

Exchange's proposed fees herein. As a result, the Exchange believes this proposed rule change permits fair competition among national securities exchanges. While the proposed academic discount is a fee reduction that applies only to qualifying academic purchasers, the Exchange believes that academic purchasers' research and publications as a result of access to historical market data benefits all market participants.

Furthermore, the Exchange operates in a highly competitive environment, and its ability to price ad hoc requests for end-of-day and intra-day Open-Close Report data is constrained by competition among exchanges that offer similar fees for similar ad hoc requests for end-of-day and intra-day Open-Close report data to their customers. The Exchange notes that there are currently a number of similar products available to market participants and investors. At least eight other U.S. options exchanges offer similar fees for ad hoc requests for end-of-day and intra-day Open-Close report data that is substantially similar to the fees for ad hoc requests for end-of-day and intra-day Open-Close Report data proposed in this filing, which the Exchange must consider in its pricing discipline in order to compete for the market data.<sup>26</sup> For example, proposing fees that are excessively higher than established fees for similar ad hoc requests for historical end-of-day and intra-day Open-Close Report data on the Exchange would simply serve to reduce demand for the Exchange's data product, which as discussed, market participants are under no obligation to utilize. In this competitive environment, potential purchasers are free to choose which, if any, similar product to purchase to satisfy their need for market information. As a result, the Exchange believes this proposed rule change permits fair competition among national securities exchanges.

The Exchange also does not believe the proposal would cause any unnecessary or inappropriate burden on intermarket competition as other exchanges are free to introduce their own comparable data product and lower their prices for ad hoc historical requests to better compete with the Exchange's offering. The Exchange does not believe the proposed rule change would cause any unnecessary or inappropriate burden on intramarket competition. Particularly, the proposal would apply uniformly to any market

participant, in that it does not differentiate between requests for ad hoc historical Open-Close Report data, other than for qualifying academic users. The proposal allows any interested Member or non-Member to request on an ad hoc basis historical end-of-day or intra-day Open-Close Report databased on their business needs.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>27</sup> and Rule 19b-4(f)(2)<sup>28</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2023-15 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-MIAX-2023-15. 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-MIAX-2023-15, and should be submitted on or before May 10, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-97297; File No. SR-NYSEAMER-2023-16]

**Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change To Modify Rule 900.2NY and To Adopt New Rules 964NYP, 964.1NYP, and 964.2NYP**

April 13, 2023.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 ("Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 6, 2023, NYSE American LLC ("NYSE American" or the "Exchange") filed with the Securities and Exchange

<sup>26</sup> See, e.g. Cboe Options Fee Schedule, Livevol Fees, Open-Close Data, available at [https://cdn.cboe.com/resources/membership/Cboe\\_FeeSchedule.pdf](https://cdn.cboe.com/resources/membership/Cboe_FeeSchedule.pdf). See also *supra* note 8, ISE fee schedule.

<sup>27</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>28</sup> 17 CFR 240.19b-4(f)(2).

<sup>29</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to modify Rule 900.2NY (Definitions) and to adopt new Rules 964NYP (Order Ranking, Display, and Allocation), 964.1NYP (Directed Orders and DOMM Quoting Obligations), and 964.2NYP (Participation Entitlement of Specialist Pool and Designation of Primary Specialist) to reflect the transition of the Exchange’s options market to the Pillar trading platform. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

##### 1. Purpose Background

The Exchange plans to transition its options trading platform to its Pillar trading platform. The Exchange’s affiliated options exchange, NYSE Arca, Inc. (“NYSE Arca” or “Arca Options”) is currently operating on Pillar, as are the Exchange’s national securities exchange affiliates’ cash equity markets.<sup>4</sup> For this transition, the Exchange proposes to use the same

<sup>4</sup> The Exchange’s national securities exchange affiliates’ cash equity markets include: the New York Stock Exchange LLC, NYSE Arca Inc., NYSE American LLC, NYSE National, Inc., and NYSE Chicago, Inc. (collectively, the “NYSE Equities Exchanges”).

Pillar technology already in operation on Arca Options.<sup>5</sup> In doing so, the Exchange will be able to offer not only common specifications for connecting to both of its equity and options markets, but also common trading functions across the Exchange and its affiliated options exchange, NYSE Arca Options.

The Exchange plans to roll out the new Pillar technology platform over a period of time based on a range of underlying symbols beginning on October 23, 2023.<sup>6</sup> As was the case for Arca Options when it transitioned to Pillar, the Exchange will announce by Trader Update<sup>7</sup> when underlying symbols will be transitioning to the Pillar trading platform. With this transition, certain rules would continue to be applicable to options overlying symbols trading on the current trading platform—the “Exchange System,”<sup>8</sup> but would not be applicable to options overlying symbols that have transitioned to trading on Pillar.

Instead, the Exchange proposes new rules to reflect how options would trade on the Exchange once Pillar is implemented. These proposed rule changes will (1) use Pillar terminology that is identical to Pillar terminology governing options trading on NYSE

<sup>5</sup> See, e.g., Securities Exchange Act Release No. 94072 (January 26, 2022), 87 FR 5592 (February 1, 2022) (order approving new rules applicable to trading of single-leg options on Pillar) (SR–NYSEArca–2021–47) (the “Arca Options Approval Order”). See, e.g., Rules 6.76P–O (Order Ranking and Display) and 6.76AP–O (Order Execution and Routing) (together, the “Arca Priority Rules”). See also NYSE Arca Rules 1.1 (Definitions) (which includes definitions that describe terms applicable to options trading on Pillar).

<sup>6</sup> See Trader Update, January 30, 2023 (announcing Pillar Migration Launch date of October 23, 2023, for the Exchange), available here: <https://www.nyse.com/trader-update/history#110000530919>. The Exchange would not begin to migrate underlying symbols to the Pillar platform until all Pillar-related rule filings (i.e., with a “P” modifier) are either approved or operative, as applicable.

<sup>7</sup> Trader Updates are available here: <https://www.nyse.com/trader-update/history>. Anyone can subscribe to email updates of Trader Updates, available here: <https://www.nyse.com/subscriptions>.

<sup>8</sup> Rule 900.2NY defines “Exchange System” or “System” as referring to the Exchange’s “current electronic order delivery, execution, and reporting system for designated option issues through which orders and quotes of Users are consolidated for execution and/or display.” With the transition to Pillar, the Exchange would no longer use the terms “Exchange System” or “System.” Once the transition is complete, the Exchange will file a subsequent proposed rule change to delete references to (and the defined term) the “Exchange System” and “System” from the rulebook. See also Rule 900.2NY (providing substantially identical to definition “Consolidated Book”, which is defined as “the Exchange’s electronic book of orders and quotes” and further provides that “all orders and quotes that are entered into the Book will be ranked and maintained in accordance with the rules of priority as provided in Rule 964NY.”).

Arca, except as otherwise noted; (2) provide for common functionality on both its options markets; and (3) reflect the Exchange’s existing Customer priority and pro rata allocation model, with any differences noted herein.<sup>9</sup>

#### Proposed Use of “P” Modifier

As proposed, new rules governing options trading on Pillar would have the same numbering as current rules that address the same functionality, but with the modifier “P” appended to the rule number. For example, Rule 964NY, governing Display, Priority and Order Allocation—Trading Systems, would remain unchanged and continue to apply to any trading in symbols on the Exchange System. Proposed Rule 964NYP would govern Order, Ranking, Display, and Allocation for trading in options symbols migrated to the Pillar trading platform. All other current rules that have not had a version added with a “P” modifier will be applicable to how trading functions on both the Exchange System and Pillar. Once options overlying all symbols have migrated to the Pillar trading platform, the Exchange will file a separate rule proposal to delete rules that are no longer operative because they apply only to trading on the Exchange System.

To reflect how the “P” modifier would operate, the Exchange proposes to add rule text immediately following the title “Section 900NY. Rules Principally Applicable to Trading of Option Contracts,” and before “Rule 900.1NY. Applicability”), which would provide that rules with a “P” modifier would be operative for symbols that are trading on the Pillar trading platform. As further proposed, and consistent with the handling of the transition to Pillar by Arca Options, if a symbol (and the option overlying such symbol) is trading on the Pillar trading platform, a rule with the same number as a rule with a “P” modifier would no longer be operative for that symbol.<sup>10</sup> The Exchange believes that adding this explanation regarding the “P” modifier in Exchange rules would provide transparency regarding which rules

<sup>9</sup> The current proposal seeks to adopt rules based on certain aspects of the Arca Priority rules, as well as certain definitions that describe terms applicable to options trading on Pillar set forth in NYSE Arca Rule 1.1. However, because the Exchange has (and will continue to have) a priority and allocation scheme that differs from the price-time model on Arca Options, the proposed rules are also based on the Exchange’s existing priority Rules 964NY, 964.NY and 964.2NY, with differences noted herein.

<sup>10</sup> NYSE Arca used the same description when it transitioned its options platform to Pillar. See Arca Options Approval Order.

would be operative during the symbol migration to Pillar.

The Exchange will not implement the “P” rules proposed herein until all other Pillar-related rule filings (*i.e.*, with a “P” modifier) are either approved or operative, as applicable, and the Exchange announces the rollout of underlying symbols to Pillar by Trader Update.

#### Summary of Proposed Rule Changes

In this filing, the Exchange proposes the following new Pillar rules: Rules 964NYP (Order Ranking, Display, and Allocation), 964.1NYP (Directed Orders and DOMM Quoting Obligations), and 964.2NYP (Participation Entitlement of Specialist Pool and Designation of Primary Specialist).<sup>11</sup> The Exchange also proposes to amend Rule 900.2NY to add new definitions that would be applicable for options trading on Pillar as well as to modify additional definitions as set forth below. These proposed rules would set forth the foundation of the Exchange’s options trading model on Pillar and, among other things, would use existing Pillar terminology and functionality currently in effect on Arca Options. However, because the Exchange has (and will continue to have) a priority and allocation scheme that differs from the price-time model on Arca Options, the proposed rules would also reflect the Exchange’s existing (Customer priority and pro rata allocation) model, with any changes to the existing model noted herein. As discussed in greater detail below, the Exchange is not proposing fundamentally different functionality applicable to options trading on Pillar than is currently available on the Exchange System. However, with Pillar, the Exchange would introduce new terminology and new or updated functionality, as applicable, that would be available for options trading.

To promote clarity and transparency, the Exchange further proposes to add a preamble to the following current rules specifying that they would not be applicable to trading on Pillar: Rules 964NY (Display, Priority and Order Allocation—Trading Systems), and 964.1NY (Directed Orders), and 964.2NY (Participation Entitlement of Specialists and e-Specialists).

<sup>11</sup> As described herein, to streamline rule text regarding participation guarantees, the Exchanges proposes to include in new Rule 964NYP much of the information that is set forth in current Rules 964.1NY (Directed Orders), and 964.2NY (Participation Entitlement of Specialists and e-Specialists). In some instances, the Exchange is proposing to delete from Rules 964.1NY and 964.2NY information that is duplicative of rule text being carried over from current Rule 964NY.

#### Proposed Rule Changes

##### Proposed Rule 900.2NY: Definitions

Rule 900.2NY sets forth definitions that are applicable to options trading. In connection with the transition of options trading to Pillar, the Exchange proposes the following amendments to Rule 900.2NY. As described in detail below, the proposed new definitions are identical to how the same terms are defined in NYSE Arca Rule 1.1, except that the proposed terms relate solely to options trading.<sup>12</sup>

- **Away Market:** The Exchange proposes to adopt the defined term of “Away Market,” which would refer to “any Trading Center (1) with which the Exchange maintains an electronic linkage, and (2) that provides instantaneous responses to orders routed from the Exchange.” This proposed definition is identical to how this term is defined in NYSE Arca Rule 1.1 with respect to options trading.<sup>13</sup>
- **Away Market BBO or ABBO:** The Exchange proposes to adopt the defined term “Away Market BBO” or “ABBO,” which would refer to the best bid(s) or offer(s) disseminated by Away Markets and calculated by the Exchange based on market information the Exchange receives from OPRA. Consistent with this proposal, the Exchange also proposes that the term “ABB” would mean the best Away Market bid and the term “ABO” would mean the best Away

<sup>12</sup> Unlike NYSE Arca Rule 1.1, the proposed new definitions (*e.g.*, of Away Market, ABBO, and MPID) do not include a description of how such terms relate to equities trading. Thus, when the Exchange states that the proposed definitions are identical to the definitions in NYSE Arca Rule 1.1, the Exchange means solely as relates to options trading. The Exchange believes this distinction is immaterial as Rule 900.2NY pertains solely to options trading, whereas Rule 1.1 applies to both options and equities trading.

<sup>13</sup> This proposed definition is also based on the definition of “NOW Recipient,” which is currently defined as “any Market Center (1) with which the Exchange maintains an electronic linkage, and (2) that provides instantaneous responses to NOW Orders routed from the System. The Exchange shall designate from time to time those Market Centers that qualify as NOW Recipients and shall periodically publish such information via its website.” The Exchange proposes four non-substantive differences for the Pillar options trading definition of “Away Market”: (1) use the Pillar term of “Away Market” instead of the term “NOW Recipient;” (2) use the term “Trading Center” instead of “Market Center;” (3) refer to “orders routed from the Exchange” instead of “NOW Orders routed from the System;” and (4) delete the text relating to the Exchange designating and publishing to its website certain Away Markets. The Exchange does not believe that this text needs to be included in the definition of Away Market because such markets are, by definition, those markets with which the Exchange maintains electronic linkage (*i.e.*, pursuant to the Options Order Protection and Locked/Crossed Market Plan). The Exchange will file a separate rule filing to remove the definition of “NOW Recipient” after it transitions to Pillar.

Market offer. This proposed definition is identical to how this term is defined in NYSE Arca Rule 1.1 with respect to options trading.

In addition, also identical to NYSE Arca Rule 1.1 with respect to options trading, the Exchange proposes that it would adjust its calculation of the ABBO for options traded on the Exchange in the same manner that the Exchange would calculate the NBBO (as described herein). Accordingly, the Exchange proposes that, unless otherwise specified, the Exchange may adjust its calculation of the ABBO based on information about orders it sends to Away Markets, execution reports received from those Away Markets, and certain orders received by the Exchange.<sup>14</sup>

- **Consolidated Book:** The Exchange proposes to modify the defined term “Consolidated Book” to include reference to new Rule 964NYP. Current Rule 900.2NY defines “Consolidated Book” as “the Exchange’s electronic book of orders and quotes” and further provides that “all orders and quotes that are entered into the Book will be ranked and maintained in accordance with the rules of priority as provided in Rule 964NY.” The Exchange proposes to add to the end of this definition the phrase “or Rule 964NYP, as applicable.” This proposed change would add transparency and internal consistency to Exchange rules.

- **Customer and Professional Customer:** The Exchange proposes to modify the defined term “Professional Customer,” which is defined as an “individual or organization that (i) is not a Broker/Dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).”<sup>15</sup> This definition further provides that a Professional Customer will be treated in the same manner as a non-Customer for purposes of enumerated rules of the Exchange, including, among others, current Rule 964NY (regarding priority and allocation) and certain provisions of Rule 964.2NY (regarding guaranteed

<sup>14</sup> Although the Exchange has not presently identified any circumstances under which it would use an unadjusted ABBO, it has included the “[u]nless otherwise specified” text to allow for this possibility once the Exchange migrates to the Pillar trading platform. Should the Exchange opt to utilize an unadjusted ABBO for purposes of a specified rule, it would file a subsequent rule change to this effect.

<sup>15</sup> To correct the omission of the word “an” in the first sentence of the definition, the Exchange proposes to revise the definition to state that a Professional Customer is “an individual or organization . . . .” See proposed Rule 900.2NY (emphasis added). This proposed change would add clarity and transparency to Exchange rules.

participation of Specialists). To address the addition of proposed Rule 964NYP, which would incorporate the provisions of Rule 964.2NY, the Exchange proposes to add to the list of applicable rules references: Rules “964NYP (Order Ranking, Display, and Allocation), 964NYP(h)(2)(A) and (B) (Specialist Pool Guaranteed Participation).” The Exchange also proposes to add reference to Rule 980NYP (Electronic Complex Order Trading), which proposed new rule describes Complex Order trading on Pillar.<sup>16</sup> This proposed change would add transparency and internal consistency to Exchange rules.

- *Directed Order Market Maker or DOMM*: The Exchange proposes to modify the defined term “Directed Order Market Maker,” which refers to a Market Maker that receives a Directed Order, to include reference to the shorthand “DOMM.” This proposed change would add transparency and internal consistency to Exchange rules.

- *Market Participant Identifier or MPID*: The Exchange proposes to adopt the defined term of “Market Participant Identifier” or “MPID”, which would refer to the identifier assigned to the orders and quotes of a single ATP Holder for the execution and clearing of trades on the Exchange by that permit holder. The definition would further provide that an ATP Holder may obtain multiple MPIDs and each such MPID may be associated with one or more sub-identifiers of that MPID. This proposed definition is identical to how this term is defined in NYSE Arca Rule 1.1 with respect to options trading. The Exchange notes that the proposed definition only includes reference to ATP Holders on the Exchange rather than ETP Holders, OTP Holders, or OTP Firms on NYSE Arca.

- *NBBO*: The Exchange proposes to modify the defined term “NBBO,” which refers to the national best bid (NBB) or national best offer (NBO), to specify that, unless otherwise specified, the Exchange may adjust its calculation of the NBBO based on information about orders it sends to Away Markets, execution reports received from those Away Markets, and certain orders received by the Exchange. This proposed text reflects how the Exchange currently calculates the NBBO for options trading and is identical to how Arca Options describes its calculation of the NBBO per NYSE Arca Rule 1.1. The Exchange believes that adding this detail to the proposed definition of

NBBO would promote clarity and transparency in Exchange rules and across its affiliated options exchanges. The Exchange further notes that, as is the same on Arca Options, there are limited circumstances when the Exchange would not adjust its calculation of the NBBO and will specify in its rules when it would not be using an adjusted NBBO for purposes of a specific rule.<sup>17</sup>

#### Proposed Rule 964NYP: Order Ranking, Display, and Allocation

Rule 964NY, titled “Display, Priority and Order Allocation—Trading Systems,” governs order ranking, display and allocation for options trading on the current Exchange System. Proposed Rule 964NYP would address order ranking, display, and allocation for options trading on Pillar. The Exchange proposes that the title for new Rule 964NYP would be “Order Ranking, Display and Allocation” instead of “Display, Priority and Order Allocation—Trading Systems,” because the Exchange does not propose to use the term “Trading Systems,” which term is not defined in current Exchange rules, in connection with Pillar.

Current Rule 964NY sets forth the priority for the allocation of incoming orders to resting interest (orders or quotes) at a particular price in the Exchange System.<sup>18</sup> Specifically, per Rule 964NY, the priority for the allocation of incoming orders at the same price is as follows: (1) resting Customer orders; (2) Directed Order Market Makers (or DOMMs), provided they satisfy the criteria to be eligible to receive a Directed Order; (3) the Specialist Pool (including for Directed Orders if not allocated to the DOMM);<sup>20</sup>

<sup>17</sup> See Arca Options Approval Order, 87 FR 5592, at 5598–59.

<sup>18</sup> See Rule 964NY(b) and (c) (regarding priority, allocation, and execution of incoming interest (and the balance thereof) against orders and quotes resting in the Consolidated Book. The Consolidated Book is the Exchange’s electronic book of orders and quotes. See Rule 900.2NY.

<sup>19</sup> Rule 900.2NY defines a Directed Order Market Maker as a Market Maker that receives a Directed Order. See Rule 964.1NY (Directed Orders) (providing that “Specialists and Market Makers may receive Directed Orders in their appointed classes in accordance with the provisions of this Rule 964.1NY” and describing the potential allocation of Directed Orders, as well as the DOMM’s heightened quoting requirements).

<sup>20</sup> Rule 900.2NY defines the Specialist Pool as the aggregated size of the best bid and best offer, in a given series, amongst the Specialist and e-Specialists that match in price; and defines a “Specialist” as an individual or entity deemed qualified by the Exchange to make transactions in accordance with Rule 920NY and meets the requirements of Rule 927NY(b). Each Specialist must be registered with the Exchange as a Market Maker, and any ATP Holder so registered is eligible to be qualified as a Specialist. Per Rule 927.4NY,

and (4) non-Customer interest (on a size pro rata basis).<sup>21</sup> Under the current Rule, a DOMM or the Specialist Pool may be entitled to guaranteed participation with an incoming order for up to 40% of that order, provided, among other requirements, the DOMM or the Specialist Pool is quoting at the NBBO and the execution price is at the NBBO.<sup>22</sup> If the DOMM qualifies for the participation guarantee with an incoming Directed Order, the Specialist Pool is not entitled to guaranteed participation.<sup>23</sup> Whether the DOMM or Specialist Pool receives the participation guarantee, that participant(s) is entitled to the greater of 40% of the incoming order or their size pro rata share, which allocation is not to exceed each participants disseminated size.<sup>24</sup>

On Pillar, orders and quotes will be ranked and maintained in the same way that such interest is ranked and maintained on the Exchange System, including participation guarantees to DOMMs or the Specialist Pool, with one difference. Today, same-priced displayed orders and quotes are ranked ahead of same-priced non-displayed orders and quotes, with displayed Customer orders afforded first priority to trade ahead of same-priced non-Customer interest and, non-displayed interest, orders and quotes are ranked in time priority with no priority afforded to Customer interest.

On Pillar, the Exchange is adopting the same priority categories as are utilized by Arca Options, *i.e.*, Priority 1—Market Order, Priority 2—Display Orders and Priority 3—Non-Display Orders (the “Pillar Priority categories”).<sup>25</sup> Thus, on the Exchange, Customer orders in each priority category will have first priority to trade ahead of same-priced non-Customer interest in that priority category.<sup>26</sup> For example, same-priced interest ranked Priority 1—Market Orders will afford Customer orders at a price first priority, followed by same-priced non-Customer interest. And the same concept holds

the Exchange may designate one or more e-Specialists per options class to fulfill certain Specialist’s obligations.

<sup>21</sup> See Rule 964NY(b)(3) (setting forth size pro rata formula and application).

<sup>22</sup> See Rule 964NY(b)(2)(B) and (C); Rule 964.1NY(i), (ii) (Directed Orders); and Rule 964.2NY (Participation Entitlement of Specialists and e-Specialists).

<sup>23</sup> See Rule 964NY(b)(2)(B); Rule 964.2NY(b)(4).

<sup>24</sup> See Rule 964NY(b)(2)(B)(iii) and (C)(iii). The Primary Specialist may be afforded additional weighting in the Specialist Pool. See Rules 964.2NY(a) and (b)(3) (regarding criteria considered in the selection of the Primary Specialist and its entitlement to additional weighting, respectively).

<sup>25</sup> See Arca Options Rule 6.76P–O(e).

<sup>26</sup> See proposed Rule 964NYP(e), discussed *infra*.

<sup>16</sup> See Securities Exchange Act Release No. 97125 (March 13, 2023), 88 FR 16467 (March 17, 2023) (notice of filing to adopt new Rule 980NYP regarding complex order trading on Pillar) (SR–NYSEAMER–2023–17).

true for each of the Priority 2 and Priority 3 interest categories. The Exchange believes that the proposed new rule is consistent with the Exchange's Customer-centric allocation model and affords Customers priority at a price regardless of order type utilized. As discussed in detail below, the proposed rule also provides transparency with respect to how the Exchange's Customer priority and pro rata allocation model would operate using new terminology applicable to all orders and quotes on the Pillar trading platform.

Proposed Rule 964NYP(a) would set forth definitions for purposes of all "Options Trading" on the Pillar trading platform. Each of the proposed definitions are identical to definitions utilized on Arca Options to describe order ranking and display.<sup>27</sup> These proposed definitions would provide transparency regarding options trading on Pillar and would serve as the foundation for the handling of orders/quotes and modifiers on the new trading platform.<sup>28</sup> In addition to using the same Pillar terminology as is used in Arca Options Rule 6.76P-O, the Exchange notes that the proposed definitions do not differ in substance from the operation of current Rule 964NY relating to options trading, as described below.

- Proposed Rule 964NYP(a)(1) would define the term "display price" to mean the price at which an order or quote ranked "Priority 2—Display Orders"<sup>29</sup> or Market Order is displayed, which price may be different from the limit price or working price of the order (*i.e.*, if it is a non-routable Limit Order). This proposed definition is identical to Arca Options Rule 6.76P-O(a)(1). The Exchange notes that, also identical to Arca Options Rule 6.76P-O(a)(1), Market Orders would be included as interest that may have a display price (for example, consistent with current functionality, a Market Order could be displayed at its Trading Collar).<sup>30</sup>

<sup>27</sup> See Arca Options Rule 6.76P-O(a)(1)–(5).

<sup>28</sup> The Exchange will file a separate rule change to adopt proposed Rule 900.3NYP that will describe orders and modifiers available to Exchange market participants on the Pillar trading platform (the "Pillar Order Type Filing"). Like Arca Options Rule 6.62P-O, relating to orders and modifiers, proposed Rule 900.3NYP would specify whether an order or quote would be displayable, *i.e.*, ranked Priority 2—Display Orders, or non-displayable, *i.e.*, ranked Priority 3—Non-Display Orders, and would set forth modifier instructions available for each order type (*e.g.*, DAY, GTC, IOC, etc.).

<sup>29</sup> The term "Priority 2—Display Orders" is described in more detail below.

<sup>30</sup> Current Trading Collar functionality is set forth in Rule 967NY(a), and as noted herein the Pillar Order Type Filing will separately adopt new Rule 900.3NYP, which will describe how Trading Collars

- Proposed Rule 964NYP(a)(2) would define the term "limit price" to mean the highest (lowest) specified price at which a Limit Order or quote to buy (sell) is eligible to trade. The limit price is designated by the order sender. As noted in the proposed definitions of display price and working price, the limit price designated by the order sender may differ from the price at which the order/quote would be displayed or eligible to trade. This proposed definition is identical to Arca Options Rule 6.76P-O(a)(2).

- Proposed Rule 964NYP(a)(3) would define the term "working price" to mean the price at which an order or quote is eligible to trade at any given time, which may be different from the limit price or display price of an order. This proposed definition is identical to Arca Options Rule 6.76P-O(a)(3). The Exchange believes that the term "working price" would provide clarity regarding the price at which an order/quote may be executed at any given time. Specifically, the Exchange believes that use of the term "working" denotes that this is a price that is subject to change, depending on the circumstances. The Exchange will be using this term in connection with orders/quotes and modifiers available on Pillar, which (as noted herein) will be the subject of a separate rule filing.<sup>31</sup>

- Proposed Rule 964NYP(a)(4) would define the term "working time" to mean the effective time sequence assigned to an order or quote for purposes of determining its priority ranking. The Exchange proposes to use the term "working time" in its rules for trading on the Pillar trading platform instead of terms such as "time sequence" or "time priority," which are used in rules governing options trading on the Exchange's current system. The Exchange believes that use of the term "working" denotes that this is a time assigned to an order/quote for purposes of ranking and is subject to change, depending on circumstances. This proposed definition is identical to Arca Options Rule 6.76P-O(a)(4).

- Proposed Rule 964NYP(a)(5) would be identical to Arca Options Rule 6.76P-O(a)(5) and would define an "Aggressing Order" or "Aggressing Quote" to mean a buy (sell) order or

would be applied (including to Market Orders) on Pillar. The Exchange represents that it would handle collared Market Orders the same way such interest is handled on Arca Options, *i.e.*, it would be held on the Consolidated Book for 500 milliseconds and, if not traded within that period, would cancel. See Arca Options Rule 6.62P-O(a)(4)(D).

<sup>31</sup> See *supra* note 28 regarding the Pillar Order Type Filing.

quote that is or becomes marketable against sell (buy) interest on the Consolidated Book. The proposed terms would therefore refer to orders or quotes that are marketable against other orders or quotes on the Consolidated Book. These terms would be applicable to incoming orders or quotes, orders that have returned unexecuted after routing, or resting orders or quotes that become marketable due to one or more events. For the most part, resting orders or quotes will have already traded with contra-side interest against which they are marketable.

To maximize the potential for orders or quotes to trade, the Exchange continually evaluates whether resting interest may become marketable. Events that could trigger a resting order to become marketable include updates to the working price of such order or quote, updates to the NBBO, changes to other interest resting on the Consolidated Book, or processing of inbound messages. To address such circumstances and identical to Arca Options Rule 6.76P-O(a)(5), the Exchange proposes to include in proposed Rule 964NYP(a)(5) that a resting order or quote may become an Aggressing Order or Aggressing Quote if its working price changes, if the NBBO is updated, because of changes to other orders or quotes on the Consolidated Book, or when processing inbound messages. The Exchange believes that these proposed definitions would promote transparency in Exchange rules by providing detail regarding circumstances when a resting order or quote may become marketable, and thus would become an Aggressing Order or Aggressing Quote.

Under current Rule 964NY(a), the Exchange System displays all non-marketable limit orders in the Display Order Process, unless indicated otherwise.<sup>32</sup> Proposed Rule 964NYP(b)

<sup>32</sup> The Exchange notes that current Rule 964NY(a) refers to the display of non-marketable limit orders "in the Display Order Process," but that concept is not defined nor referenced elsewhere in Rule 964NY and is not being utilized in proposed Rule 964NYP. As indicated below, Rules 964NY(b)(2)(E) and (c)(2)(D) refer to orders in the "Working Order File," but (as with the Display Order Process) that concept is neither defined nor referenced elsewhere in current Rule 964NY. Regarding the Working Order Process, it appears that detail regarding this concept was deleted at some point because this concept is described in the Commission's order approving options listing and trading rules on American Stock Exchange LLC ("Amex")—the Exchange's predecessor exchange. See, *e.g.*, Securities Exchange Act No. Release 59472 (February 27, 2009), 74 FR 9843, at 9845–9846 (SR-NYSEALTR-2008-14) (approving, among other rules, Rule 964NY(b)(2)(E), which provides that the Working Order Process ranks/prioritizes Reserve Orders, AON Orders, Stop/Stop Limit Orders, and

would govern the display of non-marketable Limit Orders and quotes. As proposed, the Exchange would display “all non-marketable Limit Orders and quotes ranked Priority 2—Display Orders unless the order or modifier instruction specifies that all or a portion of the order is not to be displayed,” which functionality is the same as that set forth in the first sentence of Rule 964NY(a), except that the proposed rule includes reference to quotes, uses Pillar Priority categories to describe the same functionality, and does not include reference to the Display Order Process. Further, proposed Rule 964NYP(b) is identical to Arca Options Rule 6.76P–O(b).

Proposed Rule 964NYP(b)(1) would provide that the Exchange would “disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between the Exchange and other Trading Centers, consistent with the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information.” This proposed Rule mirrors the second sentence of current Rule 964NY(a), except that the proposed Rule refers to the “Exchange” rather than the “System” and uses the term “Trading Centers” instead of “Market Centers.”<sup>33</sup> Further, proposed Rule 964NYP(b)(1) is identical to Arca Options Rule 6.76P–O(b)(2).

Finally, proposed Rule 964NYP(b)(2) is identical to Arca Options Rule 6.76P–O(b)(3) and would provide that if “an Away Market locks or crosses the Exchange BBO, the Exchange will not change the display price of any Limit Orders or quotes ranked Priority 2—Display Orders and any such orders will be eligible to be displayed as the Exchange’s BBO.” This proposed rule describes Pillar functionality, which is the same as current functionality not described in the rule. The Exchange believes that including this text in the proposed rules would promote clarity

Stock Contingency Orders). The Exchange believes that these undefined (obsolete) concepts are of no import and reference to them in current Rule 964NY is likely the result of an oversight. As such, the Exchange does not propose to include the concepts of the “Display Order Process” or “Working Order File” in proposed Rule 964NYP, which exclusion would add clarity, transparency, and internal consistency to Exchange rules.

<sup>33</sup> The second sentence of current Rule 964NY(a) states, “[t]he System also will disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between the Exchange and other Market Centers, consistent with the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information.”

and granularity because this proposed concept makes clear that resting displayed interest that did not cause a locked or crossed market condition can stand its ground and maintain priority at the price at which it was originally displayed.

Proposed Rule 964NYP(c) would describe the Exchange’s general process for ranking orders and quotes. Current Rule 964NY(b) describes Customer priority, *i.e.*, Customer orders get first priority at a price, followed (in second priority) by any guaranteed participation of either a DOMM or the Specialist Pool (as described further below), next (and third priority) is any non-Customer interest, which may be allocated pro rata (as described in proposed Rule 964NYP(i) below); and finally, to orders “in the Working Order File, if eligible for execution,” except that such orders “do not have any priority or standing until they are eligible for execution and/or display.”<sup>34</sup>

As proposed, Rule 964NYP(c), which is identical to Arca Options Rule 6.76P–O(c), would provide that all non-marketable orders and quotes would be ranked and maintained in the Consolidated Book according to price-time priority in the following manner: (1) price; (2) priority category; (3) time; and (4) ranking restrictions applicable to an order/quote or modifier condition. Accordingly, orders and quotes would be first ranked by price. Next, at each price level, orders and quotes would be assigned a Pillar Priority category and, within each priority category, interest would be ranked by time. The general requirements for ranking per proposed Rule 964NYP(c) are applicable to all orders and quotes, unless an order or quote or modifier has a specified exception to this ranking methodology (per proposed paragraph (g) as described below).

Proposed Rule 964NYP(d), which is identical to Arca Options Rule 6.76P–O(d), would describe how orders and quotes would be ranked based on price, which additional detail would provide transparency regarding the Exchange’s price-ranking process. Specifically, as proposed, all orders and quotes would be ranked based on the working price of an order or quote. Orders and quotes to buy would be ranked from highest working price to lowest working price and orders and quotes to sell would be ranked from lowest working price to highest working price. The proposed rule would further provide that if the

<sup>34</sup> See note 32, *supra* (regarding reference to undefined concept of a “Working Order File,” which concept the Exchange does not plan to include in proposed Rule 964NYP).

working price of an order or quote changes, the price priority of an order or quote would change. This proposed pricing priority is current functionality (not included in the rule), but the new rule, which is identical to Arca Options Rule 6.76P–O(d), would add detail regarding the concept of “working price” and its impact on priority.

Proposed Rule 964NYP(e) would describe the proposed Pillar Priority categories for ranking purposes, which added detail and terminology would be new for the Exchange but would be based on Pillar terminology as used in Arca Options rules. As proposed, at each price, all orders and quotes would be assigned a priority category and, within each priority category, Customer orders would be ranked ahead of non-Customer. If, at a price, there are no remaining orders or quotes in a priority category, then same-priced interest in the next priority category would have priority. Proposed Rule 964NYP(e) is based on Arca Options Rule 6.76P–O(e), except that the Exchange’s rule specifies its distinct Customer priority model, which affords Customer orders in each Pillar Priority category first priority at a price (over same-price non-Customer interest), which differs from the price-time model on Arca Options.

The proposed Pillar Priority categories would be:

- Proposed Rule 964NYP(e)(1) would be identical to Arca Options Rule 6.76P–O(e)(1) and would specify “Priority 1—Market Orders,” which provides that unexecuted Market Orders would have priority over all other same-side orders with the same working price. For example, a Market Order subject to a Trading Collar would be displayed on the Consolidated Book. In such circumstances, the displayed Market Order would have priority over all other resting orders at that price. The Exchange believes that the proposed rule change would add transparency and specificity to Exchange rules.

- Proposed Rule 964NYP(e)(2) would be identical to Arca Options Rule 6.76P–O(e)(2) and would specify “Priority 2—Display Orders.” As proposed, non-marketable Limit Orders or quotes with a displayed working price would have second priority. For an order or quote that has a display price that differs from the working price of the order or quote, the order or quote would be ranked Priority 3—Non-Display Orders at the working price.<sup>35</sup> The Exchange believes that the

<sup>35</sup> See *supra* note 28 regarding the Pillar Order Type Filing, which will include a description of Non-Routable Limit Orders, which order type will function in substantially the same manner as set forth in Arca Options Rule 6.62P–O(e)(1).

proposed rule change would add transparency and specificity to Exchange rules.

- Proposed Rule 964NYP(e)(3) would be identical to Arca Options Rule 6.76P–O(e)(3) and would specify “Priority 3—Non-Display Orders.” As proposed, non-marketable Limit Orders or quotes for which the working price is not displayed, including reserve interest of Reserve Orders, have third priority. This proposed rule is consistent with current functionality as described in current Rule 964NY(b)(2)(E), which affords last priority to orders that are not displayed (except, as noted herein, non-displayed Customer orders are ranked ahead of non-Customer orders in this category). The Exchange believes that the proposed rule would add transparency and specificity to Exchange rules.

Proposed Rule 964NYP(f) is identical to Arca Options Rule 6.76P–O(f) and would set forth that at each price level within each priority category, orders and quotes would be ranked based on time priority. The proposed changes set forth below are consistent with current functionality and would add detail not included in existing Rule 964NY.

- Proposed Rule 964NYP(f)(1) would be identical to Arca Options Rule 6.76P–O(f)(1) and would provide that an order or quote would be assigned a working time when it is first added to the Consolidated Book based on the time such order or quote is received by the Exchange. This proposed process of assigning a working time to orders is current functionality, although not specified in current Rule 964NY. To provide transparency in Exchange rules, the Exchange further proposes to copy Arca Options Rule 6.76P–O(f)(1) by including in proposed Rule 964NYP(f)(1) how the working time would be determined for orders that are routed, which is consistent with current options trading functionality. As proposed:

- Proposed Rule 964NYP(f)(1)(A) would be identical to Arca Options Rule 6.76P–O(f)(1)(A) and would specify that an order that is fully routed to an Away Market on arrival, per proposed Rule 964NYP(k)(1) (described below), would not be assigned a working time unless and until any unexecuted portion of the order returns to the Consolidated Book. The Exchange notes that this is the current process for assigning a working time to an order, although not described in current Rule 964NY. This proposed rule is also consistent with current Rule 964NY(c)(2)(E), which provides that when an order or portion of an order has been routed away and is not executed either in whole or in part at the other

Market Center, it will be ranked and displayed in the Consolidated Book in accordance with the terms of the order.

- Proposed Rule 964NYP(f)(1)(B) would be identical to Arca Options Rule 6.76P–O(f)(1)(B) and would specify that for an order that, on arrival, is partially routed to an Away Market, the portion that is not routed would be assigned a working time. If any unexecuted portion of the order returns to the Consolidated Book and joins any remaining resting portion of the original order, the returned portion of the order would be assigned the same working time as the resting portion of the order. If the resting portion of the original order has already executed and any unexecuted portion of the order returns to the Consolidated Book, the returned portion of the order would be assigned a new working time. This process for assigning a working time to routed orders that return to the Exchange is the same as currently used on the Exchange.<sup>36</sup>

- Proposed Rule 964NYP(f)(2) would be identical to Arca Options Rule 6.76P–O(f)(2) and would provide that an order or quote would be assigned a new working time if: (A) the display price of an order or quote changes, even if the working price does not change, or (B) the working price of an order or quote changes, unless the working price is adjusted to be the same as the display price of an order or quote. This proposed text would be new, and the Exchange believes that adjusting the working time any time the display price of an order or quote changes, would respect the priority of orders/quotes that were previously displayed at the price to which the display price is changing. In addition, the Exchange believes it is appropriate to adjust the working time of an order or quote any time its working price changes, unless the display price does not change. In addition to being identical to Arca Options Rule 6.76P–O(f)(2), this proposed order handling in Exchange rules is consistent with the rules of other options exchanges.<sup>37</sup>

- Proposed Rule 964NYP(f)(3), which is identical to Arca Options Rule 6.76P–O(f)(3), would provide that an order or

<sup>36</sup> See, e.g., Rule 964NY(c)(2)(E)(ii) (providing that when an order that was routed away and is not fully executed, upon its return such order will be “will not have time standing relative to other orders received at the same price” while it was routed away and outside the Exchange).

<sup>37</sup> See, e.g., Cboe BZX (“BZX”) Rule 11.9(g)(1)(B) (providing that, for orders subject to “display price sliding,” BZX “will re-rank an order at the same price as the displayed price in the event such order’s displayed price is locked or crossed by a Protected Quotation of an external market” and that “[s]uch event will not result in a change in priority for the order at its displayed price”).

quote would be assigned a new working time if the size of an order or quote increases and that an order or quote retains its working time if the size of the order or quote is decreased. This proposed detail about the process for assigning (or not) a new working time when the size of an order changes is not described in the current Rule 964NY but is consistent with existing functionality for how orders (but not quotes) are processed on the Exchange System.<sup>38</sup>

Proposed Rule 964NYP(g) is identical to Arca Options Rule 6.76P–O(g) and would specify that the Exchange would apply ranking restrictions applicable to specific order, quote or modifier instructions as provided for in Rule 900.3NYP.<sup>39</sup>

Proposed Rule 964NYP(h), “Allocation of Resting Interest: Participation Entitlements and Pro Rata Pool,” describes the Exchange’s participation entitlements and participants constituting the Size Pro Rata Pool. Unless otherwise specified, proposed Rule 964NYP(h) reflects current functionality for allocating non-Customer interest, including participation guarantees, and the “Size Pro Rata Pool” as set forth in Rules 964NY(b)(2)(B), (C) and (D) as well as Rules 964.1NY and 964.2NY.<sup>40</sup>

Proposed Rule 964NYP(h)(1) is consistent with current functionality (with one new feature described below) and would provide that when the execution price is the NBBO, a DOMM may be entitled to guaranteed participation for its quote(s) to be matched against the balance of a Directed Order (the “DOMM Guarantee”).<sup>41</sup> Such DOMM Guarantee

<sup>38</sup> Currently, on the Exchange System, if the size of a quote is reduced, the Exchange processes the reduced quantity as a new quote that is assigned a new effective time sequence. By contrast, orders reduced in size are not assigned a new working time by the Exchange System. The Exchange proposes that, on Pillar, both quotes and orders reduced in size would not receive a new working time. The proposed provision would provide for consistent handling of orders and quotes when the size of such interest is reduced.

<sup>39</sup> As discussed, *supra* note 28, the Exchange will file a separate Pillar Order Type Filing. On Pillar, and consistent with Arca Options Rule 6.62P–O (Orders and Modifiers), the Exchange proposes that new Rule 900.3NYP (Order Types and Modifiers) would similarly maintain much of the basic order type functionality while adding detail regarding which Pillar Priority category of each order type as well as additional detail about each such order type would be handled on Pillar.

<sup>40</sup> As noted *supra* note 10, the Exchange notes that much of the text contained in current Rules 964.1NY and 964.2NY is repetitive of information in current Rule 964NY. As such, the Exchange proposes to streamline proposed Rule 964NYP to include in this single rule the salient information related to the participation guarantees.

<sup>41</sup> See Rule 964NY(b)(2)(B)(i).

would be 40% of the balance of the Directed Order, unless otherwise determined by the Exchange and announced by Trader Update, which is current functionality.<sup>42</sup> If the DOMM does not qualify to receive the DOMM Guarantee, the bids and offers of that DOMM will be included in the “Size Pro Rata Pool” (as described below in proposed Rule 964NYP(h)(3)).<sup>43</sup> The proposed rule would further provide that, in the absence of a DOMM Guarantee, the Specialist Pool (which takes priority behind the DOMM) may be entitled to a guaranteed allocation (as described below in proposed paragraph (h)(2)), which is current functionality.<sup>44</sup>

- Proposed Rule 964NYP(h)(1)(A) is the same as current functionality and would provide that a DOMM will be allocated a number of contracts equal to the greater of the DOMM Guarantee or their “size pro rata” allocation as provided in this Rule 964NYP(i) (described below), but in either case, no greater than the DOMM’s disseminated size.<sup>45</sup>

- Proposed Rule 964NYP(h)(1)(A)(i) would provide that if the result of applying the DOMM Guarantee is a fractional allocation of contracts, the DOMM Guarantee would be rounded down to the nearest contract. Further this proposed Rule would provide that if the result of applying the DOMM Guarantee results in less than one contract, the DOMM Guarantee will be equal to one contract. The Exchange believes that including this additional detail (which is the same as current functionality not codified in current rule) in the proposed rule would add transparency to Exchange rules. This methodology is also consistent with Arca Options Rule 6.76AP–O(a)(1)(C) regarding the analogous Lead Market Maker participation guarantee.<sup>46</sup>

- Proposed Rule 964NYP(h)(1)(A)(ii) would provide that if a DOMM has more than one eligible quote, each quote will receive a pro rata share of the DOMM Guarantee, which text would add granularity and transparency to Exchange rules. This text would be new and reflects that on Pillar, the Exchange would permit multiple quotes from the same DOMM at the same price and that each eligible quote would be entitled to

a pro rata share of the DOMM Guarantee consistent with the Exchange’s allocation model.<sup>47</sup>

- Proposed Rule 964NYP(h)(1)(B) would provide that for all Directed Orders of five (5) contracts or fewer, if the DOMM is also the Primary Specialist (as determined per proposed Rule 964.2NYP(b)), such DOMM will be allocated the balance of the Directed Order after any allocation to Customers, not to exceed the DOMM’s disseminated size or, if the DOMM has more than one eligible quote, each quote will receive a pro rata share. This proposed functionality would be new but is consistent with the guaranteed participation entitlement afforded to Primary Specialists in the Specialist Pool.<sup>48</sup> As such, the Exchange believes this proposed functionality would add internal consistency to Exchange rules.

Proposed Rule 964NYP(h)(2) is the same as current functionality and would provide that when the execution price is the NBBO, participants in the Specialist Pool may be entitled to guaranteed participation of their quote(s) to be matched against the balance of an Aggressing Order or Aggressing Quote (the “Specialist Pool Guarantee”).<sup>49</sup> Such Specialist Pool Guarantee would be 40% of the balance of an Aggressing Order or Aggressing Quote, unless otherwise determined by the Exchange and announced by Trader Update.<sup>50</sup> However, the Specialist Pool will not receive a guaranteed allocation if a DOMM has received a guaranteed allocation.<sup>51</sup> Further, if a DOMM has received a guaranteed allocation, the bids and offers of the Specialist Pool will be included in the “Size Pro Rata Pool” as described in proposed Rule 964NYP(h)(3) below.<sup>52</sup> Conversely, in the absence of a DOMM Guarantee, the

Specialist Pool (which takes priority behind the DOMM) may be entitled to the Specialist Pool Guarantee as described below.<sup>53</sup>

- Proposed Rule 964NYP(h)(2)(A) is the same as current functionality and would provide that the Specialist Pool would be allocated a number of contracts equal to the greater of their share in the Specialist Pool Guarantee or their “size pro rata” allocation as provided in proposed Rule 964NYP(i), but in either case, no greater than the Specialist’s Pool disseminated size.<sup>54</sup>

- Proposed Rule 964NYP(h)(2)(A)(i) would provide that if the result of applying the Specialist Pool Guarantee is a fractional allocation of contracts, the Specialist Pool Guarantee is rounded down to the nearest contract. Further, this proposed Rule would provide that if the result of applying the Specialist Pool Guarantee results in less than one contract, the Specialist Pool Guarantee would be equal to one contract. The Exchange believes that including this additional detail (which is the same as current functionality not codified in current rule) in the proposed rule would add transparency to Exchange rules. This methodology is also consistent with Arca Options Rule 6.76AP–O(a)(1)(C) regarding the analogous Lead Market Maker participation guarantee.<sup>55</sup>

- Proposed Rule 964NYP(h)(2)(A)(ii) is the same as current functionality and would provide that the size pro rata participation for the Primary Specialist (as determined per proposed Rule 964.2NYP(b)) in the Specialist Pool will receive additional weighting, as determined by the Exchange, and announced by Trader Update (the “Additional Weighting”).<sup>56</sup>

- Proposed Rule 964NYP(h)(2)(A)(iii) is the same as current functionality and would provide that each Specialist or e-Specialist in the Specialist Pool will be allocated a number of contracts equal to the greater of their share in the Specialist Pool Guarantee or their “size pro rata” allocation as provided in proposed Rule 964NYP(i), but in either

<sup>53</sup> See Rule 964NY(b)(2)(C).

<sup>54</sup> See Rule 964.2NY(b)(1)(iv).

<sup>55</sup> See Arca Options Rule 6.76AP–O(a)(1)(C) (providing that, “[i]f the result of applying the LMM Guarantee is a fractional allocation of contracts, the LMM Guarantee is rounded down to the nearest contract. If the result of applying the LMM Guarantee results in less than one contract, the LMM Guarantee will be equal to one contract.”).

<sup>56</sup> See Rule 964.2NY(b)(3)(A). The Exchange notes that it is not proposing to include in the proposed rule the now obsolete caveat that “if all participants in the Specialist Pool are quoting the same size, this additional weighting will be no greater than 66⅔% if there is only one e-Specialist, and no greater than 50% if there are two or more e-Specialists” as the Exchange does not currently impose these limits nor does it plan to do so on Pillar.

<sup>42</sup> See Rule 964NY(b)(2)(B)(ii).

<sup>43</sup> See Rule 964NY(b)(2)(B)(i); Rule 964.1NY(ii).

<sup>44</sup> See Rule 964NY(b)(2)(C).

<sup>45</sup> See Rule 964NY(b)(2)(B)(iii).

<sup>46</sup> See Arca Options Rule 6.76AP–O(a)(1)(C) (providing that, “[i]f the result of applying the LMM Guarantee is a fractional allocation of contracts, the LMM Guarantee is rounded down to the nearest contract. If the result of applying the LMM Guarantee results in less than one contract, the LMM Guarantee will be equal to one contract.”).

<sup>47</sup> See Rule 925.1NY(a)(1) (providing that a Market Maker’s same-side quote will update its previously displayed quote). The ability for Market Makers to send multiple quotes will be new functionality under Pillar and addressed in a separate rule filing. Similar to Arca Options, the Exchange plans to file a separate rule filing to address the handling of Market Maker Quotations on the Exchange, including that such Market Makers can have more than one quote in a series on Pillar. See, e.g., Arca Options Rule 6.37AP–O(a)(1).

<sup>48</sup> See Rule 964NY(b)(2)(C)(iv) (providing that “[f]or all orders of five (5) contracts or fewer, the Primary Specialist (as defined in Rule 964.2NY(a)) will be allocated the balance after any allocation to Customers, not to exceed the size of the Primary Specialist’s quote, provided the Primary Specialist is quoting at the NBBO, and the order was not originally allocated to a Directed Order Market Maker.”). See also Rule 964.2NY(b)(3)(B) (same in substance).

<sup>49</sup> See Rule 964NY(b)(2)(C); Rule 964.2NY(b).

<sup>50</sup> See Rule 964NY(b)(2)(C)(ii); Rule 964.2NY(b)(2).

<sup>51</sup> See Rule 964NY(b)(2)(C); Rule 964.2NY(b)(4).

<sup>52</sup> See Rule 964NY(b)(2)(C).



case, no greater than the Specialist's disseminated size.<sup>57</sup>

■ Proposed Rule 964NYP(h)(2)(A)(iii)(a) is the same as current functionality and would provide that if there is only one Specialist or e-Specialist in Specialist Pool, that Specialist or e-Specialist would be allocated a number of contracts equal to the greater of their share in the Specialist Pool Guarantee (*i.e.*, the entire 40%) or their "size pro rata" allocation as provided in proposed Rule 964NYP(i), no greater than the size of their disseminated size.<sup>58</sup>

○ Proposed Rule 964NYP(h)(2)(A)(iv) would be new text and would provide that if a Specialist has more than one eligible quote in the Specialist Pool, each such quote will receive a pro rata share of the Specialist Pool Guarantee, no greater than the size of their disseminated size. This would be new text to address the fact that (as noted above), on Pillar, Specialists will have the ability to submit more than one quote in a series at the same time.<sup>59</sup>

■ Proposed Rule 964NYP(h)(2)(A)(iv)(a) is new text and would provide that if the Primary Specialist has more than one eligible quote, each quote will receive Additional Weighting on its pro rata share of the Specialist Pool Guarantee. This would be new text to address the fact that (as noted above), on Pillar, Specialists will have the ability to submit more than one quote in a series at the same time<sup>60</sup> and, consistent with current functionality, the Primary Specialist is entitled to Additional Weighting.<sup>61</sup>

• Proposed Rule 964NYP(h)(2)(B) is the same as current functionality and would provide that for all Aggressing Orders or Aggressing Quotes of five (5) contracts or fewer, the Primary Specialist (as determined per proposed Rule 964.2NYP(b)) would be allocated the balance of the Aggressing Order or Aggressing Quote after any allocation to Customers, not to exceed the Primary Specialist's disseminated size, or, if the Primary Specialist has more than one eligible quote, each quote will receive a pro rata share.<sup>62</sup> The Exchange also

proposes to add Commentary .01 to the proposed rule (which is the same in substance as Commentary .01 of current Rule 964NY) to make clear that on a quarterly basis, the Exchange would evaluate what percentage of the volume executed on the Exchange comprised of orders of five (5) contracts or fewer that was allocated to the Primary Specialist and would reduce the size of the orders included in this provision if such percentage is over 40%.<sup>63</sup>

Proposed Rule 964NYP(h)(3) is the same as current Rule 964NY(b)(2)(D) and would describe interest that is included in the "Size Pro Rata Pool." As proposed, if there are multiple orders and quotes of non-Customers (including Professional Customers) that are displayed in the Consolidated Book at the same price, then such orders and quotes will be afforded priority on a "size pro rata" basis and will comprise the "Size Pro Rata Pool."<sup>64</sup>

Proposed Rule 964NYP(i) is the same as current functionality and would set forth the pro rata formula and example of its application to same-priced interest in the Size Pro Rata Pool.<sup>65</sup>

• Proposed Rule 964NYP(i)(1) would add non-substantive changes by adding a heading for the "Size Pro Rata Formula and Example of Application," and adding the prefatory words "[f]or example, assume there are . . ." to signal the example that follows this text. In addition, the Exchange would make several other non-substantive clarifying changes to make clear that the Size Pro Rata Formula would apply to the "Remaining Size of Order or Quote to be Allocated" divided by the "Participants' Aggregated Order/Quote Size," which result is multiplied by each "Participant's Order/Quote Size, to provide the Size Pro Rata Allocation for each participant in the Size Pro Rata Pool. The Exchange believes these non-substantive changes would add clarity and transparency to Exchange rules making them easier to navigate and understand.

• Proposed Rule 964NYP(i)(2) is consistent with current functionality and would provide that the pro rata share allocated to each participant in the Size Pro Rata Pool will be rounded down to the nearest contract, if

order or quote that is or becomes marketable against sell (buy) interest on the Consolidated Book. See proposed Rule 964NYP(a)(5).

<sup>63</sup> See proposed Rule 964NYP, Commentary .01, which will not include cross-reference that appears in the current rule Commentary .01 to Rule 964NY, because cross-reference was superfluous (and would be obsolete) and the Exchange opted to remove verbiage.

<sup>64</sup> See Rule 964NY(b)(2)(D).

<sup>65</sup> See Rule 964NY(b)(3)(A).

applicable and that any residual contracts to be filled after the size pro rata calculation has been completed will be allocated one contract per participant in the following sequence:<sup>66</sup>

○ Proposed Rule 964NYP(i)(2)(A) would provide that the participant in the Size Pro Rata Pool who has the largest remaining size (based on the pro rata calculation) will receive the first contract, and each successive contract (if any) will be allocated to each subsequent participant based on size (largest to smallest).<sup>67</sup> In proposed Rule 964NYP(i)(2)(A), the Exchange also proposes to replace reference to the participant with the "largest fractional amount" with reference to the "largest remaining size" as the Exchange believes this latter formulation is more accurate and would add clarity and transparency to Exchange rules.

○ Proposed Rule 964NYP(i)(2)(A)(i) would provide that if there are two or more participants with the same remaining size, then the participant in the Size Pro Rata Pool that has first in time priority would be allocated the next contract and then each successive contract (if any) will be allocated in the same manner.<sup>68</sup> Proposed Rule 964NYP(i)(2)(A)(i) would also replace reference to the participant with the "fractional amount and initial quotes size" with reference to the "same remaining size", which reflects Pillar functionality and would add clarity and transparency to Exchange rules.

Proposed Rule 964NYP(j) would set forth how orders and quotes are matched for execution on Pillar. Proposed Rule 964NY(j) and its subparagraphs would set forth the Exchange's order execution process. The Exchange proposes to refer to an "Aggressing Order" and "Aggressing Quote" rather than an "inbound order" as used in current Rule 964NY(c) because (as described above) the proposed terms allow for interest to be (or become) marketable even after arrival (*i.e.*, not limited to "inbound" interest) and would also align with terminology used in regard to order execution per Arca Options Rule 6.76AP-O(a).<sup>69</sup>

<sup>66</sup> See Rule 964NY(b)(3)(B). The Exchange proposes that rather than refer to the size pro rata share being "rounded down to a whole number" that such share be "rounded down to the nearest contract" as the latter formulation is more precise and would add clarity and transparency to Exchange rules. See proposed Rule 964NYP(i)(2).

<sup>67</sup> See Rule 964NY(b)(3)(B)(i).

<sup>68</sup> See Rule 964NY(b)(3)(B)(ii).

<sup>69</sup> An "Aggressing Order" or "Aggressing Quote" refers to a buy (sell) order or quote that is or becomes marketable against sell (buy) interest on the Consolidated Book. See proposed Rule

Continued

<sup>57</sup> See Rule 964.2NY(b)(1)(ii).

<sup>58</sup> See Rule 964.2NY(b)(2).

<sup>59</sup> See *supra* note 43 (regarding Pillar functionality that allows Market Makers to enter more than one quote in the same series at the same time, which would update current functionality that limits Specialists (including the Primary Specialist) to sending a single quote in their assigned series using a single unique identifier).

<sup>60</sup> See *id.*

<sup>61</sup> See *supra*, discussion of proposed Rule 964NYP(h)(2)(A)(ii).

<sup>62</sup> See Rule 964NY(b)(2)(C)(iv). An "Aggressing Order" or "Aggressing Quote" refers to a buy (sell)

Current Rule 964NY(c) sets forth how orders and quotes are executed on the Exchange. Rule 964NY(c)(1) provides that an “inbound order that is marketable will be immediately executed against bids and offers in the Consolidated Book, provided the execution price is at the NBBO.” In addition, Rules 964NY(c)(2)(A)–(D) set forth the sequence and manner in which an inbound order will be executed against interest resting in the Consolidated Book at a price—first with displayed Customers; second per the DOMM Guarantee or Specialist Pool Guarantee, if applicable; third with non-Customer interest on a size pro rata basis; and fourth with “orders in the Working Order File in the order of their ranking at the limit price.” The Exchange believes proposed Rule 964NYP(j) regarding Order Execution on Pillar is substantially similar to the current execution scheme, with the difference being that, at a price, both Customer and non-Customer interest within each priority category executes until all interest in that Pillar Priority category is exhausted before an Aggressing Order or Aggressing Quote then executes with same-priced interest in the next Pillar Priority Category.

Proposed Rule 964NYP(j) would specify that, at each price, an Aggressing Order or Aggressing Quote in an option series that is open for trading would be allocated against contra-side orders or quotes in the Consolidated Book as follows.

- First, to Customer orders ranked Priority 1—Market Orders based on time (proposed Rule 964NYP(j)(1));
- Second, to non-Customer orders ranked Priority 1—Market Orders on a size pro rata basis pursuant to paragraph (i) of this Rule (proposed Rule 964NYP(j)(2));
- Third, to Customer orders ranked Priority 2—Display Limit Orders based on time (proposed Rule 964NYP(j)(3));
- Fourth, to interest ranked Priority 2—Display Limit Orders that is eligible for the DOMM Guarantee or the Specialist Pool Guarantee, as applicable, pursuant to paragraph (h) of this Rule provided that the execution price is the NBBO; (proposed Rule 964NYP(j)(4));
- Fifth, to non-Customer orders and quotes in the Pro Rata Pool ranked Priority 2—Display Limit Orders on a size pro rata basis pursuant to paragraph (i) of this Rule (proposed Rule 964NYP(j)(5));
- Sixth, to Customer orders ranked Priority 3—Non-Display Orders based

964NYP(a)(5); Arca Options Rule 6.76P–O(a)(5) (same); Rules 964NY(c)(1)–(2) (regarding the execution of an “inbound order”).

on time (proposed Rule 964NYP(j)(6)); and

- Finally, to non-Customer orders and quotes ranked Priority 3—Non-Display Orders based on time (proposed Rule 964NYP(j)(7)).

The proposed allocation set forth in proposed Rules 964NYP(j)(1)–(7) are consistent with the Exchange’s current Customer priority and pro rata allocation model.<sup>70</sup> However, unlike current functionality, proposed Rules 964NYP(j)(1)–(7) provides that “at a price” interest within each of the Pillar Priority categories is exhausted (first Customer then non-Customer) before moving to same-priced interest in the next Pillar Priority category.<sup>71</sup> Under current Rule 964NY, displayed Customer orders at a price are given first priority to trade and this can result in Customer Market Orders and Customer Limit Orders executing first at that price.<sup>72</sup> Proposed Rule 964NYP(j) differs from current functionality in that, for example, at a price, both Customer and non-Customer Market Orders trade and then same-priced Customer Limit Orders trade. Further, under Rule 964NY, non-displayed interest is ranked in time priority with no priority afforded to Customer interest, whereas per proposed Rule 964NYP, at a price, non-displayed Customer orders will trade before same-priced non-Customer interest that is not displayed.

Proposed Rule 964NYP(k) would set forth the Exchange’s routing process. Current Rule 964NY(c)(2)(E) provides that any unexecuted portion of an order that is eligible to route is routed to another Market Center.<sup>73</sup> Similarly,

<sup>70</sup> See, e.g., Rules 964NY(c)(2)(A)–(E) providing that after executing first with displayed Customer interest, inbound orders will trade with interest based on the DOMM or Specialist Pool guaranteed participation and then will be traded on a size pro rata basis, with resting non-Customer interest, with any remaining size of the inbound order being traded with “orders in the Working Order File,” by ranking at the limit price.

<sup>71</sup> The Exchange notes that the concept of “Split-Price Executions” as set forth in current Rule 964NY(c)(3) is titled as such because, at the time it was adopted, the concept was novel. However, executing trading interest at multiple price points is now customary practice in electronic trading, where incoming orders, at a price, trade up or down the Book to the extent possible (or route). As such, the Exchange does not propose to refer to this concept of Split-Price Executions explicitly because this practice is consistent with proposed Rule 964NYP (generally) and with proposed paragraph (j), specifically.

<sup>72</sup> See, e.g., Rule 964NY(c)(2)(A) providing that an inbound order will be executed first against “all available displayed Customer interest in the Consolidated Book.”

<sup>73</sup> Under the current rule, each eligible order is routed “as limit order equal to the price and up to the size of the quote published by the Market Center(s)” See Rule 964NY(c)(2)(E)(ii). In the proposed Pillar rule, the Exchange proposes to use

proposed Rule 964NYP(k) would provide that, absent an instruction not to route, the Exchange would route marketable orders to Away Market(s) after such orders are matched for execution with any contra-side interest in the Consolidated Book in accordance with proposed paragraph (j) of this Rule regarding Order Execution. In addition, the proposed rule would provide that while determining the venue(s) to which the order(s) would be routed,<sup>74</sup> such order(s) may be held non-displayed at the contra-side ABBO and ranked in its respective priority category, per proposed Rule 964NYP(e), behind displayed interest at that price in that priority category.<sup>75</sup> Proposed Rule 964NYP(k) is identical to Arca Options Rule 6.76AP–O(b), except that it removes the word “any” and states that the impacted order would be ranked “behind displayed interest at that price in that priority category,” which difference is meant to refer to the Customer priority ranking within each Pillar Priority category.<sup>76</sup>

Proposed Rule 964NYP(k) would then set forth additional details regarding routing that are consistent with current routing functionality, but are not described in current rules:

- Proposed Rule 964NYP(k)(1) would provide that an order that cannot meet the pricing parameters of proposed Rule 964NYP(j) (*i.e.*, cannot trade with interest on the Consolidated Book) may be routed to Away Market(s) before being matched for execution against contra-side orders and quotes in the Consolidated Book. The Exchange believes that this proposed rule text, which is consistent with current functionality, provides transparency that an order may be routed before being matched for execution, for example, to prevent locking or crossing or trading through the NBBO. This proposed rule is identical to Arca Options Rule 6.76AP–O(b)(1), except for the distinct cross-reference to the applicable Exchange rule.
- Proposed Rule 964NYP(k)(2) would provide that an order with an

the term “Away Market” instead of “Market Center.”

<sup>74</sup> The Exchange’s routing determination typically takes a few microseconds.

<sup>75</sup> To avoid creating a locked or crossed market, the Exchange will hold a routable order in a non-displayed state while making the routing determination. However, when a previously displayed order is to be routed, such order will remain displayed while Pillar makes its routing determination.

<sup>76</sup> As specified herein, proposed Rule 964NYP(e) provides, in relevant part, that “[a]t each price, all orders and quotes are assigned a priority category and, within each priority category, Customer orders are ranked ahead of non-Customer.”

instruction not to route would be processed as provided for in proposed Rule 900.3NYP.<sup>77</sup> This proposed rule is identical to Arca Options Rule 6.76AP–O(b)(2), except for the distinct cross-reference to the applicable Exchange rule.

- Proposed Rule 964NYP(k)(3) is identical to Arca Options Rule 6.76AP–O(b)(3) and would provide that any order or portion thereof that has been routed would not be eligible to trade on the Consolidated Book, unless all or a portion of the order returns unexecuted. This routing methodology is current functionality and covers the same subject as current Rule 964NY(c)(2)(E). Rule 964NY(c)(2)(E) provides that an order that routed away and returns is ranked and displayed in the Consolidated Book but does not have time standing relative to orders at the same price that arrived while the order was routed. Because, as discussed above, the working time assigned to orders that are routed is being proposed to be addressed in new Rules 964NYP(f)(1)(A) and (B), the Exchange does not propose to include (and restate) such information in the proposed rule.

- Proposed Rule 964NYP(k)(4) is identical to Arca Options Rule 6.76AP–O(b)(4) and would provide that requests to cancel an order that has been routed in whole or in part would not be processed unless and until all or a portion of the order returns unexecuted.

Proposed Rule 964NYP(l), regarding residual interest, would provide that after trading with eligible contra-side interest on the Consolidated Book and/or returning unexecuted after routing to Away Market(s), any unexecuted non-marketable portion of an order would be ranked consistent with new Rule 964NYP. This rule represents current functionality as set forth in Rule 964NY (generally) and paragraph (c)(2)(E) (specifically), as it pertains to orders that were routed away and then returned unexecuted in whole or part to the Exchange without any substantive differences. This proposed rule is identical to Arca Options Rule 6.76AP–O(c), except for the distinct cross-reference to the applicable Exchange rule.

Proposed Rule 964NYP(m) would be applicable to “Orders Executed Manually” and would contain the same text as set forth in Rule 964NY(e) without any substantive differences, except that the proposed text would correct certain of the punctuation and

capitalization as contained in one provision of the existing rule.<sup>78</sup>

The Exchange notes that current Rules 964NY(d)(1) and (2), regarding Prohibited Conduct Related to Crossing Orders, provide that “Brokers may not execute as principal orders they represent as agent” unless the agency orders meet the exposure requirements of Rule 935NY; or the Broker executes the orders pursuant to Rule 934NY. The Exchange does not propose to include this provision in new Rule 964NYP because the information is not related to priority and allocation. Moreover, the Exchange believes it would be duplicative and is unnecessary to state that Brokers must comply with Rules 934NY and 935NY as such compliance is required by those rules and need not be restated. As such, the Exchange believes that not including this language in the proposed rule would add clarity, transparency, and internal consistency to Exchange Rules.

Finally, the Exchange does not propose to include Commentary .02 to Rule 964NY regarding Self-Trade Prevention (STP) Modifiers in proposed Rule 964NYP as the Exchange will add this modifier to proposed Rule 900.3NYP with certain enhancements that will be identical to Arca Options Rule 6.62P–O(i)(2).<sup>79</sup>

Proposed Rule 964.1NYP (Directed Orders and DOMM Quoting Obligations)

Current Rule 964.1NY, titled “Directed Orders,” governs Directed Orders, including how such orders may be allocated pursuant to Rule 964NY, as well as DOMM quoting obligations. The Exchange proposes that the new title for Rule 964.1NYP would be “Directed Orders and DOMM Quoting Obligations,” as this title is a more apt description. The Exchange proposes to maintain the current preamble to Rule 964.1NY in proposed Rule 964.1NYP(a) but would update the relevant cross-references, such that the new rule would provide that “Specialists and Market Makers may receive Directed Orders in their appointed classes in accordance with the provisions of Rule 964NYP(h), (j) and this Rule 964.1NYP.”

The Exchange also proposes that proposed Rule 964.1NYP(b)(1) would be identical to current Rule 964N.1(iv), with the only difference being the paragraph numbering.

<sup>78</sup> See proposed Rule 964NYP(m)(1)(C) (providing, in relevant part, that “[b]ids and offers of broker-dealers or Professional Customers (including Market Maker orders and quotes) on the Consolidated Book have third priority.”).

<sup>79</sup> See *supra* note 28 regarding the Pillar Order Type Filing.

As noted here, much of the information in current Rule 964.1NY is duplicative and repeats information already contained in current (and separate) Rule 964NY or that has been added to new Rule 964NYP to consolidate information relevant to the DOMM Guarantee into the proposed rule, which would add clarity and consistency to Exchange rules making them easier to navigate. As such, the Exchange does not propose to include in proposed Rule 964.1NYP (duplicative) information contained in Rules 964.1NY(i)–(iii) regarding the possible execution of Directed Orders (*i.e.*, being allocated per the DOMM Guarantee, if available, the Specialist Pool (if no DOMM Guarantee), or as part of the Specialist Pool). The Exchange believes having this information in two different rules is inefficient and would increase the possibility of inconsistencies when rules are updated which may lead to confusion for market participants. As such, the Exchange believes that proposed Rule 964.1NYP in connection with proposed Rule 964NYP, sufficiently describe the potential allocation of Directed Orders, as well as the quoting obligations of each DOMM.

Proposed Rule 964.2NYP (Participation Entitlement of Specialist Pool and Designation of Primary Specialist)

Current Rule 964.2NY, titled “Participation Entitlement of Specialists and e-Specialists,” governs participation entitlement for Specialists including the criteria for selecting the Primary Specialist, the Additional Weighting accorded to the Primary Specialist’s pro rata allocation, and the potential allocation of orders of five contracts or fewer to the Primary Specialist. The Exchange proposes that the title for new Rule 964.2NYP would be “Participation Entitlement of Specialist Pool and Designation of Primary Specialist” instead of “Participation Entitlement of Specialists and e-Specialists” because the current title does not indicate that details about the Primary Specialist are included in the current rule.

Proposed Rule 964.2NYP(a) would provide that “the Exchange may establish from time to time a participation entitlement formula that is applicable to all Specialists and e-Specialists, collectively the Specialist Pool as defined in Rule 900.2NY, pursuant to Rule 964NYP(h)(2),” which incorporates the first sentence of current Rule 964.2NY(a) together with current Rule 964.2NY(b), but is updated to cross-reference new paragraph (h)(2). In addition, proposed Rule 964.2NYP(b) would include verbatim the information from current Rule 964.2NY(a) (except

<sup>77</sup> See *supra* note 28 regarding the Pillar Order Type Filing.

for the first sentence) regarding the criteria for selecting the Primary Specialist.

As noted here, much of the information in current Rule 964.2NY (*i.e.*, paragraphs (b)(1)–(4)), is duplicative of current Rule 964NY or, would be duplicative of information that the Exchange proposes to include in proposed Rule 964NYP (*i.e.*, detailed information related to the participation guarantees). As such, the Exchange does not propose to include in proposed Rule 964.2NYP the (duplicative) information contained in Rules 964.2NY(b)(1)–(4) regarding the application of the Specialist Pool Guarantee to Specialists, e-Specialists and the Primary Specialist as well as the fact the Specialist Pool Guarantee is not available when the DOMM Guarantee is provided. The Exchange believes having this information in two different rules is inefficient and would increase the possibility of inconsistencies when rules are updated, which may lead to confusion for market participants. As such, the Exchange believes that proposed Rule 964.2NYP in connection with proposed Rule 964NYP, sufficiently describe the application of the Specialist Pool Guarantee to Specialists, e-Specialists and the Primary Specialist. Moreover, the Exchange believes that including in one rule (*i.e.*, proposed Rule 964NYP) all information pertinent to the participation guarantees, the criteria for achieving such guarantees, as well as how interest that trades pursuant to the guarantees would be allocated would add clarity and consistency to Exchange rules making them easier to navigate.

Finally, the Exchange will not include in proposed Rule 964.2NYP the provision in current rule 964.2NY(b)(1)(v) that provides that an e-Specialist is not eligible for the Special Pool Guarantee with respect to orders represented in open outcry on the Trading Floor. This provision is inapplicable on Pillar.

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As discussed above, because of the technology changes associated with the migration to the Pillar trading platform, notwithstanding the timing of the effectiveness of this proposed rule change, the Exchange will announce by Trader Update when rules with a “P” modifier will become operative and for which symbols. The Exchange believes that keeping existing rules on the rulebook pending the full migration of Pillar will reduce confusion because it will ensure that the rules governing trading on the Exchange will continue

to be available pending the full migration to Pillar.

#### Implementation

As noted immediately above, the Exchange will not implement the “P” rules proposed herein until all other Pillar-related rule filings (*i.e.*, with a “P” modifier) are approved or operative, as applicable, and the Exchange announces the migration of underlying symbols to Pillar by Trader Update.

#### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>80</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>81</sup> 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 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. The Exchange believes that the proposed rules to support Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rules would promote transparency in Exchange rules by using consistent terminology governing trading on Pillar on both the Exchange’s cash equity and options trading platforms, thereby ensuring that members, regulators, and the public can more easily navigate the Exchange’s rulebook and better understand how options trading is conducted on the Exchange.

Generally, the Exchange believes that adding new rules with the modifier “P” to denote those rules that would be operative for the Pillar trading platform would remove impediments to and perfect the mechanism of a free and open market and a national market system by providing transparency of which rules would govern trading once a symbol has been migrated to the Pillar trading platform. The Exchange similarly believes that adding a preamble to those current rules that would not be applicable to trading on Pillar 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 which rules

would govern trading on the Exchange during and after the transition to Pillar.

In addition, the Exchange believes that incorporating functionality currently available on Arca Options would remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange would be able to offer consistent functionality with its affiliated options trading platform. Accordingly, with the transition to Pillar, the Exchange will be able to offer additional features to its ATP Holders that are currently available on Arca Options. For similar reasons, the Exchange believes that using Pillar terminology for the proposed new rules would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote consistency in trading rules on both the Exchange and its affiliated options exchange, Arca Options.

#### Proposed Changes to Rule 900.2NY

The Exchange believes that the proposed amendments to Rule 900.2NY would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes are designed to promote clarity and transparency in Exchange rules. Specifically, the Exchange believes that the new terms it proposes to include in Rule 900.2NY (*e.g.*, Away Market, ABBO, and MPID) in connection with the migration to Pillar would promote clarity and transparency in Exchange rules making them easier for the investing public to navigate. The proposed new definitions would also remove impediments to, and perfect the mechanism of, a free and open market and a national market system because the definitions are identical to how the same concepts are described in NYSE Arca Rule 1.1 for trading on Arca Options. The proposed modifications to current definitions would add clarity, transparency, and internal consistency to Exchange rules, including by adding reference to new Pillar rules.

#### Proposed Rules 964NYP, 964.1NYP and 964.2NYP

The Exchange believes that proposed new Rule 964NYP would remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange plans to retain the fundamental method by which the Exchange would rank and display orders and quotes on Pillar as compared to the current Exchange system. Specifically, the proposed revisions to

<sup>80</sup> 15 U.S.C. 78f(b).

<sup>81</sup> 15 U.S.C. 78f(b)(5).

the Exchange's options trading rules would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes are designed to simplify the structure of the Exchange's options rules and use identical Pillar terminology for trading rules on both the Exchange and its affiliated options exchange, Arca Options. For example, the Exchange believes the proposed definitions set forth in Rule 964NYP, *i.e.*, display price, limit price, working price, working time, and Aggressing Order/Aggressing Quote, would promote transparency in Exchange rules and make them easier to navigate because these proposed definitions would be used in other proposed Pillar options trading rules. The Exchange notes that these proposed definitions are identical to the definitions set forth in Arca Options Rule 6.76P-O for the same terms.

Moreover, the Exchange is not proposing any functional changes to how it would rank and display orders and quotes on Pillar as compared to current functionality, except (as noted herein) with regard to the treatment of reduced quote sizes, which would be handled the same as orders with reduced size under Pillar, thereby adding consistency and transparency to Exchange rules.<sup>82</sup> The Exchange believes that using new terminology to describe ranking and display, including the proposed Pillar Priority categories of Priority 1—Market Orders, Priority 2—Display Orders, and Priority 3—Non-Display Orders would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule would provide more granularity and use Pillar terminology to describe functionality that is consistent with the Exchange System currently set forth in Rule 964NY. The Exchange notes that these proposed Pillar Priority categories are identical to those set forth in Arca Options Rule 6.76P-O.

The Exchange believes that proposed new Rule 964NYP generally, and paragraph (j) in particular, would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule would set forth a priority model on Pillar that is consistent with the Exchange's Customer-centric, pro rata allocation model and affords Customers priority at a price regardless of order type utilized. Specifically, using the Customer priority

overlay, interest in each Pillar Priority category at a price would be exhausted before interest in the next category would be eligible to trade. For example, same-priced interest ranked Priority 1—Market Orders will afford Customer orders at a price first priority, followed by same-priced non-Customer interest. And the same concept holds true for each of the Priority 2 and Priority 3 interest. Accordingly, the Exchange believes that proposed Rule 964NYP 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 marry the Exchange's current allocation model with the terminology for Pillar Priority Categories already used in Arca Options rules.

The Exchange believes that the proposed modifications to the DOMM Guarantee and Specialist Pool Guarantee would remove impediments to and perfect the mechanism of a free and open market and a national market system because it provides clarity of how multiple quotes from a DOMM or Specialists (including the Primary Specialist) would be allocated. The Exchange similarly believes that eliminating duplicative text from proposed Rules 964.1NYP and 964.2NYP would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes would streamline the Exchange's rules. The Exchange notes that the remaining differences in proposed Rule 964NYP relating to the DOMM Guarantee and the Specialist Pool Guarantee are designed to promote clarity and transparency in Exchange rules and would not introduce new functionality.

The Exchange believes that proposed new Rules 964.1NYP and 964.2NYP would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would not repeat information that is duplicative of current Rule 964NY but would include information solely related to Directed Orders and the provisions of proposed Rule 964NYP that must be satisfied to receive such orders (*i.e.*, proposed Rules 964NYP(h), (j), in particular and Rule 964.1NYP generally) as well as information regarding the provisions of the proposed Rule 964NYP that must be satisfied to receive the Specialist Pool Guarantee. As a result, new Rules 964.1NYP and 964.2NYP would provide information about Directed Orders and DOMM quoting obligations as well as the Primary Specialist criteria in a more streamlined manner, which would add

clarity and consistency to Exchange rules, making them easier to navigate.

The Exchange believes that the structure and content of the rule text in proposed Rules 964NYP, 964.1NYP, and 964.2NYP promote transparency by using consistent Pillar terminology. The Exchange also believes that adding more detail regarding current functionality in new Rule Rules 964NYP, as described above, would promote transparency by providing notice of when orders would be executed or routed by the Exchange.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a competitive market and regularly competes with other options exchanges for order flow. The Exchange believes that the transition to Pillar would promote competition among options exchanges by offering a low-latency, deterministic trading platform. The proposed rule changes would support that inter-market competition by allowing the Exchange to offer additional functionality to its ATP Holders, thereby potentially attracting additional order flow to the Exchange. Otherwise, the proposed changes are not designed to address any competitive issues, but rather to amend the Exchange's rules relating to options trading to support the transition to Pillar. As discussed in detail above, with this rule filing, the Exchange is not proposing to change its core functionality regarding its priority model (*e.g.*, how it would rank, display, execute or route orders and quotes). Rather, the Exchange believes that the proposed rule changes would promote consistent use of terminology to support options trading on the Exchange, making the Exchange's rules easier to navigate, and would also offer consistency with the terminology used in the rules of Arca Options, the Exchange's affiliated options exchange. The Exchange does not believe that the proposed rule changes would raise any intra-market competition as the proposed rule changes would be applicable to all ATP Holders, and reflects the Exchange's existing priority model, including the existing DOMM Guarantee and Specialist Pool Guarantee.

<sup>82</sup> See proposed Rule 964NYP(f)(3); *supra* note 38 (regarding existing handling of quotes with reduced size).

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>83</sup> and Rule 19b-4(f)(6) thereunder.<sup>84</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.<sup>85</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>86</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEAMER-2023-16 on the subject line.

*Paper Comments*

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

All submissions should refer to File Number SR-NYSEAMER-2023-16. 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-NYSEAMER-2023-16 and should be submitted on or before May 10, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>87</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-97300; File No. SR-CboeEDGX-2023-026]

**Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Introduce a New Data Product To Be Known as the US Equity Short Volume & Trades Report**

April 13, 2023.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 5, 2023, Cboe EDGX Exchange, Inc. ("Exchange" or "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to Exchange Rule 13.8 to introduce a new data product to be known as the US Equity Short Volume & Trades Report. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website ([http://markets.cboe.com/us/options/regulation/rule\\_filings/edgx/](http://markets.cboe.com/us/options/regulation/rule_filings/edgx/)), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these

<sup>83</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>84</sup> 17 CFR 240.19b-4(f)(6).

<sup>85</sup> 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>86</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>87</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).