

Netting Member's Sponsoring Member Omnibus Account Required Fund Deposit or Segregated Customer Margin Requirement for such Account and not for purposes of calculating the Net Settlement Position under Rule 11, FICC shall allocate the positions in the manner specified.<sup>25</sup>

Regarding the changes described in (5) above, Partial Amendment No. 1 makes several changes to the Proposed Rule Change and existing rules regarding the use of the term Brokered Transactions, including changes to its definition. Specifically, Partial Amendment No. 1 would delete and add text to the definition of Brokered Transaction to clarify that a Brokered Transaction means the side of a transaction, including a Repo Transaction, that is submitted to the Corporation for Novation by an Inter-Dealer Broker Netting Member calling for the delivery of an Eligible Netting Security, or the posting of cash or an Eligible Netting Security as collateral, that such Inter-Dealer Broker Netting Member enters into with another Netting Member or a Sponsored Member or Executing Firm Customer through the Inter-Dealer Broker Netting Member's own trading platform. As initially proposed, the definition of Brokered Transaction referred only to any transaction, including a Repo Transaction, calling for the delivery of an Eligible Netting Security, or the posting of cash or an Eligible Netting Security as collateral.

Partial Amendment No. 1 also revises text proposed in SR-FICC-2024-005 regarding the treatment of Agent Clearing Transactions and deletes reference to the term Brokered Transactions, such that Brokered Transactions would not be excluded from being an Agent Clearing Transaction.

Additionally, Partial Amendment No. 1 makes the following changes to delete references to the term Brokered Transactions: (i) amends text from the Proposed Rule Change regarding Rule 1, to remove the term Brokered Transactions from the definition of Dealer Account; (ii) revises Rule 4, Section 7 regarding loss allocation for Inter-Dealer Broker Netting Members, to replace a reference to a Segregated Repo Account, with a reference to a Broker Account, and to remove a reference to a Non-IDB Repo Broker, as the Proposed Rule Change deletes the use of that term from the Rules; and (iii) amends existing Rule 3A Section 5 regarding Sponsored

Member Trades and deletes reference to the term Brokered Transactions, such that the text now states that Sponsored Member Trades (other than Sponsored GC Trades) may be any type of transaction eligible for submission to FICC for netting with the exception of Netting Eligible Auction Purchases and GCF Repo Transactions.

Finally, Partial Amendment No. 1 makes several technical and conforming changes throughout the Proposed Rule Change, such as renumbering section numbers to reflect the addition of new sections.

Partial Amendment No. 1 would not change the purpose of, or statutory basis for the proposed rule change. All other representations in the Proposed Rule Change remain as stated therein and no other changes are being made.

## II. 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 (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-FICC-2024-007 on the subject line.

### Paper Comments

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

All submissions should refer to File Number SR-FICC-2024-007. 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 (<https://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking>). 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 such filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website at (<https://dtcc.com/legal/sec-rule-filings.aspx>). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2024-007 and should be submitted on or before November 18, 2024.

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101452; File No. SR-NYSEAMER-2024-62]

### Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change To Modify Rule 971.2NYP

October 28, 2024.

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 October 22, 2024, NYSE American LLC ("NYSE American" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to modify Rule 971.2NYP regarding the Customer Best Execution Auction for Complex Orders. The proposed rule change is available on the Exchange's website at

<sup>26</sup> 17 CFR 200.30-3(a)(31).

<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.

<sup>25</sup> Partial Amendment No. 1 would also amend the definition of Netting Member Capital to use the defined terms Net Assets and Equity Capital.

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

The Exchange proposes to modify Rule 971.2NYP regarding the Customer Best Execution Auction for Complex Orders ("Complex CUBE Auction" or "Auction"), which is a paired auction with a price improvement mechanism. The Exchange proposes to modify Rule 971.2NYP (the "Rule") to permit Complex CUBE Auctions in nonconforming ratios (as defined below). This filing is a competitive filing as it will align Complex CUBE Auctions with auction functionality already available on competing options exchanges.<sup>4</sup>

<sup>4</sup> In June 2022, Cboe Exchange, Inc. ("Cboe") began supporting the electronic processing of certain stock-option orders in nonconforming ratios, including orders submitted to Cboe's Complex Automated Improvement Mechanism ("c-AIM"). See Cboe Exchange Alert, "Schedule Update—Cboe Options Introduces New Net, Leg Price Increments and Enhanced Electronic, Open Outcry Handling for Complex Orders with Non-Conforming Ratios, Reference ID: C2022060301 available online at [https://cdn.cboe.com/resources/release\\_notes/2022/Schedule-Update-Cboe-Options-Introduces-New-Net-Leg-Price-Increments-and-Enhanced-Electronic-Open-Outcry-Handling-for-Complex-Orders-with-Non-Conforming-Ratios.pdf](https://cdn.cboe.com/resources/release_notes/2022/Schedule-Update-Cboe-Options-Introduces-New-Net-Leg-Price-Increments-and-Enhanced-Electronic-Open-Outcry-Handling-for-Complex-Orders-with-Non-Conforming-Ratios.pdf) (providing, in relevant part, that beginning June 12, 2022, "automated handling via COA, COB, AIM, and QCC will be available for applicable non-conforming orders, except in SPX/SPXW") (referred to herein as the "Cboe Trader Update"). See also Securities Exchange Act Release Nos. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046) (order approving Cboe's proposal, as amended, to permit complex orders with ratios less than one-to-three and greater than three-to-one to be eligible for electronic processing and to trade in penny increments); 95006 (May 31, 2022), 87 FR 34334 (June 6, 2022) (SR-CBOE-2022-024) (allowing Cboe to retain discretion to determine on a class-by-class basis eligibility for electronic processing of complex orders with ratios less than one-to-three and greater than three-to-one (i.e., ratios other than the conforming ratio requirement).

#### Conforming and Nonconforming Complex Orders

Rule 900.3NYP(f) provides that a Complex Order is any order involving the simultaneous purchase and/or sale of two or more option series in the same underlying security (the "legs" or "components" of the Complex Order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (referred to herein as the "conforming ratio" or "conforming ratio requirement").<sup>5</sup> The Exchange recently amended its rules to permit Complex Qualified Contingent Cross ("QCC") Orders with ratios greater than three-to-one or less than one-to-three ("nonconforming ratios") to trade electronically.<sup>6</sup> A Complex CUBE Order is subject to the conforming ratio requirement as it is defined, in part, as a "Complex Order" pursuant to Rule 900.3NYP(f).<sup>7</sup> The Exchange proposes to modify the Rule to permit Auctions of Complex CUBE Orders with nonconforming ratios as described herein.

#### Overview of Complex CUBE Auctions

The Complex CUBE Auction is a paired auction, with a price improvement mechanism, for Complex CUBE Orders.<sup>8</sup> A Complex CUBE Order

In 2023, Miami International Securities Exchange, LLC ("MIAX") amended its rules to permit complex orders to trade in nonconforming ratios, including orders submitted to "cPRIME," its price improvement auction for complex orders. See Securities Exchange Act Release Nos. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-MIAX-2023-01) (immediately effective filing adopting pricing for nonconforming complex orders (per MIAX Rule 518), including as it relates to orders executed in cPRIME (per Rule 515A, Interpretations and Policies .12)). Like the Complex CUBE, both c-AIM and cPRIME are "CUBE-like" paired auctions with price improvement mechanisms. While these CUBE-like auction mechanisms are not identical, the Exchange believes that, for purposes of this proposal, they provide valid bases for comparison.

<sup>5</sup> The Exchange notes that Complex Orders in conforming ratios may qualify for the "Complex Trade" exception to trade through the NBBO. See Rules 990NY(4) (defining Complex Trade as it relates to order protection) and 991NY(b)(7) (exempting from trade-through liability transactions effected as a portion of a Complex Trade).

<sup>6</sup> See Securities Exchange Act Release No. 98279 (September 22, 2023), 88 FR 62115 (September 28, 2023) (SR-NYSEAMER-2023-44) (immediately effective rule change to modify Rule 900.3NYP(g)(1) to allow Complex QCC Orders in nonconforming ratios). See also Rule 900.3NYP(g)(1)(G) ("Complex QCC Orders are eligible for electronic processing regardless of the ratio in the component legs"). The Exchange currently permits the execution of certain nonconforming Complex Orders on the Trading Floor. See, e.g., Rule 900.3NYP(h)(6)(B) (regarding Stock/Complex Orders that are only available for trading in Open Outcry and are not subject to the conforming ratio requirement).

<sup>7</sup> See Rule 971.2NYP(a).

<sup>8</sup> See generally Rule 971.2NYP (Complex Electronic Cross Transactions). The capitalized

is a Complex Order, per Rule 900.3NYP(f) (as described above), that is submitted to the Complex CUBE Auction by an Initiating Participant.<sup>9</sup> The Initiating Participant represents the Complex CUBE Order as agent and guarantees the execution of such order by submitting a Contra Order.<sup>10</sup> The time at which the Auction is initiated will also be considered the time of execution for the Complex CUBE Order.<sup>11</sup> To initiate a Complex CUBE Auction, the net price of a Complex CUBE Order to buy (sell) must be equal to or higher (lower) than the CUBE BB (BO).<sup>12</sup> ATP Holders that respond to an Auction have the option of submitting a Complex GTX Order, which order is designed to interact with the Complex CUBE Order (if at all), then cancel.<sup>13</sup> A Complex CUBE Auction will end early (i.e., before the Exchange-established minimum duration) based on certain market updates.<sup>14</sup> At the conclusion of the Auction, the entire Complex CUBE Order will execute within a range of permissible executions with the best-priced available interest during the Auction, or the Complex Contra Order, as applicable.<sup>15</sup>

#### Proposed Rule

The Exchange proposes to modify the Rule to allow the execution of Complex

terms related to the Complex CUBE as used herein have the same meaning as set forth in the Rule. The definitions relevant to the Auction are set forth in Rule 971.2NYP(a)(1)(A).

<sup>9</sup> See Rule 971.2NYP(a).

<sup>10</sup> The Complex CUBE Order may be submitted on behalf of a public customer, broker dealer, or any other entity whereas the Complex Contra Order represents principal interest or non-Customer interest solicited to trade solely with the Complex CUBE Order. See Rule 971.2NYP(a) and (a)(1), respectively.

<sup>11</sup> See Rule 971.2NYP(a)(2).

<sup>12</sup> See *id.* See Rule 971.2NYP(a)(1)(A)(ii) regarding the definition of the CUBE BBO.

<sup>13</sup> See Rule 971.2NYP(c)(1)(C)(i). The Exchange notes that, like Complex QCC Orders, Complex GTX Orders are never placed in the Consolidated Book and instead execute or cancel. Compare Rule 900.3NYP(g) with Rule 971.2NYP(c)(1)(C)(i)(b). Unrelated Complex Orders received during the Auction will be treated as responses to the Complex CUBE and will trade with the Complex CUBE Order, if eligible. See Rule 971.2NYP(c)(1)(C)(ii). The Exchange notes that, unlike Complex GTX Orders, "unrelated Complex Orders" are not designated to trade solely in the Complex CUBE Auction (i.e., such orders may execute outside of the Auction).

<sup>14</sup> See Rule 971.2NYP(c)(3)(A)-(B).

<sup>15</sup> See Rule 971.2NYP(a)(1)(A)(v) (defining the "range of permissible executions"). See also Rule 971.2NYP(c)(4) (regarding the allocation of the Complex CUBE Order). The Exchange notes that, like Complex QCC Orders, Complex CUBE Orders are never placed in the Consolidated Book. Complex QCC Orders execute immediately or cancel and Complex CUBE Orders are guaranteed to execute in full. Compare Rule 900.3NYP(g) with Rule 971.2NYP(a)(1).

CUBE Orders in nonconforming ratios as follows.<sup>16</sup>

First, the Exchange proposes to adopt a definition of a “nonconforming Complex CUBE Order.” As proposed, a nonconforming Complex CUBE Order “may have a leg ratio that is greater than three-to-one (3.00) or less than one-to-three (.333),”<sup>17</sup> which mirrors the leg ratio description utilized by other options exchanges that permit complex orders in nonconforming ratios to trade in their CUBE-like mechanisms.<sup>18</sup> While other options exchanges have authority to trade nonconforming complex orders outside of their CUBE-like auction mechanisms, this proposal is focused solely on allowing nonconforming Complex CUBE Orders to trade in the Auction.<sup>19</sup>

Next, the Exchange proposes to specify the pricing requirements applicable to an Auction of a nonconforming Complex CUBE Order, including that it must be priced within the Complex NBBO.<sup>20</sup> The Complex NBBO, as defined in Rule 980NYP(a)(2), refers to “the derived national best net bid and derived national best net offer for a complex strategy calculated using the NBB and NBO for each component

leg of a complex strategy.”<sup>21</sup> Thus, as proposed:

The “CUBE BB (BO)” for a nonconforming Complex CUBE Order to buy (sell) is the Complex NBB (NBO), provided that for each component leg of the Complex NBB (NBO) that represents displayed Customer interest on the Exchange, the CUBE BB (BO) will improve the price of such displayed Customer interest by at least one cent (\$0.01).<sup>22</sup>

This proposed requirement would ensure that every component leg of a nonconforming Complex CUBE Order trades at a price that is equal to or better than the NBBO and better than displayed Customer interest on the Exchange.

Consistent with the proposed definition of CUBE BBO for nonconforming Complex CUBE Orders, the Exchange proposes to define the “initiating price” for such orders. As proposed, “[t]he ‘initiating price’ for a nonconforming Complex CUBE Order to buy (sell) is the lower (higher) of the Complex CUBE Order’s net price or the price that locks the CUBE BO (BB).”<sup>23</sup> The proposed pricing requirements are identical to the requirements for Complex QCC Orders, which also trade in nonconforming ratios.<sup>24</sup> Moreover, the proposed pricing requirements mirror those imposed by competing options exchanges that permit complex

orders in nonconforming ratios to be submitted to price improvement auctions like the Complex CUBE.<sup>25</sup>

In addition, the Exchange proposes to modify the Rule to account for leg market updates that would result in the early end of an Auction of a nonconforming Complex CUBE Order. Currently, a Complex CUBE Auction will end early based on certain updates to the contra-side CUBE BBO but only when the CUBE BBO is based on the DBBO (*i.e.*, the leg markets).<sup>26</sup> Because nonconforming Complex CUBE Orders are based on the Complex NBBO and not the DBBO, the Exchange proposes to remove reference to the DBBO. As proposed, the Rule would specify that a Complex CUBE Auction will end early upon the arrival of “[a]ny opposite-side interest in the leg markets that adjusts the CUBE BO (BB) to be lower (higher) than the initiating price,”<sup>27</sup> which includes updates to the DBBO or Complex NBBO, as applicable. This proposed modification is consistent with early end scenarios on other options exchanges that permit complex orders in nonconforming ratios to be submitted to CUBE-like price improvement auctions.<sup>28</sup>

<sup>16</sup> This proposal does not impact existing Complex CUBE Orders, the definitions related thereto, or the processing of such orders in the CUBE Auction. Rather, it specifies only the requirements for and handling of the proposed nonconforming Complex CUBE Orders.

<sup>17</sup> See proposed Rule 971.2NYP(a)(1)(A)(vii).

<sup>18</sup> See, e.g., Cboe Rule 1.1 (providing that a “Nonconforming Complex Order” means “a complex order with a ratio on the options legs less than one-to-three (.333) or greater than three-to-one (3.00)”) and MIA Rule 518(a)(16) (providing that a “non-conforming ratio” is “where the ratio between the sizes of the components of a complex order comprised solely of options is greater than three-to-one (3.00)”). As noted herein, both Cboe and MIA permit nonconforming complex orders to trade in their auction mechanisms. See *supra* note 4 (citing Cboe Trader Update permitting c-AIM Auction of Nonconforming Complex Orders and MIA Rule 515A, Interpretations and Policies .12 permitting cPRIME Auction of Nonconforming Complex Orders).

<sup>19</sup> For example, in its definition of “Complex Order,” Cboe has retained discretion to determine “on a class-by-class basis whether non-conforming complex orders are eligible for electronic processing (see Cboe Rule 1.1) and specifies in the Cboe Trader Update that nonconforming complex orders may participate in its c-AIM (see *supra* note 4). If the Exchange opts to allow Complex Orders in nonconforming ratios (that are not Complex QCC Orders) to trade outside the of Complex CUBE Auction, the Exchange will submit a separate rule filing.

<sup>20</sup> The CUBE BBO for conforming Complex CUBE Orders is comprised of better of the Complex BBO or DBBO. See Rule 971.2NYP(a)(1)(A)(ii)(a)–(b). The Complex BBO is “the best-priced complex order(s) in the same complex strategy to buy (sell).” See Rule 971.2NYP(a)(1)(A)(i). The DBBO has the meaning set forth in Rule 980NYP(a)(5). See Rule 971.2NYP(a)(1)(A)(iii). Rule 980NYP describes the trading of Electronic Complex Orders on the Exchange.

<sup>21</sup> See proposed Rule 971.2NYP(a)(1)(A)(ii) (adding definition of “Complex NBBO” as having the meaning set forth in Rule 980NYP(a)(2)). To accommodate this change, the Exchange proposes to re-number the balance of Rule(a)(1)(A). See proposed Rule 971.2NYP(a)(1)(A)(iii)–(vi). The Complex NBBO is an aggregation of NBBO prices, which aggregation is designed to ensure that the component legs of a nonconforming Complex CUBE Order do not trade through the NBBO. Relying on the Complex NBBO is akin to the reliance on the DBBO as the DBBO is an aggregation of BBO prices, which aggregation ensures that conforming Complex CUBE Orders do not trade through the BBO).

<sup>22</sup> See proposed Rule 971.2NYP(a)(1)(A)(vii)(a).

<sup>23</sup> See proposed Rule 971.2NYP(a)(1)(A)(vii)(b) (including cross-reference to—and specifying that—for purposes of the determining the proposed “initiating price,” the applicable “CUBE BO (BB)” for nonconforming Complex CUBE Orders is as defined in proposed Rule 971.2NYP(a)(1)(A)(vii)(a)).

<sup>24</sup> See Rule 900.3NYP(g)(1)(D)(i)–(iii) (providing, in relevant part, that each option leg of a Complex QCC Order must meet the pricing requirements for a single-leg QCC Order and must also trade at a price that is equal to or better than the Exchange BBO; is equal to or better than the best-priced Complex Orders on the Exchange; and, if the best-price Complex Order on the Exchange includes displayed Customer interest, improves the price of such displayed Customer interest by at least one cent (\$0.01). The pricing requirements for the proposed nonconforming CUBE Orders are the same as for Complex QCC Orders even though the latter does not rely on the (shorthand) reference “Complex NBBO,” which definition the Exchange adopted *after* it had adopted the Complex QCC Order type (*i.e.*, it is a distinction without a difference).

<sup>25</sup> See, e.g., Cboe Trader Update, *supra* note 4 (proving that, for nonconforming Complex Orders, execution prices for each option leg must be at or inside the NBBO and must improve the local BBO by at least \$0.01 when there is a Priority Customer Order resting at the BBO on that leg. Cboe notes that, “by contrast, conforming complex orders may potentially trade at the same price as a Priority Customer Order resting at the BBO on a given leg (but not all legs) if certain conditions are satisfied,” and cites to Cboe Rules 5.33(f)(2) and 5.85(b)). The same distinction likewise applies for nonconforming versus conforming Complex CUBE Orders, respectively. Compare proposed Rule 971.2NYP(a)(1)(A)(vii)(a)–(b) with Rule 971.2NYP(a)(1)(A)(ii)(a)–(b). See also MIA Rule 518(c)(1)(v) (providing, in relevant part, that a complex order with a nonconforming ratio, will not be executed at a net price that would cause any option component of the complex strategy to be executed “ahead of a Priority Customer Order at the MBBO [MIA BBO] on the Simple Order Book” or “at a price that is through the NBBO”).

<sup>26</sup> See Rule 971.2NYP(c)(3)(B). The Exchange notes that there is no need to modify the early-end scenario set forth in Rule 971.2NYP(c)(3)(A) because this scenario is based on same-side updates to the CUBE BBO that improve the initiating price and applies equally to Auctions of the nonconforming Complex CUBE Orders.

<sup>27</sup> See proposed Rule 971.2NYP(c)(3)(B). The Exchange believes that removing reference to the DBBO rather than adding reference to the Complex NBBO results in a proposed Rule provision that is more concise and easier to comprehend.

<sup>28</sup> See, e.g., MIA Rule 515A, Interpretations and Policies .12(d)(viii) (providing that a cPRIME of an Agency Order with a nonconforming ratio will end early upon the arrival of a Priority Customer Order in MIA’s Simple Order Book (*i.e.*, the leg markets) that “causes any component of the cPRIME Agency Order to lock or cross a Priority Customer Order at (A) the best price opposite the cPRIME Agency Order; or (B) the initiating price”; or (ix) “the NBBO for a component of a cPRIME Agency Order with

Finally, the Exchange proposes to modify the Rule to specify that “Complex GTX Orders are eligible for processing regardless of ratio, including against nonconforming Complex CUBE Orders.”<sup>29</sup> As noted here, competing options exchanges already allow complex orders in nonconforming ratios to execute in CUBE-like auctions.<sup>30</sup>

#### Implementation

Because of the technology changes associated with this proposed rule change, the Exchange will announce the implementation date by Trader Update, which, subject to effectiveness of this proposed rule change, will be no later than in the first quarter of 2025.

#### 2. Statutory Basis

For the reasons set forth above, the Exchange believes the proposed rule change is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act, in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

In particular, the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system because it will enable the Exchange to compete on equal footing with other exchanges that conduct price improvement auctions (like the Complex CUBE) of nonconforming complex orders. First, the proposed definition for the leg ratio of a “nonconforming Complex CUBE Order” is identical to the definitions utilized on other options exchanges that accommodate the trading of complex orders in nonconforming ratios.<sup>31</sup> Second, as noted herein, the proposed pricing requirements for a nonconforming Complex CUBE Order, including that the CUBE BBO be based on the Complex NBBO, are substantially the same as the requirements imposed

a non-conforming ratio updates to a price that would cause any option component of the cPRIME Agency Order to be executed at a price through the NBBO”).

<sup>29</sup> See proposed Rule 971.2NYP(c)(1)(C)(i)(e). The Exchanges notes that unrelated Complex Orders that trade in a Complex CUBE Auction (*i.e.*, not designated as Complex GTX Orders) are not eligible to trade in nonconforming ratios. As noted herein, if the Exchange opts to allow Complex Orders in nonconforming ratios to trade on the Exchange—in addition to those designated to trade in an Auction or as Complex QCC Orders, the Exchange will submit a separate rule filing.

<sup>30</sup> See, *e.g.*, *supra* notes 4, 18, and 25.

<sup>31</sup> See *supra* note 18 (regarding Cboe and MIAX definitions of nonconforming complex orders).

on competing options exchanges.<sup>32</sup> Similarly, also consistent with the rules of other options exchanges, is the proposed Rule change to account for leg market updates (*i.e.*, to the Complex NBBO) that result in the early end of an Auction of the nonconforming Complex CUBE Order.<sup>33</sup> Finally, the proposal to permit the execution of Complex GTX Orders in any ratio, including against nonconforming Complex CUBE Orders, is likewise consistent with rules already in place on competing options exchanges.<sup>34</sup>

Finally, the proposed rule change will also promote internal consistency as the Exchange already permits the trading of Complex QCC Orders in nonconforming ratios and the proposed nonconforming Complex CUBE Orders must adhere to the same pricing requirements as such Complex QCC Orders.<sup>35</sup> As such, the proposal would ensure that each nonconforming Complex CUBE Order is priced equal to or better than the Complex NBBO and will improve the price of any displayed Customer interest on the Exchange at the NBBO.

In addition, the proposed change would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest because it would provide another venue for nonconforming Complex Orders to execute in a price improvement auction such as the Complex CUBE. The Exchange also believes that the proposed rule change would not permit unfair discrimination among market participants, as all market participants may opt to trade Complex CUBE Orders with nonconforming ratios.

#### 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 does not believe that its proposed rule change will impose any

<sup>32</sup> See *supra* notes 4 (regarding the trading of nonconforming complex orders in Cboe's c-AIM and in MIAX's cPRIME auction and associated) and 24 (regarding pricing Cboe's and MIAX's pricing requirements for nonconforming complex orders).

<sup>33</sup> See *supra* note 28 (regarding leg marker updates that result in the early-end of a cPRIME on MIAX).

<sup>34</sup> See *supra* notes 4 and 18 (regarding ability of Cboe and MIAX to trade nonconforming complex orders, including in their CUBE-like auction mechanisms).

<sup>35</sup> See *supra* note 24 (regarding pricing requirements for Complex QCC Orders).

burden on intra-market competition as it would apply equally to all market participants that opt to submit nonconforming Complex CUBE Orders, which orders the Exchange will process in a uniform manner.

The Exchange does not believe that its proposed rule change will impose any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, rather the Exchange believes that its proposal will promote inter-market competition. As noted herein, the proposed change is competitive as other options exchanges currently conduct CUBE-like price improvement auctions of complex orders in nonconforming ratios based on similar pricing requirements and early end scenarios.<sup>36</sup> As such, the Exchange's proposal will enhance inter-market competition by providing investors with an additional venue on which to submit for auction Complex Orders in nonconforming ratios. Market participants may find it more convenient to access one exchange over another or may choose to concentrate volume at a particular exchange to maximize the impact of volume-based incentive programs or may prefer the trade execution services of one exchange over another.

#### 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>37</sup> and Rule 19b-4(f)(6) thereunder.<sup>38</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)

<sup>36</sup> See, *e.g.*, *supra* notes 4 and 18 (regarding ability of Cboe and MIAX to trade nonconforming complex orders, including in their CUBE-like auction mechanisms) and 27 (regarding MIAX leg market updates that cause the early end of cPRIME of nonconforming complex order).

<sup>37</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>38</sup> 17 CFR 240.19b-4(f)(6).

of the Act and Rule 19b-4(f)(6)(iii) thereunder.<sup>39</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>40</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b4(f)(6)(iii),<sup>41</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

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>42</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 (<https://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-2024-62 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-2024-62. 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 (<https://www.sec.gov/>

<sup>39</sup> 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of 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>40</sup> 17 CFR 240.19b-4(f)(6).

<sup>41</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>42</sup> 15 U.S.C. 78s(b)(2)(B).

*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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSEAMER-2024-62 and should be submitted on or before November 22, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>43</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101450; File No. SR-FINRA-2024-007]

#### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Designation of Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Change To Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™))

October 28, 2024.

On May 1, 2024, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), 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> a

<sup>43</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.

proposed rule change to adopt the new FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™)) to (1) require reporting of securities loans; and (2) provide for the public dissemination of loan information. The proposed rule change was published for comment in the **Federal Register** on May 7, 2024.<sup>3</sup> On June 10, 2024, the Commission extended, until August 5, 2024, the time period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>4</sup> On August 5, 2024, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act<sup>5</sup> to determine whether to approve or disapprove the proposed rule change, and allow for additional analysis of, and input from commenters with respect to, the scope and implementation of the proposed rules.<sup>6</sup>

Section 19(b)(2) of the Act<sup>7</sup> provides that, after initiating proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed rule change. The Commission may extend the period for issuing an order approving or disapproving the proposed rule change, however, by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for notice and comment in the **Federal Register** on May 7, 2024.<sup>8</sup> November 3, 2024 is 180 days from that date, and January 2, 2025 is 240 days from that date.

The Commission finds it is appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change and its comments. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> designates January 2, 2025 as the date by which the Commission shall either approve or

<sup>3</sup> See Securities Exchange Act Release No. 100046 (May 1, 2024), 89 FR 38203 (May 7, 2024) ("Notice"). Comments received on the proposed rule change are available at: <https://www.sec.gov/comments/sr-finra-2024-007/srfinra2024007.htm>.

<sup>4</sup> See Securities Exchange Act Release No. 100305 (June 10, 2024), 89 FR 50644 (June 14, 2024).

<sup>5</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>6</sup> See Securities Exchange Act Release No. 100655 (August 5, 2024), 89 FR 65441 (August 9, 2024) ("Order Instituting Proceedings").

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> See Notice, *supra* note 3.

<sup>9</sup> 15 U.S.C. 78s(b)(2).