SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85962; File No. SR–NYSE–2019–05]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 3, To Amend NYSE Rules 7.31, 7.36, 7.37; Make Conforming Amendments to NYSE Rules 1.1, 7.11, 7.12, 7.16, 7.18, 7.32, 7.34, and 7.36; and Amend the Preambles on Current Exchange Rules Relating to Their Applicability to the Pillar Trading Platform

May 29, 2019.

I. Introduction

On February 8, 2019, New York Stock Exchange LLC (''NYSE'' or ''Exchange'') 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: (1) Amend NYSE Rules 7.36 and 7.37 to add the designated market maker (''DMM'') as a Participant for trading of Exchange-listed securities on the Exchange's Pillar technology platform; (2) amend NYSE Rule 7.31 to add Auction-Only Orders and make related changes; (3) add new trading rules relating to auctions for Pillar; (4) make conforming amendments to NYSE Rules 1.1, 7.11, 7.12, 7.16, 7.18, 7.32, 7.34, and 7.36; and (5) amend the preambles on current Exchange rules relating to their applicability to the Pillar trading platform. The proposed rule change was published for comment in the **Federal Register** on February 28, 2019.[3]

On March 8, 2019, the Exchange filed Amendment No. 1 to the proposed rule change, which superseded the original filing in its entirety. On April 8, 2019, 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the proposed rule change.[4] On April 18, 2019, the Exchange filed Amendment No. 2 to the proposed rule change, which superseded the original filing, as amended by Amendment No. 1, in its entirety. On May 17, 2019, the Exchange filed Amendment No. 3 to the proposed rule change, which superseded the original filing, as amended by Amendments No. 1 and 2, in its entirety.[5] The Commission has received no comments on the proposed rule change.

The Commission is publishing this notice to solicit comments on Amendment No. 3 from interested persons, and is approving the proposed rule change, as modified by Amendment No. 3, on an accelerated basis.

II. Self-Regulatory Organization's Description of the Proposal, as Modified by Amendment No. 3

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

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

1. Purpose

The Exchange proposes to (1) amend Rules 7.36 and 7.37 to add the DMM as a Participant for trading of Exchange-listed securities on Pillar;[6] (2) amend Rule 7.31 to add Auction-Only Orders and make related changes; (3) add new trading rules relating to auctions for Pillar; (4) make conforming amendments to Rules 1.1, 7.11, 7.12, 7.16, 7.18, 7.31, 7.34, 7.36, and 7.37; and (5) amend the preambles on current Exchange rules relating to their applicability to the Pillar trading platform. This Amendment No. 3 supersedes Amendment Nos. 1 and 2 and the original filing in its entirety.[7]

Currently, the Exchange trades UTP Securities on its Pillar trading platform, subject to Pillar Platform Rules 1P–13P.[8] In the next phase of Pillar, the Exchange proposes to transition trading of Exchange-listed securities to the Pillar trading platform.[9] Once transitioned to

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 85176 (Feb. 22, 2019), 84 FR 6868 (Feb. 28, 2019).

[4] *See* Securities Exchange Act Release No. 85552, 84 FR 15015 (April 12, 2019).

[5] In Amendment No. 3, compared to the original proposal, *see* Notice, *supra* note 3, the Exchange, among other things: (i) Further amends proposed NYSE 7.16 (Short Sales) to provide that, if an order is not executed in an Auction and is eligible to trade, it will be priced consistent with paragraph (f)(5) of NYSE Rule 7.16, and makes certain clarifying changes; (ii) Further amends proposed NYSE Rule 7.18 (Halts) with respect to the processing of Last Sale Peg Orders during a trading halt or pause; (iii) further amends NYSE Rule 7.31 (Orders and Modifiers) to provide: That MOO, MOC, LOC, and Closing IO Orders would not be available to DMMs; that a Closing D Order in an Auction-Eligible Security may include a Yielding Modifier; that until the Closing Auction, a Closing D Order with the proposed Yielding Modifier would be processed as a Yielding Order; that a Closing D Order with a Yielding Modifier would be ranked Priority 4—Yielding Orders; and that a Last Sale Peg Order would not be eligible to participate in any Auctions; (iv) further amends proposed NYSE Rule 7.34 (Trading Sessions) to specify that Last Sale Peg Orders will be rejected if entered before the Core Trading Session begins; (v) provides additional justification for processing DMM After-Auction Orders before other orders; (vi) provides additional explanation for allocating LOC Orders based on time priority; (vii) removes proposed NYSE Rules 7.35C(b)(2)(D) and (E) because the Exchange cannot facilitate an auction if there is no paired volume, and therefore, the Exchange's proposed rules do not need to describe how an Indicative Match Price is determined if there is no paired volume; (viii) removes provisions regarding the use of extension logic from proposed NYSE Rule 7.35C; (ix) provides additional justification for proposed Rule 7.35(e), which would provide that DMM Auction Liquidity, certain DMM Orders, and Floor Broker Interest entered during the Pre-Auction Freeze would be eligible to participate in the applicable Auction; (x) provides additional justification for ranking undisplayed DMM Auction Liquidity as Priority 2—Display Orders; (xi) provides additional justification for proposed NYSE Rules 7.35A(h)(3) and 7.35B(h)(3) regarding DMM Participant Allocation of at-priced DMM Interest; (xii) provides additional justification for canceling orders not eligible to participate in a reopening following a halt or pause in Exchange-listed securities; (xiii) removes proposed Rule 7.35A(d)(2)(v), which would have been new rule text relating to how the Indication Reference Price could be determined for securities that do not fall under proposed Rule 7.35A(d)(2)(A)(i)–(iv) and for which there is limited publicly available pricing information; and (xiv) amends Rule 7.37(b)(2) to specify that the Exchange would create a separate allocation wheel for each Auction.

[6] ''Participant'' is defined in Rule 7.36(a)(5) to mean, for purposes of parity allocation, a Floor broker trading license (each, a ''Floor Broker Participant'') or orders collectively represented in the Exchange Book that have not been entered by a Floor broker (''Book Participant'').

[7] This Amendment includes the substantive differences between Amendment No. 2 and Amendment No. 1 regarding proposed Rule 7.35C relating to how the Exchange would facilitate an auction if the DMM is not available for one or more securities. As amended, the Exchange proposes that Rule 7.35C would operate consistent with how the Exchange would currently facilitate auctions, including that a re-opening auction following a trading pause would not include extension logic. In addition, Amendment No. 3 removes proposed Rule 7.35A(d)(2)(v), which would have been new rule text relating to how the Indication Reference Price could be determined for securities that do not fall under proposed Rule 7.35A(d)(2)(A)(i)–(iv) and for which there is limited publicly-available pricing information available. Finally, Amendment No. 3 amends Rule 7.37(b)(2) to specify that the Exchange would create a separate allocation wheel for each Auction.

[8] ''UTP Security'' is defined as a security that is listed on a national securities exchange other than the Exchange and that trades on the Exchange pursuant to unlisted trading privileges. *See* Rule 1.1.

[9] 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/*

Pillar, such securities will also be subject to the Pillar Platform Rules 1P–13P.

As provided for under current Rule 103B, all Exchange-listed securities are assigned a DMM, and when such securities transition to trading on Pillar, the assigned DMM will continue to be responsible for such securities. Accordingly, the Exchange proposes to amend the Pillar rules to add the DMM as a Participant under the Pillar Platform Rules. In addition, because the Exchange conducts auctions for Exchange-listed securities, with this proposed rule change, the Exchange proposes Pillar rules relating to auctions.

Overview

DMM as Parity Participant. Under current Exchange rules, executions in Exchange-listed securities are allocated based on parity by individual participants. Pursuant to Rule 72(c)(ii), the individual participants for purposes of share allocation in such executions are each single Floor broker, the DMM, and orders collectively represented in Exchange systems (referred to in Rule 72(c) as the ''Book Participant''). In Pillar, executions in UTP Securities are similarly allocated based on parity by individual participant, which are currently individual Floor brokers (each, a ''Floor Broker Participant'') and the Book Participant.[10] The Exchange proposes that when Exchange-listed securities transition to Pillar, executions of Exchange-listed securities will continue to be allocated based on parity by individual participants, which will include the DMM assigned to a security as a Participant.

Auctions. Currently, auctions in Exchange-listed securities are governed by a myriad of rules: Rule 15 (Pre-Opening Indications and Opening Order Imbalance Information); Rule 115A (Orders at Opening); Rule 116.40 (''Stopping'' stock on market-on-close orders); Rule 123C (The Closing Procedures); and Rule 123D (Openings and Halts in Trading) (collectively, the ''Current Auction Rules'').

With the transition of Exchange-listed securities to Pillar, the technology underpinning auctions on the Exchange would change, but auctions for Exchange-listed securities would function largely the same as under the Current Auction Rules, subject to specified differences, described below. Specifically, DMMs would continue to be responsible for facilitating openings, reopenings,[11] and the close of trading, as required by Rules 104(a)(2) and (3), and both Limit Orders priced better than the auction price and Market Orders would continue to be guaranteed to participate in such auctions.[12] The Exchange also proposes to continue disseminating the same order imbalance information content in advance of auctions on the Exchange.

With the move to Pillar, the Exchange proposes to use standardized Pillar terminology to describe auctions on the Exchange. Accordingly, for Pillar auctions, the Exchange proposes the Rule 7.35 Series (Auctions), which would be set forth under Rule 7P as proposed Rule 7.35 (General), proposed Rule 7.35A (DMM-Facilitated Core Open and Trading Halt Auctions), proposed Rule 7.35B (DMM-Facilitated Closing Auctions), and proposed Rule 7.35C (Exchange-Facilitated Auctions) (collectively, the ''Pillar Auction Rules''), which would replace the Current Auction Rules. The proposed rules would include new terminology specific to the Exchange as well as text that is based on Pillar terminology used by its affiliated exchanges that also operate auctions, NYSE Arca, Inc. (''NYSE Arca'') and NYSE American LLC (''NYSE American'').

Except for specified differences described below, the Pillar Auction Rules are substantively based on the Current Auction Rules. However, the text for the Pillar Auction Rules would in many cases be new to the Exchange as compared to the Current Auction Rules.

The Exchange proposes to include a preamble to each of the Current Auction Rules that would provide that each such rule would not be applicable to trading on the Pillar trading platform. The Exchange believes that this preamble will promote transparency in Exchange rules that the Current Auction Rules would not be applicable to auctions on Pillar, and is consistent with preambles on other Exchange rules that specify that such rules are not applicable to trading on the Pillar trading platform.

Orders and Modifiers. Rule 13(c) specifies the Auction-Only Orders currently available for auctions in Exchange-listed securities. Rule 7.31(c) defines Auction-Only Orders that the Exchange accepts in UTP Securities, which are routed to the primary listing market. The Exchange proposes to amend Rule 7.31(c) to specify in Pillar rules the Auction-Only Orders that would be available for Exchange-listed securities to participate in auctions on the Exchange. The Exchange does not propose any differences to the order types that would be available, but proposes to use Pillar terminology to describe these order types.

The Exchange further proposes to amend Rule 7.31 to specify which order types would not be eligible to participate in an auction.

Related Rule Changes. To address how auctions would impact other Pillar rules and to support the transition of Exchange-listed securities to Pillar, the Exchange proposes related rule changes to the following Pillar Platform Rules 1.1 (Definitions), 7.11 (Limit Up—Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility), 7.12 (Trading Halts Due to Extraordinary Market Volatility), 7.16 (Short Sales), 7.18 (Halts), 7.32 (Order Entry), 7.34 (Trading Sessions), and 7.36 (Order Ranking and Display).

Updates to Rule Preambles. To support the transition of Exchange-listed securities to trading on Pillar, the Exchange further proposes to amend the preambles to certain current rules to remove references to UTP Securities so that those preambles would provide that ''This Rule is not applicable to trading on the Pillar trading platform.'' [13] There are certain non-Pillar rules that would continue to be applicable to trading of Exchange-listed securities on the Pillar trading platform. For those rules, the Exchange does not propose to amend the existing preamble.

Summary of Substantive Differences

As noted above, when transitioning its trading platform for Exchange-listed securities to Pillar, auctions on the Exchange will continue to function largely the same as under the Current Auction Rules. However, in moving to a new trading platform, the Exchange has identified specified enhancements to how auctions would function. Certain of these enhancements are available because the Exchange proposes to avail

Revised_Pillar_Migration_Timeline.pdf. The Exchange will publish by separate Trader Update a complete symbol migration schedule.

[10] *See* Rules 7.36 and 7.37.

[11] The Exchange proposes that its Pillar rules would use the term ''reopening'' rather than the hyphenated term ''re-opening.'' Accordingly, new proposed rules would use the term ''reopening,'' and in this filing, the Exchange proposes to replace the term ''re-opening'' with the term ''reopening'' in Rules 7.11 and 7.31(c).

[12] *See* Rules 115A(a) and 123C(7).

[13] The Exchange proposes to make this change to Rules 4, 7, 12, 13, 14, 15, 15A, 19, 51, 52, 55, 56, 60, 61, 62, 67, 70, 71, 79A, 80C, 115A, 116, 123B, 123C, 123D, 128, 130, 131, 132, 133, 134, 135, 136, 137, 137A, 138, 139, 140, 141, 142, and 175–227. The Exchange proposes that paragraph (d) of Rule 123D, which provides for an Initial Listing Regulatory Halt, would continue to be applicable. Accordingly, the preamble for that rule would provide ''[e]xcept for paragraph (d), this Rule is not applicable to trading on the Pillar trading platform.''

itself of existing Pillar functionality available on its affiliated exchanges. Other enhancements are specific to how Exchange auctions would function. These changes are described in greater detail below.

The following provides a high-level summary of certain of the substantive differences that the Exchange proposes to how its auctions would function on Pillar as compared to how auctions function under the Current Auction Rules:

- The Exchange proposes to determine the Official Closing Price for Exchange-listed securities in the same manner as such price is determined on NYSE Arca and NYSE American. Namely, if there is no auction of a round-lot or more, the Official Closing Price would be based on the most recent consolidated last-sale eligible trade, rather than on the most recent last-sale eligible trade on the Exchange.
- The reference price for openings and reopenings would be the most recent consolidated last-sale eligible trade after 9:30 a.m. on a trading day, and if none, the Official Closing Price for the security, rather than the last sale price on the Exchange.[14]
- Auction Imbalance Information made available over the Exchange's proprietary data feeds, which is referred to as Order Imbalance Information under the Current Auction Rules, would be updated every second (rather than in five-minute, one-minute, or five-second intervals as under the Current Auction Rules), would begin for the open at 8:00 a.m. rather than 8:30 a.m., and would continue to be published until the applicable Auction begins. This would be new for the close as currently, the Exchange stops publishing Order Imbalance Information at 4:00 p.m.
- Orders with immediate-or-cancel time-in-force instructions would no longer be eligible to participate in opening or reopening transactions and Primary Pegged Orders would no longer be eligible to participate in the close.
- Any Floor broker interest represented orally at the close must include a limit price, and would no longer be permitted to be entered ''at the market,'' and Floor brokers, rather than the DMM, would be responsible for electronically entering the details of such orders for participation in the closing auction, subject to DMM validation. Because, as noted above, the Exchange would continue publishing Auction Imbalance Information until the security closes, any such Floor broker oral interest would be included in the Auction Imbalance Information once it has been electronically entered.
- The Exchange would publish its Regulatory Closing Imbalance, referred to as the Mandatory MOC/LOC Imbalance Publication under the Current Auction Rules, at the specified time, regardless of whether a security is halted at that time.
- During a halt or pause in Exchange-listed securities, orders not eligible to participate in the reopening would be cancelled rather than kept on the Exchange Book.
- If the Exchange facilitates an Auction, such auction would continue to be subject to price limitations and not all orders would be guaranteed to participate, as provided for under the Current Auction Rules, but the Exchange would determine how to price such auction based on functionality available for electronic auctions on NYSE Arca and NYSE American.

Proposed Amendments to Rule 1.1 (Definitions)

To support DMMs and auctions on Pillar, the Exchange proposes to amend Rule 1.1 of the Pillar Platform Rules to include additional definitions.

First, the Exchange proposes to define the terms ''Designated Market Maker,'' ''DMM,'' and ''DMM unit'' in proposed Rule 1.1. Specifically, the term ''DMM'' would mean an individual member, officer, partner, employee or associated person of a DMM unit who is approved by the Exchange to act in the capacity of a DMM. This proposed rule text is based on current Rule 2(i) without any differences. The term ''DMM unit'' would mean a member organization or unit within a member organization that has met the requirements of Rules 98 and 104. This proposed rule text is based on the first sentence of Rule 2(j) without any differences. The Exchange does not propose text based on the second sentence of Rule 2(j) because the Pillar Platform Rules do not use the term ''DMM organization'' or ''DMM member organization.''

Second, the Exchange proposes to define the term ''Direct Listing'' to mean a security that is listed under Footnote (E) to Section 102.01B of the Listed Company Manual. This type of listing is currently referenced in Rule 15(c)(1)(D) and Rule 104(a)(2) in connection with obligations relating to the opening transaction for such listings. As discussed below, the Exchange proposes to move text relating to that type of listing from those rules to the Pillar Auction Rules and believes that it would promote clarity and transparency in Exchange rules to use a single defined term to reference this type of listing. The Exchange proposes to use the term ''Direct Listing'' as this is how this type of listing has been described publicly, and therefore is a familiar term to member organizations and the public.

Third, the Exchange proposes to define the term ''Initial Public Offering'' or ''IPO'' as having the same meaning as that term is used in Section 12(f)(1)(G) of the Act. The term ''initial public offering'' is currently referenced in Rule 15(c)(1)(B) and the Exchange proposes to use this term in more than one place in the Pillar Auction Rules. The Exchange believes it would promote clarity and transparency to include this definition in Exchange rules. The Exchange further believes that the cross reference to Section 12(f)(1)(G) of the Act provides clarity of the scope of the term IPO as used in Exchange Pillar rules.

Finally, the Exchange proposes to add the term ''Official Closing Price'' to Rule 1.1. Rule 123C(1)(e) currently defines the term ''Official Closing Price.'' For Pillar, similar to NYSE Arca and NYSE American, the Exchange proposes to include that definition in Rule 1.1 rather than the Pillar Auction Rules. The Exchange further proposes that the Exchange's proposed definition of Official Closing Price would be based on the NYSE Arca Rule 1.1 and NYSE American Rule 1.1E definitions of Official Closing Price rather than the Rule 123C(1)(e) definition of that term.

The NYSE Arca definition has four substantive differences from the current NYSE Rule 123C(1)(e) definition (the NYSE American definition has three substantive differences from the current NYSE definition).

- First, the NYSE Arca definition provides for how the Official Closing Price is determined for a security listed on NYSE Arca that is a Derivative Securities Product, which is a defined term on NYSE Arca that has the same meaning as the term ''Exchange Traded Product'' under Exchange Rules, and that has not had a closing auction of one round lot or more on a trading day.[15] Because the Exchange now has rules permitting listing of Exchange Traded Products,[16] the Exchange proposes to include text based on NYSE Arca Rule

[14] All times in the Pillar Auction Rules are Eastern Times. The Exchange proposes to amend Rule 1.1(d), the definition of Core Trading Hours, to add that ''[a]ll times in the Pillar Platform Rules are Eastern Time.'' With this proposed amendment, the Exchange proposes that the remaining Pillar rules would not repeat the term ''Eastern Time'' next to time references and proposes to delete references to that term in Rule 7.34.

[15] *See* Rule 1.1(i) (defining the term ''Exchange Traded Product'' to mean a security that meets the definition of ''derivative securities product'' in Rule 19b–4(e) under the Act).

[16] *See* Rules 5P and 8P.

1.1(ll)(1)(B) in proposed Rule 1.1(s)(1)(B). With this proposed difference, for Exchange Traded Products that list on the Exchange, the Exchange would determine an Official Closing Price for such securities in the same manner as determined by NYSE Arca for such securities.

• Second, under NYSE Arca Rule 1.1(ll)(1)(C) and NYSE American Rule 1.1E(gg)(2)(C), if NYSE Arca or NYSE American cannot determine the Official Closing Price under subparagraphs (A) or (B) of those Exchange's respective rules, the Official Closing Price will be the most recent consolidated last-sale eligible trade during Core Trading Hours on that trading day. By contrast, under NYSE Rule 123C(1)(e)(i), if the Exchange does not have a closing transaction of a round lot or more, the Official Closing Price will be the most recent last-sale eligible trade in such security on the Exchange on that trading day. The Exchange proposes that on Pillar, the Exchange will follow the NYSE Arca and NYSE American manner of determining the Official Closing Price if there is no closing transaction of a round lot or more. As proposed, if there is not a closing auction of a round lot or more, the Official Closing Price would be the most recent consolidated last-sale eligible trade during Core Trading Hours on that trading day. The Exchange believes that this proposed substantive difference to Exchange rules will promote consistency in how an Official Closing Price is determined across affiliated exchanges, and is more likely to represent a recent valuation in a security if an exchange other than NYSE reports a last-sale eligible trade at a later time than the Exchange.

• Third, current Rule 7.31(a)(1)(B)(i) provides that the Exchange would use the Official Closing Price for purposes of determining Trading Collars for Market Orders. For UTP Securities, the official closing price as determined by the primary listing market is used as the Official Closing Price for this purpose. Proposed Rule 1.1(s)(5) is based on NYSE Arca Rule 1.1(s)(5) and NYSE American Rule 1.1(gg)(5) and would specify that for purposes of Trading Collars for Market Orders under Rule 7.31(a)(1)(B)(i) for UTP Securities only, the Official Closing Price would be the official closing price disseminated by the primary listing market for that security via a public data feed on a trading day and that if the primary listing market does not disseminate an official closing price on a trading day, the Official Closing Price would be the most recent consolidated last sale eligible trade during Core Trading Hours on that trading day. If there were no consolidated last sale eligible trades during Core Trading Hours on that trading day, the Official Closing Price would be the prior trading day's Official Closing Price.

• Finally, NYSE Arca Rule 1.1(ll) and NYSE American Rule 1.1(gg) provide that an Official Closing Price may be adjusted to reflect a corporate action or a correction to a closing price, as disseminated by the primary listing market for the security. Proposed Rule 1.1(s)(6) is based on these NYSE Arca and NYSE American rules and would specify that the Exchange would similarly adjust an Official Closing Price to reflect a corporate action in a security or a correction to a closing price.

The Exchange also proposes non-substantive differences to Rule 1.1 to re-number the existing definitions so that the above-described new definitions can be included in alphabetical order in Rule 1.1. The Exchange also proposes a non-substantive amendment to Rule 1.1(q) (proposed to be Rule 1.1(t)) to fix a typographical error to add a quotation mark after the term ''Best Offer'' in the last sentence of that definition.

Proposal To Add the DMM as a Participant Under Pillar Platform Rules

As noted above, once Exchange-listed securities transition to Pillar, such securities will be subject to the Pillar Platform Rules, including Rules 7.36 (Order Ranking and Display) and 7.37 (Order Execution and Routing). Accordingly, orders in Exchange-listed securities will be eligible for Setter Priority, as described in Rule 7.36(h) and will be allocated on parity, as provided for in Rule 7.37(b).

Because DMMs are not assigned to UTP Securities, Rules 7.36 and 7.37 do not currently address the DMM participation in allocation. To support the transition of Exchange-listed securities to Pillar, the Exchange proposes to amend these rules to reflect that the DMM would be included in the allocation process for securities assigned to that DMM.

First, the Exchange proposes to amend Rule 7.36(a)(5), which defines the term ''Participant,'' to add the DMM to this definition. The proposed new rule would provide that (new text underlined):

''Participant'' means for purposes of parity allocation, a Floor broker trading license (each, a ''Floor Broker Participant''), *the DMM assigned to the security (''DMM Participant''),* or orders collectively represented in the Exchange Book that have not been entered by a Floor broker *or DMM* (''Book Participant'').

This proposed rule text is based in part on Rule 72(c)(ii), which provides that the DMM constitutes an individual participant for purposes of share allocation in a security that is assigned to such DMM.

Next, the Exchange proposes to amend Rule 7.37(b)(7), which is currently designated as ''Reserved,'' to delete that term and add: ''*DMM Participant Allocation.* An Allocation to the DMM Participant will be allocated to orders that comprise the DMM Participant by working time.'' With this proposed rule change, if a DMM Participant has more than one order at a price and receives an allocation, that parity allocation would be allocated among the DMM orders by working time associated with such orders. This proposed rule text is new for Pillar and uses Pillar terminology to provide transparency regarding how multiple orders from the DMM Participant would be allocated among those orders.

At this time, the Exchange is not proposing to move other rules governing DMMs to the Pillar Platform Rules, such as Rules 98 (Operation of a DMM Unit), 103 (Registration and Capital Requirements of DMMs and DMM Units), 103B (Security Allocation and Reallocation), and 104 (Dealings and Responsibilities of DMMs). Accordingly, these current rules, and any other current rule that does not include a preamble that such rule is not applicable to trading on the Pillar trading platform, will continue to be applicable to DMMs once Exchange-listed securities transition to the Pillar trading platform.

Proposed Amendments to Rule 7.31 (Orders and Modifiers)

Rule 7.31 sets forth the orders and modifiers that are available for trading on Pillar on the Exchange. Because the Exchange currently trades only UTP Securities, this rule does not address order types that would participate in an auction on the Exchange. For example, Rule 7.31(c) defines Auction-Only Orders, but that rule currently provides that these orders are only to be routed. The Exchange proposes to amend Rule 7.31 to: (1) Provide that Auction-Only Orders would be available for auctions on the Exchange for Exchange-listed securities; (2) add additional Auction-Only Orders that are based on functionality currently available under Rules 13 and 70.25; and (3) specify which existing orders and modifiers would not be eligible to participate in an auction.

Auction-Only Orders for Auction-Eligible Securities.[17] Under current Rule 7.31(c), which defines Auction-Only Orders, if the Exchange receives an Auction-Only Order in a UTP Security, the Exchange routes such order directly to the primary listing market for that security. Therefore, Rule 7.31(c) currently describes an Auction-Only Order as a Limit Order or Market Order that is only to be routed pursuant to Rule 7.34.

The Exchange proposes to amend Rule 7.31(c) to reflect the difference between Auction-Only Orders for Exchange-listed securities, which will be auction eligible when they transition to Pillar, and Auction-Only Orders for UTP Securities, which are routed to the primary listing market. As proposed, Rule 7.31(c) would provide that an Auction-Only Order is a Limit Order or Market Order that is to be traded only in an auction pursuant to the Rule 7.35 Series (for Auction-Eligible Securities) [18] or routed pursuant to Rule 7.34 (for UTP Securities). This proposed rule text is based on NYSE Arca Rule 7.31–E(c) and NYSE American Rule 7.31E(c) with a non-substantive, clarifying difference to specify that such orders in Auction-Eligible Securities would be traded in an auction pursuant to the Rule 7.35 Series and that such orders in UTP Securities would be routed pursuant to Rule 7.34. Rule 7.31(c) would further provide that MOO, MOC, LOC, and Closing IO Orders (described below) would not be available to DMMs. This proposed rule change is based on Rule 104(b)(vi) without any substantive differences.

This proposed amendment would also add to the definition of Auction-Only Orders additional order types that are designated for an auction and that are currently available for Exchange-listed securities. First, because d-Quotes currently can be designated to exercise discretion only in auctions, the Exchange proposes to include in the definition of Auction-Only Orders how discretionary instructions would function on Pillar auctions.[19] Second, the Exchange proposes to add the Closing Imbalance Offset Order to the Pillar rules. The Exchange also proposes non-substantive differences to distinguish Auction-Only Orders that would participate in the Core Open and Trading Halt Auctions from Auction-Only Orders that would participate in the Closing Auction.[20]

Core Open and Trading Halt Auctions. Proposed Rule 7.31(c)(1) would describe the Auction-Only Orders designated for an opening or reopening auction that the Exchange would accept before the Core Trading Session begins (for the Core Open Auction) or during a halt or pause (for a Trading Halt Auction). As proposed, any quantity of such orders that are not traded in the designated auction would be cancelled. This proposed text does not introduce new functionality, but uses Pillar terminology relating to auctions. The Exchange proposes to move the definitions for a Limit-on-Open Order (''LOO Order'') and a Market-on-Open Order (''MOO Order'') as subparagraphs under Rule 7.31(c)(1) without any changes.[21]

Currently, under Rule 70.25(a)(ii), a d-Quote can include an instruction to participate in the opening transaction only, meaning that the discretionary instructions for an e-Quote would be live for the opening transaction only.[22] The Exchange proposes to replicate this d-Quote behavior on Pillar without any substantive differences and proposes to describe it as an Auction-Only Order that would be called the ''Opening D Order.''

Proposed Rule 7.31(c)(1)(C) would provide that an Opening D Order is a Limit Order to buy (sell) with an instruction to exercise discretion in the Core Open Auction or Trading Halt Auction up (down) to a designated undisplayed price. Just as d-Quotes are available only to Floor brokers, proposed Rule 7.31(c)(1)(C)(i) would provide that an Opening D Order may be entered by a Floor broker only. Because an Opening D Order would cancel if it does not trade in the designated auction, this order type would not be eligible to trade in continuous trading. This proposed rule text is based on current functionality without any substantive differences, but uses Pillar terminology.

Because an Opening D Order could be entered for a UTP Security, proposed Rule 7.31(c)(1)(C)(ii) would provide that based on the instruction of the Floor broker, an Opening D Order in a UTP Security would be routed to the primary listing market as either a MOO or a LOO Order. This is consistent with the treatment of Auction-Only Orders today in UTP securities, which are routed to the primary listing market for that security.

Closing Auctions. Proposed Rule 7.31(c)(2) would describe the Auction-Only Orders designated for a closing auction and proposes that the Exchange would begin accepting such Auction-Only Orders when it begins accepting orders for a trading day as provided for in Rule 7.34(a)(1).[23] The Exchange proposes to move the definitions for a Limit-on-Close Order (''LOC Order'') and a Market-on-Close Order (''MOC Order'') as subparagraphs under Rule 7.31(c)(2) without any changes.[24]

Similar to d-Quotes for opening transactions, Rule 70.25(a)(ii) provides that a d-Quote can include an instruction to participate in the closing transaction only, meaning that the discretionary instructions for an e-Quote would be live only for an auction. Because the discretionary instructions are live only for an auction, the Exchange proposes to describe this functionality for Pillar as part of Auction-Only Orders. As proposed, a Closing D Order would be defined in Rule 7.31(c)(2)(C) as a Limit Order to buy (sell) with an instruction to exercise discretion in the Closing Auction up (down) to a designated undisplayed price. As with d-Quotes, proposed Rule 7.31(c)(2)(C)(i) would provide that a Closing D Order may be entered by a Floor broker only.

Proposed Rule 7.31(c)(2)(C)(ii) would provide that, on arrival, a Closing D Order would be processed as a Limit Order and may trade or route prior to the Closing Auction. This proposed rule text is based on how a d-Quote with instructions to participate in the closing transaction only currently operate, as such d-Quotes are eligible to trade during continuous trading prior to the

[17] *See* discussion *infra* regarding proposed Rule 7.35(a) and definitions for purposes of Auctions, including the terms ''Core Open Auction,'' ''Trading Halt Auction,'' ''Closing Auction,'' and ''Auction-Eligible Securities.''

[18] *See* discussion *infra* regarding the proposed Rule 7.35 Series.

[19] *See* Rule 70.25(a)(ii).

[20] As described below, the Exchange proposes to define the terms Core Open Auction, Trading Halt Auction, and Closing Auction in proposed Rule 7.35(a).

[21] Current Rule 7.31(c)(1) relating to LOO Orders would be renumbered as Rule 7.31(c)(1)(A) and current Rule 7.31(c)(2) relating to MOO Orders would be renumbered as Rule 7.31(c)(1)(B).

[22] The Exchange recently amended its rules to establish D Orders on the Pillar trading platform, which are based on d-Quotes under Rule 70.25, as well as to establish a Last Sale Peg Modifier and Yielding Modifier. *See* Securities Exchange Act Release Nos. 84806 (December 12, 2018), 83 FR 64913 (December 18, 2018) (Notice of filing) and 85158 (February 15, 2019), 84 FR 5794 (February 22, 2019) (Approval Order) (SR–NYSE–2018–52). The Exchange will be announcing by Trader Update the implementation date for D Orders, the Last Sale Peg Modifier (and related Last Sale Peg Order), and the Yielding Modifier. Because these order types and modifiers will be available when the Exchange transitions Exchange-listed securities to Pillar, this proposed rule change includes how those orders would function in auctions.

[23] Rule 7.34(a)(1) provides that the Exchange will begin accepting orders 30 minutes before the Early Trading Sessions begins at 7:00 a.m.

[24] Current Rule 7.31(c)(3) relating to LOC Orders would be renumbered as Rule 7.31(c)(2)(A) and current Rule 7.31(c)(4) relating to MOO Orders would be renumbered as Rule 7.31(c)(2)(B).

closing transaction as a straight e-Quote and the discretionary instructions of such a d-Quote are active only for an auction.

Proposed Rule 7.31(c)(2)(C)(iii) would provide that a Closing D Order in an Auction-Eligible Security may include a Yielding Modifier. This would be new functionality on Pillar, as currently, a d-Quote cannot be combined with a g-Quote. As proposed, until the Closing Auction, a Closing D Order with the proposed Yielding Modifier would be processed as a Yielding Order. The Exchange further proposes that a Closing D Order with a Yielding Modifier would be ranked Priority 4—Yielding Orders.[25] When executing in the Closing Auction, a Closing D Order with a Yielding Modifier would trade at its undisplayed discretionary price, but would yield to other non-Yielding orders if such discretionary price is the same as the Auction Price.[26]

Proposed Rule 7.31(c)(2)(C)(iv) would provide that based on the instruction of the Floor broker, a Closing D Order in a UTP Security would be routed to the primary listing market as either a MOC or LOC Order. This is consistent with the treatment of Auction-Only Orders today in UTP securities, which are routed to the primary listing market for that security.

To complete the list of Auction-Only Orders that would be available on the Exchange when it introduces auctions on Pillar for Exchange-listed securities, the Exchange proposes to amend Rule 7.31(c) to include the proposed Closing Imbalance Offset Order (''Closing IO Order''), which is based on the Closing Offset Order (''CO Order'') currently available for Exchange-listed securities.[27] Proposed Rule 7.31(c)(2)(D) would provide that a Closing IO Order is a Limit Order to buy (sell) in an Auction-Eligible Security that is to be traded only in a Closing Auction.

Proposed Rule 7.31(c)(2)(D)(i) would further provide that a Closing IO Order would participate in a Closing Auction only if: (i) There is an Unpaired Quantity (a term that will be defined in proposed Rule 7.35(a), described below) in the security on the opposite side of the market from the Closing IO Order after taking into account all other orders eligible to trade at the auction price; and (ii) the limit price of the Closing IO Order to buy (sell) is at or above (below) the price of the Closing Auction. This text is based on Rule 13(c)(1)(i) and (ii), which describe when a CO Order may participate in the Closing Auction, with changes to reflect Pillar terminology.

Proposed Rule 7.31(c)(2)(D)(ii) would provide that the working price of a Closing IO Order to buy (sell) would be adjusted to be equal to the price of the Closing Auction, provided that the working price of the Closing IO Order would not be higher (lower) than its limit price. This proposed text would add further specificity to the operation of Closing IO Order and is based on Rule 13(c)(1)(iii) which provides that a CO Order will participate in the Closing Auction if its limit price is at or within the price of the Closing Auction. The Exchange proposes to specify the ranking and allocation of the proposed Closing IO Orders in proposed Rule 7.35B, described below.

Orders Not Eligible to Participate in an Auction. The Exchange proposes that unless otherwise specified, orders and modifiers described in Rule 7.31 would be eligible to participate in an Auction. The Exchange proposes that the following order types would not be eligible to participate in an Auction:

- Rule 7.31(b)(2) would be amended to provide that a Limit Order designated IOC would not be eligible to participate in any Auctions. This proposed rule is based on NYSE Arca Rule 7.31–E(b)(2) and NYSE American Rule 7.31E(b)(2) with a non-substantive difference to capitalize the term ''Auctions,'' which is a defined term described below in proposed Rule 7.35(a)(1). This proposed rule change would be a substantive difference on the Exchange, as currently, specified orders designated IOC are eligible to participate in an opening or reopening auction.[28] The Exchange believes that the proposed Pillar rule would standardize the treatment of Limit IOC Orders across affiliated exchanges. In addition, the Exchange believes that cancelling such orders on arrival rather than holding them for an auction is consistent with the instruction of such orders to cancel if not immediately executable.
- Rule 7.31(d)(2) would be amended to provide that Non-Displayed Limit Orders would not participate in any Auctions. This proposed rule is based on NYSE Arca Rule 7.31–E(d)(2) and NYSE American Rule 7.31E(d)(2) with a non-substantive difference to capitalize the term Auctions. This proposed rule is also consistent with Rule 13(d)(2)(D), which provides that Non-Displayed Reserve Orders shall not participate in manual executions, which means that they are not eligible to participate in any auctions under current rules.
- Rule 7.31(d)(3) would be amended to provide that Mid-Point Liquidity Orders (''MPL Order'') would not participate in any Auctions. This proposed rule is based on NYSE Arca Rule 7.31–E(d)(3) and NYSE American Rule 7.31E(d)(3) with a non-substantive difference to capitalize the term Auctions. This proposed rule text is also based in part on Rule 13(d)(1)(A), which provides that MPL Orders are not eligible for openings, reopenings, or closing transactions.
- Rule 7.31(e)(2)(A) would be amended to provide that ALO Orders may participate in Auctions, but the ALO designation would be ignored and that an ALO Order that has not traded in an Auction would be assigned a working price and display price pursuant to Rule 7.31(e)(2)(B). This proposed rule is based on NYSE Arca Rule 7.31–E(e)(2)(A) with a non-substantive difference to capitalize the term Auction. This proposed rule text is also based in part on Rule 13(e)(1)(A), which provides that an order designated ALO may participate in openings, reopenings, or closings, but the ALO designation shall be ignored.
- Rule 7.31(h)(4) would be amended to provide that Non-Displayed Primary Pegged Orders would not participate in any Auctions. This proposed rule is based on NYSE American Rule 7.31E(h) with a non-substantive difference that on the Exchange, this text would be specific to Non-Displayed Primary Pegged Orders, which is the only type of non-displayed Pegged Order available on the Exchange. This proposed rule is also based in part on how pegging interest currently functions on the Exchange. Currently, because pegging interest is an e-Quote, it may be designated as a Non-Display Reserve e-Quote pursuant to Rule 70(b)(ii) and (f)(ii). In such case, this non-displayed pegging interest would not participate in openings, re-openings, or closings. Accordingly, this proposed rule text is based on current functionality.
- Rule 7.31(i)(2) would be amended to provide that orders marked with a Self-Trade Prevention (''STP'') modifier would not be prevented from interacting during any Auction. This proposed rule is based on the last sentence of NYSE Arca Rule 7.31–E(i)(2) and the last sentence of NYSE American Rule 7.31E(i)(2) with a non-substantive difference to capitalize the term Auction. This proposed rule text is also based on the fourth paragraph of Rule 13(f)(3)(B), which provides that STP modifiers will not be active and will be

[25] *See* Rule 7.36(e)(4) (Orders ranked Priority 4—Yielding Orders have fourth priority).

[26] As described below, the Exchange proposes to define the term ''Auction Price'' in proposed Rule 7.35(a).

[27] *See* Rule 13(c)(1).

[28] *See* Rule 13(b)(2)(D) and (E) (specifying which IOC orders entered before the Exchange opening or during a trading halt will be held for the opening or reopening, respectively).

ignored for opening, re-opening, and closing transactions.

• Rule 7.31(i)(4) would be amended to provide that a Last Sale Peg Order would not be eligible to participate in any Auctions. This functionality would be new on Pillar. The Exchange believes that because orders would be included in an Auction at the limit price of the order (as discussed below in connection with proposed Rule 7.35(b)), processing a Last Sale Peg Order in an Auction at its limit price would defeat the purpose of such order, which is to assist member organizations in their compliance with the ''safe harbor'' provisions of Rule 10b–18 under the Act (''Rule 10b–18'') for issuer repurchases.[29]

The Exchange proposes two additional changes to Rule 7.31. First, the Exchange proposes to amend Rule 7.31(a)(2)(B), relating to Limit Order Price Protection.[30] Currently, the rule provides that a Limit Order entered before the Core Trading Session that becomes eligible to trade in the Core Trading Session will become subject to Limit Order Price Protection when the Core Trading Session begins. With this functionality, orders not yet eligible to trade are not rejected on arrival, but rather are evaluated for Limit Order Price Protection when they become eligible to trade. The Exchange proposes to amend this existing rule text to specify that it would be applicable to UTP Securities only.

Because an order in an Auction-Eligible Security would be subject to an auction process when it becomes eligible to trade, the Exchange proposes different treatment for such securities. In that auction process, a Limit Order priced better than the Auction Price would be guaranteed to participate in the applicable Auction.[31] If a security opens or reopens on a quote, it is because the Exchange has not received orders that can trade. Accordingly, the Exchange does not believe that orders in Auction-Eligible Securities would need to be subject to Limit Order Price Protection when they become eligible to trade. Accordingly, the Exchange proposes to amend Rule 7.31(a)(2)(B) to add that a Limit Order in an Auction-Eligible Security entered before the Core Trading Session or during a trading halt or pause (*i.e.,* periods when the Exchange is not open for trading in such securities), would not be subject to Limit Order Price Protection.

Second, the Exchange proposes to amend Rule 7.31(h)(2) to provide that a Primary Pegged Order would not be eligible to participate in the Closing Auction.[32] The Exchange believes that excluding Primary Pegged Orders from participating in the Closing Auction would streamline order processing in the Closing Auction. As described below, orders would participate in the Closing Auction at their limit price, which would likely be a different price from where a Primary Pegged Order is displayed immediately prior to the Closing Auction. Because a Primary Pegged Order, which intraday is pegged to display to the same-side PBBO, would likely need to be repriced to its limit price in order to participate in the Closing Auction, the Exchange believes that making such orders ineligible to participate in the Closing Auction would streamline order processing when transitioning to the Closing Auction.

Proposed Rule 7.35 (General)

Because there would be multiple rules governing auctions that each reference Rule ''7.35,'' the Exchange proposes to add a sub-heading above current Rule 7.35 that states ''Rule 7.35 Series. Auctions.'' The Exchange then proposes to amend the heading for Rule 7.35 to delete the term ''Reserved'' and rename it ''General.''

Proposed Rule 7.35 would set forth the general rules for auctions on the Exchange. As proposed, Rule 7.35 would be applicable to all auctions on the Exchange.

Definitions. Proposed Rule 7.35(a) would set forth definitions that would be used for purposes of Rule 7P. The Exchange proposes to set forth the definitions in alphabetical order in the rule text, but will describe them out of alphabetical order in this filing to provide context for definitions that reference other definitions.

Proposed Rule 7.35(a)(1) would provide that the term ''Auction'' would refer to the process for opening, re-opening, or closing of trading of Auction-Eligible Securities on the Exchange, which could result in either a trade or a quote. The Current Auction Rules use varying terms, including referencing an opening, re-opening, or closing ''transaction.'' For Pillar, the Exchange proposes that the term ''Auction'' would mean any action that results in the opening, reopening, or closing of trading, which could result in a trade or a quote, or in the case of the close of trading, no action.[33] For specific Auctions, the Exchange proposes to use terms based on NYSE Arca Rule 7.35–E and NYSE American 7.35E:

• Proposed Rule 7.35(a)(1)(A) would provide that ''Core Open Auction'' means the Auction that opens trading at the beginning of the Core Trading Session.[34] This proposed term would replace use of the terms ''opening'' and ''opening transaction'' as used in the Current Auction Rules.

• Proposed Rule 7.35(a)(1)(B) would provide that ''Trading Halt Auction'' means the Auction that reopens trading following a trading halt or pause. This proposed term would replace use of the terms ''reopening'' or ''reopening transaction'' as used in the Current Auction Rules.

• Proposed Rule 7.35(a)(1)(C) would provide that ''Closing Auction'' means the Auction that closes trading at the end of the Core Trading Session. This proposed term would replace use of the terms ''close,'' ''closing,'' and ''closing transaction'' as used in the Current Auction Rules.

• Proposed Rule 7.35(a)(1)(D) would provide that ''IPO Auction'' means the Core Open Auction for the first day of trading on the Exchange of a security that is an IPO. This definition would be new for Pillar and is based on references to IPOs in the Current Auction Rules.

• Proposed Rule 7.35(a)(1)(E) would provide that ''Direct Listing Auction'' means the Core Open Auction for the first day of trading on the Exchange of a security that is a Direct Listing. This definition would be new for Pillar and

[29] 17 CFR 240.10b–18.

[30] NYSE Arca and NYSE American have each filed an immediately-effective proposed rule change to make similar changes to how Limit Order Price Protection operates on those exchanges. *See* Securities Exchange Act Release Nos. 85265 (March 7, 2019), 84 FR 9175 (March 13, 2019) (SR–NYSEArca–2019–08) (Notice of filing and immediate effectiveness of proposed rule change) and 85272 (March 8, 2019), 84 FR 9403 (March 14, 2019) (SR–NYSEAmer-2019–04) (Notice of filing and immediate effectiveness of proposed rule change) (''NYSE Arca and NYSE American Filings'').

[31] *See* discussion *infra* regarding proposed Rule 7.35A(h) regarding allocation of orders in an Auction.

[32] This proposed rule change is based on a recent amendment to NYSE Arca Rule 7.31–E(h)(2), which similarly provides that Primary Pegged Orders on that exchange will not participate in a closing auction. *See* Securities Exchange Act Release No. 85265 (March 7, 2019), 84 FR 9175 (March 13, 2019) (SR–NYSEArca–2019–08) (Notice of filing and immediate effectiveness of proposed rule change).

[33] Currently, if there is no interest for a closing transaction, the DMM is not required to take any action on such security. Because the Exchange does not have any trading after 4:00 p.m., the Exchange does not publish a quote for such security if there is no closing transaction. The Exchange will disseminate an Official Closing Price for such security that is determined based on Rule 123C(1)(e)(i)—(iii), or on Pillar, under proposed Rule 1.1(s).

[34] As described below, the Exchange proposes to amend Rule 7.34(a)(2) relating to the Core Trading Session. The term ''Core Trading Hours'' means ''the hours of 9:30 a.m. Eastern Time through 4:00 p.m. Eastern Time or such other hours as may be determined by the Exchange from time to time.'' *See* Rule 1.1.

is based on the Exchange's listing rules that provide for a Direct Listing, as described above.

Proposed Rule 7.35(a)(2) would provide that the term ''Auction-Eligible Security'' would mean all securities for which the Exchange is the primary listing market. This proposed definition is based on NYSE American Rule 7.35E(a)(1), which also defines the term ''Auction-Eligible Security.'' Because the Exchange does not conduct Auctions in UTP Securities, the Exchange proposes that this definition would be applicable to Exchange-listed securities only.

Proposed Rule 7.35(a)(3) would provide that the term ''Auction Imbalance Freeze'' means the period that begins before the scheduled time for an Auction. This proposed definition is based in part on NYSE Arca Rule 7.35–E(a)(3) and NYSE American Rule 7.35E(a)(3). Because, as described below, there will be an Auction Imbalance Freeze for the Closing Auction only, the Exchange will set forth the details regarding such freeze in proposed Rule 7.35B.

Proposed Rule 7.35(a)(4) would provide that the term ''Auction Imbalance Information'' means the information that is disseminated by the Exchange for an Auction. This proposed definition is based in part on NYSE Arca Rule 7.35–E(a)(4) and NYSE American Rule 7.35E(a)(4), which also use this term. While the Exchange proposes to use the same term as NYSE Arca and NYSE American, the content of the Auction Imbalance Information that would be disseminated by the Exchange would not be based on NYSE Arca or NYSE American Pillar rules. Instead, the Exchange proposes to continue disseminating the same content for its Auction Imbalance Information as under the Current Auction Rules, which is described in Rule 15(g) as ''Opening Order Imbalance Information,'' in Rule 123C(5) as ''Publication of Mandatory MOC/LOC and Information Imbalances,'' and in Rule 123C(6) as ''Order Imbalance Information Data Feed.'' In the Pillar Auction Rules, the Exchange proposes to use standardized Pillar terminology, as defined below, to describe such information.

The following are proposed defined terms that are used for Auction Imbalance Information under the Pillar Auction Rules:

- Proposed Rule 7.35(a)(5) would define the term ''Auction Price'' as the price at which an Auction is conducted. This would be a new term in the Pillar Auction Rules and is based in part on the use of the term ''opening or reopening price'' in Rule 115A(a)(1) and use of the term ''closing price'' in Rule 123C(7).
  - Proposed Rule 7.35(a)(5)(A) would provide that a buy (sell) order is ''better-priced'' if it is priced higher (lower) than the Imbalance Reference Price or the Auction Price. This proposed definition is based in part on the term ''Better Priced'' as defined in Rule 123C(1)(a) relating to the close.[35] In the Pillar Auction Rules, the Exchange proposes to use the term ''better-priced'' for all Auctions.[36] The rule would further provide that Market, MOO, and MOC Orders would be better-priced orders unless such orders have been ranked as a Priority 2—Display Order during a Short Sale Period as provided for in Rule 7.16(f). This proposed rule text is based in part on Rule 115A(a)(1)(A), which provides that Market Orders and MOO Orders are guaranteed to participate in an opening or reopening transaction, and Rule 123C(7)(a), which provides that MOC Orders are guaranteed to participate in the closing transaction. Finally, this definition would provide that DMM Interest (defined below) to buy (sell) would never be a better-priced order, even if priced higher (lower) than the Imbalance Reference Price or Auction Price. This proposal is consistent with the Exchange's proposal, described in greater detail below, that DMM Interest is not guaranteed to participate in an Auction.[37]
  - Proposed Rule 7.35(a)(5)(B) would provide that a buy (sell) order is ''at-priced'' if it is priced equal to the Imbalance Reference Price or Auction Price. This would be a new term for the Pillar Auction Rules and is based in part on use of the phrase orders ''with a price equal to the closing price,'' as used in Rule 123C(7)(b), or orders ''priced equal to the opening or reopening price of a security,'' as used in Rule 115A(a)(1)(B).
- In proposed Rule 7.35(a)(8), the Exchange proposes to define ''DMM Interest'' as all buy and sell interest entered by a DMM unit in its assigned securities. As noted above, pursuant to Rule 104(a)(2) and (3), the DMM has an obligation to facilitate Auctions in assigned securities and to supply liquidity as needed. In addition, pursuant to Rule 104(f)(ii), the DMM has the obligation to maintain a fair and orderly market in the stocks assigned to the DMM, which implies the maintenance of price continuity with reasonable depth, and to minimize the effects of temporary disparity between supply and demand.

The Exchange currently makes functionality available to DMMs to facilitate these obligations when they conduct Auctions. For example, when facilitating an auction, a DMM can either manually enter buy or sell interest into the graphical user interface that is used by the DMM on the Trading Floor[38] to manage the auction process or algorithmically enter buy or sell interest in response to the Exchange's electronic request to the DMM unit to conduct an Auction.[39] Currently, the DMM interest entered as part of this functionality can be intended to participate in an Auction only or to meet the obligation to maintain price continuity and depth in assigned securities immediately following the auction. In the Pillar Auction Rules, the Exchange believes it would promote transparency regarding the auction process to separately define these types of DMM Interest for Auctions. As described below, these terms would be used in the Pillar Auction Rules relating to Auction Imbalance Information, entry of orders during the Auction Processing Period, the opening and closing process, and auction allocation.

As proposed, the following types of DMM Interest would be available to DMMs to facilitate their obligations under Rule 104 in their assigned securities:

- Proposed Rule 7.35(a)(8)(A) would define ''DMM Auction Liquidity'' as non-displayed buy and sell interest that is (i) entered by a DMM either manually on the Trading Floor or as part of the DMM unit's electronic message to conduct an Auction; (ii) designated for an Auction only; and (iii) not entered as an order or modifier as defined in Rule 7.31. This would be a new term for Pillar Auction Rules that would

[35] Rule 123C(1)(a) provides that ''[b]etter priced than the closing price means an order that is lower than the closing price in the case of an order to sell or higher than the closing price in the case of an order to buy.'' In addition, for opening and reopening transactions, Rule 115A(a)(1)(A) describes interest to buy (sell) priced higher (lower) than the opening or reopening price, which is the same definition as the proposed ''better-priced'' orders in the Pillar Auction Rules.

[36] As described in greater detail below, better-priced orders are guaranteed to participate in an Auction. *See* discussion *infra* regarding proposed Rules 7.35A(h)(1) and 7.35B(h)(1).

[37] *See* discussion *infra* regarding proposed Rules 7.35A(h)(2) and (3) and 7.35B(h)(2) and (3).

[38] The term ''Trading Floor'' is defined in Rule 6A to mean the restricted-access physical areas designated by the Exchange for the trading of securities, commonly known as the ''Main Room'' and the ''Buttonwood Room.''

[39] Pursuant to Rule 104(b)(i), DMM units have the ability to employ algorithms for quoting and trading consistent with NYSE and SEC regulations, and as provided for in Rules 104(a)(2) and (3) and 104(b)(ii), such algorithms will have access to aggregate order information in order to comply with the DMM requirement to facilitate Auctions.

describe current DMM functionality to enter buy and sell interest intended for an auction only. Currently, such DMM interest is not displayed, is generally entered by the DMM unit contemporaneously with conducting an Auction, and cancels if it does not participate in an Auction. In addition, this buy and sell interest is unique to the DMM's role in facilitating Auctions and differs from the type of orders defined in Rule 7.31. The term ''DMM Auction Liquidity'' would therefore not represent new functionality, but would define this functionality for the Pillar Auction Rules. Although it is not displayed, the Exchange proposes that for the purpose of ranking and allocation in an Auction, DMM Auction Liquidity would be ranked Priority 2—Display Orders. As described in greater detail below in connection with proposed Rule 7.35A(h)(3) and 7.35B(h)(3), this ranking would be applicable only for parity allocations among at-priced orders at the Auction Price and if the only DMM Interest is DMM Auction Liquidity, such DMM Interest would not have time priority on the allocation wheel.

Proposed Rule 7.35(a)(4), which defines the term ''Auction Imbalance Information,'' would further provide that DMM Auction Liquidity would never be included in Auction Imbalance Information. Because DMM Auction Liquidity generally is not entered until just before an Auction is to be conducted, is intended to be offsetting interest, is not displayed, and cancels if not executed in an Auction, the Exchange does not believe that this information should be included in Auction Imbalance Information.

◦ Proposed Rule 7.35(a)(8)(B) would define ''DMM Orders'' to be orders, as defined under Rule 7.31, entered by a DMM unit. Such orders would be ranked as provided for in Rule 7.31. Unlike DMM Auction Liquidity, DMM Orders would function no differently than the orders available to all other member organizations as described in Rule 7.31. For example, for the Closing Auction, this definition would include those orders entered by the DMM during continuous trading and that are not executed before the Closing Auction. As currently available, in Pillar, the DMM would also be able to enter DMM Orders when it uses its electronic functionality to facilitate an Auction.

◦ Proposed Rule 7.35(a)(8)(C) would define ''DMM After-Auction Orders'' to be orders, as defined under Rule 7.31, entered by a DMM unit before either the Core Open or Trading Halt Auction that would not participate in an Auction and would instead be intended to maintain price continuity with reasonable depth immediately following an Auction, as required by Rule 104(f)(ii). This proposed definition would be new for the Pillar Auction Rules and would describe the existing functionality, described above, that the DMM can enter buy and sell orders that are intended to be included in the Exchange Book immediately after the opening or reopening transaction to meet the obligation to maintain price continuity with reasonable depth following such transactions. The Exchange believes that this unique DMM obligation, and related functionality to meet this obligation, protects investors and the public interest by ensuring a smooth transition from an Auction to continuous trading. As further proposed, once entered on the Exchange Book, DMM After-Auction Orders would be ranked as provided for in Rule 7.31.

• Proposed Rule 7.35(a)(10) would define the term ''Imbalance Reference Price'' as the reference price that is used for the applicable Auction to determine the Auction Imbalance Information. This would be a new term in the Pillar Auction Rules and is based on the use of the term ''reference price'' in Rules 123C(6)(a)(iii) and 15(g)(2)(A).

Proposed Rule 7.35(a)(4)(A) would define the term ''Imbalance'' to mean the volume of better-priced buy (sell) shares that cannot be paired with both at-priced and better-priced sell (buy) shares at the Imbalance Reference Price. Use of the term ''Imbalance'' in the Pillar Auction Rules refers to the manner by which an imbalance is calculated, and not the actual information that is disseminated. Under the Current Auction Rules, the Exchange calculates imbalance information in this manner.[40] For example, Rule 123C(4)(a)(iii) and (iv) provide that buy/sell closing volume does not include at-priced interest. The Exchange proposes to standardize this method of calculation for all Auctions with the proposed term ''Imbalance.'' As further proposed, the side that cannot be paired would be referred to as the ''Side of the Imbalance.''

The Exchange proposes that it would disseminate two types of Imbalance publications: Total Imbalance and Closing Imbalance. Total Imbalance information would be disseminated for all Auctions, and Closing Imbalance information would be disseminated for the Closing Auction only:

• Proposed Rule 7.35(a)(4)(A)(i) would provide that the term ''Total Imbalance'' means for the Core Open and Trading Halt Auctions, the Imbalance of all orders eligible to participate in an Auction and for the Closing Auction, the Imbalance of MOC, LOC, and Closing IO Orders, and beginning five minutes before the scheduled end of Core Trading Hours, Closing D Orders.

This would be a new term for the Pillar Auction Rules and is based in part on the term ''Total Imbalance,'' as used in NYSE Arca Rule 7.35–E(a)(7)(A) and NYSE American Rule 7.35E(a)(7)(A), but with the substantive difference compared to those exchanges in how such Imbalance information would be calculated on the Exchange, as described above.

For the Core Open and Trading Halt Auctions, this proposed rule text is based in part on Rule 15(g)(1), which provides that Order Imbalance Information includes real-time order imbalances that accumulate prior to the opening transaction on the Exchange and that such Order Imbalance Information includes all interest eligible for execution in the opening transaction of the security in Exchange systems. For the Closing Auction, this proposed rule text is based in part on Rules 123C(4) and (6)(a)(ii), with non-substantive differences to use Pillar terminology. Accordingly, the content included in Auction Imbalance Information under the Pillar Auction Rules would be the same as the content included in Order Imbalance Information under the Current Auction Rules, including that Total Imbalance information would differ for the Closing Auction as compared to the Total Imbalance information included for the Core Open or Trading Halt Auction.

• Proposed Rule 7.35(a)(4)(A)(ii) would provide that the term ''Closing Imbalance'' means the Imbalance of MOC and LOC Orders to buy and MOC and LOC Orders to sell. The rule would further provide that a ''Manual Closing Imbalance'' would mean a Closing Imbalance disseminated by the DMM before the Closing Auction Imbalance Freeze Time and a ''Regulatory Closing Imbalance'' would mean a Closing Imbalance disseminated at or after the Closing Auction Imbalance Freeze Time.

These would be new terms for the Pillar Auction Rules to define the content currently described in Rule

[40] The Exchange currently calculates information relating to imbalances for its auctions differently from NYSE Arca and NYSE American. *See, e.g.,* NYSE Arca Rule 7.35–E(a)(7) and NYSE American Rule 7.35E(a)(7) (describing the imbalance as the ''number of buy (sell) shares that cannot be matched with sell (buy) shares''). As described below, better-priced interest is guaranteed to participate in an Auction on the Exchange, therefore, the Exchange's manner of calculating the Imbalance provides information about how many shares would need to be satisfied in an Auction.

123C as the ''Information Imbalance Publication'' and ''Mandatory MOC/LOC Imbalance Publication.'' As described in Rules 123C(1)(b) (defining the term ''Informational Imbalance Publication'') and 123C(1)(d) (defining the term ''Mandatory MOC/LOC Imbalance Publication''), under the Current Auction Rules, this is the information that indicates a disparity between MOC and marketable LOC interest to buy and MOC and marketable LOC interest to sell.[41] As described in Rule 123C(4), the manner by which the Informational Imbalance Publication and the Mandatory MOC/LOC Imbalance Publication is determined is the same; the difference between the two is when they are published and the impact they have on order entry. As discussed in greater detail below in connection with proposed Rule 7.35B(d), the Exchange proposes the same timing distinction between a Manual Closing Imbalance and a Regulatory Closing Imbalance.

Proposed Rule 7.35(a)(4)(B) would provide that the term ''Paired Quantity'' means the volume of better-priced and at-priced buy shares that can be paired with better-priced and at-priced sell shares at the Imbalance Reference Price and ''Unpaired Quantity'' means the volume of better-priced and at-priced buy shares that cannot be paired with both at-priced and better-priced sell shares at the Imbalance Reference Price. The proposed rule would further provide that the term ''Side of the Unpaired Quantity'' would mean the side of the Unpaired Quantity with the greater quantity of shares that are eligible to trade at the Imbalance Reference Price.

The proposed Unpaired Quantity and Side of the Unpaired Quantity would be new information on Pillar, and would be available for Closing Auctions only. As noted above, Imbalance information on the Exchange means better-priced orders on one side of the market compared to both better-priced and at-price orders on the other side of the market. The Exchange believes that the Unpaired Quantity data would provide market participants with information regarding how many shares would be unpaired at the Imbalance Reference Price, which would be different from how the Imbalance would be calculated.[42]

- Proposed Rule 7.35(a)(4)(B)(i) would provide that for the Core Open and Trading Halt Auctions, the Paired Quantity would include all orders eligible to trade in an Auction. This proposed rule text is based on Rule 15(g)(1), which provides that Order Imbalance Information includes all interest eligible for execution in the opening transaction of the security in Exchange systems.
- Proposed Rule 7.35(a)(4)(B)(ii) would provide that for the Closing Auction, Paired and Unpaired Quantity would include MOC, LOC, and Closing IO Orders, and beginning five minutes before the scheduled end of Core Trading Hours, Closing D Orders. This proposed rule text is based in part on Rule 123C(6)(a)(i) and (ii), which describes the various data fields under the Current Auction Rules that include Auction-Only Orders.

Proposed Rule 7.35(a)(4)(C) would define the term ''Continuous Book Clearing Price'' as the price at which all better-priced orders eligible to trade in an Auction on the Side of the Imbalance of such orders can be traded. As further proposed, if there is no Imbalance of all orders eligible to trade in the Auction, the Continuous Book Clearing Price would be the Imbalance Reference Price. This would be a new term for the Pillar Auction Rules and is based in part on Rule 123C(6)(a)(i)(C), which refers to a data field indicating the price at which interest in the Display Book as well as closing-only orders may be executed in full,[43] and Rule 15(g)(1), which refers to the ''price at which interest eligible to participate in the opening transaction may be executed in full.''

Proposed Rule 7.35(a)(4)(D) would define the term ''Closing Only Interest Clearing Price'' as the price at which all better-priced MOC and LOC Orders on the Side of the Total Imbalance can trade with both better-priced and at-priced contra-side MOC, LOC, and Closing IO Orders. As further proposed, if there is no Total Imbalance or there are no MOC or LOC Orders, the Closing Interest Only Clearing Price would be the Imbalance Reference Price. This would be a new term for the Pillar Auction Rules and is based in part on Rule 123C(6)(a)(i)(B), which refers to ''a data field indicating the price at which closing-only interest . . . may be executed in full.''

Proposed Rule 7.35(a)(6) would define the term ''Auction Processing Period'' to mean the period during which the applicable Auction is being processed. This proposed term is new for the Pillar Auction Rules and is based in part on the same term as used in NYSE Arca Rule 7.35–E(a)(2) and NYSE American Rule 7.35E(a)(2). Because Auctions can be facilitated by a DMM on the Exchange, which differs from the electronic auction process on NYSE Arca and NYSE American, the Exchange proposes to further provide that for DMM-Facilitated Auctions, the Auction Processing Period includes the time when the DMM begins the process for conducting the Auction. As noted above, on the Trading Floor, the Exchange provides the DMM with a graphical user interface to manage the auction process, generally referred to as the ''opening'' or ''closing'' template. If a DMM-Facilitated Auction is being manually conducted from the Trading Floor, as proposed, the Auction Processing Period would begin when the DMM begins using such template to conduct the Auction, which the Exchange proposes to refer to as the ''Pre-Auction Freeze.'' Orders entered during such Auction Processing Period would be processed as described in proposed Rule 7.35(e).

Proposed Rule 7.35(a)(7) would define the term ''Closing Auction Imbalance Freeze Time'' to mean 10 minutes before the scheduled close of trading. This proposed term would be new for the Pillar Auction Rules and is based on the numerous references to 3:50 p.m. in Rule 123C and Supplementary Material .40 to Rule 123C.[44] The Exchange believes that the proposed definition would streamline the Pillar Auction Rules as compared to Rule 123C by using a single term to reference the period 10 minutes before the scheduled close of trading and would obviate the need for the text from Supplementary Material .40 to Rule 123C to account for early scheduled closes. The Exchange further believes that the proposed term is consistent with the use of the term

[41] The Rule 123C(1)(d) definition provides further details of what constitutes a Mandatory MOC/LOC Imbalance Publication and the Exchange proposes to move that text in the Pillar Auction Rules to proposed Rule 7.35B(d)(1).

[42] This proposed definition of ''Unpaired Quantity'' is comparable to how NYSE Arca and NYSE American calculate imbalance information under NYSE Arca Rule 7.35–E(a)(7) and NYSE American Rule 7.35E(a)(7) (*i.e.,* the ''number of buy (sell) shares that cannot be matched with sell (buy) shares''.)

[43] As described above and consistent with Rule 123C(6), for the Closing Auction, only the Continuous Book Clearing Price would be based on all orders eligible to participate in the Closing Auction.

[44] The Exchange recently amended Rule 123C to change the time from 3:45 p.m. to 3:50 p.m. and plans to implement this change on April 1, 2019. *See* Securities Exchange Act Release No. 85021 (January 31, 2019), 84 FR 2292 (February 6, 2019) (SR–NYSE–2018–58) (Approval Order) and Trader Update dated December 14, 2018, available here: *https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_MOC_LOC_Cutoff_Time_Change.pdf.* In the Pillar Auction Rules, the Exchange similarly proposes to use 3:50 p.m., but instead of referring to the clock time in the rule, would refer to a time period before the scheduled close of trading that is defined as the ''Closing Auction Imbalance Freeze Time.''

''Auction Imbalance Freeze'' in the NYSE Arca and NYSE American auction rules.[45]

Proposed Rule 7.35(a)(9) would define the term ''Floor Broker Interest'' to mean orders represented orally by a Floor broker at the point of sale. This would be a new term for the Pillar Auction Rules and is based in part on the reference to ''Floor broker interest entered manually by the DMM'' as described in Rule 123C(7)(a)(iii).

Proposed Rule 7.35(a)(11) would define the term ''Last Sale Price'' to mean one of the following:

- Proposed Rule 7.35(a)(11)(A) would define the term ''Consolidated Last Sale Price'' to mean the most recent consolidated last-sale eligible trade in a security on any market during Core Trading Hours on that trading day, and if none, the Official Closing Price from the prior trading day for that security. This proposed definition would be new for Pillar on the Exchange. Under this proposed definition, prior to 9:30 a.m., the Consolidated Last Sale Price would be the prior day's Official Closing Price for a security. However, after 9:30 a.m., if a security is trading on other exchanges, the Consolidated Last Sale Price would be the most recent consolidated last-sale eligible trade in such security on any exchange. The Exchange further proposes to provide that for a transferred security, the Consolidated Last Sale Price means the most recent consolidated last-sale eligible trade in a security on any market during Core Trading Hours on that trading day, and if none, the official closing price from the prior trading day for that security from the exchange from which the security was transferred. This proposed rule text is based in part on Rule 15(g)(2)(B)(iv), which provides that for purposes of Order Imbalance Information, if the security is a transferred security, the reference price is the last reported sale price on the securities market from which the security was transferred prior to its first day of trading on the Exchange. The Exchange believes that the proposed definition of ''Consolidated Last Sale Price'' would obviate the need for this rule text. As described below, the Consolidated Last Sale Price may be used for determining the Imbalance Reference Price for a Core Open Auction or Trading Halt Auction.[46]

- Proposed Rule 7.35(a)(11)(B) would define the term ''Exchange Last Sale Price'' to mean the most recent trade on the Exchange of a round lot or more in a security during Core Trading Hours on that trading day, and if none, the Official Closing Price from the prior trading day for that security. This proposed definition would be new for the Pillar Auction Rules and is based in part on references to the term ''last sale price'' in Rules 123C(4)(a)(i) and (ii) and 123C(6)(a)(iii)(A)–(C).

Proposed Rule 7.35(a)(12) would define the term ''Legitimate Error'' to mean an error in any term of an order, such as price, number of shares, side of the transaction (buy or sell), or identification of the security. This proposed definition would be new for the Pillar Auction Rules and is based in part on Rule 123C(1)(c), which defines the term ''Legitimate Error'' to mean ''an error in any term of a MOC or LOC order, such as price, number of shares, side of the transaction (buy or sell) or identification of the security.'' Unlike the Current Auction Rules, use of this term in the Pillar Auction Rules would not be limited to MOC and LOC Orders.[47]

Auction Ranking. Proposed Rule 7.35(b) would set forth the general rules for how different types of orders would be ranked for purposes of how they are included in Auction Imbalance Information or for an Auction allocation.

First, proposed Rule 7.35(b)(1) would provide that orders would be ranked based on the price at which they would participate in an Auction. The price at which an order would be ranked would be used to determine whether it is a better-priced or an at-priced order. The proposed rule would specify which price would be applicable to different types of orders, as follows:

- Proposed Rule 7.35(b)(1)(A) would provide that for Limit Orders, the ranked price would be the limit price of an order.[48] The Limit Orders that would be eligible to participate in Auctions include varying order types that are subject to repricing, such as a Non-Routable Limit Order, ALO, and Primary Pegged Order. Under the Pillar Auction Rules, such orders would be ranked for purposes of both Auction Imbalance Information and Auction allocation at their limit price, which represents current functionality.[49]

- Proposed Rule 7.35(b)(1)(B) would provide that for Opening D Orders, described above, the ranked price would be the undisplayed discretionary price. This would be new text for Pillar Auction Rules and is based on how d-Quotes designated for the opening or reopening transaction are ranked for purposes of Order Imbalance Information under Rule 15(g) and allocation in an auction under Rule 115A.

- Proposed Rule 7.35(b)(1)(C) would provide that for Closing D Orders, described above, the ranked price would be based on a specified time. As proposed, up to five minutes before the end of Core Trading Hours, the ranked price of a Closing D Order would be the order's limit price.[50] As further proposed, beginning five minutes before the end of Core Trading Hours, the ranked price of a Closing D Order would be the order's undisplayed discretionary price.[51] This proposed rule text is based on how currently, pursuant to Rule 123C(6)(a)(ii), at 3:55 p.m., Order Imbalance Information begins including d-Quotes eligible to participate in the closing transaction at their undisplayed discretionary price. As described below, on Pillar, the Exchange proposes to retain this functionality for Closing D Orders. To reflect this functionality, and to reflect that prior to 3:55 p.m., Closing D Orders would be eligible to trade at their limit price,[52] the Exchange proposes that the price at which such orders would be ranked would change once they are included in Auction Imbalance Information at their undisplayed discretionary price.

- Proposed Rule 7.35(b)(1)(D) would provide that the ranked price for DMM Interest would be the Imbalance Reference Price (for when DMM Interest is included in the Auction Imbalance Information) or the Auction Price (for how DMM Interest is ranked for an Auction allocation). As described in more detail below, regardless of the limit price of DMM Interest, it will never be considered ''better-priced'' interest or be guaranteed to participate in an Auction. Accordingly, for purposes of Auctions, DMM Interest is always considered at-priced interest.

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[45] *See, e.g.,* NYSE American Rule 7.35E(d)(2) (describing the time for when the Closing Auction Imbalance Freeze would begin by referring to ten minutes before the scheduled time for the Closing Auction).

[46] Use of the Consolidated Last Sale Price for the Core Open or Trading Halt Auction would be a substantive difference in the Pillar Auction Rules from the Current Auction Rules. *See* discussion *infra* regarding proposed Rule 7.35A(e)(3).

[47] *See* discussion *infra* regarding proposed Rules 7.35B(a)(1)(C) and 7.35B(f)(2)(A) relating to the proposed use of the term ''Legitimate Error.''

[48] The term ''limit price'' is defined in Rule 7.36(a)(2) to mean the highest (lowest) specified price at which a Limit Order to buy (sell) is eligible to trade.

[49] For example, under Rule 13(e)(1)(A), an ALO Order may participate in openings, reopenings, or closing, but the ALO designation shall be ignored, which means that the order would participate in such transactions at its limit price.

[50] *See* proposed Rule 7.35(b)(1)(C)(i).

[51] *See* proposed Rule 7.35(b)(1)(C)(ii).

[52] As described above, pursuant to proposed Rule 7.31(c)(2)(C)(ii), on arrival, Closing D Orders would be eligible to trade based on their limit price.

The Exchange therefore believes that the ranked price of such interest should be either the Imbalance Reference Price or the Auction Price so that it is not included on the Side of the Imbalance for the Imbalance calculation.

Second, proposed Rule 7.35(b)(2) would provide that the working time for an order participating in an Auction would be its entry time, which would be used for determining the relative time priority of such orders on the applicable allocation wheel under Rule 7.37(b). Use of the entry time would be new for NYSE on Pillar. Currently, the last time stamp associated with an order is used for opening, reopening, and closing transactions. The Exchange proposes to change this functionality on Pillar because an order would be participating at its limit price in an auction, and not its last working price (if it is an order that reprices), and therefore the entry time is reflective of the relative time priority of multiple orders.

The rule would further provide that the working time of a Closing D Order would be the later of its entry time or five minutes before the end of Core Trading Hours.[53] The Exchange believes it would be appropriate to assign a working time to such orders based on when they would be included in the Auction Imbalance Information at their undisplayed discretionary price. As noted above, the Exchange would begin including the undisplayed discretionary price of Closing D Orders in Auction Imbalance Information five minutes before the scheduled close of trading.

The Exchange also proposes that if a short sale order is repriced to a Permitted Price during a Short Sale Period pursuant to Rule 7.16(f), the time of such repricing would be considered the working time for such an order participating in an Auction. The Exchange believes that the time of such repricing should be used as the working time rather than the time of entry because such order would participate in an Auction at the Permitted Price, and not at the limit price of the order.

Auction Imbalance Information. Proposed Rule 7.35(c) would provide that the Exchange disseminates Auction Imbalance Information via a proprietary data feed during the times specified in the Rule 7.35 Series. This proposed rule text would be new for the Pillar Auction Rules and is based in part on NYSE Arca Rule 7.35–E(a)(4)(C) and NYSE American Rule 7.35E(a)(4)(C). This proposed rule text is also based on Rule 15(g) and 123C(6), which provide that the Exchange may make available Order Imbalance Information.

Proposed Rule 7.35(c)(1) would provide that Auction Imbalance Information would be updated at least every second, unless there is no change to the information. This proposed rule is based on NYSE Arca Rule 7.35–E(a)(4)(A) and NYSE American Rule 7.35E(a)(4)(A) and would be a substantive difference from how the Exchange currently functions.[54] The Exchange believes that disseminating Auction Imbalance Information at least every second, rather than the five-second time intervals (or longer) under the current rules, would provide member organizations with more updated information leading into each respective Auction. The Exchange further believes that this proposed substantive difference from the Current Auction Rules would standardize the manner of dissemination of Auction Imbalance Information across affiliated exchanges.

Proposed Rule 7.35(c)(2) would provide that Auction Imbalance Information would continue to be disseminated until the Auction begins. This proposed rule text is new for the Pillar Auction Rules. This rule is based in part on Rule 15(g)(3)(C) (and Supplementary Material .10 to Rule 15 relating to reopening transactions), which provides that Order Imbalance Information continues to be disseminated until the opening or reopening of trading in that security. Accordingly, for the Core Open Auction and Trading Halt Auction, the functionality would not change on Pillar.

However, this proposed rule text would be a substantive difference for Closing Auctions. Currently, Rule 123C(6)(a)(iv) provides that Order Imbalance Information for the close is disseminated until 4:00 p.m. The Exchange therefore stops disseminating this information at 4:00 p.m., regardless of the timing of the closing transaction. In the Pillar Auction Rules, the Exchange proposes that for the Closing Auction, the Exchange would continue disseminating Auction Imbalance Information until the Closing Auction begins, which is after 4:00 p.m.[55] As discussed below, Floor Broker Interest that was represented by the end of Core Trading Hours will be entered electronically into Exchange systems after 4:00 p.m. and such interest may change the Auction Imbalance Information.[56] The Exchange believes that it would promote transparency and provide market participants with greater specificity regarding a potential Closing Auction Price for such Floor Broker Interest to be included in the Auction Imbalance Information after the scheduled end of Core Trading Hours.

Proposed Rule 7.35(c)(3) would provide that the Exchange would not disseminate Auction Imbalance Information if a security is an IPO or a Direct Listing and has not had its IPO Auction or Direct Listing Auction. This proposed rule text would be new for the Pillar Auctions Rules and is based in part on how Rule 15(g) functions for IPOs.[57] The Exchange proposes non-substantive differences to use Pillar terminology to describe this functionality and to extend this functionality to Direct Listings as well.

Openings and Reopenings in the Last Ten Minutes of Trading. Proposed Rule 7.35(d) would provide that the Exchange would not open or reopen a security that has not yet opened or is halted or paused and would not transition to continuous trading if such opening or reopening would be in the last ten minutes of trading before the end of Core Trading Hours. This proposed rule text would be new for the Pillar Auction Rules and is based in part on the first sentence of NYSE Arca Rule 7.35–E(e)(10) and NYSE American Rule 7.35E(e)(10), which both provide that if the re-opening time for a Trading Halt Auction would be in the last ten minutes of trading before the end of Core Trading Hours, NYSE Arca and NYSE American will not conduct a Trading Halt Auction in that security and will not transition to continuous trading. This proposed rule text is also based on Rule 80C(b)(2), which provides that if the reopening following a Trading Pause would be in the last ten minutes of trading before the end of regular trading hours, the Exchange will not

[53] For example, a Closing D Order entered at 3:00 p.m. would have a working time of 3:55 p.m. and a Closing D Order entered at 3:57 p.m. would have a working time of 3:57 p.m.

[54] Pursuant to Rule 15(g)(3), Order Imbalance Information before the opening is disseminated approximately every five minutes between 8:30 a.m. and 9:00 a.m., approximately every minute between 9:00 a.m. and 9:20 a.m., and approximately every five seconds between 9:20 a.m. and the opening of trading in that security. Pursuant to Rule 123C(6)(a)(iv), Order Imbalance Information is disseminated approximately every five seconds between 3:50 p.m. and 4:00 p.m.

[55] As discussed below, because of the manual nature of the Closing Auction, the Auction Processing Period for such Auction begins after 4:00 p.m.

[56] *See* discussion *infra* regarding proposed Rule 7.35B(a)(1).

[57] *See* Securities Exchange Act Release No. 74837 (April 29, 2015), 80 FR 25741 (May 5, 2015) (SR–NYSE–2015–19) (Notice of filing and immediate effectiveness of proposed rule change to reflect that Exchange systems will not publish Order Imbalance Information for an IPO.)

reopen trading in that security and will not transition to continuous trading.

The Exchange proposes a substantive difference for the first sentence of Rule 7.35(d) as compared to the NYSE Arca and NYSE American versions of the rule to reflect that on the Exchange, a security may not be opened by 3:50 p.m.[58] The Exchange proposes that if a security has not opened or reopened before the last ten minutes of trading before the end of Core Trading Hours, the Exchange will not open that security during that period.

Proposed Rule 7.35(d) would further provide how the Exchange would process such security if it is eligible to trade in the last ten minutes of trading before the end of Core Trading Hours, *i.e.,* it is not subject to a regulatory halt, as follows:

• Proposed Rule 7.35(d)(1) would provide that the Exchange would remain unopened, halted, or paused and would disseminate an auction indicator that the security is eligible to be closed as provided for in the Rule 7.35 Series. This proposed rule text is based on the second sentence of NYSE Arca Rule 7.35–E(e)(10) and NYSE American Rule 7.35E(e)(10) and the definition of ''Auction Indicator'' in NYSE Arca Rule 7.35–E(a)(13) and NYSE American Rule 7.35E(a)(13) with a proposed substantive difference that the Exchange would disseminate an auction indicator only if such security would be eligible to be closed. The Exchange believes that this proposed auction indicator would provide transparency to member organizations whether a Closing Auction would be conducted in a security that has not opened or reopened for trading by the last ten minutes of trading before the end of Core Trading Hours.

• Proposed Rule 7.35(d)(2) would provide that MOO Orders, LOO Orders, Opening D Orders, and Primary Pegged Orders would be cancelled. This proposed rule text is based in part on NYSE Arca Rule 7.35–E(e)(10)(A) and NYSE American Rule 7.35E(e)(10)(A) with a proposed substantive difference to reference Opening D Orders and Primary Pegged Orders, which, as discussed above, are not eligible to participate in the Closing Auction.[59]

• Proposed Rule 7.35(d)(3) would provide that the Exchange would begin disseminating Closing Auction Imbalance Information. This proposed rule text would be new for Pillar Auction Rules and is intended to provide transparency in Exchange rules regarding which Auction Imbalance Information would be disseminated by the Exchange.

Order Processing During an Auction Processing Period. The Exchange proposes that the manner by which new orders and requests to cancel, cancel and replace, or modify an order would be processed during an Auction Processing Period would be the same as how such instructions are processed on its affiliated exchanges, with specified differences to reflect the Exchange's model to have DMM-facilitated auctions.

Proposed Rules 7.35(e), 7.35(e)(1), and 7.35(e)(2) are based on NYSE Arca Rules 7.35–E(g), 7.35–E(g)(1), and 7.35–E(g)(2) and NYSE American Rules 7.35E(g), 7.35E(g)(1), and 7.35(g)(2) without any differences. Specifically, as proposed, new orders received during the Auction Processing Period would be accepted but would not be processed until after the Auction Processing Period. In other words, such orders would not be eligible to participate in an Auction, which is how order processing functions currently on the Exchange.

The Exchange proposes additional text for proposed Rule 7.35(e) as compared to the rules of NYSE Arca and NYSE American to reflect differences in how DMM-Facilitated Auctions would function, and specifically, that the Auction Processing Period on the Exchange would include the Pre-Auction Freeze. As proposed, DMM Auction Liquidity, certain DMM Orders, and Floor Broker Interest entered during the Pre-Auction Freeze would be eligible to participate in the applicable Auction. Any other orders entered during the Pre-Auction Freeze would be considered entered during the Auction Processing Period, and therefore would be accepted but not eligible to participate in an Auction.

The Exchange proposes this difference because during a DMM-Facilitated Auction, the DMM uses the respective opening or closing template to enter DMM Auction Liquidity, DMM Orders, or Floor Broker Interest (for the Closing Auction only). When facilitating an Auction electronically, the DMM is similarly able to enter DMM Auction Liquidity and certain DMM Orders that would be eligible to participate in the applicable Auction.[60] Accordingly, this proposed rule change would reflect in Pillar Auction Rules how DMM-facilitated auctions would function, which would differ from how the NYSE Arca and NYSE American electronic auctions function.

The Exchange proposes an additional difference as compared to the NYSE Arca and NYSE American rules to reflect that an order instruction received during the Pre-Auction Freeze for the Closing Auction would be processed on arrival if it relates to Floor Broker Interest entered before the Pre-Auction Freeze. In proposed Rule 7.35(e), an ''order instruction'' would be defined for purposes of proposed Rules 7.35(e) and (f) to mean a request to cancel, cancel and replace, or modify an order, which is based on the NYSE Arca and NYSE American use of such term. As described in greater detail below, Floor Broker Interest for the Closing Auction would be electronically entered after the end of Core Trading Hours, and there would be specified circumstances when such interest could be cancelled, which the DMM would have to process.[61] Because the DMM would be processing such cancellation requests, the Exchange proposes that such requests would be accepted during the Pre-Auction Freeze, which is controlled by the DMM.

Transition to Continuous Trading. The Exchange also proposes that the manner by which the Exchange would transition to continuous trading following an Auction would be based on existing Pillar functionality. Accordingly, proposed Rule 7.35(f) and subparagraphs (1)–(3) would be based on NYSE Arca Rule 7.35–E(h) and subparagraphs (1)–(3) and NYSE American Rule 7.35E(h) and subparagraphs (1)–(3) with the following substantive differences.

• First, current NYSE Arca Rule 7.35–E(h)(2)(A) provides that during the transition to continuous trading, an order instruction (as defined in NYSE Arca Rule 7.35–E(g)) received during the Auction Imbalance Freeze, the transition to continuous trading, or the Auction Processing Period would be processed in time sequence with the processing of orders as specified in NYSE Arca Rules 7.35–E(h)(3)(A) or (B)

[58] Both NYSE Arca and NYSE American transition electronically to the Core Trading Session at 9:30 a.m. By contrast, DMM-Facilitated Core Open Auctions do not require the DMM to open a security if there is no interest in such security. Alternately, a security may be the subject of a regulatory halt at that time.

[59] *See* proposed Rules 7.31(c)(1) and 7.31(h)(2).

[60] The reference to ''certain'' DMM Orders is to distinguish DMM Orders that are entered via the algorithmic interface for the DMM to facilitate the Auction pursuant to Rules 104(b) and (a)(2) or (3), described above. DMM Orders entered via this functionality would be accepted during the Pre-Auction Freeze and would be eligible to participate in the Auction. DMM Orders not entered via this functionality would be accepted during the Auction Processing Period, but would not be eligible to participate in the applicable Auction, as provided for in the first sentence of proposed Rule 7.35(e). In either case, DMM Orders would mean an order as defined in Rule 7.31.

[61] *See* discussion *infra* regarding proposed Rule 7.35B(a)(1).

if it relates to an order that was received before the Auction Processing Period. Proposed Rule 7.35(f)(2)(A) would not include text that is not applicable to the NYSE (*e.g.,* Auction Imbalance Freeze). The Exchange proposes an additional difference because the rule would provide that the processing of order instructions described in that sentence would also apply to orders that have already transitioned to continuous trading. This is intended to promote clarity and transparency in Exchange rules of when an order instruction (as defined in proposed Rule 7.35(e)) would be applied to an order.

The Exchange proposes a corollary difference to proposed Rule 7.35(f)(2)(B) as compared to NYSE Arca Rule 7.35–E(h)(2)(B) to provide that subparagraph of proposed Rule 7.35(f)(2)(B) would apply only to an order instruction (as defined in Rule 7.35(e)) for an order that has not yet transitioned to continuous trading.

• Second, NYSE Arca Rule 7.35–E(h)(3) sets forth how orders are processed when transitioning to continuous trading from a prior trading session or following an auction. Because the Exchange only has one trading session for Exchange-listed securities, the Exchange does not propose to include text in proposed Rule 7.35(f)(3) from the NYSE Arca rule referencing transitioning to continuous trading from a prior trading session. The Exchange further proposes that proposed Rule 7.35(f)(3)(A)(i) would provide that reserve interest that replenishes the display quantity of a routable Reserve Order would route, if marketable against protected quotations on Away Markets. This proposed rule text differs from NYSE Arca Rule 7.35–E(h)(3)(A)(i) because the Exchange would not include the modifier ''fully-executed'' before the reference to ''display quantity.'' The Exchange has amended its Reserve Order functionality and specifically the circumstances when a Reserve Order would be replenished, and the reference to ''fully-executed'' is now moot.[62]

• Third, NYSE Arca Rule 7.35–E(h)(3)(B) provides that unexecuted orders that were not eligible to trade in the prior trading session (or were received during a halt or pause) or that were received during the Auction Processing Period, will be assigned a new working time at the end of the Auction Processing Period in time sequence relative to one another based on original entry time. The Exchange's proposed Rule 7.35(f)(3)(B) would differ from NYSE Arca Rule 7.35–E(h)(3)(B) because it would not include references to orders received during a halt or pause or orders that were not eligible to trade in the prior trading session (because the Exchange has only one trading session for Exchange-listed securities). The Exchange proposes that the working time for orders received during a halt or pause would be the original entry time, as provided for in Rule 7.36(f)(1), and therefore would not have to be discussed separately in proposed Rule 7.35(f)(3)(B). This proposed difference is based on proposed Rule 7.35(b)(2), discussed above, that the working time for an order participating in an Auction would be its entry time.

The Exchange also proposes a substantive difference to proposed Rule 7.35(f)(3)(B) as compared to the NYSE Arca and NYSE American versions of the rule to reflect that DMM After-Auction Orders would be processed before other orders. As discussed above, DMM After-Auction Orders are intended to help facilitate the DMM's compliance with the Rule 104(f)(ii) obligation to maintain continuity with reasonable depth, particularly in the period immediately following an Auction. Accordingly, the Exchange proposes that when it begins processing orders that were received during the Auction Processing Period, DMM After-Auction Orders would be processed first.[63] The Exchange believes that because the DMM has an obligation not only to maintain a fair and orderly market when arranging an Auction, but also to maintain price continuity with reasonable depth immediately following an Auction, the DMM After-Auction Orders would be more likely to be priced to closely correlate to the Auction Price and therefore quoting this interest before other orders that were received during the Auction Processing Period would promote a fair and orderly transition from the Auction to continuous trading.[64]

• Fourth, the Exchange proposes a non-substantive change that proposed Rule 7.35(f)(3)(D) would be based on the last stand-alone paragraph NYSE Arca Rule 7.35–E(h)(3)(C), without any substantive differences.

• Finally, the Exchange proposes additional differences between proposed Rules 7.35(e) and (f) as compared to NYSE Arca Rules 7.35–E(g) and (h) and NYSE American Rules 7.35E(g) and (h) to reflect the differences between the operation of the Exchange and those markets. Specifically, because these proposed rules would be applicable only to Exchange-listed securities and such securities would be eligible to trade during the Core Trading Session only, there is no Auction Imbalance Freeze before the Core Open Auction, and the Exchange does not offer the Proactive if Locked/Crossed Modifier, the Exchange proposes differences from the NYSE Arca and NYSE American rules to remove references relating to transitions of trading sessions and the Early Open Auction, Auction Imbalance Freezes, the Proactive if Locked/Crossed Modifier, and also to use Pillar terminology applicable to the Exchange.

Short Sale Period. Proposed Rule 7.35(g) would provide that during a Short Sale Period, as defined in Rule 7.16(f), Sell Short MOO and MOC Orders in Auction-Eligible Securities would be ranked for purposes of Auction Imbalance Information and allocated in an Auction as Priority 2-Display Orders at the Permitted Priced (as defined in Rule 7.16(f)).[65] This proposed rule text is based in part on Commentary .01 to NYSE Arca Rule 7.35–E with a substantive difference to reference MOO and MOC Orders specifically, rather than referring to Market Orders more generally, and not to reference Market Imbalance, which would not be provided on the Exchange. The Exchange proposes non-substantive differences to update the order of the rule text, as compared to the NYSE Arca Rule, to use NYSE Pillar terminology.

Proposed Rule 7.35(g)(2) would provide that sell short orders that are included in the Auction Imbalance Information would be adjusted to a Permitted Price as the NBB moves both up and down. This proposed rule text is based on Commentary .01(b) to NYSE Arca Rule 7.35–E.

Miscellaneous. Proposed Rule 7.35(h) would provide that whenever in the judgment of the Exchange the interests of a fair and orderly market so require, the Exchange may adjust the timing of or suspend the auctions set forth in this Rule with prior notice to member organizations. This proposed rule text would be new for Pillar Auction Rules

[62] *See* Securities Exchange Act Release No. 83768 (August 3, 2018), 83 FR 39488 (August 9, 2018) (SR–NYSE–2018–26) (Approval Order).

[63] As proposed in Rule 7.35(f)(3)(A), the first quote that would be published after an Auction would be based on unexecuted orders that were eligible to participate in the Auction but did not. Proposed Rule 7.35(f)(3)(B) concerns orders that were not eligible to participate in the Auction and how they would be released into continuous trading.

[64] The Exchange notes that pursuant to proposed Rule 7.35(f)(3)(A), unexecuted orders that were eligible to trade in the Auction would be quoted ahead of orders referenced in proposed Rule 7.35(f)(3)(B). Accordingly, DMM Auction-Only Orders would not be quoted ahead of orders that arrived before the Auction Processing Period.

[65] *See* Proposed Rule 7.35(g)(1).

and is based on NYSE Arca Rule 7.35–E(i) and NYSE American Rule 7.35E(i) with a non-substantive difference to reference member organizations rather than ETP Holders.

Proposed Rule 7.35(i) would provide that for purposes of Rule 611(b)(3) of Regulation NMS, an Auction is a single-priced opening, reopening, or closing transactions and may trade through any Away Market's Protected Quotations. This proposed rule text would be new for Pillar Auction Rules and is based on both Rule 611(b)(3) of Regulation NMS [66] and NYSE Arca Rule 7.35–E(j) and NYSE American Rule 7.35E(j) without any substantive differences.

Proposed Rule 7.35A (DMM-Facilitated Core Open and Trading Halt Auctions)

Proposed Rule 7.35A would set forth the process for DMM-facilitated Core Open and Trading Halt Auctions.

DMM and Floor Broker Responsibilities. Proposed Rule 7.35A(a) would set forth both the DMM and Floor broker responsibilities for the opening and reopening of securities, and is based on Rule 123D(a)(1) and 123D(b). Rule 123D(b) sets forth responsibilities for both DMMs and Floor brokers relating to their unique roles on the Trading Floor with respect to the opening and reopening of securities. On Pillar, the Exchange will continue to operate a Trading Floor under substantively the same rules as the Current Auction Rules, and therefore the Exchange proposes to include the responsibilities described in Rule 123D(b) in the Pillar Auction Rules, modified as described below.

Proposed Rule 7.35A(a) would provide that it is the responsibility of each DMM to ensure that registered securities open as close to the beginning of Core Trading Hours as possible or reopen at the end of the halt or pause, while at the same time not unduly hasty, particularly when at a price disparity from the Consolidated Last Sale Price. This proposed rule text is based on Rule 123D(a)(1) with a non-substantive difference to use Pillar terminology.

The Exchange proposes a substantive difference to proposed Rule 7.35A(a) as compared to Rule 123D(a)(1). Specifically, under the current rule, for the opening, the DMM should look at the prior close's price for determining whether the opening price would be at a price disparity. For reopenings, the DMM should look at the last price on the Exchange to determine whether the reopening price would be at a price disparity. On Pillar, the Exchange proposes that for both the Core Open and Trading Halt Auctions, the Consolidated Last Sale Price should be used to determine whether there is a price disparity.

For a Core Open Auction that takes place at 9:30 a.m. (*e.g.,* if a DMM facilitates the Core Open Auction electronically), this proposed rule change would have minimal difference from the current rule because at that time, the definition of Consolidated Last Sale Price means the Official Closing Price of a security, which may be the prior close's price on the Exchange.[67] For a Core Open Auction that takes place after 9:30 a.m. and for which there are consolidated last-sale eligible trades on other exchanges, this proposed rule change would represent a substantive difference because the DMM should look at any price disparity between the proposed Core Open Auction Price and how the security is already trading on other markets, rather than the prior close price. The Exchange proposes a similar difference for Trading Halt Auctions, as the DMM should look at the Consolidated Last Sale Price, rather than the Exchange's last sale price, to determine whether there is a price disparity. The Exchange believes these proposed substantive differences would reflect that there may be more recent trading activity on another exchange, and such price may reflect a more recent valuation for a security with which to assess whether an Auction Price would be at a price disparity.

Proposed Rules 7.35A(a)(1)–(5) are based on 123D(b) as follows:

- Proposed Rule 7.35A(a)(1) would provide that openings and reopenings should reflect the professional assessment of market conditions at the time, and appropriate consideration of the balance of supply and demand as reflected by orders in the Exchange Book. This proposed rule text is based on the first sentence of the first paragraph of Rule 123D(b), with non-substantive differences to use Pillar terminology and streamline the rule text.
- Proposed Rule 7.35A(a)(2) would provide that to the best of their ability, at the point of sale on the Trading Floor, DMMs should provide timely and impartial information at all phases of the opening or reopening process and that DMM units are responsible for ensuring that adequate personnel are available to assist in the fair and orderly opening or reopening of all securities registered with that DMM unit. This proposed rule text is based on the second and third sentences of the first paragraph of Rule 123D(b) with non-substantive differences to use Pillar terminology and streamline the rule text.
- Proposed Rule 7.35A(a)(3) would relate to Floor broker responsibilities and would provide that:

Floor brokers should make every effort to ascertain their customers' interest as early as possible and to inform the DMM so that such interest can be factored into the opening or reopening process. Floor brokers should communicate to their customers the problems caused by delaying their interest until the last minute. Floor brokers should not expect to be able to delay the opening or reopening to accommodate customer reactions to changing prices. Once a relatively narrow range of opening or reopening possibilities is available, brokers and their customers should have sufficient information to electronically enter an order with a firm limit price.

This proposed rule text is based on the second, third, fifth, and sixth sentences of the second paragraph of Rule 123D(b) with non-substantive differences to use Pillar terminology and streamline the rule text. The Exchange does not propose to include the balance of the second paragraph of Rule 123D(b) in Rule 7.35A(a)(3) as such rule text is either duplicative of the rule text proposed to be retained or obsolete in today's trading environment (*e.g.,* reference to orders or cancellations ''merely dropped on the counter'').

- Proposed Rule 7.35A(a)(4) would provide that Floor Officials participate in the opening and reopening process to provide an impartial professional assessment of unusual situations, as well as to provide guidance with respect to pricing when a significant disparity in supply and demand exists. This proposed rule text is based on the first sentence of the third paragraph of Rule 123D(b) with non-substantive differences to use Pillar terminology and streamline the rule text. The balance of proposed Rule 7.35A(a)(4) would provide that DMMs should consult with a Floor Official under specified circumstances, which is based on the last sentence of the first paragraph and the fifth paragraph of Rule 123D(b).[68]

[66] 17 CFR 242.611(b).

[67] *See* proposed Rule 7.35(a)(11(a), discussed *supra.* As noted above, if there is no Closing Auction of one round lot or more, the Official Closing Price would be based on the last consolidated last-sale eligible price rather than the last Exchange sale price, and in such scenario, use of the Official Closing Price in proposed Rule 7.35A(a) would differ from the price that would be used under Rule 123D(a)(1).

[68] Rules 46, 46A, and 47 specify how Floor Officials, Senior Floor Officials, Executive Floor Officials, Floor Governors, and Executive Floor

The Exchange proposes to specify in proposed Rules 7.35A(a)(4)(A)–(D) the specific circumstances when a DMM should consult with a Floor Official:

○ If a security would be opened more than 30 minutes after the scheduled beginning of Core Trading Hours, which the Exchange proposes to define as a ''Delayed Opening'' (see proposed Rule 7.35A(a)(4)(A)). This proposed rule text is based on the last sentence of the first paragraph of Rule 123D(b), which refers to delayed openings, and Rule 15(b)(1), which references 10:00 a.m. as a time by when an opening should occur before a pre-opening indication would be required, and thus constitutes a delayed opening.

○ If it is anticipated that the opening or reopening price would be at a significant disparity from the Consolidated Last Sale Price for such security (see proposed Rule 7.35A(a)(4)(B)). This proposed rule text is based on the fifth paragraph of Rule 123D(b) with the substantive difference described above that the DMM should use the Consolidated Last Sale Price rather than the prior close price (for openings) or last price on the Exchange (for reopenings).

○ If there is a significant imbalance (see proposed Rule 7.35A(a)(4)(C)). This proposed rule text is based on the fifth paragraph of Rule 123D(b).

○ In unusual situations (see proposed Rule 7.35A(a)(4)(D)). This proposed rule text is based on the last sentence of the first paragraph of Rule 123D(b).

• Proposed Rule 7.35A(a)(5) would provide that in determining when to open or reopen a security in circumstances described in Rule 7.35A(a)(4), a DMM should make every effort to balance timeliness with the opportunity for customer reaction and participation. The rule would further provide that when the DMM and Floor Official agree that all participants have had a reasonable opportunity to participate, the DMM should open or reopen the security. In addition, the rule would provide that the DMM has ultimate responsibility for opening or reopening a security and while a Floor Official's approval may be a mitigating factor, it would not exonerate the DMM if performance has been deemed unsatisfactory. This proposed rule text is based on the last paragraph of Rule 123D(b) and the last sentence of the third paragraph of Rule 123D(b). The Exchange proposes non-substantive differences to use Pillar terminology and streamline the rule text.

Proposed Rule 7.35A(a)(5) and subparagraphs (A)–(E) would further provide that in unusual market situations, the DMM should consider the following areas as indicative of poor DMM performance: (A) An opening or reopening price change that is not in proportion to the size of an imbalance; (B) absence of a pre-opening indication before a large Auction Price change; (C) inadequate support after a large Auction Price change, *i.e.,* lack of sufficient continuity and depth in the aftermarket; (D) absence of trading without good cause or Floor Official approval (or an unjustified or unreasonably delayed opening or halt in trading); and (E) not obtaining appropriate Floor Official approval for opening delays. This proposed rule text is based on the fourth paragraph of Rule 123D(b) and related subparagraphs, with non-substantive differences to use Pillar terminology and streamline the rule text. In addition, the Exchange does not propose retaining text relating to obtaining appropriate Floor Official approvals for trading halts and wide price variations, as the Exchange no longer requires Floor Official approval for such scenarios.

Opening Without a Trade. Proposed Rule 7.35A(b) would provide that if there is no interest to conduct a Core Open Auction (for openings) or Trading Halt Auction (for reopenings), a DMM may open or reopen a registered security with a quote. This proposed rule text is based on Rule 123D(a)(1)(A), with non-substantive differences to use Pillar terminology.

Currently, there are circumstances when a security may not open on either a trade or a quote. This can occur when there is a new listing on the Exchange that does not have public pricing information or trading interest, such as the listing of a security on a when-issued basis. In such circumstances, under current rules, a DMM will publish a pre-opening indication if such security is not opened by 10:00 a.m., *i.e.,* a Delayed Opening, but such pre-opening indication may be wide because there is no buy and sell interest in the security entered on the Exchange. Rather, that pre-opening indication would represent the DMM's best understanding of the anticipated price of such security based on publicly-available information, such as research reports relating to that security. If that pre-opening indication does not attract additional trading interest that can either trade or tighten the spread of the pre-opening indication, the DMM will not open the security.

The Exchange proposes to provide more transparency regarding this process in the Pillar Auction Rules. As proposed, Rule 7.35A(b)(1) would provide that if a security has not previously traded on the Exchange, a DMM is not obligated to open such security if there is no bid or offer or if the best bid and offer is wider than the pre-opening indication. The Exchange believes that this proposed rule text would provide clarity as to why a new listed security may not open on the Exchange.

DMM Opening Process. Proposed Rule 7.35A(c) would provide that a DMM may effectuate a Core Open or Trading Halt Auction manually or electronically (and if electronic, subject to Rule 104(b)(ii)). This proposed rule text is based on the first sentence of Rule 123D(a)(1)(B) with a non-substantive difference to use Pillar terminology to reference reopenings as well.

Proposed Rule 7.35A(c)(1) would provide that except under the conditions of Rules 7.35A(c)(2) and (c)(3), a DMM may not effect a Core Open or Trading Halt Auction under the conditions specified in subparagraphs (A)–(H) of Rule 7.35A. This proposed rule text is based on the second sentence of Rule 123D(a)(1)(B) with non-substantive differences to use Pillar terminology. The Exchange believes that adding each of the following circumstances of when the DMM may not effect an opening or reopening electronically will promote transparency regarding the circumstances of when a DMM must open a security manually:

• If a pre-opening indication has been published for the Core Open Auction (see proposed Rule 7.35A(c)(1)(A)). This proposed rule text is new for the Pillar Auction Rules and represents current functionality. Currently, if the DMM publishes a pre-opening indication in a security, that security must be opened manually by the DMM.

• If a DMM has begun the process to open a security manually, including by manually entering DMM Auction Liquidity (see proposed Rule 7.35A(c)(1)(B)). This proposed rule text is based in part on Rule 123D(a)(1)(B), which provides that Exchange systems will not permit a DMM to open a security electronically if a DMM has manually entered Floor interest, which for purposes of that rule, includes manually entering DMM Interest. As described above, the DMM uses a graphical user interface to manage the opening process. From that user interface, the DMM can publish a pre-opening indication or enter DMM Auction Liquidity. The Exchange believes that if a DMM is in the process of using such graphical user interface, including to manually enter DMM

Governors are appointed and their general authority under Exchange rules.

Auction Liquidity or to publish a pre-opening indication, that DMM is taking an action to indicate that the opening or reopening process will be effectuated manually. Accordingly, if a DMM engages in such process, the Exchange will not permit the DMM to open or reopen the security electronically.

• If it is an IPO Auction or Direct Listing Auction (see proposed Rule 7.35A(c)(1)(C)). This proposed rule text is new for the Pillar Auction Rules and represents current functionality. Currently, DMMs effectuate both IPO Auctions and Direct Listing Auctions, which generally take place after 9:30 a.m., manually.

• If the security is in a suspended or halt condition at the beginning of Core Trading Hours (see proposed Rule 7.35A(c)(1)(D)). Because openings effectuated electronically take place at the beginning of Core Trading Hours, if a security is not eligible to be opened at such time because it is suspended or halted, such security would need to be opened by the DMM manually.

• If it is a reopening following a regulatory halt issued under Section 2 of the Listed Company Manual (see proposed Rule 7.35A(c)(1)(E)). The Exchange believes that allowing a DMM to reopen a security electronically following either a trading pause or a market-wide circuit breaker trading halt would promote the fair and orderly reopening of such security. This proposal is consistent with Rule 15(e)(6)(B), which provides that the DMM may open a security following a trading pause outside of the published indication. By contrast, the Exchange believes that if a security is the subject of a regulatory halt issued under Section 2 of the Listed Company Manual, *e.g.,* news pending, such reopening warrants the attention of the DMM assigned to that security, and therefore the reopening should be effectuated manually.

• If there is no Consolidated Last Sale Price (see proposed Rule 7.35A(c)(1)(F)). As described below, the Exchange proposes to use the Consolidated Last Sale Price as the Imbalance Reference Price for the Core Open and Trading Halt Auctions. The Exchange believes that if there is no Consolidated Last Sale Price in a security, the Exchange would not have sufficient information to provide to a DMM for opening a security electronically. Accordingly, the Exchange proposes that in such scenario, the DMM must open the security manually.

• If the Core Open or Trading Halt Auction Price would be more than 4% away from the Consolidated Last Sale Price (see proposed Rule 7.35A(c)(1)(G)). This proposed rule text is based on Rule 123D(a)(1)(B)(i)(a) and (b), with the substantive difference, described above, that the Exchange would use the Consolidated Last Sale Price as the reference price for this calculation rather than the Official Closing Price (for openings) or last price on the Exchange (for reopenings). As noted above, the Exchange believes that using the Consolidated Last Sale Price, as defined in proposed Rule 7.35(a)(11)(1), would likely reflect a more recent valuation in a security with which to measure whether the opening or reopening would be at a price disparity. The Exchange proposes to use the same percentage parameter as under the current rule.

• If the paired volume for the Core Open or Trading Halt Auction would be more than (i) 1,500 round lots for securities with an average opening volume of 1,000 round lots or fewer in the previous calendar quarter or (ii) 5,000 round lots for securities with an average opening volume of over 1,000 round lots in the previous calendar quarter (see proposed Rule 7.35A(c)(1)(H) and subparagraphs (i) and (ii)). This proposed rule text is based on Rule 123D(a)(1)(B)(i)(c) with a non-substantive difference to use the term ''paired volume'' instead of ''matched volume'' and use Pillar terminology. The Exchange also proposes a difference to reflect volumes in round lots rather than in number of shares. For securities that trade with a round lot of 100 shares, the proposed rule would be unchanged from the current rule, which expresses the volume requirements in terms of 150,000 shares, 100,000 shares, and 500,000 shares, respectively. The Exchange believes, however, that if a security trades in a round lot less than 100 shares, expressing the volume in number of shares would result in higher relative requirements for such securities to be opened manually. The Exchange believes that describing volume requirements in round lots would better reflect the level of volumes of securities with lower-sized round lot units that would warrant an opening to be effected manually.

Proposed Rule 7.35A(c)(2) would provide that if as of 9:00 a.m., the E-mini S&P 500 Futures are +/− 2% from the prior day's closing price of the E-mini S&P 500 Futures, or if the Exchange determines that it is necessary or appropriate for the maintenance of a fair and orderly market, a DMM may effect an opening or reopening electronically if the Auction Price would be up to 8% away from Consolidated Last Sale Price, without any volume limitations. This proposed rule text is based on Rule 123D(a)(1)(B)(ii) with non-substantive differences to use Pillar terminology. The Exchange proposes a similar substantive difference, as described above, to use the Consolidated Last Sale Price as the reference price for determining the percentage parameter. Otherwise, this rule text is unchanged from the Current Auction Rules.

Proposed Rule 7.35A(c)(3) would provide that when reopening a security following a trading pause under Rule 7.11 or a market-wide halt under Rule 7.12, if a pre-opening indication has been published in a security under paragraph (b) of this Rule, a DMM may not reopen such security electronically if the reopening transaction would be at a price outside of the last-published pre-opening indication. This proposed rule text is based on Rule 123D(a)(1)(B)(iii) with non-substantive differences to cross-reference Pillar rules and use Pillar terminology. Otherwise, this rule text is unchanged from Current Auction Rules.

Pre-Opening Indications. Proposed Rule 7.35A(d) and its subparagraphs are based on Rule 15(a)–(f) relating to pre-opening indications. Except for two substantive differences described below, the Exchange does not propose any differences from the Current Auction Rules of when a pre-opening indication would be required.

Proposed Rule 7.35A(d) would provide that a pre-opening indication would include the security and the price range within which the Auction Price is anticipated to occur and that a pre-opening indication would be published via the securities information processor and proprietary data feeds. This proposed rule text is based on Rule 15(a) with a non-substantive difference to use the term ''Auction Price'' instead of ''opening price.''

Proposed Rule 7.35A(d)(1) would specify the conditions for publishing a pre-opening indication and is based on Rule 15(b).

• Proposed Rule 7.35A(d)(1)(A) would provide that a DMM would publish a pre-opening indication, as described in paragraph (d)(4) of this Rule, before a security opens or reopens if (i) the Core Open or Trading Halt Auction Price is anticipated to be a change of more than the ''Applicable Price Range,'' as specified in proposed Rule 7.35A(d)(3), from a specified ''Indication Reference Price,'' as specified in proposed Rule 7.35A(d)(2), or (ii) it is a Delayed Opening. This proposed rule text is based on Rule 15(b)(1) with non-substantive differences to use Pillar terminology, including reference to a Core Open or Trading Halt Auction Price, use of the new defined term ''Delayed Opening,'' and use of the term ''Indication Reference Price'' instead of ''Reference Price.'' The Exchange also proposes to reference reopens in addition to opens.[69]

• Proposed Rule 7.35A(d)(1)(B) would provide that when making the determination of what the Auction Price will be, the DMM will take into consideration all interest eligible to participate in the Core Open or Trading Halt Auction, including electronically-entered orders, and DMM Interest. This proposed rule text is based on Rule 15(b)(2) with non-substantive differences to use Pillar terminology. On Pillar, the Exchange will not publish a pre-opening indication if the DMM is unable to do so because of systems or a technical issue. Accordingly, the Exchange does not propose to include in the Pillar Auction Rules rule text based on Rule 15(b)(3), which provides that if a DMM is unable to publish a pre-opening indication for one or more securities due to a systems or technical issue, the Exchange may publish a pre-opening indication for that security(ies).

Proposed Rule 7.35A(d)(2) would address Indication Reference Prices, and is based on Rule 15(c), which refers to ''Reference Price.'' In the Pillar Auction Rules, the Exchange proposes to use the term ''Indication Reference Price'' in connection with pre-opening indications to distinguish it from the use of the term ''Imbalance Reference Price,'' described above.[70]

Proposed Rule 7.35A(d)(2)(A) would provide that the Indication Reference Price for a security, other than an American Depository Receipt (''ADR''), would be:

• The security's last Official Closing Price on the Exchange, adjusted as applicable based on the publicly disclosed terms of a corporate action (see proposed Rule 7.35A(d)(2)(A)(i)). This proposed rule text is based on Rule 15(c)(1)(A) without any differences.[71]

• The security's offering price in the case of an IPO (see proposed Rule 7.35A(d)(2)(A)(ii)). This proposed rule text is based on Rule 15(c)(1)(B) with non-substantive difference to use the defined term of IPO.

• The security's last reported sale price on the securities market from which the security is being transferred to the Exchange, on the security's first day of trading on the Exchange (''transferred security'') (see proposed Rule 7.35A(d)(2)(A)(iii)). This proposed rule text is based on Rule 15(c)(1)(C) without any differences.

• For a security that is a Direct Listing that has had recent sustained trading in a Private Placement Market prior to listing, the most recent transaction price in that market or, if none, a price determined by the Exchange in consultation with a financial advisor to the issuer of such security (see proposed Rule 7.35A(d)(2)(A)(iv)). This proposed rule text is based on Rule 15(c)(1)(D) with non-substantive difference to use Pillar terminology, including the proposed defined term ''Direct Listing.''

Proposed Rule 7.35A(d)(2)(B) would provide that the Indication Reference Price for an ADR would be:

• The closing price of the security underlying the ADR in the primary foreign market for such security when the trading day of the primary foreign market concludes after trading on the Exchange for the previous day has ended (see proposed Rule 7.35A(d)(2)(B)(i)). This proposed rule text is based on Rule 15(c)(2)(A) without any differences.

• Based on parity with the last sale price of the security underlying the ADR in the primary foreign market for such security when the trading day of the primary foreign market is open for trading at the time of the opening on the Exchange (see proposed Rule 7.35A(d)(2)(B)(ii)). This proposed rule text is based on Rule 15(c)(2)(B) without any differences.

Proposed Rule 7.35A(d)(2)(C) would provide that the Indication Reference Price for reopening a security following a halt would be the Exchange Last Sale Price. This proposed rule text is based on Rule 15(c)(2)(C) with a difference to use the Pillar term ''Exchange Last Sale Price'' rather than the term ''last reported sale price on the Exchange.'' In most circumstances, use of the term ''Exchange Last Sale Price'' would be the same as under the current rule's use of the term ''last reported sale price.'' Where there could be divergence if the Official Closing Price is based on the last consolidated last-sale eligible price in a security, as proposed to be defined in Rule 1.1, described above. For the reasons discussed above of why the Exchange believes that this is an appropriate price to use for the Official Closing Price if there is no closing auction, the Exchange similarly believes that such price would be appropriate for using as the Indication Reference Price.

Proposed Rule 7.35A(d)(3) would concern the Applicable Price Range, and is based on Rule 15(d) without any differences. Proposed Rule 7.35A(d)(3)(A) would provide that except under the conditions set forth in proposed Rule 7.35A(d)(3)(B), the Applicable Price Range for determining whether to publish a pre-opening indication would be 5% for securities with an Indication Reference Price over $3.00 and $0.15 for securities with an Indication Reference Price equal to or lower than $3.00. This proposed rule text is based on Rule 15(d)(1) with non-substantive differences to use Pillar terminology and to update the rule cross references.

Proposed Rule 7.35A(d)(3)(B) would provide that if as of 9:00 a.m., the E-mini S&P 500 Futures are +/− 2% from the prior day's closing price of the E-mini S&P 500 Futures, when reopening trading following a market-wide trading halt under Rule 7.12, or if the Exchange determines that it is necessary or appropriate for the maintenance of a fair and order market, the Applicable Price Range for determining whether to publish a pre-opening indication would be 10% for securities with an Indication Reference Price over $3.00 and $0.30 for securities with an Indication Reference Price equal to or lower than $3.00. This proposed rule text is based on Rule 15(d)(2) with non-substantive differences to use Pillar terminology and update the rule cross-reference.[72]

Proposed Rule 7.35A(d)(4) would specify the procedures for publishing a pre-opening indication and that the DMM would use the procedures specified in subparagraphs (A)–(G) of that rule when publishing a pre-opening indication. This proposed rule text is based on Rule 15(e) without any differences.

• Proposed Rule 7.35A(d)(4)(A) would provide that publication of a pre-opening indication would require the supervision and approval of a Floor Governor. This proposed rule text is based on Rule 15(e)(1) without any differences.

[69] Supplementary Material .10 to Rule 15 provides that unless otherwise specified in Rule 15, references to an opening transaction include a reopening transaction following a trading halt or pause in a security. Rather than include that commentary in Rule 7.35A, the Exchange proposes that proposed rule text based on Rule 15 would be modified to reflect when such rule would be applicable to a reopening transaction.

[70] The Indication Reference Price is not a publicly disseminated value, but rather a reference price used by the DMM to determine whether to publish a pre-opening indication. The actual pre-opening indication price range is based on the buy and sell orders in the Exchange Book, not on the Indication Reference Price.

[71] The Exchange recently amended Rule 15(c)(1). *See* Securities Exchange Act Release No. 84755 (December 7, 2018), 83 FR 64168 (December 13, 2018) (SR–NYSE–2018–60) (Notice of filing and immediate effectiveness of proposed rule change).

[72] As discussed below, the Exchange proposes to amend Rule 7.12 to include rule text based on Rule 80B.

• Proposed Rule 7.35A(d)(4)(B) would provide that a pre-opening indication must be updated if the Core Open or Trading Halt Auction Price would be outside of a published pre-opening indication. This proposed rule text is based on Rule 15(e)(2) with a non-substantive difference to use Pillar terminology.

• Proposed Rule 7.35A(d)(4)(C) would provide that if the pre-opening indication is a spread wider than $1.00, the DMM should undertake best efforts to publish an updated pre-opening indication of $1.00 or less before opening or reopening the security, as may be appropriate for the specific security. This proposed rule text is based on Rule 15(e)(3) with a non-substantive difference to reference reopenings in addition to openings.

• Proposed Rule 7.35A(d)(4)(D) would provide that after publishing a pre-opening indication, the DMM must wait for the following minimum specified periods before opening a security. This proposed rule text is based on Rule 15(e)(4) without any differences.

◦ Proposed Rule 7.35A(d)(4)(D)(i) would provide that when using the Applicable Price Range specified in Rule 7.35A(d)(3)(A), a minimum of three minutes must elapse between publication of the first indication and a security's opening or reopening. If more than one indication has been published, a security may be opened or reopened one minute after the last published indication provided that at least three minutes have elapsed from the dissemination of the first indication. However, the DMM may open or reopen a security less than the required minimum times after the publication of a pre-opening indication if the Auction Price would be at a price within the Applicable Price Range. This proposed rule text is based on Rule 15(e)(4)(A) with non-substantive differences to update the rule cross reference, to include references to reopenings, and to use Pillar terminology.

◦ Proposed Rule 7.35A(d)(4)(D)(ii) would provide that when using the Applicable Price Range specified in Rule 7.35A(d)(3)(B), a minimum of one minute must elapse between publication of the first indication and a security's opening or reopening. If more than one indication has been published, a security may be opened or reopened without waiting any additional time. This proposed rule text is based on Rule 15(e)(4)(B) with non-substantive differences to update the rule cross reference and to include references to reopenings.

• Proposed Rule 7.35A(d)(4)(E) would provide that if trading is halted for a non-regulatory order imbalance, a pre-opening indication must be published as soon as practicable after the security is halted. This proposed rule text is based on Rule 15(e)(5) without any differences.

• Proposed Rule 7.35A(d)(4)(F) and subparagraphs (i)–(iii) would provide that when reopening a security following a trading pause under Rule 7.11: (i) A pre-opening indication may be published without prior Floor Governor approval; (ii) a pre-opening indication does not need to be updated before reopening the security, and the security may be reopened outside of any prior indication; and (iii) the reopening is not subject to the minimum waiting time requirements in Rule 7.35A(d)(4)(D). This proposed rule text is based on Rule 15(e)(6) and subparagraphs (A)–(C) with a non-substantive difference to update the rule cross references.

• Proposed Rule 7.35A(d)(4)(G) would provide that except as provided in proposed Rule 7.35A(d)(4)(F)(ii), if a pre-opening indication has been published, the Exchange would not permit the DMM to open or reopen the security outside of the last-published pre-opening indication range. This proposed rule text would be new for the Pillar Auction Rules and reflects that Exchange systems will enforce the requirement for a DMM to open or reopen a security within the price range of a pre-opening indication, except when reopening following a trading pause.

As discussed below, the Exchange proposes to set forth the process for temporary rule suspensions in paragraph (j) to proposed Rule 7.35A. Accordingly, the Exchange does not propose to include rule text based on Rule 15(f) in paragraph (d) in Rule 7.35A.

Auction Imbalance Information. Proposed Rule 7.35A(e) would specify Auction Imbalance Information for the Core Open and Trading Halt Auctions. Proposed Rule 7.35A(e)(1) would specify the time of publication of such Auction Imbalance Information as follows:

• Proposed Rule 7.35A(e)(1)(A) would provide that for the Core Open Auction, unless a security is halted, the Exchange would begin disseminating Auction Imbalance Information at 8:00 a.m. This proposed rule text is new and the Exchange proposes a substantive difference in the Pillar Auction Rules to begin disseminating Auction Imbalance Information at 8:00 a.m. rather than at 8:30 a.m., as specified in current Rule 15(g)(3)(A). The format of this rule text is based in part on NYSE Arca Rule 7.35–E(c)(1) and NYSE American Rule 7.35E(c)(1).

• Proposed Rule 7.35A(e)(1)(B) would provide that for a Trading Halt Auction, the Exchange would begin disseminating Auction Imbalance Information at the beginning of a halt or pause. This proposed rule text represents current functionality and is based in part on Rule 80C(b), which provides that the Exchange will begin disseminating Order Imbalance Information after a Trading Pause has commenced. The format of this rule text is based in part on NYSE Arca Rule 7.35–E(e)(1) and NYSE American Rule 7.35E(e)(1).

• Proposed Rule 7.35A(e)(1)(C) would provide that if a security is in a halt condition before or at the beginning of Core Trading Hours, the Exchange would disseminate Auction Imbalance Information for a Trading Halt Auction. This proposed rule text would be new for the Pillar Auction Rules and is based on NYSE Arca Rule 7.35–E(c)(1) and NYSE American Rule 7.35E(c)(1).

• Proposed Rule 7.35A(e)(1)(D) would provide that the Exchange would not disseminate Auction Imbalance Information for the Core Open Auction or Trading Halt Auction if there is no Consolidated Last Sale Price. This proposed rule text would be new for the Pillar Auction Rules. Because, as described below, the Exchange would use the Consolidated Last Sale Price as the basis for determining the Imbalance Reference Price, if there is no Consolidated Last Sale Price, there would not be any information for the Exchange to determine Auction Imbalance Information.

Proposed Rule 7.35A(e)(2) would specify the content of Auction Imbalance Information. As proposed, for the Core Open and Trading Halt Auctions, the Exchange would disseminate Total Imbalance, Side of Total Imbalance, Paired Quantity, and Continuous Book Clearing Price.

Proposed Rule 7.35A(e)(3) would specify how the Imbalance Reference Price would be determined. As proposed, the Imbalance Reference Price for the Auction Imbalance Information would be the Consolidated Last Sale Price unless a pre-opening indication has been published. This proposed rule text would be new for Pillar Auction Rules and represents the proposed substantive difference that the Exchange would use the Consolidated Last Sale Price rather than last reported sale price on the Exchange, as provided for in Rule 15(g)(2)(B), for determining the Imbalance Reference Price for the Core

Open and Trading Halt Auctions. The Exchange believes that use of the Consolidated Last Sale Price rather than the last reported sale price on the Exchange would allow for a more recent price in a security to be used as the Imbalance Reference Price, thereby representing a more recent valuation of such security.

With the exception of using the Consolidated Last Sale Price rather than the last reported sale price on the Exchange, if a pre-opening indication has been published, the Exchange proposes to use the same method for determining the Imbalance Reference Price as under the Current Auction Rules. However, the Exchange proposes to use Pillar terminology to provide that in such case, the Imbalance Reference Price would be:

- The pre-opening indication bid price if the Consolidated Last Sale Price is lower than the bid price of the pre-opening indication (see proposed Rule 7.35A(e)(3)(A)). This is based in part on Rule 15(g)(2)(B)(i), which provides that if the bid price of the pre-opening indication of interest is higher than the last reported sale price for the security on the Exchange, the pre-opening indication bid price will serve as the reference price.
- The pre-opening indication offer price if the Consolidated Last Sale Price is higher than the offer price of the pre-opening indication (see proposed Rule 7.35A(e)(3)(B)). This is based in part on Rule 15(g)(2)(B)(ii), which provides that if the offer price of the pre-opening indication of interest is lower than the last reported sale price for the security on the Exchange, the pre-opening indication offer price will serve as the reference price.
- The Consolidated Last Sale Price if it is at or between the pre-opening indication bid and offer price (see proposed Rule 7.35A(e)(3)(C)). This is based in part on Rule 15(g)(2)(B)(iii), which provides that if the last reported sale price on the Exchange falls within the bid and offer of the pre-opening indication of interest for a security, the last sale price shall serve as the reference price. Because the term Consolidated Last Sale Price would incorporate how that price would be derived for a transferred security, the Exchange does not propose to include rule text based on Rule 15(g)(2)(B)(iv) in the Pillar Auction Rules.

Auction Imbalance Freeze. Proposed Rule 7.35A(f) would provide that there is no Auction Imbalance Freeze for a Core Open Auction or Trading Halt Auction and no restrictions on entry or cancellation of Auction-Only Orders before a Core Open Auction or Trading Halt Auction. This proposed rule text would be new for the Pillar Auction Rules and is based on current functionality as there are no restrictions on order entry or cancellation before the opening or reopening of trading under the Current Auction Rules. The Exchange believes that including this rule text in the Pillar Auction Rules would provide clarity and transparency to Exchange rules, particularly when comparing how auctions function on the Exchange as compared to NYSE Arca and NYSE American, which function differently.

Determining an Auction Price. Proposed Rule 7.35A(g) would provide that the DMM would be responsible for determining the Auction Price for a Core Open Auction or a Trading Halt Auction. This proposed rule text would be new for the Pillar Auction rules and is based on current functionality that as part of the DMM's role in facilitating auctions, the DMM determines the Auction Price based on buy and sell orders represented in the Exchange Book. The Exchange believes that including this detail in Exchange rules provides clarity and transparency to the Exchange's auction process.

The rule would further provide that if there is an Imbalance of any size, the DMM must select an Auction Price at which all better-priced orders on the Side of the Imbalance can be satisfied. This proposed rule text is based in part on Rule 115A(a)(1), which specifies that market interest is guaranteed to participate in the opening or reopening transaction.[73] Otherwise, this proposed rule text would be new for the Pillar Auction Rules, and is designed to promote clarity and transparency in Exchange rules relating to the Exchange's auction process.

Proposed Rule 7.35A(g)(1) would further provide that when facilitating the opening on the first day of trading of a Direct Listing that has not had recent sustained history of trading in a Private Placement prior to listing, the DMM will consult with a financial advisor to the issuer of such security in order to effect a fair and orderly opening of such security. This proposed rule text is from the last sentence of Rule 104(a)(2) with a non-substantive difference to use the defined term of ''Direct Listing.'' The Exchange proposes to move this rule text from Rule 104 to proposed Rule 7.35A(g)(1) because the responsibility described in the current rule relates to how an Auction Price is determined for a Direct Listing Auction, and the Exchange believes that including this text in proposed Rule 7.35A would consolidate requirements relating to the Exchange's auction process, thereby making the rules easier to navigate.[74]

Auction Allocation. Proposed Rule 7.35A(h) would specify how orders would be allocated in an Auction. As proposed, once an Auction Price has been determined, orders would be allocated in a Core Open Auction or Trading Halt Auction as follows:

- Better-priced orders, including Yielding Orders and the reserve interest of Reserve Orders, entered by the Book Participant or a Floor Broker Participant would be guaranteed to participate in the Auction at the Auction Price (see proposed Rule 7.35A(h)(1)). The Exchange proposes to use Pillar terminology in proposed Rule 7.35A(h)(1) to describe the same functionality as set forth in Rule 115A(a)(1) and Rule 115A(a)(1)(A), which provides that market interest is guaranteed to participate in the opening or reopening transaction. Under Rule 115A(a)(1), market interest includes the same types of orders defined in proposed Rules 7.35(a)(5)(A) and 7.35A(h)(1) as being guaranteed to participate in a Core Open or Trading Halt Auction, including G Orders priced better than the opening or reopening price.[75]
- At-priced orders and DMM Interest of any price would not be guaranteed to participate in the Auction (see proposed Rule 7.35A(h)(2)). The Exchange proposes to use Pillar terminology in proposed Rule 7.35A(h)(2) to describe the same functionality as set forth in Rules 115A(a)(1) and (a)(1)(B)–(C), including that DMM Interest is not guaranteed to participate in such Auctions. Proposed Rule 7.35A(h)(2) would further provide how at-priced orders would be allocated in an Auction as follows:
  - First, orders ranked Priority 2—Display Orders, Opening D Orders, and LOO Orders would be allocated on

[73] Under Rule 115A(a)(1)(A), market interest is defined as (i) Market and MOO Orders, (ii) limit interest to buy (sell) that is priced higher (lower) than the opening or reopening price (which includes G Orders), and (iii) Floor broker interest entered manually by the DMM. The first two of these categories are described above in the definition of better-priced orders. The Exchange proposes that the DMM would not manually enter Floor broker interest for the Core Open or Trading Halt Auction; Floor brokers must represent their interest electronically.

[74] The Exchange proposes a related rule change to delete the last sentence of Rule 104(a)(2).

[75] *Id. See also* Securities Exchange Act Release No. 67686 (August 17, 2012), 77 FR 51596 (August 24, 2012) (SR–NYSE–2012–19) (Order approving changes to Rules 115A and 123C to provide that better-priced G Orders are guaranteed to participate in the opening, reopening, or closing transaction) (''G Orders in Auctions Filing'').

parity by Participant pursuant to Rule 7.37(b)(2)–(7) (see proposed Rule 7.35A(h)(2)(A)). By cross-referencing Rule 7.37(b)(2)–(7), this proposed rule text makes clear that the allocation process for the Core Open Auction and Trading Halt Auction would follow the established Pillar parity allocation process.[76] The Exchange believes that if at-priced Opening D Orders or LOO Orders are participating in the Core Open or Trading Halt Auction at the Auction Price, such orders should be allocated together with displayed orders, which is how such orders are allocated under the Current Auction Rules. In addition, by cross referencing Rules 7.37(b)(5), (6), and (7), the proposed Rule provides specificity that allocations to each Participant, including the DMM, would be allocated consistent with those rules. The Exchange proposes to make a related amendment to Rule 7.37(b)(2) to specify that the Exchange would create a separate allocation wheel for each Auction. Because there are orders that can participate in an Auction but are not eligible to participate in continuous trading, *e.g.,* Auction-Only Orders and certain DMM Interest, the Exchange believes that creating a separate allocation wheel for an Auction would ensure that where Participants are positioned on the Auction allocation wheel would be based on all interest that would be eligible to participate in the Auction. The creation of that allocation wheel and how all such Participants would be positioned on that wheel would be determined pursuant to current Rule 7.37(b)(A)–(F).

○ Next, orders ranked Priority 3—Non-Display Orders would be allocated on parity by Participant pursuant to Rule 7.37(b)(2)–(7) (see proposed Rule 7.35A(h)(2)(B)). This proposed rule text would be applicable to the reserve interest of Reserve Orders, which are the only orders ranked Priority 3—Non-Display Orders eligible to participate in an Auction. By cross-referencing Rule 7.37(b)(2)–(7), this proposed rule text makes clear that the allocation process for the Core Open Auction and Trading Halt Auction will follow the established Pillar parity allocation process.

○ Next, the display quantity of orders ranked Priority 4—Yielding Orders would be allocated on time (see proposed Rule 7.35A(h)(2)(C)). This proposed allocation is consistent with the Exchange's proposal regarding how displayed Yielding Orders would be allocated on Pillar under Rule 7.37(b)(1)(G).

○ Next, the non-display quantity of orders ranked Priority 4—Yielding Orders would be allocated on time (see proposed Rule 7.35A(h)(2)(D)). This proposed allocation is consistent with the Exchange's proposal regarding how non-displayed Yielding Orders would be allocated on Pillar under Rule 7.37(b)(1)(H).

• Proposed Rule 7.35A(h)(3) would address the DMM Participant Allocation of at-priced orders in the Core Open and Trading Halt Auction. The Exchange proposes that the manner by which DMMs would participate in an Auction would differ from how they participate in allocations during continuous trading, described above. As proposed:

○ At-priced DMM Orders would be placed on the allocation wheel for an Auction based on the time of entry and any other orders or interest from such DMM would join that position on the allocation wheel (see proposed Rule 7.35A(h)(3)(A)). In such case, the DMM Order with the earliest entry time would establish that DMM Participant's position on the allocation wheel, consistent with Rule 7.37(b)(2)(B).[77] However, if the only DMM Interest available to participate in an Auction would be DMM Auction Liquidity or better-priced DMM Orders or both, such DMM Interest would be placed last on the allocation wheel. The Exchange proposes that in these scenarios, the DMM Interest would go last on the allocation wheel because such orders would either be repriced for the Auction (in the case of a better-priced DMM Order, which would be considered an at-priced order for the Auction Allocation) or entered right before the Auction (in the case of DMM Auction Liquidity). Because such DMM Interest is intended to be offsetting interest for an Auction, the Exchange does not believe that such DMM Interest should have time priority in how they are included in an allocation wheel over other orders that are eligible to participate in an Auction. This proposed functionality would be new on Pillar and is designed so that DMMs, who have the ability to enter buy and sell interest last in an Auction, would not receive any time priority for such interest.

○ A parity allocation to the DMM Participant would be allocated in price-time priority (see proposed Rule 7.35A(h)(3)(B)). As discussed above, a parity allocation to the DMM Participant would be based on the working time. However, in an Auction Allocation, DMM Interest may have more than one limit price, and the Exchange proposes that the parity allocation to the DMM Participant would be allocated among such DMM Interest in price-time priority, even though they all would participate in the Auction at a single price.

○ Both at-priced DMM Orders that do not receive an allocation and that lock other unexecuted orders and buy and sell better-priced DMM Orders would be cancelled after the Auction Processing Period concludes (see proposed Rule 7.35A(h)(3)(C)). As noted above, DMM Auction Liquidity that does not participate in an Auction cancels after the Auction. To provide for continuity in the market after the Auction, the Exchange also proposes to cancel DMM Orders with a limit price that either lock the Auction Price, *i.e.,* did not participate in the parity allocation, or are priced through the Auction Price, *i.e.,* a buy (sell) DMM Order priced higher (lower) than the Auction Price. The Exchange believes that cancelling such DMM Interest would ensure that there will not be orders that transition to continuous trading that lock or cross other orders in the Exchange Book.

SIP Modifier. Proposed Rule 7.35A(i) would provide that the Core Open Auction would be designated with a modifier to identify the opening quote, and if there is an opening trade, a modifier to identify the opening trade. The rule would further provide that the Trading Halt Auction would be designated with a modifier to identify it as a reopening trade. These SIP modifiers are consistent with how the Exchange functions under the Current Auction Rules and would be new rule text for the Pillar Auction Rules that is based on NYSE Arca Rule 7.35–E(c)(5) and (e)(11) and NYSE American Rule 7.35E(c)(5) and (e)(11).

Temporary Rule Suspensions. Current Rule 15(f) provides that the Exchange can temporarily suspend the requirement of pre-opening indications and current Rule 123D(c) provides that the Exchange can temporarily suspend DMM automated opening limitations or Floor Official approval requirements. In the Pillar Auction Rules, the Exchange proposes to consolidate these existing temporary suspension requirements in proposed Rule 7.35A(j).

Proposed Rule 7.35A(j)(1) would provide that if the CEO of the Exchange, or his or her designee, determines that a Floor-wide event is likely to have an impact on the ability of DMMs to

[76] *See* Securities Exchange Act Release No. 82945 (March 26, 2018), 83 FR 13553, 13560–13561 (March 29, 2018) (SR–NYSE–2018–36) (Approval Order and discussion of how the Rule 7.37 Pillar parity allocation process differs from the current Rule 72 parity allocation process).

[77] Rule 7.37(b)(2)(B) provides that additional Participants are added to an allocation wheel based on time of entry of the first order entered by a Participant.

arrange for a fair and orderly Core Open or Trading Halt Auction at the Exchange and that, absent relief, the operation of the Exchange is likely to be impaired, the CEO of the Exchange, or his or her designees, may temporarily suspend the rules specified in proposed subparagraphs (A) and (B) of that Rule. This proposed rule text is based on Rule 15(f)(1) and Rule 123D(c)(1) with non-substantive differences to use Pillar terminology.[78]

Proposed Rule 7.35A(j)(1)(A) would specify the first set of rules that could be suspended. As proposed, under the circumstances described above, the Exchange could suspend the prohibition on a DMM opening a security electronically if the Core Open or Trading Halt Auction Price would be more than the price or volume parameters specified in proposed Rule 7.35A(c)(1)(G) and (H) of this Rule. This proposed rule text is based on Rule 123D(c)(1)(A) with non-substantive differences to use Pillar terminology and update the cross references.[79]

Proposed Rule 7.35A(j)(1)(B) would specify the second set of rules that could be suspended. As proposed, under the circumstances described above, the Exchange could suspend the requirement to publish pre-opening indications in a security under proposed Rule 7.35A(d) of this Rule prior to opening or reopening a security following a market-wide trading halt. This proposed rule text is based on Rule 15(f)(1) with non-substantive differences to update the cross reference.

Proposed Rule 7.35A(j)(2) would provide that when determining whether to temporarily suspend the specified paragraphs of this Rule, the CEO of the Exchange would:

- Consider the facts and circumstances that are likely to have Floor-wide impact for a particular trading session, including volatility in the previous day's trading session, trading in foreign markets before the open, substantial activity in the futures market before the open, the volume of pre-opening indications of interest, evidence of pre-opening significant order imbalances across the market, government announcements, news and corporate events, and such other market conditions that could impact Floor-wide trading conditions (see proposed Rule 7.35A(j)(2)(A)). This proposed rule text is based on Rule 15(f)(2)(A) and Rule 123D(c)(2)(A) without any substantive differences.
- Notify the Chief Regulatory Officer of the Exchange (see proposed Rule 7.35A(j)(2)(B)). This proposed rule text is based on Rule 15(f)(2)(B) and Rule 123D(c)(2)(B) without any substantive differences.
- Inform the Securities and Exchange Commission staff as promptly as practicable of the temporary suspension (see proposed Rule 7.35A(j)(2)(C)). This proposed rule text is based on Rule 15(f)(2)(C) and Rule 123D(c)(2)(C) without any substantive differences.

Proposed Rule 7.35A(j)(3) would provide that a temporary suspension under this Rule would be in effect for the trading day on which it was declared only. This proposed rule text is based on Rule 15(f)(3) without any differences.

Proposed Rule 7.35A(j)(4) would provide that notwithstanding a temporary suspension of the requirement to publish pre-opening indications in a security under this Rule, a DMM may publish a pre-opening indication for one or more securities. This proposed rule text is based on Rule 15(f)(4) with a difference not to reference that the Exchange would publish a pre-opening indication. This proposed difference is based on the difference under the Pillar Auction Rules, described above, that the Exchange would not publish a pre-opening indication if a DMM is unable to do so.

Proposed Rule 7.35B (DMM-Facilitated Closing Auctions)

Proposed Rule 7.35B would set forth the process for DMM-facilitated Closing Auctions. As described in greater detail below, to promote consistency and transparency in the Pillar Auction Rules, if the functionality described in proposed Rule 7.35B is the same as the functionality described in proposed Rule 7.35A, the Exchange proposes to use the same subparagraph numbering for the two rules. For example, Auction Imbalance Information for the Opening and Trading Halt Auctions will be described in proposed Rule 7.35A(e) and the Auction Imbalance Information for the Closing Auction will be described in proposed Rule 7.35B(e). The Exchange believes that keeping these two rules as parallel as feasible would promote clarity, consistency, and transparency in Exchange rules.

DMM and Floor Broker Responsibilities. Proposed Rule 7.35B(a) would set forth both the DMM and Floor broker responsibilities for the closing of securities. Similar to the DMM and Floor broker responsibilities as described in proposed Rule 7.35A(a) above, DMMs and Floor brokers also have Floor-based roles in connection with the Closing Auction and the Exchange proposes to specify these requirements in proposed Rule 7.35B(a).

Proposed Rule 7.35B(a) would provide that it is the responsibility of each DMM to ensure that registered securities close as soon after the end of Core Trading Hours as possible, while at the same time not unduly hasty, particularly when at a price disparity from the Exchange Last Sale Price. This proposed rule would be new for the Pillar Auction Rules and reflects current DMM responsibilities, as specified in Rule 104(a)(3), but with greater detail about how the DMM should facilitate the close of trading.

The proposed rule text is based in part on the Rule 123D(a)(1) text relating to the opening of trading, which is proposed to be included in proposed Rule 7.35A(a) for the Pillar Auction Rules. The Exchange believes that because the DMM responsibilities for the Closing Auction are similar to the DMM responsibilities for the Core Open and Trading Halt Auctions, the Closing Auction Rule should have parallel rule text. A proposed difference for the Closing Auction version would be that the DMM should look at price disparity from the Exchange Last Sale Price when determining when to close the security. The proposed rule also makes clear the current functionality that the Closing Auction would occur after the end of Core Trading Hours, but that the DMM has a responsibility to ensure that registered securities close as soon after the end of Core Trading Hours as possible, but that it does not need to be unduly hasty if there is a price disparity.

Proposed Rule 7.35B(a)(1) would specify how Floor Broker Interest would be entered for the Closing Auction. The functionality described in this proposed rule would be new for the Exchange. Currently, if a Floor broker orally represents a bid or offer at the point of sale before the close of trading, for such interest to be included in the closing transaction, the DMM must manually enter the details of the order on behalf of the Floor broker, including the security, side, size, limit price or if it is at market, and Floor broker badge number. The Exchange believes that in

[78] Rule 123D(c)(1) currently provides that the temporary relief is available for a reopening following a market-wide circuit breaker. In harmonizing this rule text with current Rule 15(f)(1), the Exchange proposes that under the Pillar Auction Rules, the temporary rule suspension would be available for any scenario where a Floor-wide event would impact the fair and orderly reopening of securities, which include reopenings after a market-wide circuit breaker, plus other potential market-wide events.

[79] The Exchange does not propose to include in the Pillar Auction Rules a temporary suspension as described in Rule 123D(c)(1)(B) because the Exchange no longer requires Floor Official approval before a security can be halted.

today's trading environment, this process introduces risk to the closing process because the DMM is responsible for both manually entering orders on behalf of potentially multiple Floor brokers in multiple securities and also facilitating the closing process for multiple securities. To reduce the burden on the DMM, the Exchange proposes that on Pillar, the Floor broker would be responsible for electronically entering interest that has been properly represented orally by the end of Core Trading Hours. While the DMM would still be responsible for validating such Floor broker-entered interest, the burden on the DMM would be minimized, which the Exchange believes would lead to a more efficient closing process.

As proposed, Floor Broker Interest would be eligible to participate in the Closing Auction provided that the Floor broker has electronically entered such interest before the Auction Processing Period for the Closing Auction begins. Proposed Rule 7.35B(a)(1)(A) would provide that for such interest to be eligible to participate in the Closing Auction, a Floor broker must:

- First, by the end of, but not after, Core Trading Hours, orally represent Floor Broker Interest at the point of sale, including symbol, side, size, and limit price (see proposed Rule 7.35B(a)(1)(A)(i)). This proposed rule text specifies the details of an order that a Floor broker must represent at the point of sale by the end of Core Trading Hours, *e.g.,* not after 4:00 p.m. This rule text proposes a substantive difference from how Floor brokers can currently represent orders at the close because such orders would be required to include a limit price. Today, a Floor broker can represent an order at the close ''at market,'' which would not be supported on Pillar.
- Then, electronically enter such interest after the end of Core Trading Hours, and such electronic entry of Floor Broker Interest would not be subject to Limit Order Price Protection (see proposed Rule 7.35B(a)(1)(A)(ii)). This proposed text would be new functionality for the Pillar Auction Rules and represents the proposed new method to electronically enter orally-represented Floor Broker Interest into Exchange systems for participation in the Closing Auction. To distinguish this interest from orders entered by a Floor broker during Core Trading Hours, the Exchange proposes that such interest could be entered only after the end of Core Trading Hours. In addition, because such interest would be eligible to participate in the Closing Auction only, the Exchange proposes that it would not be subject to Limit Order Price Protection, as described in Rule 7.31(a)(2)(B).

Proposed Rule 7.35B(a)(1)(B) would provide that before Floor Broker Interest would be ranked for the Closing Auction, it must be electronically accepted by the DMM and that once accepted, Floor Broker Interest would be processed as an order ranked Priority 2—Display Orders from a Floor Broker Participant for purposes of inclusion in Closing Auction Imbalance Information and ranking and allocation in the Closing Auction. This proposed rule text would be new functionality for the Pillar Auction Rules and represents the more limited role that DMMs would have in processing Floor Broker Interest. The Exchange proposes that the DMM's electronic acceptance would serve to validate that the Floor broker had represented the Floor Broker Interest consistent with proposed Rule 7.35B(a)(1)(A).

In addition, as described above, the Exchange proposes to continue disseminating Closing Auction Imbalance Information until the Auction begins. Pursuant to proposed Rule 7.35B(a)(1)(B), Floor Broker Interest would be included in such Closing Auction Imbalance Information after it has been accepted by the DMM. Because such Floor Broker Interest must include a limit price, the Exchange proposes to process it as an order ranked Priority 2—Display Orders for purposes of Auction Imbalance Information.

In addition to the new functionality of including this interest in the Closing Auction Imbalance Information after 4:00 p.m., this proposed rule would represent new functionality of how Floor Broker Interest would be allocated in an Auction. Pursuant to Rule 123C(7)(a)(iii), Floor broker interest entered manually by the DMM is considered ''has-to-go'' interest and is currently guaranteed to participate in the closing transaction. In Pillar, the Exchange proposes a difference that Floor Broker Interest would be ranked as Priority 2—Display Orders. Whether such Floor Broker Interest would be guaranteed to participate in the Closing Auction would be based on its limit price, which is consistent with how other orders ranked Priority 2—Display Orders would be processed in the Closing Auction.[80]

Proposed Rule 7.35B(a)(1)(C) would provide that, after the end of Core Trading Hours, electronically-entered Floor Broker Interest could not be reduced in size or replaced, provided that, subject to Floor Official approval, a DMM can accept a full cancellation of electronically-entered Floor Broker Interest to correct a Legitimate Error. This proposed rule text would be new for the Pillar Auction Rules and represents current functionality that a Floor broker cannot change the terms of an order after the close of Core Trading Hours. The Exchange believes, however, that if there is a Legitimate Error with the electronically-entered order, the Floor broker should be able to cancel such order, but not replace it with a new order.[81]

Proposed Rule 7.35B(a)(2) would address DMM Interest and would provide that a DMM may enter or cancel DMM Interest after the end of Core Trading Hours in order to supply liquidity as needed to meet the DMM's obligation to facilitate the Closing Auction in a fair and orderly manner. This proposed rule text would be new for the Pillar Auction Rules and is based on the current Rule 104(a)(3) obligation for a DMM to supply liquidity as needed to facilitate the close of trading on the Exchange. Currently, the DMM can meet that obligation by entering or cancelling their own interest after 4:00 p.m. This proposed rule text would specify this functionality in the Pillar Auction Rules. Similar to Floor Broker Interest for the Closing Auction, the Exchange proposes that the entry of DMM Interest after the end of Core Trading Hours would not be subject to Limit Order Price Protection.

Closing Without a Trade. Proposed Rule 7.35B(b) would provide that if there is no interest to conduct a Closing Auction, a DMM may close a registered security without a trade and that in such case, the Official Closing Price for the security would be determined as provided for in Rule 1.1. As noted above, if there is no interest to conduct a closing transaction, the DMM is not required to conduct a closing transaction or publish a new quote. However, even if there is no closing transaction, there would be an Official Closing Price disseminated for such security. This proposed rule text would be new for the Pillar Auction Rules and is designed to promote clarity and transparency regarding the Closing Auction process in Exchange rules.

DMM Closing Process. Proposed Rule 7.35B(c) would provide that the DMM may effectuate a Closing Auction manually or electronically (see Rule 104(b)(ii)). This proposed rule text is

[80] *See* discussion *infra* regarding proposed Rule 7.35B(h).

[81] For example, if a Floor broker orally represents Floor Broker Interest to buy with a limit price of 10.02, but electronically enters it with a limit price of 100.2, the Floor broker should be able to fully cancel that order, but not replace it.

based on Supplementary Material .10 to Rule 123C, which provides that closings may be effectuated manually or electronically (see Rule 104(b)). The Exchange proposes non-substantive differences to use Pillar terminology that mirrors proposed Rule 7.35A(c) relating to the DMM Opening Process.

Supplementary Material to Rule 123C further provides that Exchange systems will not permit a DMM to close a security electronically if a DMM has manually-entered Floor interest. The Exchange believes that specifying the following circumstances when a DMM would not be permitted to effect a Closing Auction electronically to the Pillar Auction Rules will promote transparency regarding the circumstances of when a DMM must close a security manually:

- The DMM has begun the process to close a security manually, including by manually entering DMM Auction Liquidity (see proposed Rule 7.35B(c)(1)(A)). This proposed rule text is based in part on the second sentence of Supplementary Material .10 to Rule 123C, which provides that Exchange systems will not permit a DMM to close a security electronically if a DMM has manually-entered Floor interest, which includes manual DMM interest. The proposed rule text is also consistent with proposed Rule 7.35A(c)(1)(B), described above. Specifically, the DMM uses a graphical user interface to manage the closing process. From that template, the DMM can validate Floor Broker Interest or enter DMM Auction Liquidity. The Exchange believes that if a DMM is in the process of using such graphical user interface, including to manually enter DMM Auction Liquidity, the DMM is taking an action to indicate that the closing process will be effectuated manually. Accordingly, if a DMM engages in such process, the Exchange would not permit the DMM to close the security electronically.
- Floor Broker Interest for the Closing Auction that has been electronically entered or requested to be cancelled has not yet been accepted by the DMM (see proposed Rule 7.35B(c)(1)(B)). This proposed rule text would be new for Pillar Auction Rules and is related to the proposed new functionality relating to Floor Broker Interest for the Closing Auction pursuant to proposed Rule 7.35B(a)(1). The Exchange proposes that if a DMM has accepted all Floor Broker Interest that has been entered, the DMM can effectuate the closing electronically. However, if a Floor broker has entered Floor Broker Interest or requested to cancel such interest, but the DMM has not yet accepted the instruction, the Exchange would not permit the DMM to effectuate the closing electronically.
- It is the first day of trading of a security that is the subject of an IPO or a Direct Listing and the security never opened (see proposed Rule 7.35B(c)(1)(C)). This proposed rule text would be new for Pillar Auction Rules and would specify how the DMM should process a security that is the subject of an IPO or a Direct Listing and never opened. In such case, the Exchange does not believe that the closing should be effectuated electronically.[82]
- The security is suspended or halted at the end of Core Trading Hours (see proposed Rule 7.35B(c)(1)(D)). This proposed rule text would be new for Pillar Auction Rules and is based on current functionality. The Exchange believes that if a security is halted or suspended at the end of Core Trading Hours, a DMM should not be permitted to effectuate a closing electronically because such security may still be suspended or halted when the DMM attempts to conduct such closing electronically. If the suspension or halt state is lifted shortly after 4:00 p.m., the Exchange believes that if there is interest to conduct a Closing Auction, the DMM should facilitate that closing process manually.
- There is no Exchange Last Sale Price (see proposed Rule 7.35B(c)(1)(E)). This proposed rule text would be new for Pillar Auction Rules and is based on current functionality. As described below, the Exchange proposes to use the Exchange Last Sale Price as the Imbalance Reference Price for the Closing Auction. The Exchange believes that if there is no Exchange Last Sale Price in a security, the Exchange would not have sufficient information to provide to a DMM for closing a security electronically. Accordingly, the Exchange proposes that in such scenario, the DMM must close the security manually.
- A temporary suspension under proposed Rule 7.35B(j)(2)(A) of this Rule has been invoked (see proposed Rule 7.35B(c)(1)(F)). This proposed rule text would be new for the Pillar Auction Rules and reflects that if Rule 7.34(a)(2)(B) has been suspended pursuant to proposed Rule 7.35B(j)(2)(A) to permit the solicitation and entry of orders after the end of Core Trading Hours because of extreme order imbalances at or near the close, the Exchange believes that such closing should be effectuated manually.
- The Closing Auction Price would be more than a designated percentage away from the Exchange Last Sale Price (see proposed Rule 7.35B(c)(1)(G)). This proposed rule text would be new for the Pillar Auction Rules and represents current functionality of when the DMM is not permitted to effectuate a closing electronically. Similar to how current Rule 123D(a)(1)(B)(i)(a) and (b) function for the open, today, the Exchange does not permit the DMM to effectuate a closing electronically if the DMM were to close a security a designated percentage away from the last sale price on the Exchange. In the Pillar Auction Rules, the Exchange proposes to specify this limitation.

As proposed, the Exchange would use the Exchange Last Sale Price as the reference price for determining whether the Closing Auction Price would be at a price disparity requiring a manual closing process. The Exchange further proposes that if the Exchange Last Sale Price were $25.00 and below, the designated percentage would be 5%, if the Exchange Last Sale Price were $25.01 to $50.00, the designated percentage would be 4%, and if the Exchange Last Sale Price were above $50.00, the designated percentage would be 2%. These are the current designated percentages that the Exchange uses to determine whether to permit a DMM to effectuate a closing electronically. The Exchange believes that if a Closing Auction Price were to be outside these proposed designated percentages, the closing process should be effected manually.

- The paired volume for the Closing Auction would be more than 1,000 round lots for such security (see proposed Rule 7.35B(c)(1)(H)). This proposed rule text would be new for the Pillar Auction Rules and represents current functionality of when the DMM is not permitted to effectuate a closing electronically. Similar to current Rule 123D(a)(1)(B)(i)(c) and proposed Rule 7.35A(c)(1)(H) for the opens and reopens, the Exchange proposes that the close should not be effectuated electronically if the volume would exceed specified parameters. Today, the Exchange does not permit a closing transaction if it would be over 100,000 shares in size. In the Pillar Auction Rules, the Exchange proposes to specify this requirement in round lots.

Closing Imbalance. Proposed Rule 7.35B(d) would specify the requirements relating to Closing

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[82] Because the Exchange accepts Auction-Only Orders intended for the Closing Auction beginning at 6:30 a.m., it is possible for a security to never open, and yet have interest that is eligible for a Closing Auction and that could trade. The Exchange does not believe that the DMM should electronically effect such a closing. Rather, in such rare circumstances, the Exchange believes that the DMM should manage such closing process manually.

Imbalances, and is based on Rules 123C(1)(b), (1)(d), (4) and (5).

Proposed Rule 7.35B(d) would specify that a Closing Imbalance publication would include the Imbalance and the Side of the Imbalance. This proposed rule text is based in part on Rule 123C(4), which describes how the buy or sell side imbalance is determined. The proposed rule would also provide that the Imbalance Reference Price for a Closing Imbalance would be the Exchange Last Sale Price. This proposed rule text is based in part on Rule 123C(4)(a)(i) and (ii), which specifies that the last sale in a security, as reported to the Consolidated Tape, would be the reference price. The Exchange proposes a substantive difference on Pillar to use the Exchange Last Sale Price, as defined in proposed Rule 7.35(a)(11)(B) above. As noted above, and as described below, the Exchange proposes to use the Exchange Last Sale Price for any scenario relating to the Closing Auction that would need a reference price, including as the reference price for determining price disparity to permit a DMM to close a security electronically or as the Imbalance Reference Price for Auction Imbalance Information. The Exchange believes it would promote consistency in Exchange rules to use the same price for all of these purposes.

As a corollary, the Exchange proposes that it would not disseminate a Closing Imbalance if there is no Exchange Last Sale Price. This would be new rule text for the Pillar Auction Rules and reflects that if there is no sale information for a security, the Exchange would not be able to calculate an imbalance, and therefore would not be able to assess whether to publish a Closing Imbalance. Finally, proposed Rule 7.35B(d) would provide that a Closing Imbalance would be disseminated to the securities information processor and that a Regulatory Closing Imbalance would also be disseminated to proprietary data feeds. This proposed rule text represents current functionality and is based in part on Rules 123C(5)(a) and (b), which provides that both the Mandatory MOC/LOC Imbalance Publication and Informational Imbalance Publication are published on the Consolidated Tape. This proposed rule text is also based in part on Rule 123C(6)(a)(vi), which references the Mandatory MOC/LOC Imbalance Publication as part of the Order Imbalance Information.

Proposed Rule 7.35B(d)(1) would specify the requirements for publication of a Regulatory Closing Imbalance. As proposed, at the Closing Auction Imbalance Freeze Time (as defined above in proposed Rule 7.35(a)(7)), if the Closing Imbalance is 500 round lots or more, the Exchange would disseminate a Regulatory Closing Imbalance. This proposed rule text is based on Rule 123C(1)(d)(i) and the first sentence of Rule 123C(5)(a) with non-substantive difference to use Pillar terminology and a substantive difference to use round lots rather than the current rule, which requires the imbalance amount to be 50,000 shares. The Exchange believes that using round lots would better reflect the significance of the imbalance, particularly for securities with a round-lot size under 100 shares.

Proposed Rule 7.35B(d)(1)(A) would provide that if, at the Closing Auction Imbalance Freeze Time, the Closing Imbalance is less than 500 round lots, but is otherwise significant in relation to the average daily trading volume in the security, a DMM may disseminate a Regulatory Closing Imbalance only with prior Floor Official approval. This proposed rule text is based on the second sentence of Rule 123C(5)(a) with non-substantive differences to use Pillar terminology and a substantive difference to use round lots rather than refer to the imbalance size in shares.

Proposed Rule 7.35B(d)(1)(B) would provide that a Regulatory Closing Imbalance would be a one-time publication that should not be updated. This proposed rule text is based on Rule 123C(5)(A), which states that the Regulatory Closing Imbalance is published as soon as practicable after 3:50 p.m. This proposed rule text distinguishes the Regulatory Closing Imbalance from the Auction Imbalance Information, which would be updated every second.

Proposed Rule 7.35B(d)(1)(C) would provide that a Regulatory Closing Imbalance would be disseminated at the Closing Auction Imbalance Freeze Time regardless of whether the security has not opened or is halted or paused at that time. This proposed rule text is based in part on Rule 123C(5)(c) with non-substantive differences to use Pillar terminology. The Exchange also proposes a substantive difference because under Current Auction Rules, when a trading halt in a security is in effect at 3:50 p.m. but is lifted prior to the close of trading in the security, a Mandatory MOC/LOC Imbalance Publication should be published as close to the resumption of trading as practicable. By contrast, under the Pillar Auction Rules, the Exchange proposes to publish a Regulatory Closing Imbalance at the Closing Auction Imbalance Freeze Time regardless of whether a security has not opened or is halted or paused at that time.

Proposed Rule 7.35B(d)(2) would specify the requirements for publication of a Manual Closing Imbalance. As proposed, beginning one hour before the scheduled end of Core Trading Hours up to the Closing Auction Imbalance Freeze Time, a DMM may disseminate a Manual Closing Imbalance only with prior Floor Official approval and only a DMM can update a Manual Closing Imbalance publication. This proposed rule text is based in part on current Rule 123C(1)(b) that an Informational Imbalance Publication can only be between 3:00 p.m. and 3:50 p.m., and on Rule 123C(5)(b), which provides that an Informational Imbalance Publication may be published between 3:00 and 3:50 p.m. with the prior approval of a Floor Official, with non-substantive differences to use Pillar terminology.[83]

Proposed Rule 7.35B(d)(2)(A) would provide that if a DMM disseminates a Manual Closing Imbalance before the Closing Auction Imbalance Freeze Time, such publication must be updated at the Closing Auction Imbalance Freeze Time with either: (i) A Regulatory Closing Imbalance, if the conditions specified in proposed Rule 7.35B(d)(1) are met; or (ii) a ''No Imbalance'' publication if the conditions specified in proposed Rule 7.35B(d)(1) are not met. This proposed rule text is based on Rule 123C(5)(b)(i) and (ii) with non-substantive differences to use Pillar terminology.

Auction Imbalance Information. Proposed Rule 7.35B(e) would specify Auction Imbalance Information for the Closing Auction. Proposed Rule 7.35B(e)(1) would specify the time of publication of such Auction Imbalance Information as follows:

- Proposed Rule 7.35B(e)(1)(A) would provide that for the Closing Auction, the Exchange would begin disseminating Auction Imbalance Information at the Closing Auction Imbalance Freeze Time even if such security is in a halt condition or has not yet opened. This proposed rule text is based in part on Rule 123C(1)(f), which defines the time when the Exchange begins publishing Order Imbalance Information, and Rule 123C(6)(a) with non-substantive differences to use Pillar terminology.
- Proposed Rule 7.35B(e)(1)(B) would provide that beginning two hours before the end of Core Trading Hours up to the

[83] Rule 123C(5)(b) also refers to a qualified ICE employee as defined in NYSE Rule 46.10. Rule 46(b)(v) provides that qualified ICE employees may be designated as a Floor Governor, and pursuant to Rule 46(b)(ii), a Floor Governor is also deemed to be a Floor Official. Accordingly, the Exchange believes that separately referencing qualified ICE employees would be redundant of simply referring to Floor Officials and therefore does not propose to reference qualified ICE employees as defined in NYSE Rule 46.10 in proposed Rule 7.35B(d)(2).

Closing Auction Imbalance Freeze Time, the Exchange would make available Total Imbalance, Side of Total Imbalance, Paired Quantity, Unpaired Quantity, Side of Unpaired Quantity, and if published, Manual Closing Imbalance, to Floor brokers for any security (i) in which a Floor broker has entered an order or (ii) as specifically requested by a Floor broker and that this Auction Imbalance Information would be provided in a manner that does not permit electronic redistribution. The rule would further provide that beginning at the Closing Auction Imbalance Freeze Time, all Closing Auction Imbalance Information would be made available to Floor brokers. This proposed rule text is based on Rule 123C(6)(b) with non-substantive differences to use Pillar terminology.

- Proposed Rule 7.35B(e)(1)(C) would provide that the Exchange would not disseminate Auction Imbalance Information for the Closing Auction if there is no Exchange Last Sale Price. This proposed rule text would be new for the Pillar Auction Rules based on current functionality. Because, as described below, the Exchange would use the Exchange Last Sale Price as the basis for determining the Imbalance Reference Price, if there is no Exchange Last Sale Price, there would not be any information for the Exchange to determine Auction Imbalance Information.

Proposed Rule 7.35B(e)(2) would specify the content of Auction Imbalance Information. As proposed, the Closing Auction Imbalance Information would include Total Imbalance, Side of Total Imbalance, Paired Quantity, Unpaired Quantity, Side of Unpaired Quantity, Continuous Book Clearing Price, Closing Interest Only Clearing Price, and Regulatory Closing Imbalance. This proposed rule text is based on Rule 123C(6)(a)(i), which describes the Order Imbalance Information disseminated under the Current Auction Rules, with non-substantive differences to use Pillar terminology. In addition, as described above, including Unpaired Quantity and Side of Unpaired Quantity would be new information included under the Pillar Auction Rules.

Proposed Rule 7.35A(e)(3) would specify how the Imbalance Reference Price for the Closing Auction would be determined. As proposed, the Imbalance Reference Price for the Auction Imbalance Information would be:

- The BB if the Exchange Last Sale Price is lower than the BB (see proposed Rule 7.35B(e)(3)(A)).
- The BO if the Exchange Last Sale Price is higher than the BO (see proposed Rule 7.35B(e)(3)(B)).
- The Exchange Last Sale Price if it is at or between the BBO or if the security was halted or not opened by the Closing Auction Imbalance Freeze Time (see proposed Rule 7.35B(e)(3)(C)).[84]

This proposed rule text is based on Rule 123C(6)(a)(iii) and subparagraphs (A)–(C) with non-substantive differences to use Pillar terminology and a substantive difference to use Exchange Last Sale Price rather than the last sale price of such security on the Exchange. If a security has traded that day on the Exchange, use of the term ''Exchange Last Sale Price'' would have the same meaning as the current rule. However, if there were no trades that day in a security on the Exchange and the prior day's Official Closing Price were based on a consolidated last-sale eligible trade from another exchange, then use of the term Exchange Last Sale Price would have a substantive difference from use of the term ''last sale price'' under current Rule 123C(6)(a)(iii). The Exchange believes that in such scenario, the term Exchange Last Sale Price may have a more recent valuation than use of the term last sale price on the Exchange.

Auction Imbalance Freeze. Proposed Rule 7.35B(f) would provide that the Auction Imbalance Freeze for the Closing Auction would begin at the Closing Auction Imbalance Freeze Time. This proposed rule text is based on Rules 123C(2), (3), (4), (5) and (6), which each reference the 3:50 p.m. time as the beginning of order entry and cancellation restrictions and when the Exchange will begin disseminating information about the close. The Exchange proposes non-substantive differences to use Pillar terminology.

Proposed Rule 7.35B(f) would further provide that order entry and cancellation would be processed during the Closing Auction Imbalance Freeze as follows:

- Entry of MOC and LOC Orders (proposed Rule 7.35B(f)(1)).
  - Proposed Rule 7.35B(f)(1)(A) would provide that if a Regulatory Closing Imbalance has not been published, the Exchange would reject all MOC and LOC Orders. This proposed rule text is based on Rule 123C(2)(b)(ii) with non-substantive differences to use Pillar terminology.
  - Proposed Rule 7.35B(f)(1)(B) would provide that if a Regulatory Closing Imbalance has been published, the Exchange would accept MOC and LOC Orders opposite to the Side of the Regulatory Closing Imbalance and would reject MOC and LOC Orders on the Side of the Imbalance. This proposed rule text is based on Rule 123C(2)(b)(i) with non-substantive differences to use Pillar terminology.[85]
- Cancellation of MOC, LOC, and Closing IO Orders (see proposed Rule 7.35B(f)(2)).
  - Proposed Rule 7.35B(f)(2)(A) would provide that from the beginning of the Auction Imbalance Freeze Time until two minutes before the scheduled end of Core Trading Hours, MOC, LOC, and Closing IO Orders may be cancelled or reduced in size only to correct a Legitimate Error. This proposed rule text is based on Rule 123C(3)(b) with non-substantive differences to use Pillar terminology.[86]
  - Proposed Rule 7.35B(f)(2)(B) would provide that except as provided for in proposed Rule 7.35B(j)(2)(B) of this Rule, a request to cancel, cancel and replace, or reduce in size a MOC, LOC, or Closing IO Order entered two minutes or less before the scheduled end of Core Trading Hours would be rejected. This proposed rule text is based on Rule 123C(3)(c) with non-substantive differences to use Pillar terminology and update the rule cross-references.
- Proposed Rule 7.35B(f)(3) would provide that beginning 10 seconds before the scheduled close of trading, a request to enter a Closing D Order or D Order in any security or cancel, cancel and replace, or modify a Closing D Order or D Order in an Auction-Eligible Security would be rejected. The proposed rule text relating to restrictions on the entry of Closing D Orders or D Orders in any security is based in part on the operation of d-Quotes for Exchange-listed securities

[84] The terms BB, BO, and BBO are defined in Rule 1.1 to mean the best bid on the Exchange, the best offer on the Exchange, and the best bid or offer on the Exchange, respectively.

[85] The Exchange does not propose rule text in the Pillar Auction Rules based on Rule 123C(2)(a), which describes MOC and LOC Order entry before 3:50 p.m., or 123C(2)(b)(3), which describes CO Order entry after 3:50 p.m. Under the Pillar Auction Rules, the Exchange proposes to describe only when order entry is restricted. The Exchange also does not propose rule text based on Rule 123C(2)(c), which describes order entry in the event of a Trading Halt. As described above, the Exchange would disseminate a Regulatory Closing Imbalance at the Closing Auction Imbalance Freeze Time even if a security were halted or paused at that time. Accordingly, order entry of MOC and LOC Orders during such period would need to comply with proposed Rule 7.35B(f)(1)(A) and (B) regardless of whether a security is halted or paused.

[86] The Exchange does not propose rule text based on Rule 123C(3)(a), which provides that MOC, LOC and CO orders may be cancelled or reduced in size for any reason up to 3:50 p.m. Under the Pillar Auction Rules, the Exchange proposes to describe only when order cancellation would be restricted.

described in the second sentence of current Rule 70.25(a)(ii), which prohibits the entry of d-Quotes 10 seconds or less before the close of trading, and Rule 7.31(d)(4)(G), relating to D Orders entered in any security 10 seconds or less before the scheduled close of trading. Because the Exchange would accept a Closing D Order in a UTP Security, even though such order would be routed to the primary market, as proposed, such orders would also be rejected if entered 10 seconds or less before the scheduled close of trading. Because restrictions on entry of D Orders in any security in the last 10 seconds of trading would be addressed in proposed Rule 7.35B(f)(3), the Exchange proposes to delete Rule 7.31(d)(4)(G) as duplicative.

The Exchange's proposal to also reject requests to cancel, cancel and replace, or modify Closing D Orders or D Orders during this same period would be new functionality on Pillar. Because this is new functionality, it would be applicable only to Closing D Orders or D Orders in Auction-Eligible Securities. The Exchange does not propose the same restriction for Closing D Orders or D Orders in UTP Securities because such orders are routed to the applicable primary listing market as either a MOC or LOC Order, and would be processed by the primary listing market under its applicable rules.

- Proposed Rule 7.35B(f)(4) would provide that all other order instructions would be accepted, subject to the terms of such orders. This proposed rule text is based in part on NYSE Arca Rule 7.35–E(d)(2)(C) and NYSE American Rule 7.35E(d)(2)(C) and reflects the Pillar terminology to specify only restrictions on entry and cancellation of orders.

Determining an Auction Price. Proposed Rule 7.35B(g) would provide that the DMM would be responsible for determining the Auction Price for a Closing Auction under this Rule. This proposed rule text would be new for the Pillar Auction rules and is based on current functionality that as part of the DMM's role in facilitating auctions, the DMM determines the Auction Price based on buy and sell orders represented in the Exchange Book. The Exchange believes that including this detail in Exchange rules provides clarity and transparency to the Exchange's auction process.

The rule would further provide that if there is an Imbalance of any size, the DMM must select an Auction Price at which all better-priced orders on the Side of the Imbalance can be satisfied. This proposed rule text is based in part on Rule 123C(8)(a)(i)(A), which specifies that Market Orders and Limit Orders better priced than the closing price trading against the imbalance amount are guaranteed to participate in the closing transaction.[87] Otherwise, this proposed rule text would be new for the Pillar Auction Rules, and is designed to promote clarity and transparency in Exchange rules relating to the Exchange's auction process.

Auction Allocation. Proposed Rule 7.35B(h) would specify how orders would be allocated in an Auction. As proposed, once an Auction Price has been determined, orders would be allocated in a Closing Auction as follows:

- Better-priced orders, including Yielding Orders and the reserve interest of Reserve Orders, entered by the Book Participant or a Floor Broker Participant would be guaranteed to participate in the Closing Auction at the Auction Price (see proposed Rule 7.35B(h)(1)). The Exchange proposes to use Pillar terminology in proposed Rule 7.35B(h)(1) to describe the same functionality as set forth in Rule 123C(7), which specifies the orders that must be executed in whole or in part in the closing transaction, *i.e.,* are better-priced orders, including G Orders.[88]
- At-priced orders and DMM Interest of any price would not be guaranteed to participate in the Closing Auction (see proposed Rule 7.35B(h)(2)). The Exchange proposes to use Pillar terminology in proposed Rule 7.35B(h)(2) to describe the functionality as set forth in Rule 123C(7)(b), including that DMM Interest is not guaranteed to participate in such Auctions. Proposed Rule 7.35B(h)(2) would further provide how at-priced orders would be allocated in an Auction as follows:
  - First, orders ranked Priority 2—Display Orders and Closing D Orders would be allocated on parity by Participant pursuant to Rule 7.37(b)(2)–(7) (see proposed Rule 7.35B(h)(2)(A)). By cross-referencing Rule 7.37(b)(2)–(7), this proposed rule text makes clear that the allocation process for the Closing Auction would follow the established Pillar parity allocation process. The Exchange believes that if at-priced Closing D Orders are participating in the Closing Auction at the Auction Price, such orders should be allocated together with displayed orders. In addition, by cross referencing Rules 7.37(b)(5), (6), and (7), the proposed Rule provides specificity that allocations to each Participant, including DMMs, would be allocated consistent with those rules.
  - Next, orders ranked Priority 3—Non-Display Orders would be allocated on parity by Participant pursuant to Rule 7.37(b)(2)–(7) (see proposed Rule 7.35B(h)(2)(B)). This proposed rule text would be applicable to the reserve interest of Reserve Orders, which are the only orders ranked Priority 3—Non-Display Orders eligible to participate in an Auction. By cross-referencing Rule 7.37(b)(2)–(7), this proposed rule text makes clear that the allocation process for the Closing Auction would follow the established Pillar parity allocation process.
  - Next, LOC Orders would be allocated on time (see proposed Rule 7.35B(h)(2)(C)). This proposed allocation would be new under the Pillar Auction Rules. Unlike LOO Orders, which are disseminated via proprietary data feeds at their limit price when there is no continuous trading before the Core Open or Trading Halt Auction, LOC Orders are not displayed at their limit price and are included in Auction Imbalance Information for the Closing Auction in the aggregate only for purposes of determining the size of the applicable Imbalance. The Exchange does not include LOC Orders in the proprietary data feeds at their limit price because they are not eligible to participate in continuous trading. Because they are not displayed, the Exchange does not believe that they should be ranked together with orders ranked Priority 2—Display Orders. The Exchange further believes that orders ranked Priority 3—Non-Displayed Orders should have priority over LOC Orders because such orders were eligible to trade before the Closing Auction, and therefore were at risk of trading before the Auction.
  - Next, Closing IO Orders opposite to the Side of the Unpaired Quantity would be allocated on time (see proposed Rule 7.35B(h)(2)(D)). This proposed rule text is based on Rule 13(c)(1), which describes how CO Orders are allocated. The Exchange proposes non-substantive differences to use Pillar terminology to describe the same functionality. Proposed Rule 7.35B(h)(2)(D)(i) would further provide that Closing IO Orders would not participate in the Closing Auction if there is no Unpaired Quantity at the Auction Price. This proposed rule text is similarly based on Rule 13(c)(1), but with non-substantive differences to use Pillar terminology.
  - Next, the display quantity of orders ranked Priority 4—Yielding Orders and Closing D Orders with a Yielding Modifier would be allocated on time

[87] In the Pillar Auction Rules, a Market Order that is held unexecuted pursuant to Rule 7.31(a)(1)(A) would be considered better-priced interest when it is included for allocation in an Auction.

[88] *See* G Orders in Auctions Filing, *supra* note 73.

(see proposed Rule 7.35B(h)(2)(E)). This proposed allocation is consistent with the Exchange's proposal regarding how displayed Yielding Orders would be allocated on Pillar under Rule 7.37(b)(1)(G). This proposed allocation ranking is also consistent with how orders are allocated pursuant to Rule 123C.[89]

○ Next, the non-display quantity of orders ranked Priority 4—Yielding Orders would be allocated on time (see proposed Rule 7.35B(h)(2)(F)). This proposed allocation is consistent with the Exchange's proposal regarding how non-displayed Yielding Orders would be allocated on Pillar under Rule 7.37(b)(1)(H).

• Proposed Rule 7.35B(h)(3) would address the DMM Participant Allocation of at-priced orders in the Closing Auction, which would be all of the DMM Participant's orders, regardless of limit price. The Exchange proposes that the manner by which DMMs would participate in an Auction would differ from how they participate in allocations during continuous trading, described above. As proposed:

○ At-priced DMM Orders would be placed on the allocation wheel for the Closing Auction based on the time of entry and any other orders or interest from such DMM would join that position on the allocation wheel (see proposed Rule 7.35B(h)(3)(A)). In such case, the DMM Order with the earliest entry time would establish that DMM Participant's position on the allocation wheel, consistent with Rule 7.37(b)(2)(B).[90] However, if the only DMM Interest available to participate in a Closing Auction would be DMM Auction Liquidity or better-priced DMM Orders or both, such DMM Interest would be placed last on the allocation wheel. Similar to proposed Rule 7.35A(h)(3)(A) regarding allocation of DMM Interest in the Core Open or Trading Halt Auction, the Exchange proposes that in these scenarios, the DMM Interest would go last on the allocation wheel because such orders would either be repriced for the Auction (in the case of a better-priced DMM Order, which would be considered an at-priced order for the Auction Allocation) or entered right before the Auction (in the case of DMM Auction Liquidity). Because such DMM Interest is intended to be offsetting interest for an Auction, the Exchange does not believe that such DMM Interest should have time priority in how they are included in an allocation wheel over other orders that are eligible to participate in an Auction. This proposed functionality would be new on Pillar and is designed so that DMMs, who have the ability to enter buy and sell interest last in an Auction, would not receive any time priority for such interest.

○ A parity allocation to the DMM Participant would be allocated in price-time priority (see proposed Rule 7.35B(h)(3)(B)). As discussed above, a parity allocation to the DMM Participant would be based on the working time. However, in an Auction Allocation, DMM Interest may have more than one limit price, and the Exchange proposes that the parity allocation to the DMM Participant would be allocated among such DMM Interest in price-time priority, even though they all would participate in the Auction at a single price.

SIP Modifier. Proposed Rule 7.35B(i) would provide that the Closing Auction would be designated with a modifier to identify it as a Closing Auction Trade and that the Exchange would report an Official Closing Price, as defined in Rule 1.1, for all Auction-Eligible Securities that trade on the Exchange, provided that an Official Closing Price would not be reported for a security if there was no Exchange Last Sale Price in such security on a trading day. These SIP modifiers are consistent with how the Exchange functions under the Current Auction Rules and would be new rule text for the Pillar Auction Rules that is based on NYSE Arca Rule 7.35–E(d)(4) and NYSE American Rule 7.35E(d)(4).

Temporary Rule Suspensions. Current Rule 123C(9) provides that in order to address extreme order imbalances at or near the close, the Exchange can temporarily suspend either the hours of the Exchange or the prohibition on cancelling or reducing in size MOC, LOC, or CO Orders after 3:58 p.m. In the Pillar Auction Rules, the Exchange proposes to move these two temporary rule suspension requirements to proposed Rule 7.35B(j). The Exchange also proposes a new temporary rule suspension for the close that is based on the current Rule 123D(c) temporary rule suspension for the open or reopen.

Proposed Rule 7.35B(j)(1) would set forth the temporary suspension of DMM automated closing limitations, which would be new under the Pillar Auction Rules. As described above, pursuant to proposed Rule 7.35B(c)(1)(G), the Exchange proposes to specify designated percentages for when a DMM may not close a security electronically. Because this proposed rule text is based in part on Rule 123D(a), the Exchange similarly proposes a temporary suspension of these automated limitations for the close similar to the temporary suspension of automated limitations for the open or reopen as set forth in Rule 123D(c).

Proposed Rule 7.35B(j)(1)(A) would provide that if the CEO of the Exchange, or his or her designee, determines that a Floor-wide event is likely to have an impact on the ability of DMMs to arrange for a fair and orderly Closing Auction and that, absent relief, the operation of the Exchange is likely to be impaired, the CEO of the Exchange may temporarily suspend the prohibition on a DMM closing a security electronically if the Closing Auction Price would be more than the price or volume parameters specified in proposed Rule 7.35B(c)(1)(F) and (G). This proposed rule text is based on Rule 123D(c)(1)(A) with modifications to apply it to the Closing Auction.

Proposed Rule 7.35B(j)(1)(B) would provide that in determining whether to temporarily suspend proposed Rule 7.35B(c)(1)(F) or (G), the CEO of the Exchange would:

• Consider the facts and circumstances that are likely to have Floor-wide impact for a particular trading session, including volatility in the day's trading session, trading in foreign markets, substantial activity in the futures market, evidence of pre-closing significant order imbalances across the market, government announcements, news and corporate events, and such other market conditions that could impact Floor-wide trading conditions (see proposed Rule 7.35B(j)(1)(B)(i)). This proposed rule text is based on Rule 123D(c)(2)(A) with modifications to apply it to the Closing Auction.

• Notify the Chief Regulatory Officer of the Exchange (see proposed Rule 7.35B(j)(1)(B)(ii)). This proposed rule text is based on Rule 123D(c)(2)(B) with modifications to apply it to the Closing Auction.

• Inform the Securities and Exchange Commission staff as promptly as practicable of the temporary suspension (see proposed Rule 7.35B(j)(1)(B)(iii)). This proposed rule text is based on Rule 123D(c)(2)(C) with modifications to apply it to the Closing Auction.

Proposed Rule 7.35B(j)(1)(C) would provide that a temporary suspension under this Rule will be in effect for the trading day on which it was declared only. This proposed rule text is based

[89] *See* Securities Exchange Act Release No. 71246 (January 7, 2014), 79 FR 2231 (January 13, 2014) (SR–NYSE–2013–84) (Notice of filing and immediate effectiveness of proposed rule change to provide that at-priced G Orders yield to CO Orders at the close).

[90] Rule 7.37(b)(2)(B) provides that additional Participants are added to an allocation wheel based on time of entry of the first order entered by a Participant.

on Rule 123D(c)(3) with modifications to apply it to the Closing Auction.

Proposed Rule 7.35B(j)(2) would set forth in the Pillar Auction Rules the temporary suspensions currently available under Rule 123C(9)(a), with non-substantive differences to use Pillar terminology. As proposed, to avoid closing price dislocation that may result from an order entered into Exchange systems or represented to a DMM orally at or near the end of Core Trading Hours, the Exchange may temporarily suspend one of two rules.

First, pursuant to proposed Rule 7.35B(j)(2)(A), the Exchange may temporarily suspend the requirement to enter all order instructions by the end of Core Trading Hours (Rule 7.34(a)(2)(B)) [91] to permit the solicitation and entry of orders into Exchange systems. This proposed rule text is based on Rule 123C(9)(a)(1) as follows:

- Such orders would be solicited solely to offset any Imbalance in a security that may exist as of the scheduled end of Core Trading Hours (see proposed Rule 7.35B(j)(2)(A)(i)). This proposed rule text is based on Rule 123C(9)(a)(1)(i) with non-substantive differences to use Pillar terminology. Specifically, Rule 123C(9)(a)(1)(i) refers to offsetting ''any imbalance'' in a security. Because, as described above, the term ''Imbalance'' for the Closing Auction refers to the imbalance of Auction-Only Orders, to ensure that the Imbalance used for entry of orders during this proposed temporary suspension would reflect all orders eligible to trade in the Closing Auction, the Exchange proposes to specify that for purposes of proposed Rule 7.35B(j)(2)(A), the Imbalance would include all interest eligible to participate in the Closing Auction. This proposed rule text makes clear that if this temporary rule suspension were triggered, the Imbalance included in the Auction Imbalance Information, which would continue to be calculated until the Closing Auction begins, would begin to include all orders eligible to trade in the Closing Auction.
- The Exchange would disseminate a notice via its proprietary data feed and such other methods of communication, as determined by the Exchange, that notifies both on-Floor and off-Floor participants that the Exchange would be accepting offsetting orders after the end of Core Trading Hours up to an order acceptance cut-off time designated by the Exchange (the ''Solicitation Period'') (see proposed Rule 7.35B(j)(2)(A)(ii)). This proposed rule text is based on Rule 123C(9)(a)(1)(ii) with a substantive difference to specify that the solicitation would be disseminated both on the Exchange's proprietary data feed, which would be new under Pillar Auction Rules, and such other methods of communication. For example, the Exchange currently notifies member organizations of such solicitations via Trader Update. The Exchange proposes to continue using Trader Updates and believes that also including this information in its proprietary data feed will enable automated systems of Exchange member organizations to be able to respond on a more timely basis to such solicitation requests. The Exchange also proposes non-substantive differences to use Pillar terminology, including a new defined term of ''Solicitation Period.'' The proposed rule would further provide that such notification would include, at a minimum: (A) The security symbol; (B) the Total Imbalance; (C) the Side of the Total Imbalance; and (D) the Exchange Last Sale Price. This proposed rule text is also based on Rule 123C(9)(a)(1)(ii) and uses Pillar terminology to describe the information that would be included in the solicitation request.
- If the Side of the Imbalance is buy (sell), during the Solicitation Period, the Exchange will accept only sell (buy) Limit Orders and Floor Broker Interest with a limit price equal to or higher (lower) than the Exchange Last Sale Price. Such orders would not be subject to the Limit Order Price Check and would not be routed to an Away Market (see proposed Rule 7.35B(j)(2)(A)(iii)). This proposed rule text is based on Rule 123C(9)(a)(1)(iii) with non-substantive differences to use Pillar terminology. The Exchange proposes new functionality under the Pillar Auction Rules. First, because Limit Orders are subject to Limit Order Price Protection, the Exchange proposes to specify that Limit Orders entered in response to a Solicitation Request would not be subject to such price check. Because such orders are by their terms, restricted in the limit price applicable to such orders, the Exchange does not believe that Limit Order Price Protection would be necessary for such orders.

Second, the Exchange proposes to systemically enforce these order entry requirements. Currently, while Rule 123C(9)(a)(1)(iii) requires only specified interest to be entered, Exchange systems do not enforce this requirement. Under the Pillar Auction Rules, the Exchange proposes to enforce these requirements by rejecting orders outside of these specified parameters. To specify this new functionality, proposed Rule 7.35B(j)(2)(A)(iii) would further provide that the Exchange would reject all other orders and requests to cancel any orders, regardless of the time of entry of the original order. For example, if an order was represented before the end of Core Trading Hours, the Exchange would not accept a cancellation of such previously-entered order during the Solicitation Period. Finally, because Auction Imbalance Information would continue to be published up to the beginning of the Auction Processing Period for the Closing Auction, the Exchange further proposes to provide that orders entered during the Solicitation Period would be included in the calculation of the Continuous Book Clearing Price.

- The DMM would close the security the earlier of the order acceptance cut-off time or if the Imbalance is paired off at or reasonably contiguous to the Exchange Last Sale Price (see proposed Rule 7.35B(j)(2)(A)(iv)). This proposed rule would further provide that for purposes of proposed Rule 7.35B(j)(2)(A), a price reasonably contiguous to the Exchange Last Sale Price is within cents of the Exchange Last Sale Price and would be a price point that during a regular closing auction would not be considered a dislocating closing price as compared to the Exchange Last Sale Price and that all offsetting interest solicited pursuant to proposed Rule 7.35B(j)(2)(A) would be executed consistent with proposed Rule 7.35B(h). This proposed rule text is based on Rule 123C(9)(a)(1)(iv) with non-substantive differences to use Pillar terminology and update the rule cross references.
- Finally, if the Exchange solicits orders after the close of Core Trading Hours pursuant to proposed Rule 7.35B(j)(2)(A), the Total Imbalance information that would be disseminated pursuant to proposed Rule 7.35B(e) would begin including all orders eligible to participate in the Closing Auction. This proposed rule text would be new for the Pillar Auction Rules and reflects that not only would the Imbalance be calculated based on all orders eligible to participate in the Closing Auction, but the Total Imbalance published during this period would also be based on all orders eligible to participate in the Closing Auction.

Second, pursuant to proposed Rule 7.35B(j)(2)(B), the Exchange may temporarily suspend the prohibition on

[91] *See* discussion *infra* regarding proposed Rule 7.34(a)(2)(B), which is based on Rule 52. Currently, Rule 123C(9)(a)(1) permits a temporary suspension of the hours of operation, as described in Rule 52. The Exchange believes that proposed Rule 7.35B(j)(2)(A) achieves the same result using Pillar terminology to describe the temporary rule suspension.

canceling an MOC or LOC Order after two minutes before the scheduled end of Core Trading Hours (proposed Rule 7.35B(f)(2)(B)). This proposed rule text is based on Rule 123C(9)(a)(2) with one substantive difference that in Pillar, the Exchange would not support being able to reduce the size of a MOC or LOC Order if this temporary suspension were invoked. Instead, as proposed, if this temporary suspension were invoked, the Exchange would be able to fully cancel a MOC or LOC Order only. Based on the Current Auction Rules, the Exchange proposes certain qualifications for such temporary suspension, provided that:

- The cancellation is necessary to correct a Legitimate Error (see proposed Rule 7.35B(j)(2)(B)(i)). This proposed rule text is based on Rule 123C(9)(2)(A) with non-substantive differences to use Pillar terminology.
- Execution of such an MOC or LOC Order would cause significant price dislocation at the close (see proposed Rule 7.35B(j)(2)(B)(ii)). This proposed rule text is based on Rule 123C(9)(2)(B) with non-substantive differences to use Pillar terminology.

Proposed Rule 7.35B(j)(3) would provide that only the DMM assigned to a particular security may request a temporary suspension under proposed Rule 7.35B(j)(2) and that a determination to declare such a temporary suspension may be made after the scheduled end of Core Trading Hours and would be made on a security-by-security basis. This proposed rule text is based on Rule 123C(9)(b) with non-substantive differences to use Pillar terminology. Proposed Rule 7.35B(j)(3) would further provide that such determination, as well as any entry or cancellation of orders or closing of a security under proposed Rule 7.35B(j)(2) must be supervised and approved by an Executive Floor Governor and supervised by an Exchange Officer and that factors that may be considered when making such a determination include, but would not be limited to, when the order(s) that impacted the Imbalance were entered into Exchange systems or orally represented to the DMM, the impact of such order(s) on the closing price of the security, the volatility of the security during the trading session, and the ability of the DMM to commit capital to dampen the price dislocation. This proposed rule text is also based on Rule 123C(9)(b) with non-substantive differences to use Pillar terminology.[92]

Finally, proposed Rule 7.35B(j)(4) would provide that a temporary suspension under proposed Rule 7.35B(j)(2) would be in effect only for the particular security for which such suspension has been granted and for that trading day. This proposed rule text is based on Rule 123C(9)(c) with non-substantive differences to update the rule cross references.

Proposed Rule 7.35C (Exchange-Facilitated Auctions)

As discussed above, DMMs have an obligation to facilitate Auctions and therefore both the Current Auction Rules and proposed Pillar Auction Rules, described above, contemplate that the DMM will facilitate Auctions. The Current Auction Rules also provide for how the Exchange would facilitate an Auction if a DMM cannot facilitate the opening or closing of trading. In such circumstances, Rule 123D(a)(2)–(6) sets forth how the Exchange would facilitate the opening or reopening of securities and Supplementary Material .10 to Rule 123C sets forth how the Exchange would facilitate the closing of securities.[93]

When Exchange-listed securities transition to Pillar, the Exchange proposes that new Rule 7.35C (Exchange-Facilitated Auctions) would describe how the Exchange would facilitate an Auction in one or more securities if the DMM cannot. Similar to how the Current Auction Rules function, because the Exchange would not supply any liquidity when facilitating an Auction, under proposed Rule 7.35C, the Exchange would not open, reopen, or close a security at a price outside of defined numerical parameters. In addition, similar to the Current Auction Rules, orders that would have otherwise participated in an Auction under Rule 7.35A, but which may not participate in an Exchange-facilitated Auction because of such numerical parameters, will be cancelled.

While the basic premise of how Exchange-facilitated Auctions on Pillar would not change, with the availability of Pillar technology, the Exchange proposes enhancements to this process that are based on how NYSE Arca and NYSE American operate electronic auctions, including using an Indicative Match Price to determine how to price the Auction and use of Auction Collars.

Proposed Rule 7.35C(a) would provide that if a DMM cannot facilitate an Auction for one or more securities in which the DMM is registered under proposed Rules 7.35A or 7.35B, the Exchange would conduct the Auction for such security or securities electronically as provided for in proposed Rule 7.35C. This proposed rule text is based in part on the first sentence of Rule 123D(a)(2) and the first sentence of the second paragraph of Supplementary Material .10 to Rule 123C. The Exchange proposes non-substantive differences to use Pillar technology and cross reference Pillar Auction Rules.

Proposed Rule 7.35C(a)(1) would provide that if the Exchange facilitates an Auction, DMM Interest would not be eligible to participate in such Auction and previously-entered DMM Interest would be cancelled. This proposed rule text is based in part on the second sentence of Rule 123D(a)(2) and the second sentence of the second paragraph of Supplementary Material .10 to Rule 123, which each provide that ''[m]anually-entered Floor interest will not participate in any [opening/closing] effectuated electronically by the Exchange and if previously entered, will be ignored.'' The Exchange proposes non-substantive differences to use Pillar terminology. The Exchange also proposes a substantive difference that all DMM Interest would be cancelled—not just DMM Interest entered on the Trading Floor by a DMM. In addition, to reflect the new Floor Broker Interest functionality, described above in proposed Rule 7.35B(a)(1), proposed Rule 7.35C(a)(2) would provide that Floor Broker Interest that has been electronically accepted by the DMM and that has not been cancelled as provided for in Rule 7.35B(a)(1)(C) (*i.e.,* the DMM has not accepted such cancellation), would be eligible to participate in an Exchange-facilitated Closing Auction. However, if the DMM has not accepted such interest, and therefore that interest has not yet been validated, or if the DMM has accepted a cancellation request, it would not be eligible to participate in an Exchange-facilitated Closing Auction.

Proposed Rule 7.35C(a)(3) would provide that a security subject to an Exchange-facilitated Core Open Auction, IPO Auction, Direct Listing Auction, or Trading Halt Auction may open or reopen with a trade or a quote.

[92] The Exchange also proposes a non-substantive difference to reference only the term ''Exchange Floor Governor,'' and not reference qualified ICE employees, as such text is redundant. *See* discussion *supra* note 81. In addition, because the Exchange no longer has Rule 48, the Exchange proposes to simply reference an Exchange Officer, which is a term used in other Exchange rules, such as Rule 7.10.

[93] *See* Securities Exchange Act Release No. 76290 (October 28, 2015), 80 FR 67822 (November 3, 2015) (SR–NYSE–2015–49) (Notice of filing and immediate effectiveness of proposed rule change to Rule 123D) and Securities Exchange Act Release No. 74006 (January 6, 2015), 80 FR 1567 (January, 12, 2015) (SR–NYSE–2014–73) (Notice of filing and immediate effectiveness of proposed rule change to Rule 123C). The Exchange has never facilitated either an opening or closing of any security on the Exchange.

This proposed rule text is based in part on Rule 123D(a)(3) and (a)(4), which describe how an opening or reopening can be on a trade or a quote.

Proposed Rule 7.35C(b) would set forth definitions that would be used for purposes of proposed Rule 7.35C only. Proposed Rule 7.35C(b)(1) would define the term ''Auction Reference Price,'' which is a term defined in NYSE Arca Rule 7.35–E(a)(8)(A) and NYSE American Rule 7.35E(a)(8)(A). As described below, the Auction Reference Price would be used by the Exchange, and is used by NYSE Arca and NYSE American, for purposes of calculating the Indicative Match Price and Auction Collars.

The Exchange proposes a difference from NYSE Arca and NYSE American because the Auction Reference Price that would be used for a particular Auction would be based on the Imbalance Reference Price, described above, for such Auctions. As proposed, the Auction Reference Price for the Core Open Auction would be the Imbalance Reference Price as determined under proposed Rule 7.35A(e)(3), described above. And, except as provided for in proposed Rule 7.35C(e)(1), described below, the Auction Reference Price for a Trading Halt Auction would also be the Imbalance Reference Price as determined under proposed Rule 7.35A(e)(3), described above. The proposed Auction Reference Price for the Closing Auction would be the Imbalance Reference Price as determined under proposed Rule 7.35B(e)(3).

Finally, because the Exchange proposes to have functionality available to facilitate an IPO or Direct Listing Auction, the Exchange proposes that the Auction Reference Price for such Auctions would be a price determined under proposed Rule 1.1(s)(1)(F). Pursuant to that rule, the Exchange determines the Official Closing Price for a security that is a new listing and does not have any consolidated last-sale eligible trades on its first trading day based on a derived last sale associated with the price of such security before it begins trading on the Exchange. As noted above, pursuant to Rule 123C(1)(e)(i)(C), the Exchange already determines the Official Closing Price in this manner for new listings. As proposed, this price would be used as the Auction Reference Price if the Exchange were to facilitate an IPO or Direct Listing Auction.

Proposed Rule 7.35C(b)(2) would define the term ''Indicative Match Price'' to mean the best price at which the maximum volume of shares, including the non-displayed quantity of Reserve Orders, would be tradable in the applicable Auction, subject to the Auction Collars. This proposed definition is based on NYSE Arca Rule 7.35–E(a)(8) and NYSE American Rule 7.35E(a)(8) without any differences. With the exception of which Auction Reference Price would be used by the Exchange when it facilitates an Auction, the manner by which the Exchange would determine the Indicative Match Price would be based on NYSE Arca and NYSE American rules without any differences, as follows:

- Proposed Rule 7.35C(b)(2)(A) would provide that if there are two or more prices at which the maximum volume of shares would be 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—Display Orders that was eligible to participate in the applicable Auction. This proposed rule is based on NYSE Arca Rule 7.35–E(a)(8)(A) and NYSE American Rule 7.35E(a)(8)(A) without any differences.

- Proposed Rule 7.35C(b)(2)(B) would provide that if there are two prices at which the maximum volume of shares would be tradable and both prices are equidistant to the Auction Reference Price, the Indicative Match Price would be the Auction Reference Price. This proposed rule is based on NYSE Arca Rule 7.35–E(a)(8)(B) and NYSE American Rule 7.35E(a)(8)(B) without any differences.

- Proposed Rule 7.35C(b)(2)(C) would provide that if the Paired Quantity for an auction consists of buy and sell Market Orders only, the Indicative Match Price would be the Auction Reference Price. This proposed rule is based on NYSE Arca Rule 7.35–E(a)(8)(C) and NYSE American Rule 7.35E(a)(8)(C) with a difference that the Auction Reference Price would be used for all Auctions, whereas the NYSE Arca and NYSE American rules use a different reference price for the Closing Auction.

- Proposed Rule 7.35C(b)(2)(D) would provide that if the Indicative Match Price is not in the MPV for the security, it would be rounded to the nearest price at the applicable MPV. This proposed rule text is based on NYSE American Rule 7.35E(a)(8)(F) with a non-substantive difference not to include rule text referring to an Indicative Match Price based on the midpoint of the ''Auction NBBO,'' as this is a feature that the Exchange does not propose to include in Rule 7.35C.[94]

Proposed Rule 7.35C(b)(3) would define the term ''Auction Collar'' to mean the price collar thresholds for the Indicative Match Price for an Auction. This proposed rule text is based on NYSE Arca Rule 7.35–E(a)(10) and NYSE American Rule 7.35E(a)(10) without any substantive differences. The Exchange further proposes that there would be no Auction Collars for an IPO Auction or Direct Listing Auction. This proposed rule text is based in part on NYSE Arca Rule 7.35–E(f)(2) and NYSE American Rule 7.35E(f)(2), which provide than an IPO Auction on those exchanges would not be subject to Auction Collars. Because the Exchange proposes to process Direct Listing Auctions similarly to an IPO Auction, the Exchange proposes that if it facilitates a Direct Listing Auction, it would similarly not be subject to Auction Collars.

Proposed Rule 7.35C(b)(3)(A) would provide that except as provided for in proposed Rule 7.35C(e)(2), described below, the upper (lower) boundary of the Auction Collar would be the Auction Reference Price increased (decreased) by either a specified amount or specified percentage, as applicable, rounded to the nearest MPV, provided that the lowest Auction Collar would be one MPV above $0.00. This proposed method of calculating the Auction Collar is identical to how NYSE Arca and NYSE American calculate an Auction Collar.[95]

- Proposed Rule 7.35C(b)(3)(A)(i) would provide that the Auction Collar for the Core Open Auction and the Closing Auction would be based on a price that is the greater of $0.15 or 10% away from the Auction Reference Price for the applicable Auction. This proposed Auction Collar is based in part on NYSE American Rule 7.35E(a)(10)(A), which also uses an Auction Collar for its Core Open Auction and Closing Auction that is

[94] The Exchange does not propose rule text based on NYSE Arca Rule 7.35–E(a)(8)(D) and (E) and NYSE American Rule 7.35E(a)(8)(D) and (E) because those rules describe how those exchanges determine an Indicative Match Price that would be included in their proprietary data feeds if there is no ''matched volume.'' Because, as described below, the Exchange would not be changing the Auction Imbalance Information when the Exchange facilitates an Auction, and such information does not include a field for Indicative Match Price, and because the Exchange cannot facilitate an Auction if there is no paired volume, the Exchange's proposed rules do not need to describe how an Indicative Match Price is determined if there is no paired volume.

[95] *See* NYSE Arca Rule 7.35–E(a)(10)(A) (third sentence) and NYSE American Rule 7.35E(a)(10)(A) (third sentence).

$0.50 or 10% away from the Auction Reference Price. The Exchange proposes a substantive difference to use $0.15 as the breakpoint rather than $0.50. The Exchange believes this would simplify the operation of this functionality as it would use the same breakpoint as the proposed specified price for Auction Collars for Trading Halt Auctions.

• Proposed Rule 7.35C(b)(3)(A)(ii) would provide that the Auction Collar for the Trading Halt Auction would be based on a price that is the greater of $0.15 or 5% away from the Auction Reference Price for the Trading Halt Auction. This proposed rule is based on NYSE Arca Rule 7.35–E(e)(7) and NYSE American Rule 7.35E(e)(7), which also has a price collar threshold of the greater of $0.15 or 5% away from the Auction Reference price.[96]

Proposed Rule 7.35C(b)(3)(B) would provide that an Indicative Match Price that is higher (lower) than the upper (lower) boundary of the Auction Collar would be adjusted to the upper (lower) boundary of the Auction Collar and orders eligible to participate in the applicable auction would trade at the collared Indicative Match Price. This proposed rule text is based on NYSE Arca Rule 7.35–E(a)(10)(B) and NYSE American Rule 7.35E(a)(10)(B) without any differences.

Proposed Rule 7.35C(c) would describe Auction Imbalance Information for Exchange-facilitated Auctions. As proposed, if it is determined that the Exchange will facilitate an Auction, the Exchange would continue to disseminate the same Auction Imbalance Information as provided for in proposed Rules 7.35A(e) and 7.35B(e), described above, provided that a pre-opening indication, as described in proposed Rule 7.35A(d), would not be required for an Exchange-facilitated Auction. As described above, on Pillar, the Exchange would never publish a pre-opening indication, and therefore, the Exchange proposes that when the Exchange facilitates an Auction, it would not be required to publish a pre-opening indication. This proposed rule text is based in part on Rule 123D(a)(5), which provides that when the Exchange facilitates the opening or reopening of a security, it will publish Order Imbalance Information described in Rule 15(g), but will not issue pre-opening indications pursuant to Rule 15(a).

As further proposed, entry and cancellation of orders for the Closing Auction would be subject to the Auction Imbalance Freeze as provided for in proposed Rule 7.35B(f). This proposed rule text is based on Rule 123C generally because if the Exchange were to facilitate a closing transaction pursuant to Supplementary Material .10 to Rule 123C, there is nothing in that rule that suspends the requirements specified in Rule 123C(1)–(6) for such scenario.[97]

Proposed Rule 7.35C(d) would describe the DMM's role in an Exchange-facilitated Auction. A DMM may be unable to facilitate an Auction for a myriad of reasons, ranging from the unavailability of the Trading Floor to a technology issue with a single DMM's graphical user interface on the Trading Floor. Because in these scenarios, it could be feasible for the DMM to facilitate an Auction electronically (which does not require a Floor presence), the Exchange proposes that before the Exchange facilitates an Auction, the DMM would first be provided an opportunity to facilitate an Auction pursuant to proposed Rule 7.35A or 7.35B.[98] In other words, the Exchange would not invoke the ability to facilitate an Auction without first providing the DMM an opportunity to facilitate an Auction. Providing the DMM with an opportunity to facilitate an Auction pursuant to Rule 7.35A and 7.35B would allow for the DMM to supply liquidity as needed pursuant to Rule 104(a)(2) or (3) so that all better-priced orders on the Side of the Imbalance could be satisfied.

Proposed Rule 7.35C(e) would set forth specified logic for a Trading Halt Auction following a trading pause consistent with the Regulation NMS Plan to Address Extraordinary Market Volatility (''LULD Plan''),[99] which the Exchange would define as an ''LULD Auction.''

As proposed, the Exchange would attempt to facilitate an LULD Auction following a Trading Pause under Rule 7.11 (''Trading Pause'') at the scheduled end of the Trading Pause. This proposed rule text is based in part on NYSE Arca Rule 7.35–E(e)(2) and NYSE American Rule 7.35E(e)(2), which describe when the initial Reopening Time would be for a Trading Pause under those rules.

Proposed Rule 7.35C(e)(1) would specify the Auction Reference Price that would be used for an LULD Auction. A proposed, if the Limit State that preceded the Trading Pause was at the Lower (Upper) Price Band, the Auction Reference Price would be the Lower (Upper) Price Band. This proposed rule text is based on NYSE Arca Rule 7.35–E(e)(7)(A) and NYSE American Rule 7.35E(e)(7)(A) without any substantive differences.

Proposed Rule 7.35C(e)(2) would specify the Auction Collars that would be used for an LULD Auction. As proposed, if the Auction Reference Price is the Lower (Upper) Price Band, the Lower (Upper) Auction Collar would be the Auction Reference Price decreased (increased) by the Price Collar Threshold, rounded to the nearest MPV, provided that the lowest Auction Collar would be one MPV above $0.00, and the Upper (Lower) Auction Collar would be the Upper (Lower) Price Band. This proposed rule text is based on NYSE Arca Rule 7.35–E(e)(7)(B)(i) and NYSE American Rule 7.35E(e)(7)(B)(i) without any substantive differences.

At this time, unlike NYSE Arca and NYSE American, the Exchange does not propose to include extension logic for LULD Auctions. The purpose for such extension logic was to provide a mechanism to satisfy all Market Orders and gradually widen Auction Collars if there is no offsetting interest so as to reduce the number of repeat Trading Pauses in a single NMS Stock.[100] As described below, the Exchange proposes that orders outside the applicable Auction Price (if opening on a trade) or Auction Collars (if opening on a quote) would be cancelled, including Market Orders and better-priced Limit Orders. Cancelling such orders would serve the same purpose as the extension logic, which would be to reduce the number of repeat Trading Pauses. The proposed rule is also based on how the Exchange would currently facilitate an opening or reopening auction pursuant to Rule

[96] In the NYSE Arca and NYSE American rules, this specified amount is described as ''[f]or securities with an Auction Reference Price above $3.00, the Price Collar Threshold for Auction Collars will be the Auction Reference Price multiplied by 5 percent. For securities with an Auction Reference Price $3.00 and below, the Price Collar Threshold for Auction Collars will be $0.15.'' Mathematically, using the phrase ''the greater of $0.15 or 5%'' leads to the same result. Therefore, even though the Exchange proposes to use different text, it is substantively the same as the Auction Collar on NYSE Arca and NYSE American.

[97] For example, Rule 123C.10(b) specifies that the provisions of Rules 123C(9)(a)(1) and 123C(9)(b) would be suspended if the Exchange facilitates the closing transaction. The absence of a reference that Rules 123C(1)–(6) would not be suspended means that those rules would still be applicable.

[98] For example, if a security is not open by 9:30 a.m. and then it is determined that the Exchange would need to facilitate the Core Open Auction for such security, it would not be feasible to request the DMM to electronically facilitate such Auction.

[99] *See* Securities Exchange Act Release No. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019) (File No. 4–631) (Order approving eighteenth amendment to LULD Plan to make the LULD Plan permanent).

[100] *See, e.g.,* Securities Exchange Act Release No. 79846 (January 17, 2017), 82 FR 8548 (January 26, 2017) (SR–NYSEArca–2016–130) (Order approving extension logic on NYSE Arca).

123D(a)(2)–(6), which similarly does not include extension logic.

Proposed Rule 7.35C(f) would set forth the auction allocation methodology for Exchange-facilitated Auctions. As proposed, all orders eligible to trade in the applicable Auction would be matched and traded at the Indicative Match Price. As described above, this Indicative Match Price would already be subject to the applicable Auction Collars. Accordingly, with this proposed rule text, the Exchange would never facilitate an Auction at a price outside the Auction Collars.

Proposed Rule 7.35C(f) would further provide that orders eligible to trade in an Auction would be ranked as provided for in Rule 7.36(c)–(g) consistent with the priority ranking associated with each order. This proposed rule text is based on the second sentence of NYSE Arca Rule 7.35–E(a)(6) and the second sentence of NYSE American Rule 7.35E(a)(6).

The Exchange proposes to specify this ranking because, unlike proposed Rules 7.35A(g) and 7.35B(g), in an Exchange-facilitated Auction, not all better-priced orders would be guaranteed to participate. In such case, the Exchange proposes that orders would be allocated in the following order:

• Better-priced orders would be traded in price-time priority (see proposed Rule 7.35C(f)(1)).

• At-priced orders would be traded as described in Rule 7.35A(h) (for Core Open and Trading Halt Auctions) or Rule 7.35B(h) (for Closing Auctions).

This proposed allocation methodology is based in part on current Rule 123D(a)(3)(C), but with differences to use both the existing NYSE Arca and NYSE American allocation methodology for better-priced orders, which would be based on how the orders are ranked pursuant to Rule 7.36(c)–(g), and the Exchange's proposed auction allocation model under Pillar for at-priced orders, which would include parity allocations, as applicable, as described in proposed Rule 7.35A(h)(2) and 7.35B(h)(2). The Exchange proposes to use price-time priority for better-priced orders because when the Exchange facilitates an Auction, such orders would no longer be guaranteed to participate.

Finally, proposed Rule 7.35C(g) would specify the treatment of unexecuted orders. Proposed Rule 7.35C(g)(1) would provide that if a security opens or reopens on a trade, Market Orders (including sell short Market Orders during a Short Sale Period) and Limit Orders with a limit price that is better-priced than the Auction Price and were not executed in the applicable Auction would be cancelled. This proposed rule is based in part on Rule 123D(a)(6), which similarly provides that better-priced orders would be cancelled after an Exchange-facilitated Auction. The proposed rule text provides specificity that all Market Orders, including sell short Market Orders priced at a Permitted Price during a Short Sale Period, would be cancelled if not executed in such an auction.

Proposed Rule 7.35C(g)(2) would similarly provide that if a security opens or reopens on a quote that is above (below) the upper (lower) Auction Collar, Market Orders (including sell short Market Orders during a Short Sale Period) and Limit Orders with a limit price that is better-priced than the upper (lower) Auction Collar would be cancelled before such quote is published. This proposed rule text is based in part on Rule 123D(a)(6)(C) with non-substantive differences to use Pillar terminology and a substantive difference that the Exchange would cancel such orders before publishing a quote. The Exchange proposes this difference to streamline order processing before a quote would be published. In addition, as described above, cancelling such interest following an LULD Auction would reduce the potential for a repeat Trading Pause.

Proposed Amendments to Rule 7.11 (LULD Plan)

Rule 80C addresses the LULD Plan and related Trading Pauses for Exchange-listed securities.[101] Rule 7.11 addresses the LULD Plan for UTP Securities. To set forth the Exchange's role in re-opening Exchange-listed securities following a Trading Pause on Pillar, the Exchange proposes to amend Rule 7.11(b) to add rule text based on both Rule 80C(b) and NYSE Arca Rule 7.11–E(b) and NYSE American Rule 7.11E(b).

First, the Exchange proposes to delete the existing text under Rule 7.11(b)(1), which no longer represents how exchanges trading securities on an unlisted trading privileges basis may reopen securities subject to a Trading Pause.[102]

Second, the Exchange proposes to add to paragraph (b) of Rule 7.11 to provide that at the end of the Trading Pause, the Exchange would re-open the security in accordance with the procedures set forth in the Rule 7.35 Series for a Trading Halt Auction and that any interest repriced pursuant to paragraph (a)(5) of this Rule would return to its original order instructions for purposes of the re-opening transaction following a Trading Pause. This proposed rule text is based on Rule 80C(b) with a non-substantive difference to update the rule cross reference.[103]

Third, the Exchange proposes to add subparagraph (b)(1) of Rule 7.11 to provide:

Notification of Trading Pauses. If a Trading Pause is triggered under this Rule or if the Exchange is unable to reopen trading at the end of the Trading Pause due to a systems or technology issue, the Exchange will immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.

This proposed rule text is based on Rule 80C(b)(1) without any differences.

Finally, the Exchange proposes to add subparagraph (b)(2) of Rule 7.11 to provide that if a primary listing market issues a Trading Pause, the Exchange would resume trading as provided for in Rule 7.18(b). Because Rule 80C is not applicable to UTP Securities that trade on the Pillar trading platform, Rule 80C does not currently include this rule text. Instead, this proposed rule text is based on NYSE Arca Rule 7.11–E(b)(2) and NYSE American Rule 7.11E(b)(2) with a non-substantive difference to update the rule cross reference to an Exchange rule.

In connection with this change, the Exchange proposes to amend the preamble to Rule 80C so that it provides that ''[t]his Rule is not applicable to trading on the Pillar trading platform.''

Proposed Amendments to Rule 7.12 (Market-Wide Circuit Breakers)

Rule 80B addresses trading halts due to extraordinary market volatility and is a common rule across all equities exchanges. For trading on Pillar, the Exchange proposes that the text governing trading halts due to extraordinary market volatility will be included under Rule 7.12, which is aligned with the same rule number for NYSE Arca and NYSE American. The Exchange does not propose any

[101] The term ''Trading Pause'' as used in Rule 80C and proposed Rule 7.11 has the same meaning as the defined term in the LULD Plan.

[102] This proposed rule change aligns Rule 7.11(b) with the same rules of NYSE Arca and NYSE American, which were previously amended. *See* Securities Exchange Act Release Nos. 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (SR–NYSEArca–2016–130) (Approval Order) and 81968 (October 27, 2017), 82 FR 50898 (November 2, 2017) (SR–NYSEAmerican–2017–30) (Notice of filing and immediate effectiveness of proposed rule change).

[103] *See also* NYSE Arca Rule 7.11–E(b) and NYSE American Rule 7.11E(b).

substantive differences to Rule 7.12 as compared to Rule 80B. The Exchange proposes that the preamble paragraph, which addresses the pilot period for the rule, would continue to reference Rule 80B, because if the pilot is not approved as permanent, then the prior version of Rule 80B would be in effect for the Exchange (there is no prior version of Rule 7.12 for the Exchange). The Exchange proposes a second non-substantive difference to replace the cross reference in Rule 7.12(c)(1) from Rule 123D to instead reference the Rule 7.35 Series, which as discussed above, would address Trading Halt Auctions.

The Exchange also proposes to amend Rule 7.18(a) to update a rule cross reference from Rule 80B to Rule 7.12. In connection with this change, the Exchange proposes to add a preamble to Rule 80B that would provide that ''[t]his Rule is not applicable to trading on the Pillar trading platform.''

Proposed Amendments to Rule 7.16 (Short Sales)

When the Exchange added Rule 7.16, it designated specified subparagraphs of that rule as ''Reserved'' because at that time, the Exchange did not include rule text relating to Exchange-listed securities in Rule 7.16. For the transition of Exchange-listed securities to Pillar, the Exchange proposes to include text from Rule 440B relating to Exchange-listed securities in those reserved sections of Rule 7.16.

First, the Exchange proposes rule text from Rule 440B(c), relating to the Determination of Trigger Price, for Rule 7.16(f)(3) without any substantive differences. The Exchange proposes a non-substantive difference to refer to ''the Exchange'' rather than ''Exchange systems.'' Text from Rule 440B(c)(1) would be included in proposed Rule 7.16(f)(3)(A) with a non-substantive difference to use Pillar terminology. Specifically, rather than the current rule, which uses the phrase ''until it opens trading for that security,'' the proposed rule would use the phrase ''until the Core Trading Session begins for that security.''

Second, the Exchange proposes rule text from Rule 440B(d)(1) and (2), relating to circumstances when a Short Sale Price Test may be lifted, for proposed Rule 7.16(f)(4)(A) and (B) with only a non-substantive difference to update the rule cross reference relating to clearly erroneous executions to Rule 7.10. The Exchange also proposes to amend Rule 7.16(f)(4) to add the term ''listing'' to conform it to Rule 440B(d) text.

Finally, proposed Rule 7.16(f)(8), relating to Auctions, would be based on current Rule 440B(h) without any substantive differences. Specifically, in 2011, the Exchange received exemptive relief from Rule 201 of Regulation SHO for single-priced opening, reopening, and closing transactions, which relief is codified in Rule 440B(h).[104] When Exchange-listed securities transition to Pillar, the manner by which auctions would be conducted under the Pillar Auction Rules will function in a substantially similar manner as under the Current Auction Rules, and therefore the reasons that serve as the basis for the exemptive relief would continue. Accordingly, the Exchange proposes to continue to operate consistent with Rule 440B(h)(1)–(3) and the exemptive relief previously granted.

To ensure continuity, proposed Rule 7.16(f)(8)(A)(i)–(iii), (B)(i)–(iii), and (C) is based on Rule 440B(h)(1)–(3), with only non-substantive differences to use Pillar terminology and to break the rule text down into multiple subparagraphs. For example, rather than refer to the terms ''single-priced opening, reopening, or closing transaction,'' the Exchange proposes to use the Pillar term of ''Auctions,'' and refer to a ''Core Open Auction,'' ''Trading Halt Auction,'' and ''Closing Auction.'' The Exchange also proposes a non-substantive difference to refer to ''the Exchange'' rather than ''Exchange systems.'' The Exchange further proposes clarifying text to proposed Rule 7.16(f)(8)(A) that any such repricing would be before an Auction. Again, this proposed rule text does not change any functionality, but rather provides transparency of when the repricing would occur. The Exchange believes that the proposed non-substantive differences will promote clarity in Exchange rules and make the text easier to navigate.

The Exchange also proposes new text in paragraph (D) to Rule 7.16(f)(8) that would provide that if an order is not executed in an Auction and is eligible to trade, it would be priced consistent with Rule 7.16(f)(5). This proposed rule text does not represent any new functionality, but rather promotes clarity that after an Auction, an order would be priced to a Permitted Price consistent with Rule 201 of Regulation SHO.[105]

Proposed Amendments to Rule 7.18 (Halts)

Because the Exchange will be conducting Trading Halt Auctions in Exchange-listed securities, the Exchange proposes to amend Rule 7.18(c) to delete the ''Reserved'' designation and provide that the Exchange would process new and existing orders in securities listed on the Exchange during a halt or pause as follows:

- Cancel any unexecuted portion of Non-Displayed Limit Orders, Non-Displayed Primary Pegged Orders, MPL Orders, Last Sale Peg Orders, and proposed Floor broker cross transaction pending in the Cross Function pursuant to Rule 76.10 (see proposed Rule 7.18(c)(1)).[106]
- Maintain any unexecuted quantity of Market Orders (see proposed Rule 7.18(c)(2)).
- Reprice all other resting orders in the Exchange Book to their limit price (see proposed Rule 7.18(c)(3)).
- Accept and process all cancellations (see proposed Rule 7.18(c)(4)).
- Reject incoming Limit Orders designated IOC, Non-Displayed Limit Orders, Non-Displayed Primary Peg Orders, MPL Orders, Last Sale Peg Orders, and proposed Floor broker cross transactions pursuant to Rule 76.10 (see proposed Rule 7.18(c)(5)).
- Accept all other incoming order instructions until the Auction Processing Period for the Trading Halt Auction, at which point, Rule 7.35(e) (described above) would govern the entry of incoming orders and order instructions.

This proposed rule text is based in part on NYSE Arca Rule 7.18–E(c) and NYSE American Rule 7.18E(c).[107] This proposed rule text is intended to mirror what order types and modifiers in Exchange-listed securities would be eligible to participate in a Trading Halt Auction: (1) Orders that are not eligible to trade in a Trading Halt Auction

[104] *See* Letter from James Brigagliano, Deputy Director, Commission, to Janet McGuinness, Senior Vice President and Secretary, NYSE Euronext dated (February 7, 2011), which is available here: *https://www.sec.gov/divisions/marketreg/mr-noaction/2011/nyseuronext020711-201.pdf.*

[105] This proposed rule text is also based on NYSE Arca Rule 7.16–E(f)(8) and NYSE American Rule 7.16E(f)(8). *See* NYSE Arca and NYSE American Filings, *supra* note 28.

[106] Currently, Floor brokers can effect proposed cross transactions in both Exchange-listed and UTP Securities pursuant to Rule 76. In addition, the Cross Function described in current Rule 76.10 and the priority for specified block-sized cross transactions described in current Rule 72(d) are available for proposed cross transactions in Exchange-listed securities only. When Exchange-listed securities transition to Pillar, the Exchange does not propose any differences to how these rules would function and therefore they will continue to be applicable to Floor broker cross transactions. The Exchange proposes to amend the preamble to Rule 72 to specify that paragraph (d) and Supplementary Material .10 of that Rule would continue to be applicable to trading of Exchange-listed securities. The Exchange does not propose any changes to the preamble to Rule 76.

[107] *See* NYSE Arca and NYSE American Filings, *supra* note 28.

would be cancelled; (2) new orders that are not eligible to participate in an Auction would be rejected; (3) unexecuted Market Orders would be eligible to participate in the Trading Halt Auction; and (4) consistent with the proposal, above, orders participate in an Auction at their limit price and all other resting orders in the Exchange Book would be priced to their limit price. The Exchange would also continue to accept and process cancellations, and would continue with this order processing until the Auction Processing Period, at which time the order handling described in proposed Rule 7.35(e) would begin.

Proposed Amendments to Rule 7.32 (Order Entry)

On Pillar, orders entered that are greater than five million in shares in size are rejected.[108] By contrast, pursuant to Rule 1000, for Exchange-listed securities only, orders up to 1,000,000 shares are eligible for automatic execution and incoming orders of more than 1,000,000 shares that are marketable on arrival will be rejected. Upon advance notice to market participants, the Exchange may increase the order size eligible for automatic executions up to 5,000,000 shares on a security-by-security basis.[109] When Exchange-listed securities transition to Pillar, they will be subject to the order entry size set forth in Rule 7.32 rather than the order entry size specified in the first paragraph of Rule 1000.

Rule 1000 requirements relating to maximum system order size accepted by Exchange systems are applicable to trading in both Exchange-listed securities and UTP Securities on Pillar and provide that the Exchange currently accepts a maximum order size of up to 25,000,000 shares in size, *i.e.,* for orders that are not eligible for automatic execution. This rule allows member organizations to enter MOC and LOC Orders, which are not eligible for automatic execution, up to 25,000,000 shares in size. It also permits DMMs and Floor brokers to enter interest for auctions up to 25,000,000 shares in size and Floor brokers to enter cross transactions pursuant to Rule 76 up to 25,000,000 shares in size. The current rule also provides that Floor broker systems shall accept a maximum order size of up to 99,000,000 shares, which enables Floor brokers to accept larger-sized not held, parent orders from their customers.

The Exchange proposes to amend Rule 7.32 to reflect the maximum order size that Exchange systems will accept in specified circumstances, consistent with Rule 1000. As proposed, in Auction-Eligible Securities, the Exchange would accept orders defined in Rule 7.31(c),[110] DMM Auction Liquidity as defined in Rule 7.35, and Floor Broker Interest intended for the Closing Auction as defined in Rule 7.35B(a)(1) up to 25 million shares in size. The Exchange further proposes to provide that in all securities traded on the Exchange, the Exchange would accept proposed cross transactions under Rule 76 up to 25 million shares in size. This proposed rule text would address the same order-entry scenarios contemplated in Rule 1000 (*i.e.,* orders that are not eligible for automatic execution) without any substantive differences. The Exchange proposes non-substantive differences to use Pillar terminology to specify the specific order types that would be eligible for this larger entry size.

The Exchange also proposes to amend Rule 7.32 to provide that Floor broker systems would accept a maximum order size up to 99 million shares. This proposed rule text is based on the last sentence of the second paragraph of Rule 1000 without any substantive differences.

Proposed Amendments to Rule 7.34 (Trading Sessions)

Pursuant to Rule 7.34, UTP Securities trading on Pillar are eligible to trade in the Early Trading Session, which begins at 7:00 a.m. By contrast, pursuant to Rule 51, the hours of trading for Exchange-listed securities begins at 9:30 a.m. When the Exchange transitions Exchange-listed securities to Pillar, it proposes to maintain that such securities would be eligible to trade in the Core Trading Session only. The Exchange proposes to amend Rule 7.34(a) to specify the distinction between which securities would be eligible to trade in each session.

First, the Exchange proposes to amend Rule 7.34(a)(1) to provide that only UTP Securities are eligible to trade in the Early Trading Session. Consistent with current practice, the Exchange would begin accepting orders in all securities at the same time. Accordingly, the Exchange proposes to further amend Rule 7.34(a)(1) to provide that the Exchange would begin accepting orders in all securities 30 minutes before the Early Trading Session begins.

Second, the Exchange proposes to amend Rule 7.34(a)(2) to provide that all securities traded on the Exchange would be eligible to trade in the Core Trading Session. The Exchange further proposes to move the current text to new subparagraph (A), which would continue to provide that the Core Trading Session will begin for each security at 9:30 a.m. and end at the conclusion of Core Trading Hours. Proposed Rule 7.34(a)(2)(A) would further provide that this text would be applicable to UTP Securities only.

Proposed Rule 7.34(a)(2)(B) would be new and would address Exchange-listed securities. As proposed, for Exchange-listed securities, the Core Trading Session would begin with the Core Open Auction, which can take place during Core Trading Hours only, and would end for each security at the later of the conclusion of Core Trading Hours or, if a Closing Auction is conducted, the Closing Auction. This proposed rule text reflects how trading in Exchange-listed securities currently functions under Rules 51, 52, and Rule 123C: Such securities are not eligible to begin trading until 9:30 a.m. and all bids and offers must be made by 4:00 p.m. The proposed rule text uses Pillar terminology to reflect these current requirements.

The Exchange further proposes that Rule 7.34(a)(2)(B) would provide that, except as provided for in Rules 7.35B(a)(1) and (2) and (j)(2), all order instructions must be entered by the end of Core Trading Hours and bids and offers represented orally by a Floor broker must be represented at the point of sale by the end of Core Trading Hours. This proposed rule text is based on Rule 52, which provides that dealings on the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business, which is currently described in Rule 51. Rule 52 further provides that no member shall make any bid, offer, or transaction on the Exchange before or after those hours.[111] As described above, proposed Rules 7.35B(a)(1) and (2) describe how Floor Broker Interest and DMM Interest can be entered for the Closing Auction, including the manner by which Floor Broker Interest is electronically entered into Exchange systems for participation in the Closing Auction. Proposed Rule 7.35B(j)(2)(A) provides for a temporary suspension of

[108] *See* Rule 7.32.

[109] *See* Rule 1000.

[110] As described above, Rule 7.31(c) specifies the Auction-Only Orders available on the Exchange. Consistent with current functionality, in Auction-Eligible Securities, the Exchange would accept Auction-Only Orders up to 25,000,000 million shares in size.

[111] The reference to the term ''member'' in Rule 52 refers to a natural person associated with a member organization who has been approved by the Exchange and designated by such member organization to effect transactions on the Floor of the Exchange, *i.e.,* a Floor broker or DMM. *See* Rule 2(a).

the requirement for order instructions to be entered by the end of Core Trading Hours (which, under the Current Auction Rules, is a temporary suspension of Rule 52), and proposed Rule 7.35B(j)(2)(B) provides for a temporary suspension of the prohibition of cancelling a MOC or LOC Order after two minutes before the scheduled end of Core Trading Hours.

Third, the Exchange proposes to amend Rule 7.34(b)(1) to reflect how orders would be deemed designated. Consistent with existing functionality that UTP Securities are eligible to trade in both the Early and Core Trading Sessions, the Exchange proposes to amend current Rule 7.34(b)(1), which provides that unless otherwise specified in Rule 7.34(c), an order entered before or during the Early or Core Trading Session will be deemed designated for the Early Trading Session and the Core Trading Session, to specify that this rule pertains to orders in UTP Securities only. The Exchange further proposes to amend Rule 7.34(b)(1) to add that all orders in Exchange-listed securities would be deemed designated for the Core Trading Session only. This proposed rule text uses Pillar terminology to reflect current functionality.

Finally, the Exchange proposes new Rule 7.34(c)(1)(D) to specify that Non-Displayed Limit Orders, MPL Orders, Last Sale Peg Orders, Limit Orders designated IOC, and proposed Floor broker cross transactions pursuant to Rule 76.10 in Auction-Eligible Securities would be rejected if entered before the Core Trading Session begins. As noted above, these order types in Auction-Eligible Securities would not be eligible to participate in the Core Open Auction and based on proposed Rule 7.18(c)(5), would be rejected if entered during a halt or pause. For similar reasons, the Exchange proposes to reject such orders if entered before the Core Trading Session begins.[112] In addition, currently, the Exchange does not accept proposed Floor broker cross transactions pursuant to Rule 76.10 until a security has opened for trading. Accordingly, the proposed rule text uses Pillar terminology to describe this functionality.

Proposed Amendment to Rule 7.36 (Order Ranking and Display)

As described above, the Exchange proposes to amend Rule 7.36(a) to add the DMM Participant. The Exchange also proposes to amend Rule 7.36(h) to specify in new subparagraph (5) that Setter Priority would not be available for any allocations in an Auction. This proposed rule text is based on how Rule 72(a)(ii), which describes setter interest, functions for Exchange-listed securities today. Specifically, as provided for in Rule 72(b), once priority is established by setting interest, setting interest retains priority for any execution at that price when that price is at the Exchange BBO. Because an auction is a single-priced transaction, which is not considered an execution at the Exchange BBO, currently, setter interest allocations are not available for auction allocations. Accordingly, proposed Rule 7.36(h)(5) would use Pillar terminology to describe current functionality, which would not be changing.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,[113] in general, and furthers the objectives of Sections 6(b)(5) of the Act,[114] 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.

Definitions. The Exchange believes that the proposed amendments to Rule 1.1 would remove impediments to and perfect the mechanism of a free and open market and a national market system because they would add definitions to the Pillar Platform Rules to support the transition of Exchange-listed securities to Pillar, including those relating to DMMs, IPOs, and Direct Listings. These proposed definitions are not new and reflect current functionality and definitions. The Exchange believes that the proposed definition of Official Closing Price, which is based on the NYSE Arca and NYSE American version of this definition rather than the current Exchange version of this definition, would remove impediments and perfect the mechanism of a free and open market and a national market system because it would provide for a standardized methodology for determining the Official Closing Price across affiliated exchanges, thereby promoting consistency in Exchange rules for how such price would be determined.

DMM Participant. The Exchange believes that the proposed amendments to Rules 7.36 and 7.37 to add the DMM as a Participant for the purpose of how executions are allocated would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would facilitate the transition of Exchange-listed securities to the Pillar platform. Pursuant to Rule 103B, all securities listed on the Exchange are assigned to a DMM and pursuant to Rule 104, DMMs have specified affirmative responsibilities with respect to their assigned securities. These obligations are not changing when Exchange-listed securities transition to Pillar. The proposed amendments would describe how DMMs would participate in the allocation of executions in their assigned securities on Pillar consistent with the existing parity allocation model described in Rule 7.37(b). The Exchange does not propose any substantive differences to how a DMM would participate in an allocation on Pillar as compared to how a DMM currently participates in an allocation under Rule 72(c).

Auction-Only Orders. The Exchange believes that the proposed changes to Rule 7.31 relating to Auction-Only Orders would remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, protect investors and the public interest by introducing on Pillar existing order types currently available for trading of Exchange-listed securities. As noted above, currently, the Exchange trades only UTP Securities on Pillar. To facilitate the transition of Exchange-listed securities to Pillar, the Exchange proposes to amend Rule 7.31(c) to expand the Auction-Only Orders available on Pillar to include order types currently available on the Exchange.

The Exchange believes that amending the descriptions of existing order types on Pillar—LOOs, MOOs, LOCs, and MOCs—would remove impediments to and perfect the mechanism of a free and open market and a national market system by providing transparency regarding how such orders would function depending on whether such order would be for a UTP Security or an Auction-Eligible Security. As is the case today, LOOs, MOOs, LOCs, and MOCs in UTP Securities would be routed to

[112] Rule 7.34(c)(1)(A) already provides that Non-Displayed Primary Pegged Orders would be rejected if entered before the Core Trading Session and this rule text is applicable to such orders in both UTP Securities and Auction-Eligible Securities.

[113] 15 U.S.C. 78f(b).

[114] 15 U.S.C. 78f(b)(5).

the primary listing exchange for that security. And as is the case today for Exchange-listed securities, these same orders in Exchange-listed securities would participate in auctions on the Exchange.

The proposed Opening and Closing D Orders, which the Exchange now proposes to define separately under Auction-Only Orders in the Pillar rules, are based on existing d-Quote functionality as described in Rule 70.25(a)(ii). The Exchange believes that these proposed order types would remove impediments to and perfect the mechanisms of a free and open market and a national market system because they would ensure continuity of order types that would be available when Exchange-listed securities transition to Pillar. The proposed differences between these orders and d-Quote functionality are largely non-substantive to provide additional transparency regarding how such orders would function on Pillar. Like d-Quotes, an Opening or Closing D Order in an Exchange-listed security would be available to Floor brokers only and would be triggered to exercise discretion only in an auction. For example, a Closing D Order entered prior to the Closing Auction would function as a Limit Order and would be eligible for execution or routing based on its limit price during continuous trading. The Exchange notes that the proposed Opening and Closing D Orders would not have any execution priority compared to other orders trading in an auction. Today, all better-priced orders are guaranteed to participate in an auction, and the Exchange proposes to maintain that auction logic when it transitions to Pillar. If the discretionary price of an Opening or Closing D Order were better-priced than the price of the auction, it would participate in that auction just as any other better-priced order would participate in such auction. Therefore, the proposed Opening and Closing D Orders do not present any new or novel issues.

The Exchange further believes that the proposed difference from d-Quotes to reject both the entry *and* cancellation of Closing D Orders and D Orders, as described in proposed Rule 7.35B(f)(3)(B), that are entered ten seconds or less before the scheduled time for the Closing Auction would remove impediments to and perfect the mechanism of a free and open market and a national market system by promoting transparency and would also promote fair and orderly auctions by reducing the potential for a Closing D Order or D Order to be changed leading into the close.

The Exchange also believes that the proposed new functionality to enable a Floor broker to combine a Yielding Modifier with a Closing D Order would facilitate Floor broker order participation in the closing auction in a manner consistent with the Section 11(a)(1) of the Act. The Exchange further believes that limiting the availability of this functionality to Exchange-listed securities would remove impediments to and perfect the mechanism of a free and open market and a national market system because Closing D Orders in UTP Securities would be routed to the primary listing market for such security, which do not have similar yielding functionality.

Finally, the Exchange believes that the proposed Closing IO Order would remove impediments to and perfect the mechanism of a free and open market and a national market system because it is based on the CO Order described under Rule 13(c)(1), which is currently available for Exchange-listed securities. The Exchange similarly proposes to offer the Closing IO Order for Exchange-listed securities on Pillar and such order type would ensure continuity in what auction orders would be available for when the Exchange transitions trading of Exchange-listed securities to Pillar.

Order Eligibility for Auctions. The Exchange believes that the proposed amendments to Rule 7.31 to specify which orders and modifiers would not be eligible to participate in an auction 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 which orders are not auction eligible. With three exceptions, the proposed rules are based on how the Exchange currently functions, as described in current rules. The Exchange proposes a substantive difference that orders with an IOC time-in-force designation would not be eligible to participate in an auction. The Exchange believes that this proposed difference would be consistent with the terms of such orders, which requires them to be cancelled if not immediately executable. In addition, this proposed difference is based on the rules of NYSE Arca and NYSE American.

The second substantive difference concerns the treatment of Primary Pegged Orders, which would not be eligible to participate in the Closing Auction. The Exchange believes that this proposed difference would remove impediments to and perfect the mechanism of a free and open market and a national market system by streamlining order processing. Specifically, because orders would participate in a Closing Auction at their limit price and because Primary Pegged Orders are pegged to the same-side PBBO and are not displayed at their limit price, the Exchange believes that this proposed difference would reduce the number of orders that would need to be repriced in order to participate in the Closing Auction.

The third substantive difference is for Last Sale Peg Orders, which the Exchange proposes would not participate in any Auctions. The Exchange believes that this proposed rule would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because Last Sale Peg Orders are designed to help member organizations comply with the safe harbor provisions of Rule 10b–18, and if such orders were to participate in an Auction at their limit price, it would defeat the purpose of such order type. Accordingly, the Exchange proposes that such orders would not be eligible to participate in an Auction.

Limit Order Price Protection. The Exchange believes that the proposed amendments to Rule 7.31(a)(2)(B) relating to Limit Order Price Protection would remove impediments to and perfect the mechanism of a free and open market and a national market system because Limit Order Price Protection is designed to reject Limit Orders that are priced too far away from the prevailing NBBO. On the Exchange, if the first opportunity for an order on the Exchange to trade is in an Auction, these considerations are not applicable because such orders would execute in the Auction at the Auction Price, and not the limit price of the order. For similar reasons, because the first opportunity for Floor Broker Interest, DMM Interest entered after 4:00 p.m. for the Closing Auction, and orders solicited pursuant to proposed Rule 7.35B(j)(2)(A) to trade would be the Closing Auction, the Exchange believes that it would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system for these orders not to be subject to Limit Order Price Protection.

Proposed Rule 7.35 Series. The Exchange believes that the proposed Rule 7.35 Series would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would consolidate rules governing Auctions on the Exchange in one location in the rulebook. As discussed in detail above, the proposed Pillar Auction Rules, which are set forth in the Rule 7.35 Series, are largely based on the Current Auction Rules. More specifically, and as discussed in greater detail above, when Exchange-listed securities transition to Pillar, the manner by which Auctions will be conducted on the Exchange will function substantially the same as how they currently function under the Current Auction Rules. For example, DMMs will continue to be primarily responsible for facilitating Auctions on the Exchange, the Exchange will continue to disseminate the same information in connection with Auctions, and the manner by which shares will be allocated in an Auction will be the same.

While functionality would be substantially the same, in contrast to the Current Auction Rules, the proposed Rule 7.35 Series describe Auctions in sequential rules. In addition, in contrast to the Current Auction Rules, the proposed Rule 7.35 Series would use consistent Pillar terminology to describe functionality that is common to all Auctions. In addition, the proposed rule numbering is aligned with the rule numbers used by NYSE Arca and NYSE American regarding auctions on those exchanges, thereby promoting consistency across affiliated exchanges regarding how to navigate their respective rulebooks.

The Exchange further believes that the proposed structure of the Rule 7.35 Series would remove impediments to and perfect the mechanism of a free and open market and a national market system because it is designed to consolidate those rules that are applicable to any Auction in proposed Rule 7.35 (General). By consolidating functionality that would be applicable to all Auctions on the Exchange in Rule 7.35, including definitions, auction ranking, Auction Imbalance Information, openings and reopenings in the last ten minutes of trading, order processing during an Auction Processing Period, transition to continuous trading following an Auction, and Auction functions during a Short Sale Period, the Exchange believes that its rules would be easier to navigate. This proposed structure would also reduce the need for duplication in its rules.

The Exchange believes that proposed Rule 7.35A would remove impediments to and perfect the mechanism of a free and open market and a national market system because that rule would use Pillar terminology to describe how DMM-facilitated Core Open and Trading Halt Auctions would function. By contrast, under the Current Auction Rules, this functionality is described in Rules 15, 115A, and 123D. For similar reasons, the Exchange believes that proposed Rule 7.35B would remove impediments to and perfect the mechanism of a free and open market and a national market system because that rule would use Pillar terminology to describe how DMM-facilitated Closing Auctions would function. In addition, proposed Rule 7.35B would use, where feasible, parallel subparagraph numbering as proposed Rule 7.35A. The Exchange believes that the proposed structure of Rules 7.35A and 7.35B is designed to make those rules easier to navigate.

To the extent that the Pillar Auction Rules use Pillar terminology to describe current auction functionality, the Exchange believes that the proposed Pillar Auction Rules would promote just and equitable principles of trade and would remove impediments to and perfect the mechanism of a free and open market and a national market system because these rules would not result in any changes to how auctions function on the Exchange. Rather, the proposed Pillar Auction Rules would allow for the continued, uninterrupted operation of auctions when Exchange-listed securities transition to Pillar while at the same time updating the rule text to use consistent terminology.

As described in detail above, in the move to Pillar, the Exchange has identified a number of enhancements to how auctions would function on the Exchange that would result in a substantive difference from the Current Auction Rules. The Exchange believes that these substantive differences are consistent with the Act for the following reasons:

- The Exchange believes that using the Consolidated Last Sale price as the basis for various reference prices for openings and reopenings and the Exchange Last Sale Price as the basis for various reference prices for closings would remove impediments to and perfect the mechanism of a free and open market because, as described in detail above, use of these proposed reference prices is designed, for the most part, to use the same reference price as under the Current Auction Rules. However, there would be specified circumstances when the Pillar Auction Rule reference price would be different from Current Auction Rules, and the Exchange believes that those differences would allow for the Exchange to use the most recent valuation for purposes of assessing price movement leading into an Auction. For example, the use of the term Consolidated Last Sale Price would incorporate consolidated last-sale eligible trades after 9:30, and if none, the Official Closing Price of a security, for purposes of providing guidance to the DMM and determining the Imbalance Reference Price for opening or reopening security. And for the Closing Auction, use of the Exchange Last Sale Price would incorporate the Official Closing Price as a reference price if there are no trades on the Exchange on a trading day, which would be new.
- The Exchange believes that the proposal that DMM Auction Liquidity would not be displayed, but for the purpose of ranking and allocation in an Auction, would be ranked Priority 2—Display Orders would remove impediments to and perfect the mechanism of a free and open market and a national market system because, as described in greater detail above in connection with proposed Rule 7.35A(h)(3) and 7.35B(h)(3), this ranking would be applicable only for parity allocations among at-priced orders at the Auction Price and if the only DMM Interest is DMM Auction Liquidity, such DMM Interest would not have time priority on the allocation wheel. Accordingly, ranking such interest as Priority 2—Display Orders would provide limited benefit to the DMMs in an Auction allocation because it would be applicable to allocations of at-priced orders and the DMM would not have time priority on such allocation wheel.
- The Exchange believes that updating Auction Imbalance Information, which is made available over the Exchange's proprietary data feeds, every second rather than in five-minute, one-minute, or five-second intervals as under the Current Auction Rules, and beginning the dissemination of Auction Imbalance Information for the Core Open Auction at 8:00 a.m. rather than 8:30 a.m., would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency regarding the auction process at the Exchange. These proposed changes are also based on the approved rules of NYSE Arca and NYSE American. The Exchange further believes that continuing to disseminate Auction Imbalance Information for the Closing Auction until such Auction is conducted would similarly remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency leading into the Closing Auction, particularly

when Floor Broker Interest is incorporated into that information.

• The Exchange believes that the proposed definition of Pre-Auction Freeze and proposed Rule 7.35(e), which would provide that DMM Auction Liquidity, certain DMM Orders, and Floor Broker Interest entered during the Pre-Auction Freeze would be eligible to participate in the applicable Auction, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would support the DMM in facilitating an Auction. Specifically, during the Pre-Auction Freeze, the DMM is facilitating the applicable Auction, and during that period, the DMM can still interact with interest over which it has control—whether by entering the order or accepting Floor Broker Interest. Accordingly, orders over which the DMM has control during the Pre-Auction Freeze are eligible to participate in an Auction. By contrast, during the Pre-Auction Freeze, the DMM would not be able to facilitate an Auction if the orders over which the DMM has no control, *i.e.,* all other orders, continually fluctuate. To facilitate the Auction process, the Exchange therefore proposes that any other orders entered during the Pre-Auction Freeze would be considered entered during the Auction Processing Period, and therefore would be accepted but not eligible to participate in an Auction.

• The Exchange believes that proposed Rule 7.35(f)(3)(B) would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would facilitate DMMs in meeting their affirmative obligation under Rule 104(f)(ii) not only to maintain a fair and orderly market when arranging an Auction, but also to maintain price continuity with reasonable depth immediately following an Auction. The Exchange believes that processing DMM After-Auction Orders before other orders that were received during the Auction Processing Period (but after orders received before the Auction Processing Period) would promote a fair and orderly transition from the Auction to continuous trading because DMMs would likely be pricing such After-Auction Orders to closely correlate to the Auction Price, thereby promoting price continuity as the Exchange transitions from the Auction to continuous trading.

• The Exchange believes that the proposed changes to how Floor Broker Interest would be entered into Exchange systems for participation in the Closing Auction would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would reduce the burden on the DMM to electronically enter orders on behalf of Floor brokers, thereby leading to a more efficient closing process. As described above, as under Current Auction Rules, Floor Broker Interest intended for the Closing Auction must be orally represented by the end of Core Trading Hours. The proposed difference involves a processing enhancement under Pillar whereby the Floor broker, rather than the DMM, would electronically enter such previously-represented oral interest after 4:00 p.m. so that it may be processed as part of the Closing Auction. The DMM would still be responsible for validating such Floor Broker Interest by being required to accept such electronic submission before the interest would be ranked and eligible for the Closing Auction and included in the Auction Imbalance Information. The Exchange believes that this requirement would promote just and equitable principles of trade as it would serve as a validation that such interest was properly represented orally by the end of, but not after, Core Trading Hours.

• The Exchange believes that the proposed substantive difference that Floor Broker Interest for the Closing Auction must include a limit price and would be processed as part of the Auction allocation the same as any other order with a limit price would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because it would standardize the processing of orders with a limit price in the Closing Auction and would eliminate any differences of how interest represented orally at the close by a Floor broker would be processed as compared to electronically-entered orders.

• The Exchange believes that it would remove impediments and perfect the mechanism of a free and open market and a national market system to disseminate a Regulatory Closing Imbalance, if required, at the Closing Auction Imbalance Freeze Time, regardless of whether a security is halted at that time. The Exchange believes that this proposed difference from the Current Auction Rules would streamline functions leading into the close. It would also permit the entry of offsetting MOC and LOC Orders during a trading halt that continues past the Closing Auction Imbalance Freeze Time if a Regulatory Closing Imbalance is disseminated.

• The Exchange believes that proposed Rule 7.35B(h)(2)(C), proposing that LOC Orders would be allocated based on time, rather than together with other displayed orders, would remove impediments to and perfect the mechanism of a free and open market and a national market system because unlike LOO Orders, LOC Orders are not displayed on any proprietary data feeds at their limit price. Because the proprietary data feeds that include LOO Orders are not disseminated when there is continuous trading, such orders are included at their limit price. Accordingly, the Exchange proposes to allocate LOO Orders together with other displayed orders. By contrast, LOC Orders are not displayed at their limit price and are included in Auction Imbalance Information for the Closing Auction in the aggregate only for purposes of determining the size of the applicable Imbalance. Therefore, the Exchange does not include LOC Orders in the proprietary data feeds at their limit price because they are not eligible to participate in continuous trading. Because they are not displayed, the Exchange does not believe that they should be ranked together with orders ranked Priority 2—Display Orders. The Exchange further believes that orders ranked Priority 3—Non-Displayed Orders should have priority over LOC Orders because such orders were eligible to trade before the Closing Auction, and therefore were at risk of trading before the Auction.

• The Exchange believes that the proposed amendment to Rule 7.37(b)(2) to specify that the Exchange would create a separate allocation wheel for each Auction would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would ensure that all orders that are eligible to participate in an Auction—including orders that are not otherwise eligible to trade during continuous trading—would be positioned on the Auction allocation wheel consistent with current Rule 7.37(b)(2)(A)–(F). The Exchange further believes that this proposed amendment would promote clarity and transparency in Exchange rules.

• The Exchange believes that the proposed Rule 7.35A(h)(3) and 7.35B(h)(3), which describes the proposed DMM Participant Allocation of at-priced DMM Interest, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide continuity in how at-priced DMM interest is allocated compared to current functionality. As with current rules, at-priced DMM Interest would be included in parity allocations in an Auction and the Exchange proposes to move such DMM Interest to the end of the parity allocation wheel under specified circumstances so that later-arriving or better-priced DMM Interest does not get priority in an Auction allocation. The Exchange believes that the proposed rules would promote transparency in the Exchange's rules regarding how DMM interest would be allocated, and in particular, how multiple orders entered by a DMM would be allocated.

- The Exchange believes that the proposed change that during a halt or pause in Exchange-listed securities, orders not eligible to participate in the reopening would be cancelled rather than kept 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 streamline order processing for when trading resumes in that security by eliminating orders that may potentially be priced away from where the Trading Halt Auction may reopen, and result in post-auction trading that is not consistent with the Auction Price. In addition, the Exchange believes that if an order is not eligible to participate in an Auction, it should be cancelled back so that the entering firm has an opportunity to assess whether to re-enter the order in a format that would be auction-eligible.
- The Exchange believes that proposed Rule 7.35C would remove impediments to and perfect the mechanism of a free and open market and a national market system because it is based in part on how the Exchange would currently facilitate an Auction if the DMM were not available, including that such auctions would continue to be subject to price limitations and not all orders would be guaranteed to participate, as provided for under the Current Auction Rules. The Exchange believes that the proposed enhancements as compared to the Current Auction Rules would promote just and equitable principles of trade because they are based in part on functionality currently available for electronic auctions on NYSE Arca and NYSE American, including pricing an auction based on an Indicative Match Price that is subject to Auction Collars. Because the Exchange calculates Auction Imbalance Information differently from NYSE Arca and NYSE American, the Exchange believes that the proposed difference from NYSE Arca and NYSE American to use the Imbalance Reference Price as the Auction Reference Price would promote consistency in how the Exchange determines whether there is an Imbalance for an Auction, regardless of whether the Auction would be facilitated by a DMM or by the Exchange. The Exchange further believes that the proposed Auction Collars would promote just and equitable principles of trade because they would only be used if the Exchange were to facilitate an Auction, which is available as a business continuity measure for the remote possibility of a DMM being unavailable. The Exchange further believes that applying similar processing for all Trading Halt Auctions, with the exception of how an Auction Reference Price and Auction Collars would be determined for an LULD Auction, would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system because it is consistent with current functionality and rules. With respect to LULD Auctions, the Exchange believes that the proposal to cancel Market Orders and better-priced Limit Orders following such auction would reduce the potential for repeat Trading Pauses, and thus would serve a similar purpose as the extension logic that is available on NYSE Arca and NYSE American for such auctions.

Rule 7.11. The Exchange believes that the proposed amendments to Rule 7.11 would remove impediments to and perfect the mechanism of a free and open market and a national market system because they would update the rule to support the trading of Exchange-listed securities and the Exchange's role as primary listing exchange for such securities. The proposed amendments are based on the rules of NYSE Arca and NYSE American with minor differences to include NYSE rule cross references.

Rule 7.12. The Exchange believes that proposed Rule 7.12 would remove impediments to and perfect the mechanism of a free and open market and a national market system because it is substantially identical to Rule 80B. The only proposed differences from Rule 80B are the cross references to Pillar Auction Rules rather than the Current Auction Rules. The Exchange believes that using rule numbering that is aligned with the rule numbers of NYSE Arca and NYSE American would promote consistency in the rule books of affiliated exchanges, making the rules easier to navigate for common members.

Rule 7.16. The Exchange believes that the proposed amendments to Rule 7.16 would remove impediments to and perfect the mechanism of a free and open market and national market system because it would move existing Exchange text from Rule 440B to the Pillar rule governing short sales without any substantive differences. The Exchange further believes that the proposed non-substantive differences to use Pillar terminology would promote transparency in Exchange rules by using consistent terminology.

Rule 7.18. The Exchange believes that the proposed amendment to Rule 7.18 to add subparagraph (c) relating to how the Exchange would process new and existing orders listing on the Exchange during a halt or pause 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 processing of orders during a halt or pause. The Exchange further believes that the proposed amendments would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would streamline order processing during a halt or pause to cancel resting orders and reject new orders in Auction-Eligible Securities that are not eligible to participate in a Trading Halt Auction.

Rule 7.32. The Exchange believes that the proposed amendments to Rule 7.32 would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would include in the Exchange's Pillar rules existing functionality relating to order entry size. The Exchange believes that the proposed non-substantive differences from Rule 1000 would promote consistency in Exchange rules by using Pillar terminology.

Rule 7.34. The Exchange believes that the proposed amendments to Rule 7.34 would remove impediments to and perfect the mechanism of a free and open market and a national market system because they are designed to support the transition of Exchange-listed securities to Pillar. The Exchange does not propose any substantive differences, because the hours of trading Exchange-listed securities would not be changing. The Exchange further believes that the proposed amendments would promote transparency in Exchange rules by specifying the difference in hours of trading Exchange-listed securities and UTP Securities. The Exchange further believes that proposed Rule 7.34(c)(1)(D) would remove impediments to and perfect the mechanism of a free and open market and a national market system because rejecting orders in Auction-Eligible

Securities that are not eligible to participate in the Core Open Auction would streamline order processing for when the Exchange transitions to continuous trading.

Preambles. The Exchange believes the proposed amendments to the preambles to current Exchange rules and new preambles would remove impediments to and perfect the mechanism of a free and open market and a national market system because they would promote transparency in Exchange rules regarding whether a rule would be applicable to trading of securities on Pillar.

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

In accordance with Section 6(b)(8) of the Act,[115] 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 rule change is not designed to address any specific competitive issues and instead supports the transition of Exchange-listed securities to the Exchange's Pillar trading platform. As described in detail above, the proposed rule changes are substantially based on how the Exchange currently functions for its Exchange-listed securities. Accordingly, to the extent that the Exchange's current market model for trading of its Exchange-listed securities, which features DMM-facilitated auctions and a parity allocation model with the DMM as an individual participant, is a competitive offering as compared to how other equity exchanges function, the proposed rule changes are designed simply to enable the Exchange to continue with this existing market model when it transitions Exchange-listed securities to the Pillar trading platform.

The Exchange further believes that the proposed substantive differences to how auctions would function on the Exchange on Pillar are not designed for competitive reasons, but rather to apply certain existing Pillar features that are already available on NYSE Arca and NYSE American to auctions on the Exchange. The Exchange believes that these features would streamline operations on the Exchange. The Exchange operates in a highly competitive environment in which its unaffiliated exchange competitors operate under common rules for the trading of securities listed on their markets.

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. Discussion and Commission Findings

After careful review of the proposal, the Commission finds that the proposed rule change, as modified by Amendment No. 3, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[116] In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 3, is consistent with Section 6(b)(5) of the Act,[117] 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 of a national securities exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

To enable the transition of Exchange-listed securities to the Pillar Trading Platform, the Exchange proposes several rule changes to the Pillar Platform Rules,[118] Pillar Auction Rules,[119] and other relevant Exchange rules. Generally, the proposed rule changes fall into four categories: (1) Proposed changes that maintain current Exchange functionality and rules but convert them to the terminology of the Pillar platform, (2) proposed changes to Exchange functionality that are consistent with Pillar functionality and rules previously approved by the Commission for NYSE Arca or NYSE American, which also use the Pillar platform; (3) proposed changes that introduce new, substantively different functionality that is related to the roles of DMMs and Floor brokers on the Pillar Trading Platform and the operation of Pillar Auctions for Exchange-listed securities; and (4) conforming and clarifying changes to these and other relevant Exchange rules that are of a non-substantive or administrative nature.

A. Proposed Rule Changes Based on Current Exchange Functionality

The Exchange proposes changes to certain rules based on current Exchange functionality and rules in order to facilitate the transition of Exchange-listed securities to the Pillar Trading Platform. Specifically, the Exchange proposes amendments to NYSE Rule 1.1 (Definitions),[120] certain provisions of the NYSE Rule 7.35 Series (Pillar Auction Rules),[121] as well as NYSE Rules 7.16 (Short Sales), 7.36 (Order Ranking and Display), 7.37 (Order Execution and Routing),[122] 7.31(c) (Orders and Modifiers),[123] 7.12 (Market Wide Circuit Breakers), 7.32 (Order Entry), 7.34 (Trading Sessions), and 7.36 (Order Ranking and Display). The Exchange represents that the proposed changes noted above are substantially similar to current Exchange functionality and are based on current Exchange rules. The Commission believes that these proposed changes do not raise regulatory issues or concerns and are consistent with the Act.

B. Proposed Rule Changes Based on Existing Pillar Functionality

The Exchange proposes changes to certain rules in ways that are consistent with the current Pillar functionality and rules of NYSE Arca or NYSE American. Specifically, the Exchange proposes amendments to NYSE Rules 1.1 (Definitions) to define the term ''Closing Price,'' 7.31 (relating to orders not eligible to participate in an auction),[124] 7.11 (LULD Plan),[125] 7.18 (Halts),[126] 7.37 (Order Execution and Routing), and certain provisions of the NYSE Rule

[115] 15 U.S.C. 78f(b)(8).

[116] 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).

[117] 15 U.S.C. 78f(b)(5).

[118] *See supra* Section II.A.1.

[119] *See id.*

[120] The proposed definition of ''Closing Price'' in NYSE Rule 1.1 (Definitions), however, is based on current Pillar functionality, and is discussed in greater detail in Section III.B, *infra.*

[121] A detailed description of the proposed Pillar Auction Rules that are based on current Exchange functionality can be found in Section II.A.1, *supra.*

[122] The proposed amendment to NYSE Rule 7.37(b)(2), however, is based in substantial part on current Pillar functionality and is discussed in greater detail in Section III.B, *infra.*

[123] The proposed amendment to NYSE Rule 7.31(b)(2), however, is based in substantial part on existing Pillar functionality and is discussed in greater in Section III.B, *infra.* In addition, the proposed amendments to NYSE Rules 7.31(c)(2)(C)(iii) and 7.31(i)(4) reflect substantive changes and are discussed in greater detail in Section III.C, *infra.*

[124] *See supra* note 123 and accompanying text.

[125] NYSE Rule 7.11 (LULD Plan) addresses the LULD Plan for UTP Securities.

[126] *See supra,* Section II.A.1.

7.35 Series (Pillar Auction Rules).[127] The Exchange represents that the proposed changes noted above are similar to current Pillar functionality on NYSE Arca or NYSE American and that they are based on the rules of those exchanges. The Commission believes that these proposed changes are reasonably designed to operate in manner that is substantially consistent with the trading of securities on Pillar technology on NYSE Arca or NYSE American, the rules for which were filed and approved by the Commission (or which became immediately effective) pursuant to Section 19(b) of the Act, and therefore do not raise regulatory issues or concerns. Accordingly, the Commission finds these proposed changes consistent with the Act.

C. Proposed Rule Changes To Add New Substantive Functionality

The Exchange proposes the following changes that introduce new, substantively different functionality that is related to the roles of DMMs and Floor brokers on the Pillar Trading Platform and the operation of Pillar Auctions for Exchange-listed securities.

1. Closing D Orders

Proposed NYSE Rule 7.31(c)(2)(C)(iii) (Orders and Modifiers), provides that a Closing D Order in an Auction-Eligible Security may include a Yielding Modifier.[128] This would be new functionality on Pillar, as currently, a d-Quote cannot be combined with a g-Quote. As proposed, a Closing D Order with the proposed Yielding Modifier would be processed as a Yielding Order until the Closing Auction and would be ranked Priority 4—Yielding Orders.[129] The Commission believes that the proposal to enable a Floor broker to attach a Yielding Modifier to a Closing D Order would facilitate Floor broker order participation in the closing auction consistent with Section 11(a)(1) of the Act because it would permit a Floor broker to submit an order that would participate in the Auction only after yielding to orders from other types of market participants. The Commission also believes that limiting this functionality to Exchange-listed securities is consistent with the Act because Closing D Orders for a UTP Security would be routed to the primary listing market which would not have similar yielding functionality.

2. Last Sale Peg Order

Proposed NYSE Rule 7.31(i)(4) (Orders and Modifiers), provides that a Last Sale Peg Order would not be eligible to participate in any Auctions. The Commission believes that this proposed rule change is consistent with the Act because Last Sale Peg Orders are designed to help member organizations comply with the safe harbor provisions of Rule 10b–18,[130] and it would be inconsistent with the purpose of this order type for such orders to participate in an Auction at their limit price.

3. Proposed NYSE Rule 7.35 Series—Auctions

The Exchange several Pillar Auction Rules under the NYSE Rule 7.35 Series: Proposed NYSE Rule 7.35 (General), proposed NYSE Rule 7.35A (DMM-Facilitated Core Open and Trading Halt Auctions), proposed NYSE Rule 7.35B (DMM-Facilitated Closing Auctions), and proposed NYSE Rule 7.35C (Exchange-Facilitated Auctions). The Exchange represents that the amended Pillar Auction Rules are based on, and will operate largely the same as, the Current Auction Rules on the Exchange, and the proposal includes conforming textual changes using standardized Pillar terminology. The Exchange, as detailed below, also proposes Pillar Auction Rules that are substantively different than the Current Auction Rules.

a. Consolidated Last Sale as the Imbalance Reference Price

Under proposed NYSE Rule 7.35A(e)(3), the Imbalance Reference Price for the Auction Imbalance Information for the Core Open and Trading Halt Auctions would be the Consolidated Last Sale Price, instead of the last reported sale price on the Exchange, unless a pre-opening indication has been published. The Commission believes that the use of the Consolidated Last Sale Price, rather than the last reported sale price on the Exchange, is consistent with the Act because it would allow for the Exchange to use the most recent valuation for purposes of assessing price movement leading into an Auction.

b. Pre-Auction Freeze

Proposed NYSE Rule 7.35(e) permits DMM Auction Liquidity, certain DMM Orders,[131] and Floor Broker Interest entered during the Pre-Auction Freeze to participate in the applicable Auction. The Exchange asserts that, during the Pre-Auction Freeze, the DMM can interact with interest over which it has control, whether by entering the order or accepting Floor Broker Interest. The Commission believes it is consistent with the Act that other orders—*i.e.,* orders other than DMM Auction Liquidity, certain DMM Orders, and Floor Broker Interest—entered during the Pre-Auction Freeze would be considered entered during the Auction Processing Period, and that they would be accepted but not eligible to participate in an Auction, because the DMM would not be able to facilitate an Auction if orders over which the DMM exercised no control continually fluctuated.

c. Regulatory Closing Imbalance/Closing Auction Imbalance Freeze Time

Under proposed NYSE Rule 7.35B(d)(1)(C), a Regulatory Closing Imbalance for a security would be disseminated at the Closing Auction Imbalance Freeze Time even if the security has not opened or if it is halted or paused at that time. The Exchange asserts that disseminating a Regulatory Closing Imbalance under these circumstances would permit the entry of offsetting MOC and LOC Orders during a trading halt that continues past the Closing Auction Imbalance Freeze Time. The Commission believes this proposed rule is reasonably designed to assist with an orderly Closing Auction and is therefore consistent with the Act.

d. Auction Imbalance Information

Proposed Rule 7.35(c)(2) would provide that Auction Imbalance Information for the Closing Auction would continue to be disseminated until the Closing Auction begins. The Commission believes that continuing to disseminate Auction Imbalance Information for the Closing Auction until the Auction is conducted would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency leading into the Closing Auction, particularly

[127] The specific provisions of the proposed Pillar Auction Rules that are based on the current Pillar functionality and rules of NYSE Arca and NYSE American are discussed in detail in Section II.A.1, *supra.* Discussion of the substantively changed provisions is in Section III.C.3, *infra.*

[128] *See supra,* Section II.A.1.

[129] *See* NYSE Rule 7.36(e)(4) (Orders ranked Priority 4—Yielding Orders have fourth priority). The Exchange states that, when executing in the Closing Auction, a Closing D Order with a Yielding Modifier would trade at its undisplayed discretionary price, but would yield to other non-Yielding orders if such discretionary price is the same as the Auction Price. The term ''Auction Price'' is defined in proposed NYSE Rule 7.35(a). *See supra* Section II.A.1.

[130] 17 CFR 240.10b-18.

[131] The reference to ''certain'' DMM Orders is to distinguish DMM Orders that are entered via the algorithmic interface for the DMM to facilitate the Auction pursuant to NYSE Rules 104(b) and (a)(2) or (a)(3), described above. DMM Orders entered via this functionality would be accepted during the Pre-Auction Freeze and would be eligible to participate in the Auction.

when Floor Broker Interest is incorporated into that information.

e. Floor Broker Interest at the Close

Under proposed Rule 7.35B(a)(1), each Floor broker would be responsible for electronically entering, for participation in the Closing Auction, interest that has been properly represented orally at the point of sale by the end of Core Trading Hours. The DMM would, in turn, be responsible for validating all Floor Broker Interest, which would include validating that the interest had been properly represented orally before the end of Core Trading Hours. The Commission believes that the proposed change to how Floor Broker Interest would be entered into Exchange systems for participation in the Closing Auction would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would reduce the burden on the DMM to electronically enter orders on behalf of Floor brokers, thereby leading to a more efficient closing process, while being reasonably designed to ensure that Floor Broker Interest entered into the system had been properly represented orally by the Floor broker before the end of Core Trading Hours.

In addition, under proposed Rule 7.35B(a)(1)(A)(i), Floor Broker Interest for the Closing Auction would be required to include a limit price and, under proposed Rules 7.35B(a)(1)(B) and 7.35B(h)(2), would be processed as part of the Auction allocation the same as any other order with a limit price. The Commission believes that these proposed changes are reasonably designed to standardize the processing of orders with a limit price in the Closing Auction, and to eliminate any differences regarding how interest represented orally at the close by a Floor broker would be processed as compared to electronically entered orders, and are therefore consistent with the Act.

f. LOC Order Ranking

Under proposed NYSE Rule 7.35B(h)(2)(C), LOC Orders would be allocated based on time priority, rather than together with other displayed orders. The Exchange asserts that this change is appropriate because, unlike LOO Orders, LOC Orders are not displayed on any proprietary data feeds at their limit price and are included in Auction Imbalance Information for the Closing Auction in the aggregate only for purposes of determining the size of the applicable Imbalance. The Commission believes it is consistent with the Act to give orders ranked Priority 3—Non-Displayed Orders priority over LOC Orders because, unlike LOC Orders, these orders are eligible to trade before the Closing Auction.

g. Canceling Orders During a Halt or Pause

The Exchange proposes that it would, during a halt or pause in Exchange-listed securities, cancel orders that are not eligible to participate in the reopening. The Commission notes that these canceled orders could be priced away from the reopening prices of the Trading Halt Auction and could potentially disrupt the orderly reopening of continuous trading at prices related to the Auction Price. The Commission also notes that cancellation of these orders would allow the entering firm to assess whether to re-enter the order in an auction-eligible format. Accordingly, the Commission believes that this proposed change is consistent with the Act.

h. Calculation of Collars for Exchange-Facilitated Auctions

Proposed Rule 7.35C(b)(3)(A)(i) provides that—when the Exchange facilitates an auction because the assigned DMM is unable to do so—the Auction Collar for the Core Open Auction and the Closing Auction would be based on a price that is the greater of $0.15 or 10% away from the Auction Reference Price for the applicable Auction. The proposed Auction Collar is based in part on NYSE American Rule 7.35E(a)(10)(A), which also uses an Auction Collar for its Core Open Auction and Closing Auction that is $0.50 or 10% away from the Auction Reference Price. However, the Exchange proposes to use $0.15 as the threshold, rather than $0.50, so that the threshold matches that proposed for Auction Collars for Trading Halt Auctions. The Commission believes that the proposed rule is consistent with the Act and would simplify the operation of Auction Collars for the Core Open Auction, the Closing Auction, and Trading Halt Auctions by basing the Auction Collars on the same threshold.

i. DMM Interest in Auctions

Under the Exchange's proposal, DMM Auction Liquidity would be non-displayed buy or sell interest entered by a DMM and designated only for an Auction. The Exchange proposes to rank DMM Auction Liquidity as Priority 2—Display Orders, even though DMM Auction Liquidity is not displayed. As proposed, however, the Priority 2—Display Orders ranking for DMM Auction Liquidity would be applicable only to allocations of at-priced orders, and the DMM would not receive time priority on the allocation wheel if the only DMM Interest is DMM Auction Liquidity. The Commission believes that these proposed changes are broadly consistent with current Exchange functionality, which permits DMMs to enter undisplayed offsetting interest that trades on parity with at-priced interest if an imbalance remains after better-priced interest has executed. The Commission also believes that these proposed changes are consistent with the Act because they are reasonably designed to assist DMMs in supplying additional liquidity to an Auction, consistent with their affirmative obligations, because (a) the Exchange would give Priority 2—Display Orders ranking only to allocation of at-priced DMM Auction Interest; (b) the DMM would not receive time priority if entering only DMM Auction Liquidity; and (c) later-arriving or better-priced DMM Interest would not receive time priority over other orders that would be eligible to participate in the Auction.

D. Conforming and Other Administrative Amendments

The Exchange proposes conforming, non-substantive amendments to NYSE Rules 1.1, 7.11, 7.12, 7.16, 7.18, 7.31, 7.34, 7.36, and 7.37. The Exchange also proposes changes to Current Auction Rules and other relevant Exchange rules to add text or delete references to UTP Securities to clarify the applicability of those rules to the Pillar trading platform.[132] The Commission believes that these proposed changes are designed to conform the new and existing rules using standard Pillar terminology, make the operation of the Exchange more transparent, and ease navigation of Exchange rules. Accordingly, the Commission finds the proposed rule changes are consistent with the Act.

IV. Solicitation of Comments on Amendment No. 3 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 3 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

[132] *See supra* Section II.A.1.

• Send an email to *rule-comments@sec.gov.* Please include File Number SR–NYSE–2019–05 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–2019–05. 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 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–NYSE–2019–05 and should be submitted on or before June 26, 2019.

V. Accelerated Approval of Amendment No. 3

As noted above,[133] in Amendment No. 3, as compared to the original proposal,[134] the Exchange proposes—in addition to removing certain proposed rule changes and providing further justification for elements of the proposal—to amend proposed NYSE Rules 7.16 (Short Sales), 7.18 (Halts), 7.31 (Orders and Modifiers), 7.34 (Trading Sessions), and 7.37 (Order Execution and Routing), and to modify certain proposed trading rules relating to auctions for Pillar.

The Commission believes that the amendments to proposed Rules 7.16(f)(8) (Short Sales), 7.18(c) (Halts), 7.31 (Orders and Modifiers) (with respect to MOO, MOC, LOC, and Closing IO Orders), and 7.34(c)(1)(D) (Trading Sessions) are consistent with the Act and raise no novel regulatory issues because they are based on current Exchange functionality or current Pillar functionality.

The Exchange also proposes to amend proposed NYSE Rule 7.31(c)(2)(C)(iii) (Orders and Modifiers) to provide that a Closing D Order in an Auction-Eligible Security may include a Yielding Modifier.[135] The Commission believes that the amendment to proposed NYSE Rule 7.31(c)(2)(C)(iii) is consistent with the Act because, by specifying that the Closing D Order would yield to all interest other than yielding interest, it is reasonably designed to facilitate Floor broker order participation in the closing auction consistent with Section 11(a)(1) of the Act. The Commission also believes that limiting this functionality to Exchange-listed securities is consistent with the Act, because Closing D Orders for a UTP Security would be routed to the primary listing market, which would not have similar yielding functionality.

In addition, the Exchange proposes amending proposed NYSE Rule 7.37(b)(2) (Order Execution and Routing) to specify that the Exchange would create a separate allocation wheel for each Auction. The Commission believes that the proposal to amend NYSE Rule 7.37(b)(2) to create a separate allocation wheel for each Auction is consistent with the Act because it is reasonably designed to ensure that where Participants are positioned on the Auction allocation wheel is based on all interest that would be eligible to participate in the Auction.

Therefore, the Commission finds that Amendment No. 3 to the proposal raises no novel regulatory issues, that it is reasonably designed to protect investors and the public interest, and that it is consistent with the requirements of the Act. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[136] to approve the proposed rule change, as modified by Amendment No. 3, on an accelerated basis.

VI. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[137] that the proposed rule change (SR–NYSE–2019–05), as modified by Amendment No. 3, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[138]

Eduardo A. Aleman,

Deputy Secretary.

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[133] *See supra* note 5.

[134] *See* Notice, *supra* note 3.

[135] *See supra* Section II.A.1.

[136] 15 U.S.C. 78s(b)(2).

[137] 15 U.S.C. 78s(b)(2).

[138] 17 CFR 200.30–3(a)(12).