to symbols that trade on the Pillar trading platform.⁸

As proposed, the new rules governing trading on Pillar would have the same numbering as current rules, but with the modifier “P” appended to the rule number. The Exchange proposes that rules with a “P” modifier would operate for symbols that are trading on the Pillar trading platform. If a symbol is trading on the Pillar trading platform, a rule with the same number as a rule with a “P” modifier would no longer operate for that symbol and the Exchange would announce by Trader Update when symbols are trading on the Pillar trading platform. Definitions that do not have a companion version with a “P” modifier would continue to operate for all symbols. The Exchange has stated that once all symbols have migrated to the Pillar platform, it will file a rule proposal to delete rules that are no longer operative.⁹

⁵ See Notice at 28722.

⁶ See Notice at 28722; see also Trader Update dated January 29, 2015, available here: http://www1.nyse.com/pdfs/Pillar_Trader_Update_Jan_2015.pdf.

⁷ See Notice at 28722.

⁸ *Id.*

⁹ *Id.*

B. Proposed Modifications

The Exchange represents that it is not proposing that the core functionality of rules applicable to trading on Pillar would be different from rules applicable to trading on the current NYSE Arca Equities trading system.¹⁰ As described in detail in the Notice, Rules 7.34P, 7.36P, and 7.37P incorporate much of the substance of current NYSE Arca Rules 7.34, 7.36, and 7.37, respectively. However, with Pillar, the Exchange would introduce new terminology, reorganize and redraft certain provisions to improve clarity, and provide additional detail to other current provisions being redesignated.¹¹ The Exchange also proposes to make several changes that are more substantive in nature, as follows:

- The Core Open Auction would occur during the Core Trading Session, rather than during Early Trading Session;¹²
- Tracking Orders would now be permitted to participate in the Early Trading Session;¹³
- during the Early Trading Session, for securities that are not eligible for an auction on the Exchange, all Market Orders designated for the Core Trading Session and Auction-Only Orders would be routed to the primary listing market on arrival (unless the market is not accepting orders), whereas currently this only occurs if orders include a “Primary Only” designation;¹⁴
- Market Orders in securities that are not eligible for the Core Open Auction will be routed to the primary listing market until the first print of any size (the current rule does not specify that the first opening print can include an odd-lot transaction) on the primary listing market, and the Exchange would now stop routing Market Orders to the primary listing market and begin processing those orders on the Exchange at 10am EST;¹⁵
- during the Core Trading Session, Auction-Only Orders in securities that are not eligible for an auction on Arca would be accepted and routed directly to the primary listing market,¹⁶ whereas

¹⁰ *Id.*

¹¹ See *id.* at 28723–31.

¹² See proposed rule 7.34P(a)(2); see also Notice at 28723.

¹³ See current rule 7.34(d)(1)(C), which would not be carried over to proposed 7.34P; see also Notice at 28724.

¹⁴ See proposed rule 7.34P(c)(1)(D); see also Notice at 28724.

¹⁵ See proposed rule 7.34P(c)(2)(A); see also Notice at 28725.

¹⁶ See proposed rule 7.34P(c)(2)(B); see also Notice at 28725.

currently this only occurs if orders include a “Primary Only” designation;

- Tracking Orders would now be eligible to participate in the Late Trading Session;¹⁷ and
- an order marked “short” when a short sale price test restriction is in effect would not be routed and would be repriced or cancelled.¹⁸

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act¹⁹ and the rules and regulations thereunder applicable to a national securities exchange.²⁰ In particular, the Commission finds that the proposed rule change is consistent with section 6(b)(5) of the Act,²¹ 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 the Exchange believes that the proposed rules would remove impediments to and perfect the mechanism of a free and open market because the proposed rule set would promote transparency by simplifying the structure of Exchange rules and using consistent terminology governing equities trading, and by clearly denoting the rules that govern once a symbol has been migrated to the Pillar platform.²² With respect to proposed Rule 7.34P, the Exchange represents that it believes that the proposed changes to functionality would remove impediments to and perfect the mechanism of a fair and orderly market.²³ With respect to proposed Rules 7.36P and 7.37P, the Exchange stated that it believes that the

¹⁷ See current rule 7.34(d)(3)(C), which would not be carried over to proposed 7.34P; see also Notice at 28725.

¹⁸ See proposed rule 7.37P(b)(8); see also Notice at 28730.

¹⁹ 15 U.S.C. 78f.

²⁰ 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).

²¹ 15 U.S.C. 78f(b)(5).

²² See Notice at 28732.

²³ See *id.*

proposed rule text promotes transparency through the use of consistent terminology that will serve as the foundation for additional Pillar-related rule proposals, and by providing notice of when orders would be accepted, routed, rejected, cancelled, or be assigned a working time by the Exchange.²⁴

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 to 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. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,²⁵ that the proposed rule change (SR-NYSEArca-2015-38) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁶

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-75489; File No. SR-BOX-2015-26]

Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Add Interpretive Material to BOX Rule 8050 To Indicate That Market Makers Will Not Be Obligated To Quote in Adjusted Option Series and To Define What Qualifies as an Adjusted Options Series

July 20, 2015.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 10,

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.

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

The Exchange proposes to add Interpretive Material ("IM-8050-2") to BOX Rule 8050 (Market Maker Quotations) to indicate that Market Makers will not be obligated to quote in adjusted option series and to define what qualifies as an adjusted options series. 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 Exchange proposes to add Interpretive Material ("IM-8050-2") to BOX Rule 8050 (Market Maker Quotations) to indicate that Market Makers will not be obligated to quote in adjusted option series and to define what qualifies as an adjusted options series. This is a competitive filing that is based on a proposal submitted by NYSE Arca, Inc. ("NYSE Arca") and approved by the Commission.³

BOX Rule 8050 discusses the quoting obligations that are applicable to Market

Makers on the Exchange. The Rule states that, in addition to other requirements, Market Makers must post valid quotes throughout the trading day in its appointed classes at least sixty percent (60%) of the time the classes are open for trading.

The Exchange proposes to define "adjusted series" for the purpose of BOX Rule 8050. An "adjusted series" under the Rule would be defined as an option series wherein, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or Exchange Traded Fund Shares.

After a corporate action and a subsequent adjustment to the existing options, the series in question are identified by the Options Price Reporting Authority ("OPRA") and at Options Clearing Corporation ("OCC") with a separate symbol consisting of the underlying symbol and a numerical appendage. As a standard procedure, exchanges listing options on an underlying security which undergoes a corporate action resulting in adjusted series will list new standard option series across all appropriate expiration months the day after the existing series are adjusted. The adjusted series are generally active for a short period of time following adjustment, but orders to open an options position in the underlying are almost exclusively placed in the new standard contracts. Although the adjusted series may not expire for as much as 27 months, in a short time the adjusted series become inactive. Thus, the burden of quoting these series generally outweighs the benefit of being appointed in the class because of the lack of interest in the series by various market participants.

The proposed rule change is similar to the NYSE Arca rule, in that the Exchange is merely proposing to exclude the adjusted series from the continuous quoting obligation, but not from other obligations under BOX Rule 8050. The NYSE Arca rule excludes adjusted option series, and series with a time to expiration of nine months or greater, for options on equities and Exchange Traded Fund Shares, and series with a time to expiration of twelve months or greater for Index options. Similar to NYSE Arca, BOX already excludes from continuous quoting requirements options series where the time to expiration is greater than nine (9) months,⁴ and is now proposing to add the exclusion of adjusted series. Of particular note, the proposal would not excuse a Market

²⁴ See *id.*

²⁵ 15 U.S.C. 78s(b)(2).

²⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 65573 (October 14, 2011), 76 FR 65305 (October 20, 2011) (Order Approving SR-NYSEArca-2011-59). See also NYSE Arca Rule 6.37B Market Maker Quotations—OX.

⁴ See BOX Rule 5070(a).