

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 website 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number *SR-ISE-2019-15* and should be submitted on or before June 20, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85930; File No. SR-NYSE-2019-26]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change of New Rule 7.44 To Operate Its Retail Liquidity Program on Pillar, the Exchange's New Technology Trading Platform

May 23, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 13, 2019, New York Stock Exchange LLC ("NYSE" or the "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III 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 proposes new Rule 7.44 to operate its Retail Liquidity Program on Pillar, the Exchange's new technology trading platform. The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

Rule 107C sets forth the Exchange's Retail Liquidity Program (the "Program"). To support the transition of NYSE-listed securities to the Exchange's Pillar trading platform, the Exchange proposes to relocate the substance of Rule 107C to Rule 7.44. As part of the transition of the Program to Pillar, the Exchange proposes the following substantive differences: (i) Define Retail Price Improvement Orders using Pillar terminology based on text used by NYSE Arca, Inc., the Exchange's affiliate, and new proposed rule text that uses Pillar terminology to describe the existing offset functionality and rank such orders as Priority 3—Non-Display Orders; (ii) remove unused functionality by adopting a single category of Retail Order and eliminating the Type 2 and Type 3 Retail Orders; and (iii) trade Retail Orders against eligible contra-side orders at the best available prices rather than a single "clean-up price" and allocate resting orders at the same price pursuant to the Exchange's established Pillar parity allocation process under Rule 7.37(b).

The Exchange established the Program on a pilot basis to attract retail

order flow to the Exchange, and allow such order flow to receive potential price improvement.³ The Program is limited to trades in NYSE-listed securities occurring at prices equal to and greater than \$1.00 a share and was recently approved by the Commission to operate on a permanent, rather than pilot, basis.⁴

Under Rule 107C, a class of market participant called Retail Liquidity Providers ("RLPs") and non-RLP member organizations are able to provide potential price improvement to retail investor orders in the form of a non-displayed order that is priced at least \$0.001 better than the best protected bid or offer ("PBBO"), called a Retail Price Improvement Order ("RPI").⁵ When there is an RPI in a particular security, the Exchange disseminates an indicator, known as the Retail Liquidity Identifier ("RLI"), that such interest exists. Retail Member Organizations ("RMOs") can submit a Retail Order to the Exchange, which interacts, to the extent possible, with available contra-side RPIs and orders with a working price between the PBBO. The segmentation in the Program allows retail order flow to receive potential price improvement as a result of their order flow being deemed more desirable by liquidity providers.⁶

Proposed Rule 7.44, Retail Liquidity Program

The Exchange proposes that Rule 7.44 would set forth the Program under the Exchange's Pillar Platform Rules and would use Pillar terminology based on NYSE Arca, Inc. ("NYSE Arca") Rule 7.44-E. Except for the differences described below, proposed Rule 7.44 is substantively based on Rule 107C: Proposed Rules 7.44(a)(1)–(3), 7.44(b), 7.44(c), 7.44(d), 7.44(e), 7.44(f), 7.44(g), 7.44(h), 7.44(i), and 7.44(j) are based on current rules 107C(a)(1)–(3), 107C (b), 107C (c), 107C (d), 107C (e), 107C (f), 107C (g), 107C (h), 107C (i), and 107C (j), respectively, with only minor non-substantive differences to replace the term "shall" with "will" and update internal cross-references to the Pillar rule. Proposed Rule 7.44(m) is based on the last sentence of current Rule 107C(l).

³ See Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40673 (July 10, 2012) (SR-NYSE-2011-55) ("RPL Pilot Approval Order").

⁴ See Securities Exchange Act Release No. 85160 (February 15, 2019), 84 FR 5754 (February 22, 2019) (SR-NYSE-2018-28) ("RPL Permanent Approval Order").

⁵ See Rule 107C(a)(4). The Program also allows for RLPs to register with the Exchange. However, any firm can enter RPI orders into the system.

⁶ RPL Pilot Approval Order, 77 FR at 40679–40680.

¹⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The Exchange proposes non-substantive differences for proposed Rules 7.44(a)(3) and 7.44(a)(4)(E), which are based on Rule 107C(a)(3) and the last sentence of Rule 107C(a)(4), respectively, to replace the term “PRL” with the term “mixed lot” to conform to Pillar terminology. Both a PRL and a mixed lot are an order of any amount greater than one round lot that is not a multiple of a round lot.⁷

The Exchange further proposes a non-substantive difference for proposed Rule 7.44(c)(3), which is based on Rule 107C(c)(3), to not include references to mnemonics, which will not be used on the Pillar trading platform for RLPs. Proposed Rule 7.44(c)(3) would continue to require an RLP to use Exchange-supplied designations that identify to the Exchange RLP trading activity in assigned RLP securities. This proposed rule text is based on NYSE Arca Rule 7.44–E(c)(3).

The Exchange also proposes a non-substantive difference for proposed Rule 7.44(i)(2), which is based on current Rule 107C(i)(2), to reference the “Exchange’s Chief Regulatory Officer” rather than the “NYSE’s Chief Regulatory Officer,” and to use the phrase “two qualified Exchange employees” instead of “officers of the Exchange designated by the Co-Head of U.S. Listings and Cash Execution.” The Exchange proposes not to include specific titles, other than Chief Regulatory Officer, in Pillar rules because the Exchange has restructured and no longer has the position of Co-Head of U.S. Listings and Cash Executions. In addition, as a result of the restructuring, the title of “officer” is no longer used by employees who were previously designated for this role. The Exchange believes that the term “qualified Exchange employees” would provide the Exchange with discretion to delegate this responsibility to appropriate Exchange staff. As amended, proposed Rule 7.44(i)(2) is based on NYSE Arca Rule 7.44–E(i)(2).

The Exchange also proposes a non-substantive difference for proposed Rule 7.44(j), which is based on current Rule 107C(j), to replace the phrase “or as appropriate” with “and” in the first sentence. The first sentence of Rule 107C(j) provides that a Retail Liquidity Identifier is “disseminated through proprietary data feeds *or as appropriate* through the Consolidation Quotation System when RPI interest priced at least \$0.001 better than the PBB or PBO for a particular security is available in Exchange systems” (*emphasis added*). This non-substantive change would

clarify that the Exchange disseminates the Retail Liquidity Identifier through both its proprietary data feeds and the Consolidated Quotation System.

Because proposed Rule 7.44 would have identical requirements to be approved as either an RMO (proposed Rule 7.44(b)) or a Retail Liquidity Provider (proposed Rule 7.44(c)–(d)) as under current Rules 107C(b) and (c)–(d), the Exchange further proposes that any member organizations that are approved as either an RMO or RLP under current Rule 107C would be deemed approved as either an RMO or RLP under proposed Rule 7.44 and would not have to re-apply. The Exchange believes this will promote continuity for the RLP Program when NYSE-listed securities transition to the Pillar trading platform and will reduce the administrative burden on member organizations that are already approved as either an RMO or RLP.

Currently, all member organizations communicate with the Exchange using Pillar phase I protocols, which support trading both on the Pillar trading platform and in Exchange-listed securities. The Exchange notes that currently on the Pillar trading platform, orders with a limit price of less than \$1.00 in securities that are priced at \$100,000 or above, are rejected if not entered with an MPV of \$0.01. The Exchange further notes that this functionality is only applicable to one security traded on the Exchange. The Exchange proposes to codify this functionality as it applies to the Program in proposed Commentary .01 to Rule 7.44, which would provide that when using Pillar phase 1 protocols, for securities that trade at prices of \$100,000 or above, RPI Orders would be rejected if not entered with an MPV of \$0.01.⁸

Retail Price Improvement Orders

Proposed Rule 7.44(a)(4) would define the RPI. The rule text is based on current Rule 107C(a)(4), and the Exchange is not proposing any substantive changes to the definition of RPI Orders. However, the proposed rule would include non-substantive differences to use Pillar terminology to describe RPIs.

As proposed, new Rule 7.44(a)(4) would provide that an RPI would be non-displayed interest that would trade

at prices better than the PBB or PBO by at least \$0.001 and that is identified as such. This rule text is based on the first sentence of current Rule 107C(a)(4), with non-substantive differences to use the terms PBB and PBO and delete the reference to Regulation NMS definition as redundant of the definition of PBB/PBO in Rule 1.1(o). The Exchange also proposes to replace the term “is priced better than” the PBB or PBO to “would trade at prices better than” the PBB or PBO. Because RPI interest does not need to be priced better than the PBB or PBO on arrival, but could trade in sub-penny increments, the Exchange believes the proposed non-substantive difference describes how RPIs would operate in Pillar. This proposed rule text also uses Pillar terminology that is based on NYSE Arca Rule 7.44–E(a)(4).

Proposed Rule 7.44(a)(4)(A) would provide that an RPI would remain non-displayed in its entirety and would be ranked Priority 3—Non-Display Orders. This proposed rule text is based on the third sentence of current Rule 107C(a)(4), which provides that an RPI remains non-displayed in its entirety and uses Pillar terminology to describe the priority category to which RPIs would belong. The proposed rule also uses Pillar terminology that is based on NYSE Arca Rule 7.44–E(a)(4)(A).

Proposed Rule 7.44(a)(4)(B) would provide that Exchange systems would monitor whether RPI buy or sell interest would be eligible to trade with incoming Retail Orders and if it is priced at or outside the PBBO, the RPI would not be eligible to trade with an incoming Retail Order. The rule would further provide that an RPI to buy (sell) with a limit price at or below (above) the PBB (PBO) or at or above (below) the PBO (PBB) would not be eligible to trade with incoming Retail Orders to sell (buy) and that if not cancelled, an RPI to buy (sell) with a limit price that is no longer at or below (above) the PBB (PBO) or at or above (below) the PBO (PBB) would again be eligible to trade with incoming Retail Orders. This rule text is based on Rule 107C(a)(4), which provides that an RPI must be priced better than the PBB or PBO and that the Exchange monitors whether such orders are eligible to trade, with non-substantive differences to use Pillar terminology. This proposed rule text also uses Pillar terminology that is based on NYSE Arca Rule 7.44–E(a)(4)(B) with one difference to account for a proposed change to the definition of Retail Order described below. The proposed rule text would, therefore, not include text from NYSE Arca Rule 7.44–E(a)(4)(B) that provides for the cancellation of an RPI if a Retail Order

⁸ Pursuant to its authority under Rule 612(c) of Regulation NMS, 17 CFR 242.612(c), the Commission grants the Exchange a limited exemption from Rule 612 of Regulation NMS, 17 CFR 242.612, (the “Sub-Penny Rule”) to operate the Program. See Securities Exchange Act Release No. 85160 (February 15, 2019), 84 FR 5754 (February 22, 2019) (SR–NYSE–2018–28).

⁷ See Rules 7.5 and 61(a)(ii).

to sell (buy) trades with all displayed liquidity at the PBB (PBO).

Proposed Rule 7.44(a)(4)(C) would provide that an RPI may include an optional offset, which may be specified up to three decimals. As further proposed, the working price of an RPI to buy (sell) with an offset would be the lower (higher) of the PBB (PBO) plus (minus) the offset or the limit price of the RPI; an RPI with an offset would not be eligible to trade if the working price is below \$1.00, and if an RPI to buy (sell) with an offset would have a working price that is more than three decimals, the working price would be truncated to three decimals. This proposed rule text is based on the second and third sentences of current Rule 107C(a)(4), which provide that an RPI may be adjusted by any offset subject to a ceiling or floor price and that the offset is non-displayed. Proposed Rule 7.44(a)(4)(C) uses Pillar terminology to describe this existing offset functionality, which the Exchange believes promotes transparency and clarity in its rules.

The Exchange proposes to make a related change to Rule 7.16(f)(5)(C) to specify that, like Pegged Orders and MPL Orders, RPIs with an offset would use the National Best Bid (“NBB”) instead of the PBB as the reference price when a Short Sale Price Test is triggered pursuant to Rule 201 of Regulation SHO.⁹

Proposed Rule 7.44(a)(4)(D) would provide that, for securities to which it is assigned, an RLP may only enter an RPI in its RLP capacity, and that an RLP would be permitted, but not required, to submit RPI Orders for securities to which it is not assigned, and would be treated as a non-RLP member organization for those particular securities. Additionally, the rule would provide that member organizations other than RLPs would be permitted, but not required, to submit RPI Orders. This proposed rule text is based on the fifth and sixth sentences of current Rule 107C(a)(4) without any substantive differences. This proposed rule text also uses Pillar terminology that is based on NYSE Arca Rule 7.44–E(a)(4)(C).

Proposed Rule 7.44(a)(4)(E) would provide that an RPI may be an odd lot, round lot, or mixed lot and will interact with incoming Retail Orders only. This proposed text is based on the last sentence of Rule 107C(a)(4), with the non-substantive difference described above to use the term “mixed lot” instead of “PRL,” as described above. The Exchange also proposes to provide greater specificity that RPIs would

interact with incoming Retail Orders only, which is how RPIs currently function. This proposed rule text is based in part on NYSE Arca Rule 7.44–E(a)(4)(D).

Retail Orders

Pursuant to Rule 107C(k), Retail Orders may be designated as Type 1, Type 2, or Type 3. Proposed Rule 7.44(k) would be based on Rule 107C(k) with two substantive differences. The first substantive difference would be to remove unused functionality by eliminating the Type 2 and Type 3 Retail Orders. The second substantive difference would be to expand the scope of contra-side orders against which a Retail Order may trade to include all orders between the PBBO, not just RPI Orders and MPL Orders.

To date, the Exchange has not received a Retail Order designated as Type 2 or Type 3 and, therefore, proposes to no longer support this functionality. On Pillar, the Exchange would offer a single category of Retail Orders under proposed Rule 7.44(k) that would operate in a substantially similar manner as the current Type 1 Retail Order, but would be described using Pillar terminology. The title of Rule 7.44 would therefore differ from Rule 107C to replace the word “Designation” with “Operation” to reflect the availability of a single type of Retail Order.

As proposed, “Retail Order,” as defined in proposed Rule 7.44(k), would be described as:

A Retail Order to buy (sell) is a Limit IOC Order that will trade only with available Retail Price Improvement Orders to sell (buy) and all other orders to sell (buy) with a working price below (above) the PBO (PBB) on the Exchange Book and will not route. The quantity of a Retail Order to buy (sell) that does not trade with eligible orders to sell (buy) will be immediately and automatically cancelled. A Retail Order will be rejected on arrival if the PBBO is locked or crossed. A Retail Order may not be designated with an MTS Modifier.

This proposed functionality is based on the Type-1 designated Retail Order, as described in Rule 107C(k)(1), with a substantive difference that Retail Orders would no longer be limited to interact only with contra-side RPI and MPL Orders. The Exchange believes that this proposed difference would increase the potential for a Retail Order to receive an execution as such orders would be eligible to trade with any orders between the PBBO. The Exchange further proposes to specify that a Retail Order may not be designated with an MTS Modifier.¹⁰ This proposed rule text

uses Pillar terminology to describe current functionality. The proposed text of Rule 7.44(k) is otherwise substantially similar to current Rule 107C(k)(1) with minor changes to confirm to Pillar terminology and to remove references to “Type 1.”

Rule 7.44(l), Priority and Order Allocation

Similar to Rule 107C(l), proposed Rule 7.44(l) would set forth the priority and allocation rules for the Program. With Pillar, the Exchange proposes to simplify the operation of the Program and rank and allocate RPIs with all other interest at the same price as Priority 3—Non-Display Orders. In addition, incoming Retail Orders would trade with contra-side interest between the PBBO at each price point, rather than at a single clean-up price. At each price point between the PBBO, resting orders would be allocated consistent with Rule 7.37(b) (including, for example, odd lot orders ranked Priority 2—Display Orders). With these proposed changes, the allocation of Retail Orders in the Program would be aligned with the allocation of orders outside of the Program under the Exchange’s established Pillar allocation process.¹¹

To effect these differences, proposed Rule 7.44(l) would provide that RPIs in the same security would be ranked together with all other interest at that price ranked as Priority 3—Non-Display Orders and would be allocated with other resting orders at that price pursuant to Rule 7.37(b). This would be new functionality for the Program and is consistent with how all other orders are allocated on the Exchange. The Exchange believes that the proposed substantive difference to the priority and allocation of orders in the Program would reduce potential confusion because the Program would no longer have different allocation rules as compared to how orders trade outside the Program.

The Exchange proposes to make a related amendment to Rule 7.37(b)(2)(D), which describes the circumstances when a Participant would be moved to the last position on an allocation wheel.¹² Because RPIs are only eligible to trade with Retail Orders,

a Retail Order is a type of Limit IOC Order, the Exchange proposes to specify that, unlike a Limit IOC Order, Retail Orders may not be designated with an MTS Modifier.

¹¹ See Rule 7.37(b), Allocation.

¹² Rule 7.37(b)(2)(D) provides that if an order receives a new working time or is cancelled and replaced at the same working price, the Participant that entered such order will be moved to the last position on an allocation wheel if that Participant has no other orders at that price.

⁹ 17 CFR 242.201.

¹⁰ Pursuant to Rule 7.31(i)(3), a Limit IOC Order may be designated with an MTS Modifier. Because

they would be skipped on an allocation wheel for the allocation of an Aggregating Order that is not a Retail Order. The Exchange proposes that if an RPI has been skipped in an allocation because it was not eligible to trade, the Participant that entered such order would be moved to the last position on an allocation wheel if such Participant has no other orders at that price. This proposed rule change would be applicable to RPIs that are priced the same as other Priority 3—Non-Display Orders and have been skipped in an allocation. This proposed rule text is consistent with how Rule 7.37(b)(2)(D) currently operates with respect to a Participant that has an order that receives a new working time or cancels and replaces an order, and such Participant does not have any other orders at that price.

Proposed Rule 7.44(l) would further provide that any remaining unexecuted RPI interest would remain available to trade with other incoming Retail Orders and that any remaining unfilled quantity of the Retail Order would cancel in accordance with proposed Rule 7.44(k). This proposed rule text is based in part on Rule Arca Rule 7.44–E(l). This proposed rule text is also consistent with the proposed change, described above, that Retail Orders would, by definition, have an IOC time-in-force condition.

Because the Exchange proposes that allocations in the Program would not differ from how orders are allocated outside the Program, the Exchange proposes that unlike Rule 107C(l), proposed Rule 7.44(l) no longer needs to include examples of how executions in the Program would operate. The Exchange included those examples in Rule 107C because allocations in that version of the Program differed from the Exchange's regular allocation process. Those concerns are now moot.

Implementation of Proposed Rule Change

Subject to effectiveness of this proposed rule change, the Exchange proposes to implement this proposed change when the Exchange transitions NYSE-listed securities to its Pillar trading platform.¹³ To promote transparency of which rule relating to the Program would govern trading on the Exchange both before and after the

Pillar transition, the Exchange proposes to amend the preamble to Rule 107C to provide that such rule would not be applicable to trading on the Pillar trading platform, and delete the reference to UTP Securities in that preamble.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Sections 6(b)(5) of the Act,¹⁵ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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 and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change seeks to provide for the Program on Pillar, the Exchange's new technology trading platform. The proposed non-substantive differences between proposed Rule 7.44 and Rule 107C to use Pillar terminology would remove impediments to and perfect the mechanism of a fair and orderly market because the proposed differences would promote transparency through the use of consistent terminology in Pillar rules. The Exchange believes that proposed Rule 7.44(a)(4), describing RPIs, would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule text would use Pillar terminology to describe existing functionality. The Exchange believes that the use of Pillar terminology promotes transparency and clarity in Exchange rules.

The Exchange believes that the proposed Commentary .01 to Rule 7.44 to reject RPIs in securities that are priced at \$100,000 or above if not entered with an MPV of \$0.01 would remove impediments to and perfect the mechanism of a free and open market and a national market system because it provides transparency of the circumstances when an RPI would be rejected depending on the communication protocol used by the

member organization and the MPV in which it is entered.

The Exchange believes that its proposal to eliminate the Type 2 and Type 3 Retail Orders would remove impediments to, and perfect the mechanisms of, a free and open market and a national market system by simplifying and streamlining the operation of Retail Orders. To date, the Exchange has not received a Retail Order designated as Type 2 or Type 3 for participation in the Program.

Therefore, no longer offering the Type 2 or Type 3 Retail Orders should not impact market participants' trading activity and would serve to remove unused functionality from the Program and the Exchange's rules. The Proposal would also simplify the operation of the Program and allow the Exchange to no longer support functionality that is not utilized. The Exchange further believes that the proposed substantive difference that Type 1 Retail Orders, which would simply be referred to as "Retail Orders," would be eligible to trade with all contra-side orders on the Exchange Book would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would increase the potential that a Retail Order would receive an execution on the Exchange.

The proposed substantive difference to allow Retail Orders to execute at the best available prices under proposed Rule 7.44(l) rather than a single clean-up price would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would align how a Retail Order would trade under the Program with how incoming orders outside of the Program trade on the Exchange. In addition, the proposed substantive difference that RPIs would be ranked Priority 3—Non-Display Orders, and all resting orders at a price would be allocated on parity pursuant to Rule 7.37(b), would remove impediments to and perfect the mechanism of a fair and orderly market because it would align the allocation of orders in the Program with the allocation of orders outside of the Program. This proposed substantive difference would therefore promote transparency in Exchange rules and reduce potential confusion because the Program would no longer operate differently from the allocation of orders outside the Program.

The Exchange further believes that the proposed amendment to Rule 7.37(b)(2)(D) to specify that the Participant that entered an order that is skipped in an allocation because it would not be eligible to trade would be

¹³ The Exchange has announced that, subject to rule approvals, the Exchange will begin transitioning Exchange-listed securities to Pillar on August 5, 2019, available here: https://www.nyse.com/publicdocs/nyse/markets/nyse/Revised_Pillar_Migration_Timeline.pdf. The Exchange will publish by separate Trader Update a complete symbol migration schedule.

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

moved to the last position on the allocation wheel if such Participant has no other orders at that price would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency in Exchange rules regarding how the Exchange determines the position of a Participant on an allocation wheel. The Exchange further believes it would remove impediments to and perfect the mechanism of a free and open market and a national market system to move a Participant to the last position on the allocation wheel because it would simplify how such orders are processed; if an order is skipped, other orders at that price may be fully executed or cancelled or new orders may be added and it would be difficult to assess in such fluid circumstances the exact position of that Participant on the allocation wheel if that Participant does not have any other orders at that price. Moving such Participant to the last position on the wheel also promotes consistency with current Rule 7.37(b)(2)(D) regarding how a Participant is moved on an allocation wheel if its order receives a new working time or is cancelled and replaced at the same working price and such Participant does not have any other orders at that price.

The Exchange believes that the proposed amendment to Rule 7.16(f)(5)(C) to specify that during a Short Sale Period, RPIs with an offset would use the NBBO rather than the PBBO as the reference price would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would ensure compliance with Rule 201 of Regulation SHO.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,¹⁶ the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is to adopt new rules to support continuity of the Program when Exchange-listed securities transition to the Exchange's new Pillar trading platform. As discussed in detail above, the Exchange proposes to adopt rules for Pillar relating to the Retail Liquidity Program that are based on current rules, with both substantive and non-substantive differences. The proposed substantive differences proposed for Rule 7.44 as compared to

Rule 107C would promote competition because they streamline the operation of the Program by eliminating unused order types and aligning the allocation of orders in the Program with the allocation of orders outside of the Program. The proposed non-substantive differences include using new Pillar terminology to describe the Program and are based on NYSE Arca Rule 7.44–E. The Exchange believes that the proposed rule change would promote consistent use of terminology to support the Pillar trading platform, making the Exchange's rules easier to navigate.

The proposal to eliminate Type 2 and Type 3 Retail Orders are not intended to have a competitive impact. These changes simply remove functionality from the Program that has not been used at all to date.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁷ and Rule 19b–4(f)(6) thereunder.¹⁸ Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6)(iii) thereunder.

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)¹⁹ of the Act to determine whether the proposed rule

change 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–NYSE–2019–26 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–NYSE–2019–26. 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 website (<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 website 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 offices of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NYSE–2019–26, and should be submitted on or before June 20, 2019.

¹⁶ 15 U.S.C. 78f(b)(8).

¹⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁸ 17 CFR 240.19b–4(f)(6).

¹⁹ 15 U.S.C. 78s(b)(2)(B).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85921; File No. 4-274]

Program for Allocation of Regulatory Responsibilities Pursuant to Rule 17d-2; Notice of Filing of an Amendment to the Agreement Between the Financial Industry Regulatory Authority, Inc. and the NYSE Chicago, Inc.

May 23, 2019.

Pursuant to Section 17(d) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 17d-2 thereunder,² notice is hereby given that on May 8, 2019, the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the NYSE Chicago, Inc. (“CHX”) (together with FINRA, the “Parties”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) an amendment to their July 9, 2010 Agreement Between Financial Industry Regulatory Authority, Inc. and Chicago Stock Exchange, Inc. (“17d-2 Plan” or the “Plan”) for the allocation of regulatory responsibilities. The Commission is publishing this notice to solicit comments on the amendment to the 17d-2 Plan from interested persons.

I. Introduction

Section 19(g)(1) of the Act,³ among other things, requires every self-regulatory organization (“SRO”) registered as either a national securities exchange or national securities association to examine for, and enforce compliance by, its members and persons associated with its members with the Act, the rules and regulations thereunder, and the SRO’s own rules, unless the SRO is relieved of this responsibility pursuant to Section 17(d) or Section 19(g)(2) of the Act.⁴ Without this relief, the statutory obligation of each individual SRO could result in a pattern of multiple examinations of broker-dealers that maintain memberships in more than one SRO (“common members”). Such regulatory duplication would add unnecessary

expenses for common members and their SROs.

Section 17(d)(1) of the Act⁵ was intended, in part, to eliminate unnecessary multiple examinations and regulatory duplication.⁶ With respect to a common member, Section 17(d)(1) authorizes the Commission, by rule or order, to relieve an SRO of the responsibility to receive regulatory reports, to examine for and enforce compliance with applicable statutes, rules, and regulations, or to perform other specified regulatory functions.

To implement Section 17(d)(1), the Commission adopted two rules: Rule 17d-1 and Rule 17d-2 under the Act.⁷ Rule 17d-1 authorizes the Commission to name a single SRO as the designated examining authority (“DEA”) to examine common members for compliance with the financial responsibility requirements imposed by the Act, or by Commission or SRO rules.⁸ When an SRO has been named as a common member’s DEA, all other SROs to which the common member belongs are relieved of the responsibility to examine the firm for compliance with the applicable financial responsibility rules. On its face, Rule 17d-1 deals only with an SRO’s obligations to enforce member compliance with financial responsibility requirements. Rule 17d-1 does not relieve an SRO from its obligation to examine a common member for compliance with its own rules and provisions of the federal securities laws governing matters other than financial responsibility, including sales practices and trading activities and practices.

To address regulatory duplication in these and other areas, the Commission adopted Rule 17d-2 under the Act.⁹ Rule 17d-2 permits SROs to propose joint plans for the allocation of regulatory responsibilities with respect to their common members. Under paragraph (c) of Rule 17d-2, the Commission may declare such a plan effective if, after providing for appropriate notice and comment, it determines that the plan is necessary or appropriate in the public interest and for the protection of investors; to foster cooperation and coordination among the SROs; to remove impediments to, and

foster the development of, a national market system and a national clearance and settlement system; and is in conformity with the factors set forth in Section 17(d) of the Act. Commission approval of a plan filed pursuant to Rule 17d-2 relieves an SRO of those regulatory responsibilities allocated by the plan to another SRO.

II. The Plan

On September 26, 1978, the Commission approved the Plan allocating regulatory responsibilities pursuant to Rule 17d-2 on a provisional basis.¹⁰ Under the Plan, the predecessor to FINRA was responsible, in part, for conducting on-site examination of each dual member for which it was the DEA. On February 20, 1980, the Commission noticed for comment an amendment to the Plan, which provided, in part, for the handling of customer complaints, the review of dual members’ advertising, and the arbitration of disputes under the Plan.¹¹ On May 30, 1980, the Commission approved the Plan, as amended.¹² On September 8, 2010, the Commission approved an amendment to replace the previous Plan in its entirety.¹³

III. Proposed Amendment to the Plan

On May 8, 2019, the Parties submitted a proposed amendment to the Plan. The primary purpose of the amendment is to the extent that it becomes a member of the exchange, allocate regulatory responsibility to FINRA for CHX’s affiliated routing broker-dealer, Archipelago Securities LLC. The text of the proposed amended 17d-2 plan is as follows (additions are *italicized*; deletions are [bracketed]):

AGREEMENT BETWEEN FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC. AND NYSE CHICAGO [STOCK EXCHANGE], INC. PURSUANT TO RULE 17d-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934

This Agreement, by and between the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the NYSE Chicago [Stock Exchange], Inc. (“CHX”), is made this [9th]7th day of [July]May, [2010]2019 (the “Agreement”), pursuant to Section 17(d)

⁵ 15 U.S.C. 78q(d)(1).

⁶ See Securities Act Amendments of 1975, Report of the Senate Committee on Banking, Housing, and Urban Affairs to Accompany S. 249, S. Rep. No. 94-75, 94th Cong., 1st Session 32 (1975).

⁷ 17 CFR 240.17d-1 and 17 CFR 240.17d-2, respectively.

⁸ See Securities Exchange Act Release No. 12352 (April 20, 1976), 41 FR 18808 (May 7, 1976).

⁹ See Securities Exchange Act Release No. 12935 (October 28, 1976), 41 FR 49091 (November 8, 1976).

¹⁰ See Securities Exchange Act Release No. 15191 (September 26, 1978), 43 FR 46093 (October 5, 1978).

¹¹ See Securities Exchange Act Release No. 16591 (February 20, 1980), 45 FR 12573 (February 26, 1980).

¹² See Securities Exchange Act Release No. 16858 (May 30, 1980), 45 FR 37927 (June 5, 1980).

¹³ See Securities Exchange Act Release No. 62866 (September 8, 2010), 75 FR 55833 (September 14, 2010).

²⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78q(d).

² 17 CFR 240.17d-2.

³ 15 U.S.C. 78s(g)(1).

⁴ 15 U.S.C. 78q(d) and 15 U.S.C. 78s(g)(2), respectively.