



Martha Redding
Associate General Counsel
Assistant Secretary

May 1, 2019

VIA E-MAIL

Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: SR-NYSE-2019-22

Dear Secretary:

NYSE LLC, Inc. filed the attached Amendment No. 1 to the above-referenced filing on May 1, 2019.

Sincerely,

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to be "M.R." or similar initials.

(Encl. Amendment No. 1 to SR-NYSE-2019-22)

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 40	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2019 - * 22	Amendment No. (req. for Amendments *) 1
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Filing by New York Stock Exchange LLC
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to amend Rule 7.31 to add a new order type, Capital Commitment Order, and make related changes to Rules 7.16, 7.34, 7.36, and 7.37

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Clare Last Name * Saperstein

Title * Associate General Counsel, NYSE Group Inc.

E-mail * [REDACTED]

Telephone * [REDACTED] Fax [REDACTED]

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 05/01/2019 Senior Counsel

By David De Gregorio

(Name *)

David De Gregorio,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² New York Stock Exchange LLC (“NYSE” or the “Exchange”) proposes to amend Rule 7.31 (Orders and Modifiers) to add a new order type, Capital Commitment Order, and make related changes to Rules 7.16, 7.34, 7.36, and 7.37. The Exchange proposes to further amend Rule 7.31 to specify that Market Orders and the Last Sale Peg Modifier are not available to Designated Market Makers. This Amendment No. 1 supersedes the original filing in its entirety.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Clare F. Saperstein
Associate General Counsel
NYSE Group, Inc.



¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

(a) Purpose

The Exchange proposes to amend Rule 7.31 (Orders and Modifiers) to add a new order type, Capital Commitment Order, and make related changes to Rules 7.16, 7.34, 7.36, and 7.37. The Exchange proposes to further amend Rule 7.31 to specify that Market Orders and the Last Sale Peg Modifier would not be available to Designated Market Makers (“DMMs”). This Amendment No. 1 supersedes the original filing in its entirety.

Currently, the Exchange trades UTP Securities on its Pillar trading platform, subject to Pillar Platform Rules 1P - 13P.³ In the next phase of Pillar, the Exchange proposes to transition trading of Exchange-listed securities to the Pillar trading platform, which means that DMMs would be trading on Pillar in their assigned securities.⁴ Once transitioned to Pillar, such securities will also be subject to the Pillar Platform Rules 1P - 13P. The Exchange has separately filed a proposed rule change to support the transition of Exchange-listed securities to the Pillar Trading Platform, including adding the DMM as a Participant under the Pillar Platform Rules.⁵

With this proposed rule change, the Exchange proposes an additional order type that would be available to DMMs when Exchange-listed securities transition to Pillar.

Proposed Capital Commitment Order

The proposed new order type, Capital Commitment Order, or “CCO,” is based in part on the current Capital Commitment Schedule⁶ (“CCS”), which is currently

³ “UTP Security” is defined as a security that is listed on a national securities exchange other than the Exchange and that trades on the Exchange pursuant to unlisted trading privileges. See Rule 1.1.

⁴ The Exchange has announced that, subject to rule approvals, the Exchange will begin transitioning Exchange-listed securities to Pillar on August 5, 2019, available here: https://www.nyse.com/publicdocs/nyse/markets/nyse/Revised_Pillar_Migration_Timeline.pdf. The Exchange will publish by separate Trader Update a complete symbol migration schedule.

⁵ See Securities Exchange Act Release No. 85176 (February 22, 2019), 84 FR 6868 (February 28, 2019) (Notice of Filing) (SR-NYSE-2019-05) (“NYSE Tape A Pillar Filing”).

⁶ See Rule 1000(d) - (g). See also Securities Exchange Act Release Nos. 75578 (July 31, 2015), 80 FR 47008 (August 6, 2015) (SR-NYSE-2015-26) (Order

available only to DMMs trading in Exchange-listed securities. The Exchange proposes to make related changes to Rules 7.16 (Short Sales), 7.34 (Trading Sessions), 7.36 (Order Ranking and Display), and 7.37 (Order Execution and Routing).

The proposed CCO would be available to DMMs when the Exchange transitions Exchange-listed securities to Pillar. Like CCS interest, the CCO would enable DMMs to provide additional, non-displayed liquidity at specific price points in their assigned securities on Pillar.

The operation of the existing CCS is set forth in Rules 1000(d) – 1000(g). Under Rule 1000(d), a DMM may, for each security in which it is registered, place within Exchange systems a pool of non-displayed liquidity – the CCS – to be available to fill or partially fill incoming orders in automatic executions.⁷ Rule 1000(d) also provides that CCS interest is used to trade at the Exchange BBO, at prices better than the Exchange BBO, and at prices outside the Exchange BBO. CCS interest must be for a minimum of one round lot of a security and entered at price points that are at, inside, or away from the Exchange BBO.

Rule 1000(e) governs executions at and outside the Exchange BBO and specifies how CCS interest would interact with such executions. Rule 1000(e)(iii) specifies how CCS would trade with an incoming order that sweeps multiple price points outside the Exchange BBO, and specifically, how CCS trades at a single price point to provide price improvement for completing the incoming order. Rule 1000(f) specifies how CCS interest may provide price improvement inside the Exchange BBO with interest arriving in the Exchange market. Under Rule 1000(g), CCS interest may trade with non-marketable⁸ interest if the non-marketable interest betters the Exchange BBO (or cancels in the case of an arriving IOC order) and if the incoming interest may be executed in full by all available trading interest on the Exchange, including CCS interest and d-quotes.

On Pillar, the Exchange proposes to offer DMMs functionality similar to the CCS in the form of CCOs. However, the Exchange proposes to simplify and streamline CCO functionality on Pillar as compared to how the CCS functions.

Granting Approval of a Proposed Rule Change Making Permanent the Rules of the NYSE New Market Model Pilot and the NYSE Supplemental Liquidity Providers Pilot) (“Approval Order”).

⁷ CCS interest supplements displayed and non-displayed interest of the DMM in Exchange systems.

⁸ Under Rule 1000(g)(1), “non-marketable” means trading interest (i.e., displayable and non-displayable) that is at a price higher than the current Exchange bid (but below the current Exchange offer) or lower than the current Exchange offer (but above the current Exchange bid), including better bids and offers on other market centers. See NYSE Rule 1000(g)(1).

Among other things, unlike CCS, the proposed CCO would be an order type that includes a limit price, rather than a schedule of non-displayed liquidity, and would be eligible to execute only at its limit price on an order-by-order basis. Multiple CCOs would, therefore, not be aggregated at the same price or multiple prices like CCS interest is today pursuant to Rules 1000(f) and (g). While the purpose of the CCO is the same as CCS - a tool for DMMs to provide additional, non-displayed liquidity in their assigned securities -- the operation of CCOs would be based in part on how Tracking Orders function on the Exchange's affiliated exchanges that currently operate on Pillar, NYSE Arca, Inc. ("NYSE Arca") and NYSE National, Inc. ("NYSE National").⁹

The proposed CCO would be described under paragraph (d)(5) of Rule 7.31 for Exchange-listed securities trading on Pillar. Proposed Rule 7.31(d)(5) would set forth the general requirements for CCOs and would provide that a CCO is a Limit Order that is not displayed, does not route, must be entered in a minimum of one round lot, and must be designated Day. This proposed rule text is based in part on how the CCS currently functions, but unlike CCS, the proposed CCO would be a Limit Order rather than a schedule of non-displayed liquidity. This proposed rule text uses Pillar terminology and is also based in part on the first half of the first sentence of NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4) relating to Tracking Orders.

Proposed Rule 7.31(d)(5) would also provide that a CCO would be ranked Priority 5 - CCOs. The Exchange would make a related amendment to Rule 7.36(e) to add this additional priority category. Proposed Rule 7.36(e)(5) would provide that Priority 5 - CCOs would have fifth priority after Priority 4 - Yielding Orders.¹⁰ The Exchange believes that this proposed priority category is consistent with current CCS functionality¹¹ because CCOs would be ranked behind all other displayed and non-displayed orders. This proposed rule change is also based in part on how Tracking Orders function on NYSE Arca and NYSE National, as Tracking Orders similarly have a priority ranking behind all other displayed and

⁹ See NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4).

¹⁰ Pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T)(a) thereunder, an order for the account of a member (i.e., a Yielding Order), does not need to yield priority, parity, or precedence in execution to orders for the account of another member. 15 U.S.C. 78k(a)(1)(G) and 17 CFR 240.11a1-1(T)(a). Consistent with these requirements, under current rules, G Orders do not always yield to DMM interest. See, e.g., Rule 115A(a)(1)(D) (at the same price, G Orders do not yield to DMM interest in the opening transaction),

¹¹ See Rule 1000(e)(ii)(B) and (e)(iii)(A)(2) (providing that CCS interest yields to all displayed and non-displayed interest when trading at the BBO or outside the BBO).

non-displayed orders at a price.¹²

Proposed Rule 7.31(d)(5) would further provide that CCOs would be available only to DMMs in their assigned securities, eligible to be traded in the Core Trading Session¹³ only, and not eligible to participate in any Auctions. This proposed rule text is based on current rules that the CCS is available only to DMMs. The requirement that CCOs would be eligible to trade in the Core Trading Session only is consistent with current CCS functionality for Exchange-listed securities, which trade during regular trading hours only,¹⁴ and proposed functionality that Exchange-listed securities would not be eligible to participate in the Early Trading Session on Pillar.¹⁵ The Exchange also proposes to amend Rule 7.34(c)(1)(A) (Trading Sessions) to specify that CCOs are not eligible to participate in the Early Trading Session and that CCOs entered during the Early Trading Session would be rejected. The proposal that CCOs would not be eligible to participate in any Auctions is also consistent with current CCS functionality.

Proposed Rule 7.31(d)(5)(A) would describe how CCOs function on arrival and would provide that a CCO to buy (sell) does not trade on arrival and is triggered to trade by an Aggressing Order¹⁶ to sell (buy) that (i) has exhausted all other interest eligible to trade at the Exchange at the CCO's working price, and (ii) has a remaining quantity equal to or less than the size of a resting CCO (i.e., completely fills an Aggressing Order). This proposed rule text is based in part on how Tracking Orders function, as described in NYSE Arca Rule 7.31-E(d)(4)(A) and NYSE National Rule 7.31(d)(4)(A). This proposed functionality is also similar to how CCS operates, as it is a schedule of resting non-displayed liquidity, and does not trade with resting interest.

Proposed Rule 7.31(d)(5)(A)(1) would provide that a CCO to buy (sell) may be designated to trade with an Aggressing Order to sell (buy) that has a remaining

¹² See NYSE Arca Rule 7.36-E(e)(4) and NYSE National Rule 7.36(e)(4) (Tracking Orders have fourth priority behind all other orders).

¹³ The Core Trading Session begins at 9:30 a.m. Eastern Time and ends at the conclusion of Core Trading Hours. See Rule 7.34(a)(2). The term "Core Trading Hours" means "the hours of 9:30 a.m. Eastern Time through 4:00 p.m. Eastern Time or such other hours as may be determined by the Exchange from time to time." See Rule 1.1(d).

¹⁴ See Rule 51(a).

¹⁵ See NYSE Tape A Pillar Filing, supra note 5.

¹⁶ An Aggressing Order is a buy (sell) order that is or becomes marketable against sell (buy) interest on the Exchange Book. See Rule 7.36(a)(6). A resting order may become an Aggressing Order if its working price changes, if the PBBO or NBBO is updated, because of changes to other orders on the Exchange Book, or when processing inbound messages. Id.

quantity greater than the size of the resting CCO (i.e., partially fills an Aggressing Order). This is similar to the operation of CCS interest, which the DMM can similarly designate for partial execution.¹⁷ The Exchange believes that this optional functionality should continue to be available to DMMs as it would increase execution opportunities for incoming orders.

Proposed Rule 7.31(d)(5)(A)(2) would provide that an arriving CCO to buy (sell) with a limit price in the discretionary price range, as defined in paragraph (d)(4)(C)(i) of Rule 7.31, can trigger a resting D Order to sell (buy) to exercise discretion. This would be new functionality that would provide an execution opportunity for a resting D Order. Specifically, pursuant to Rule 7.31(d)(4)(C)(i), a D Order to buy (sell) would be triggered to exercise discretion if the price of an Aggressing Order to sell (buy) is above (below) the PBB (PBO) and at or below (above) the Midpoint Price (defined as the “discretionary price range”).

Even though a CCO is not, by its terms, an Aggressing Order, the Exchange believes that a CCO should be eligible to provide liquidity if its limit price is in the discretionary price range of a resting D Order. A CCO that would trigger a resting D Order to exercise discretion will not receive execution priority over any resting orders that are on the same side as the CCO and are eligible to trade with the D Order because any such orders would have already traded with the D Order. Specifically, pursuant to Rule 7.31(d)(4)(C)(1), a D Order to buy (sell) will be triggered to exercise discretion if the price of an Aggressing Order to sell (buy) is above (below) the PBB (PBO) and at or below (above) the Midpoint Price, which is defined as the discretionary price range. This includes resting contra-side orders that become an Aggressing Order, e.g., an MPL that receives a new working price because of an update to the PBBO, because if such orders are within the discretionary price range of a D Order, the D Order would be triggered to exercise discretion by such Aggressing Order. Accordingly, if a CCO order arrives and is within the discretionary price range of a D Order, any other same-side resting orders eligible to trade with such D Order would have already executed. Because a CCO does not meet the terms of an Aggressing Order and therefore would not be addressed by Rule 7.31(d)(4)(C)(i), the Exchange proposes to specify this behavior separately in proposed Rule 7.31(d)(5)(A)(2). This would be new functionality on Pillar that the Exchange believes is consistent with the purpose of a CCO, which is to provide additional liquidity that would not trade ahead of other orders eligible to trade at that price.

Proposed Rule 7.31(d)(5)(B) would provide that the working price of the CCO would be equal its limit price and sets forth when a COO would not be eligible to trade. Proposed Rule 7.31(d)(5)(B)(1) would provide that a buy (sell) CCO would not be eligible to trade if its limit price is equal to or higher (lower) than the PBO (PBB), NBO (NBB), Upper (Lower) Price Band, or the working price of any resting sell (buy) order on the Exchange Book. Proposed Rule

¹⁷

See Rule 1000(e)(iii)(A)(4).

7.31(d)(5)(B)(2) would provide that a CCO would also not be eligible to trade when the PBBO or NBBO is locked or crossed. The Exchange believes that by making a CCO ineligible to trade in the above-described circumstances, the Exchange would reduce the potential to trade through the PBBO or BBO. This would be new functionality on Pillar and is not based on how CCS currently function. This proposed rule change is based in part on how Tracking Orders function, which are not eligible to trade when the PBBO is locked or crossed.¹⁸

Proposed Rule 7.31(d)(5)(C) would describe how CCOs would function when resting on the Exchange Book and would provide that multiple CCOs with the same limit price would be ranked by time. Proposed Rule 7.31(d)(5)(C)(1) would provide that at the same price, a CCO with a later working time would trade ahead of a CCO with an earlier working time that is not designated as eligible for a partial execution and cannot execute in full against the Aggressing Order. In such case, the CCO with a later working time would execute first because the CCO with the earlier working time chose to forego a partial execution in favor of executing against another incoming order that is large enough to execute against its total quantity. This would be new functionality on Pillar and is not based on how CCS currently function. This proposed rule text is based in part on how Tracking Orders function, as described in the second sentence of NYSE Arca Rule 7.31-E(d)(4)(B) and NYSE National Rule 7.31(d)(4)(B).

Proposed Rule 7.31(d)(5)(C)(2) would describe how an Aggressing Order to buy (sell) with a Minimum Trade Size (“MTS”) Modifier¹⁹ would interact with a resting CCO. Rule 7.31(i)(3)(F) generally provides that if a sell (buy) order does not meet the MTS, the order with an MTS Modifier will not trade and will be ranked in the Exchange Book. Proposed Rule 7.31(d)(5)(C)(2) would provide that an Aggressing Order to buy (sell) with an MTS Modifier would ignore a resting CCO to sell (buy) if the CCO does not meet the order’s MTS. This would be new functionality and is consistent with the operation of CCOs, which is to allow the DMM to provide additional, supplemental liquidity of last resort that is ranked behind all other displayed and non-displayed orders. If a CCO does not meet the MTS of the Aggressing Order, the order with an MTS would ignore the CCO and seek to execute against the next available order resting on the Exchange Book, which may be at another price.

Proposed Rule 7.31(d)(5)(D) would provide that a CCO may be designated with a Self Trade Prevention (“STP”) Modifier and would be rejected if combined with any other modifiers. This proposed functionality is new, as CCS interest cannot

¹⁸ See NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4).

¹⁹ In sum, an order with an MTS Modifier would only trade with contra-side orders that, either individually or in the aggregate, satisfy the order’s minimum trade size condition. See Rule 7.31(i)(3) for a full description of the MTS Modifier.

currently be designated with an STP Modifier.²⁰ The Exchange believes that making STP Modifiers available for CCOs would provide DMMs with more tools to reduce the potential for two orders to interact if they are from the same entity. By specifying that CCOs cannot be combined with other modifiers, the rule provides transparency that a CCO cannot be combined with other modifiers defined in Rule 7.31(i).

Rule 7.16 establishes requirements relating to short sale orders. Rule 7.16(f)(5) sets forth how short sale orders are processed during a Short Sale Period, which is defined in Rule 7.16(f)(4). Proposed new Rule 7.16(f)(5)(E) would provide that, during a Short Sale Period, the working price of CCOs would not be adjusted and that CCOs would not trade at or below the NBB. This proposed text is based on how Tracking Orders function during a Short Sale Period, as described in NYSE Arca Rule 7.16-E(f)(5)(E) and NYSE National Rule 7.16(f)(5)(E), which both provide that, during a Short Sale Period, the working price of Tracking Orders will not be adjusted and that Tracking Orders will not be eligible to trade at or below the NBB.

Rule 7.37(b) describes how an Aggressing Order is allocated among contra-side orders at each price. The Exchange maintains separate allocation wheels on each side of the market for displayed and non-displayed orders at each price. The Exchange proposes to amend Rule 7.37(b) to set forth how CCOs would participate in the allocation process.

Consistent with the proposed amendment to Rule 7.36(e), described above, to add a new Priority category for CCOs, the Exchange proposes to amend Rule 7.37(b)(1) to add that CCOs would be allocated after all other interest at that price.²¹ Multiple CCOs at that price would be allocated on time. To effect this change, the Exchange proposes to amend Rule 7.37(b)(1) to add new subparagraph (I) to provide that next, CCOs ranked Priority 5 - CCOs would be allocated based on time. This proposed functionality is based in part on how CCS

²⁰ See Rule 13(f)(3)(B) (stating that the STP modifier is not available for d-Quotes or DMM interest).

²¹ Rule 7.37(b)(1) sets forth the following allocation sequence: (1) Market Orders trade first based on time; (2) orders with Setter Priority as described in Exchange Rule 7.36(h) receive an allocation; (3) orders ranked Priority 2 - Displayed Orders are allocated on parity by Participant; (4) orders ranked Priority 3 - Non-Display Orders, other than Mid-Point Liquidity (“MPL”) Orders with an MTS Modifier, are allocated on parity by Participant; (5) MPL Orders with an MTS Modifier are allocated based on MTS size (smallest to largest) and time; (6) D Orders trading at a discretionary price will be allocated on parity by Floor Broker Participant; (7) the display quantity of orders ranked Priority 4 - Yielding Orders will be allocated based on time; and then (8) the non-display quantity of orders ranked Priority 4 - Yielding Orders will be allocated based on time.

functions, as CCS interest yields to all other interest when trading at the Exchange BBO or at prices outside the BBO.

Orders Not Available to Designated Market Makers

The Exchange proposes to amend Rule 7.31(a)(1), which describes Market Orders, and Rule 7.31(i)(4), which describes the Last Sale Peg Modifier, to specify that neither of these order types would be available to DMMs when the Exchange transitions Exchange-listed securities to Pillar. These proposed changes are based on Rule 104(b)(vi), which states that DMMs may not enter Market Orders or Buy Minus Zero Plus instruction²² in Exchange-listed securities.

Implementation

Subject to approval of this proposed rule change, the Exchange proposes to implement this proposed rule change when the Exchange transitions NYSE-listed securities to the Pillar trading platform, which is anticipated to begin in the third quarter of 2019.²³

(b) Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,²⁴ in general, and furthers the objectives of Sections 6(b)(5) of the Act,²⁵ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Proposed Capital Commitment Order

The Exchange believes that the proposed CCO would remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, protect investors and the public interest because it would

²² The Last Sale Peg Modifier is based on the Buy Minus Zero Plus instruction. See Rule 13(f)(4). See also Securities Exchange Act Release No. 85158 (February 15, 2019), 84 FR 5794 (February 22, 2019) (SR-NYSE-2018-52) (Approval Order).

²³ See supra note 4.

²⁴ 15 U.S.C. 78f(b).

²⁵ 15 U.S.C. 78f(b)(5).

provide DMMs with functionality currently available on the Exchange when Exchange-listed securities transition to Pillar. The proposed CCO would therefore promote continuity for the DMMs in the tools they have available to meet their affirmative obligation to maintain depth and continuity. The proposed rule change is based on existing functionality with differences in rule text to reflect Pillar terminology and to streamline and simplify the operation of CCOs as compared to CCS interest.

The proposed CCO is based in part on current CCS functionality, including that it would only be available to DMMs in their assigned securities and would be non-displayed liquidity of last resort at a price. Like CCS interest, the CCO would enable DMMs to provide additional liquidity at specific price points in their assigned securities when NYSE-listed securities transition to Pillar. The Exchange notes that there is no need to offer this modifier to non-DMMs because they are the only member organizations on the Exchange with the affirmative obligation to engage in a course of dealings for their own accounts to assist in the maintenance, so far as practicable, of a fair and orderly market, including the maintenance of price continuity with reasonable depth.²⁶ Specifically, DMMs have an obligation to use their own capital when lack of price continuity, lack of depth, or disparity between supply and demand exists or is reasonably to be anticipated.²⁷ Like CCS interest, the CCO would allow DMMs to trade in their assigned securities at the CCO's working price without contributing to visible depth of market.²⁸

The Exchange believes that the proposed differences to how the CCO would function as compared to CCS would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed differences are designed to streamline the functionality and simplify the operation of such liquidity, while still achieving the same goal to provide the DMMs with a tool to meet their unique affirmative obligations. To achieve this goal, the Exchange proposes that the CCO would function similarly to Tracking Orders, as described in NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4), in that a CCO would be a Limit Order that is not displayed, it would not trade on arrival, and instead would be triggered to trade by a contra-side Aggressing Order that has exhausted all other interest eligible to trade at the CCO's working price and is equal to or less than the size of the CCO. Also similar to the Tracking Order, a CCO with a later working time would trade ahead of a CCO with an earlier working time (which can only be from the same DMM)

²⁶ See Rule 104(f)(ii).

²⁷ Id.

²⁸ See Securities Exchange Act Release Nos. 75578 (July 31, 2015), 80 FR 47008, 47013 at n. 61 (August 6, 2015) (SR-NYSE-2015-26) (Order Granting Approval of a Proposed Rule Change Making Permanent the Rules of the NYSE New Market Model Pilot and the NYSE Supplemental Liquidity Providers Pilot).

if not designated for a partial execution and could not execute in full against the Aggressing Order. The Exchange believes it promotes just and equitable principles of trade for the CCO with the later working time to trade ahead of a same-priced CCO Order with an earlier working time if the earlier CCO chose to forgo the option for a partial execution, particularly since all CCOs in a security are entered by the same DMM. For similar reasons, the Exchange believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system for an Aggressing Order with an MTS to ignore a CCO because if an Aggressing Order with an MTS has a condition that it is not eligible to trade, the Exchange does not believe that the Aggressing Order with an MTS should be denied an opportunity to trade if the MTS could otherwise be met by other orders on the Exchange Book.

The Exchange believes it would remove impediments to and perfect the mechanism of a free and open market and a national market system to retain the optional functionality currently available for CCS for a CCO to provide a partial execution to an incoming order, as such option would provide for more execution opportunities at the Exchange. Similarly, the Exchange believes it would remove impediments to and perfect the mechanism of a free and open market and a national market system for an arriving CCO to trigger a resting D Order to trade because it would provide for additional execution opportunities for D Orders. Because CCOs would trade at their limit price, the Exchange believes that the proposal to make such orders ineligible to trade if the limit price is equal to or through the PBBO, NBBO, Price Bands, or resting orders on the Exchange Book, or if the PBBO or NBBO is crossed, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would reduce the potential for a CCO to trade through the PBBO, NBBO or resting orders on the Exchange Book.

The Exchange believes that the proposed processing of sell short CCOs during a Short Sale Period under proposed Rule 7.16(f)(5)(E) would remove impediments to and perfect the mechanism of a fair and orderly market because it would provide that CCOs would not trade at or below the NBB during a Short Sale Period in violation of Rule 201 of Regulation SHO. Proposed Rule 7.16(f)(5)(E) is also based on NYSE Arca Rule 7.16-E(f)(5)(E) and NYSE National Rule 7.16(f)(5)(E) for Tracking Orders.

Lastly, the Exchange believes the proposed changes to Rules 7.36 and 7.37 describing how CCOs would be ranked and allocated would remove impediments to, and perfect the mechanisms of, a free and open market and a national market system because having CCOs as an interest of last resort is consistent with how CCS currently functions when trading at prices equal to the BBO or outside the

BBO. Prioritizing CCOs behind Yielding Orders²⁹ complies with subsection (G) of Section 11(a)(1)³⁰ of the Act (the “G Rule”) because CCOs represent DMM interest only. In sum, the G Rule requires orders entered by DMMs or Floor Brokers to yield priority to all orders entered by non-members of the Exchange at the same price. Therefore, the G Rule does not require that Yielding Orders yield priority to CCOs, which may only be entered by DMMs.

Orders Not Available to Market Makers

The Exchange believes the proposed changes to Rule 7.31(a)(1) to specify that Market Orders would not be available to DMMs and Rule 7.31(i)(4) to specify that the Last Sale Peg Modifier would not be available to DMMs would promote just and equitable principles of trade because these changes would provide additional transparency by specifying that Market Orders and the Last Sale Peg Modifier would not be available to DMMs when the Exchange transitions Exchange-listed securities to Pillar. These proposed changes are based on current functionality, as described in Rule 104(d)(iv), which states that Market Orders and the Buy Minus Zero Plus modifier are not available to DMMs trading in Exchange-listed securities.

4. Self-Regulatory Organization’s Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,³¹ the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change would provide DMMs with functionality currently available on the Exchange when Exchange-listed securities transition to Pillar. The Exchange does not believe that the proposed CCO would impose any burden on competition that is not necessary or appropriate because such orders are designed to provide additional liquidity on the Exchange without providing DMMs with any execution priority for CCOs over other orders. This order type thus does not confer any execution priority benefits to DMMs, but rather, would assist the DMM in meeting its affirmative obligation to maintain depth and continuity in its assigned securities. The proposed rule change also specifies that Market Orders and the Last Sale Peg Modifier would continue to be unavailable to DMMs when Exchange-listed securities transition to Pillar, as is the case today under Rule 104(d)(iv). The Exchange does not believe this proposed rule change would impose any burden on competition because these order types are not necessary for the DMMs to meet their affirmative obligations pursuant to Rule 104 and are not

²⁹ Rule 7.31(i)(5). Yielding Orders aid Floor brokers in complying with the G Rule when trading on Pillar by yielding priority to all displayed and non-displayed orders at the same price.

³⁰ 15 U.S.C. 78k(a)(1)(G).

³¹ 15 U.S.C. 78f(b)(8).

currently available to DMMs.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Proposed Rule 7.16(f)(5)(E) is based on NYSE Arca Rule 7.16-E(f)(5)(E) and NYSE National Rule 7.16(f)(5)(E). Proposed Rule 7.31(d)(5), (d)(5)(A), and (d)(5)(C)(1) are based in part on NYSE Arca Rule 7.31-E(d)(4)(A) - (B) and NYSE National Rule 7.31(d)(4)(A) - (B).

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 4 - Proposed Rule Text Marked to Show Changes to Exhibit 5 Made in Amendment No. 1

Exhibit 5 – Text of the Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-NYSE-2019-22, Amendment No. 1)

[Date]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change to Amend Rule 7.31 to Add a New Order Type, Capital Commitment Order, and Make Related Changes to Rules 7.16, 7.34, 7.36, and 7.37

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on May 1, 2019, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange 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 amend Rule 7.31 (Orders and Modifiers) to add a new order type, Capital Commitment Order, and make related changes to Rules 7.16, 7.34, 7.36, and 7.37. The Exchange proposes to further amend Rule 7.31 to specify that Market Orders and the Last Sale Peg Modifier are not available to Designated Market Makers. This Amendment No. 1 supersedes the original filing in its entirety. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 amend Rule 7.31 (Orders and Modifiers) to add a new order type, Capital Commitment Order, and make related changes to Rules 7.16, 7.34, 7.36, and 7.37. The Exchange proposes to further amend Rule 7.31 to specify that Market Orders and the Last Sale Peg Modifier would not be available to Designated Market Makers ("DMMs"). This Amendment No. 1 supersedes the original filing in its entirety.

Currently, the Exchange trades UTP Securities on its Pillar trading platform, subject to Pillar Platform Rules 1P - 13P.⁴ In the next phase of Pillar, the Exchange proposes to transition trading of Exchange-listed securities to the Pillar trading platform,

⁴ "UTP Security" is defined as a security that is listed on a national securities exchange other than the Exchange and that trades on the Exchange pursuant to unlisted trading privileges. See Rule 1.1.

which means that DMMs would be trading on Pillar in their assigned securities.⁵ Once transitioned to Pillar, such securities will also be subject to the Pillar Platform Rules 1P - 13P. The Exchange has separately filed a proposed rule change to support the transition of Exchange-listed securities to the Pillar Trading Platform, including adding the DMM as a Participant under the Pillar Platform Rules.⁶

With this proposed rule change, the Exchange proposes an additional order type that would be available to DMMs when Exchange-listed securities transition to Pillar.

Proposed Capital Commitment Order

The proposed new order type, Capital Commitment Order, or “CCO,” is based in part on the current Capital Commitment Schedule⁷ (“CCS”), which is currently available only to DMMs trading in Exchange-listed securities. The Exchange proposes to make related changes to Rules 7.16 (Short Sales), 7.34 (Trading Sessions), 7.36 (Order Ranking and Display), and 7.37 (Order Execution and Routing).

The proposed CCO would be available to DMMs when the Exchange transitions Exchange-listed securities to Pillar. Like CCS interest, the CCO would enable DMMs to

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

⁶ See Securities Exchange Act Release No. 85176 (February 22, 2019), 84 FR 6868 (February 28, 2019) (Notice of Filing) (SR-NYSE-2019-05) (“NYSE Tape A Pillar Filing”).

⁷ See Rule 1000(d) - (g). See also Securities Exchange Act Release Nos. 75578 (July 31, 2015), 80 FR 47008 (August 6, 2015) (SR-NYSE-2015-26) (Order Granting Approval of a Proposed Rule Change Making Permanent the Rules of the NYSE New Market Model Pilot and the NYSE Supplemental Liquidity Providers Pilot) (“Approval Order”).

provide additional, non-displayed liquidity at specific price points in their assigned securities on Pillar.

The operation of the existing CCS is set forth in Rules 1000(d) – 1000(g). Under Rule 1000(d), a DMM may, for each security in which it is registered, place within Exchange systems a pool of non-displayed liquidity – the CCS – to be available to fill or partially fill incoming orders in automatic executions.⁸ Rule 1000(d) also provides that CCS interest is used to trade at the Exchange BBO, at prices better than the Exchange BBO, and at prices outside the Exchange BBO. CCS interest must be for a minimum of one round lot of a security and entered at price points that are at, inside, or away from the Exchange BBO.

Rule 1000(e) governs executions at and outside the Exchange BBO and specifies how CCS interest would interact with such executions. Rule 1000(e)(iii) specifies how CCS would trade with an incoming order that sweeps multiple price points outside the Exchange BBO, and specifically, how CCS trades at a single price point to provide price improvement for completing the incoming order. Rule 1000(f) specifies how CCS interest may provide price improvement inside the Exchange BBO with interest arriving in the Exchange market. Under Rule 1000(g), CCS interest may trade with non-marketable⁹ interest if the non-marketable interest betters the Exchange BBO (or cancels in the case of an arriving IOC order) and if the incoming interest may be executed in full

⁸ CCS interest supplements displayed and non-displayed interest of the DMM in Exchange systems.

⁹ Under Rule 1000(g)(1), “non-marketable” means trading interest (i.e., displayable and non-displayable) that is at a price higher than the current Exchange bid (but below the current Exchange offer) or lower than the current Exchange offer (but above the current Exchange bid), including better bids and offers on other market centers. See NYSE Rule 1000(g)(1).

by all available trading interest on the Exchange, including CCS interest and d-quotes.

On Pillar, the Exchange proposes to offer DMMs functionality similar to the CCS in the form of CCOs. However, the Exchange proposes to simplify and streamline CCO functionality on Pillar as compared to how the CCS functions. Among other things, unlike CCS, the proposed CCO would be an order type that includes a limit price, rather than a schedule of non-displayed liquidity, and would be eligible to execute only at its limit price on an order-by-order basis. Multiple CCOs would, therefore, not be aggregated at the same price or multiple prices like CCS interest is today pursuant to Rules 1000(f) and (g). While the purpose of the CCO is the same as CCS - a tool for DMMs to provide additional, non-displayed liquidity in their assigned securities -- the operation of CCOs would be based in part on how Tracking Orders function on the Exchange's affiliated exchanges that currently operate on Pillar, NYSE Arca, Inc. ("NYSE Arca") and NYSE National, Inc. ("NYSE National").¹⁰

The proposed CCO would be described under paragraph (d)(5) of Rule 7.31 for Exchange-listed securities trading on Pillar. Proposed Rule 7.31(d)(5) would set forth the general requirements for CCOs and would provide that a CCO is a Limit Order that is not displayed, does not route, must be entered in a minimum of one round lot, and must be designated Day. This proposed rule text is based in part on how the CCS currently functions, but unlike CCS, the proposed CCO would be a Limit Order rather than a schedule of non-displayed liquidity. This proposed rule text uses Pillar terminology and is also based in part on the first half of the first sentence of NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4) relating to Tracking Orders.

¹⁰ See NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4).

Proposed Rule 7.31(d)(5) would also provide that a CCO would be ranked Priority 5 - CCOs. The Exchange would make a related amendment to Rule 7.36(e) to add this additional priority category. Proposed Rule 7.36(e)(5) would provide that Priority 5 - CCOs would have fifth priority after Priority 4 - Yielding Orders.¹¹ The Exchange believes that this proposed priority category is consistent with current CCS functionality¹² because CCOs would be ranked behind all other displayed and non-displayed orders. This proposed rule change is also based in part on how Tracking Orders function on NYSE Arca and NYSE National, as Tracking Orders similarly have a priority ranking behind all other displayed and non-displayed orders at a price.¹³

Proposed Rule 7.31(d)(5) would further provide that CCOs would be available only to DMMs in their assigned securities, eligible to be traded in the Core Trading Session¹⁴ only, and not eligible to participate in any Auctions. This proposed rule text is based on current rules that the CCS is available only to DMMs. The requirement that CCOs would be eligible to trade in the Core Trading Session only is consistent with

¹¹ Pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T)(a) thereunder, an order for the account of a member (i.e., a Yielding Order), does not need to yield priority, parity, or precedence in execution to orders for the account of another member. 15 U.S.C. 78k(a)(1)(G) and 17 CFR 240.11a1-1(T)(a). Consistent with these requirements, under current rules, G Orders do not always yield to DMM interest. See, e.g., Rule 115A(a)(1)(D) (at the same price, G Orders do not yield to DMM interest in the opening transaction),

¹² See Rule 1000(e)(ii)(B) and (e)(iii)(A)(2) (providing that CCS interest yields to all displayed and non-displayed interest when trading at the BBO or outside the BBO).

¹³ See NYSE Arca Rule 7.36-E(e)(4) and NYSE National Rule 7.36(e)(4) (Tracking Orders have fourth priority behind all other orders).

¹⁴ The Core Trading Session begins at 9:30 a.m. Eastern Time and ends at the conclusion of Core Trading Hours. See Rule 7.34(a)(2). The term “Core Trading Hours” means “the hours of 9:30 a.m. Eastern Time through 4:00 p.m. Eastern Time or such other hours as may be determined by the Exchange from time to time.” See Rule 1.1(d).

current CCS functionality for Exchange-listed securities, which trade during regular trading hours only,¹⁵ and proposed functionality that Exchange-listed securities would not be eligible to participate in the Early Trading Session on Pillar.¹⁶ The Exchange also proposes to amend Rule 7.34(c)(1)(A) (Trading Sessions) to specify that CCOs are not eligible to participate in the Early Trading Session and that CCOs entered during the Early Trading Session would be rejected. The proposal that CCOs would not be eligible to participate in any Auctions is also consistent with current CCS functionality.

Proposed Rule 7.31(d)(5)(A) would describe how CCOs function on arrival and would provide that a CCO to buy (sell) does not trade on arrival and is triggered to trade by an Aggressing Order¹⁷ to sell (buy) that (i) has exhausted all other interest eligible to trade at the Exchange at the CCO's working price, and (ii) has a remaining quantity equal to or less than the size of a resting CCO (i.e., completely fills an Aggressing Order). This proposed rule text is based in part on how Tracking Orders function, as described in NYSE Arca Rule 7.31-E(d)(4)(A) and NYSE National Rule 7.31(d)(4)(A). This proposed functionality is also similar to how CCS operates, as it is a schedule of resting non-displayed liquidity, and does not trade with resting interest.

Proposed Rule 7.31(d)(5)(A)(1) would provide that a CCO to buy (sell) may be designated to trade with an Aggressing Order to sell (buy) that has a remaining quantity greater than the size of the resting CCO (i.e., partially fills an Aggressing Order). This is

¹⁵ See Rule 51(a).

¹⁶ See NYSE Tape A Pillar Filing, supra note 6.

¹⁷ An Aggressing Order is a buy (sell) order that is or becomes marketable against sell (buy) interest on the Exchange Book. See Rule 7.36(a)(6). A resting order may become an Aggressing Order if its working price changes, if the PBBO or NBBO is updated, because of changes to other orders on the Exchange Book, or when processing inbound messages. Id.

similar to the operation of CCS interest, which the DMM can similarly designate for partial execution.¹⁸ The Exchange believes that this optional functionality should continue to be available to DMMs as it would increase execution opportunities for incoming orders.

Proposed Rule 7.31(d)(5)(A)(2) would provide that an arriving CCO to buy (sell) with a limit price in the discretionary price range, as defined in paragraph (d)(4)(C)(i) of Rule 7.31, can trigger a resting D Order to sell (buy) to exercise discretion. This would be new functionality that would provide an execution opportunity for a resting D Order. Specifically, pursuant to Rule 7.31(d)(4)(C)(i), a D Order to buy (sell) would be triggered to exercise discretion if the price of an Aggressing Order to sell (buy) is above (below) the PBB (PBO) and at or below (above) the Midpoint Price (defined as the “discretionary price range”).

Even though a CCO is not, by its terms, an Aggressing Order, the Exchange believes that a CCO should be eligible to provide liquidity if its limit price is in the discretionary price range of a resting D Order. A CCO that would trigger a resting D Order to exercise discretion will not receive execution priority over any resting orders that are on the same side as the CCO and are eligible to trade with the D Order because any such orders would have already traded with the D Order. Specifically, pursuant to Rule 7.31(d)(4)(C)(1), a D Order to buy (sell) will be triggered to exercise discretion if the price of an Aggressing Order to sell (buy) is above (below) the PBB (PBO) and at or below (above) the Midpoint Price, which is defined as the discretionary price range. This includes resting contra-side orders that become an Aggressing Order, e.g., an MPL that

¹⁸ See Rule 1000(e)(iii)(A)(4).

receives a new working price because of an update to the PBBO, because if such orders are within the discretionary price range of a D Order, the D Order would be triggered to exercise discretion by such Aggressing Order. Accordingly, if a CCO order arrives and is within the discretionary price range of a D Order, any other same-side resting orders eligible to trade with such D Order would have already executed. Because a CCO does not meet the terms of an Aggressing Order and therefore would not be addressed by Rule 7.31(d)(4)(C)(i), the Exchange proposes to specify this behavior separately in proposed Rule 7.31(d)(5)(A)(2). This would be new functionality on Pillar that the Exchange believes is consistent with the purpose of a CCO, which is to provide additional liquidity that would not trade ahead of other orders eligible to trade at that price.

Proposed Rule 7.31(d)(5)(B) would provide that the working price of the CCO would be equal its limit price and sets forth when a CCO would not be eligible to trade. Proposed Rule 7.31(d)(5)(B)(1) would provide that a buy (sell) CCO would not be eligible to trade if its limit price is equal to or higher (lower) than the PBO (PBB), NBO (NBB), Upper (Lower) Price Band, or the working price of any resting sell (buy) order on the Exchange Book. Proposed Rule 7.31(d)(5)(B)(2) would provide that a CCO would also not be eligible to trade when the PBBO or NBBO is locked or crossed. The Exchange believes that by making a CCO ineligible to trade in the above-described circumstances, the Exchange would reduce the potential to trade through the PBBO or BBO. This would be new functionality on Pillar and is not based on how CCS currently function. This proposed rule change is based in part on how Tracking Orders function, which are not eligible to trade when the PBBO is locked or crossed.¹⁹

¹⁹ See NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4).

Proposed Rule 7.31(d)(5)(C) would describe how CCOs would function when resting on the Exchange Book and would provide that multiple CCOs with the same limit price would be ranked by time. Proposed Rule 7.31(d)(5)(C)(1) would provide that at the same price, a CCO with a later working time would trade ahead of a CCO with an earlier working time that is not designated as eligible for a partial execution and cannot execute in full against the Aggressing Order. In such case, the CCO with a later working time would execute first because the CCO with the earlier working time chose to forego a partial execution in favor of executing against another incoming order that is large enough to execute against its total quantity. This would be new functionality on Pillar and is not based on how CCS currently function. This proposed rule text is based in part on how Tracking Orders function, as described in the second sentence of NYSE Arca Rule 7.31-E(d)(4)(B) and NYSE National Rule 7.31(d)(4)(B).

Proposed Rule 7.31(d)(5)(C)(2) would describe how an Aggressing Order to buy (sell) with a Minimum Trade Size (“MTS”) Modifier²⁰ would interact with a resting CCO. Rule 7.31(i)(3)(F) generally provides that if a sell (buy) order does not meet the MTS, the order with an MTS Modifier will not trade and will be ranked in the Exchange Book. Proposed Rule 7.31(d)(5)(C)(2) would provide that an Aggressing Order to buy (sell) with an MTS Modifier would ignore a resting CCO to sell (buy) if the CCO does not meet the order’s MTS. This would be new functionality and is consistent with the operation of CCOs, which is to allow the DMM to provide additional, supplemental liquidity of last resort that is ranked behind all other displayed and non-displayed orders.

²⁰ In sum, an order with an MTS Modifier would only trade with contra-side orders that, either individually or in the aggregate, satisfy the order’s minimum trade size condition. See Rule 7.31(i)(3) for a full description of the MTS Modifier.

If a CCO does not meet the MTS of the Aggressing Order, the order with an MTS would ignore the CCO and seek to execute against the next available order resting on the Exchange Book, which may be at another price.

Proposed Rule 7.31(d)(5)(D) would provide that a CCO may be designated with a Self Trade Prevention (“STP”) Modifier and would be rejected if combined with any other modifiers. This proposed functionality is new, as CCS interest cannot currently be designated with an STP Modifier.²¹ The Exchange believes that making STP Modifiers available for CCOs would provide DMMs with more tools to reduce the potential for two orders to interact if they are from the same entity. By specifying that CCOs cannot be combined with other modifiers, the rule provides transparency that a CCO cannot be combined with other modifiers defined in Rule 7.31(i).

Rule 7.16 establishes requirements relating to short sale orders. Rule 7.16(f)(5) sets forth how short sale orders are processed during a Short Sale Period, which is defined in Rule 7.16(f)(4). Proposed new Rule 7.16(f)(5)(E) would provide that, during a Short Sale Period, the working price of CCOs would not be adjusted and that CCOs would not trade at or below the NBB. This proposed text is based on how Tracking Orders function during a Short Sale Period, as described in NYSE Arca Rule 7.16-E(f)(5)(E) and NYSE National Rule 7.16(f)(5)(E), which both provide that, during a Short Sale Period, the working price of Tracking Orders will not be adjusted and that Tracking Orders will not be eligible to trade at or below the NBB.

Rule 7.37(b) describes how an Aggressing Order is allocated among contra-side orders at each price. The Exchange maintains separate allocation wheels on each side of

²¹ See Rule 13(f)(3)(B) (stating that the STP modifier is not available for d-Quotes or DMM interest).

the market for displayed and non-displayed orders at each price. The Exchange proposes to amend Rule 7.37(b) to set forth how CCOs would participate in the allocation process.

Consistent with the proposed amendment to Rule 7.36(e), described above, to add a new Priority category for CCOs, the Exchange proposes to amend Rule 7.37(b)(1) to add that CCOs would be allocated after all other interest at that price.²² Multiple CCOs at that price would be allocated on time. To effect this change, the Exchange proposes to amend Rule 7.37(b)(1) to add new sub-paragraph (I) to provide that next, CCOs ranked Priority 5 - CCOs would be allocated based on time. This proposed functionality is based in part on how CCS functions, as CCS interest yields to all other interest when trading at the Exchange BBO or at prices outside the BBO.

Orders Not Available to Designated Market Makers

The Exchange proposes to amend Rule 7.31(a)(1), which describes Market Orders, and Rule 7.31(i)(4), which describes the Last Sale Peg Modifier, to specify that neither of these order types would be available to DMMs when the Exchange transitions Exchange-listed securities to Pillar. These proposed changes are based on Rule 104(b)(vi), which states that DMMs may not enter Market Orders or Buy Minus Zero

²² Rule 7.37(b)(1) sets forth the following allocation sequence: (1) Market Orders trade first based on time; (2) orders with Setter Priority as described in Exchange Rule 7.36(h) receive an allocation; (3) orders ranked Priority 2 - Displayed Orders are allocated on parity by Participant; (4) orders ranked Priority 3 - Non-Display Orders, other than Mid-Point Liquidity (“MPL”) Orders with an MTS Modifier, are allocated on parity by Participant; (5) MPL Orders with an MTS Modifier are allocated based on MTS size (smallest to largest) and time; (6) D Orders trading at a discretionary price will be allocated on parity by Floor Broker Participant; (7) the display quantity of orders ranked Priority 4 - Yielding Orders will be allocated based on time; and then (8) the non-display quantity of orders ranked Priority 4 - Yielding Orders will be allocated based on time.

Plus instruction²³ in Exchange-listed securities.

Implementation

Subject to approval of this proposed rule change, the Exchange proposes to implement this proposed rule change when the Exchange transitions NYSE-listed securities to the Pillar trading platform, which is anticipated to begin in the third quarter of 2019.²⁴

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act,²⁵ in general, and furthers the objectives of Sections 6(b)(5) of the Act,²⁶ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Proposed Capital Commitment Order

The Exchange believes that the proposed CCO would remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and,

²³ The Last Sale Peg Modifier is based on the Buy Minus Zero Plus instruction. See Rule 13(f)(4). See also Securities Exchange Act Release No. 85158 (February 15, 2019), 84 FR 5794 (February 22, 2019) (SR-NYSE-2018-52) (Approval Order).

²⁴ See supra note 5.

²⁵ 15 U.S.C. 78f(b).

²⁶ 15 U.S.C. 78f(b)(5).

in general, protect investors and the public interest because it would provide DMMs with functionality currently available on the Exchange when Exchange-listed securities transition to Pillar. The proposed CCO would therefore promote continuity for the DMMs in the tools they have available to meet their affirmative obligation to maintain depth and continuity. The proposed rule change is based on existing functionality with differences in rule text to reflect Pillar terminology and to streamline and simplify the operation of CCOs as compared to CCS interest.

The proposed CCO is based in part on current CCS functionality, including that it would only be available to DMMs in their assigned securities and would be non-displayed liquidity of last resort at a price. Like CCS interest, the CCO would enable DMMs to provide additional liquidity at specific price points in their assigned securities when NYSE-listed securities transition to Pillar. The Exchange notes that there is no need to offer this modifier to non-DMMs because they are the only member organizations on the Exchange with the affirmative obligation to engage in a course of dealings for their own accounts to assist in the maintenance, so far as practicable, of a fair and orderly market, including the maintenance of price continuity with reasonable depth.²⁷ Specifically, DMMs have an obligation to use their own capital when lack of price continuity, lack of depth, or disparity between supply and demand exists or is reasonably to be anticipated.²⁸ Like CCS interest, the CCO would allow DMMs to trade in their assigned securities at the CCO's working price without contributing to visible depth of market.²⁹

²⁷ See Rule 104(f)(ii).

²⁸ Id.

²⁹ See Securities Exchange Act Release Nos. 75578 (July 31, 2015), 80 FR 47008,

The Exchange believes that the proposed differences to how the CCO would function as compared to CCS would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed differences are designed to streamline the functionality and simplify the operation of such liquidity, while still achieving the same goal to provide the DMMs with a tool to meet their unique affirmative obligations. To achieve this goal, the Exchange proposes that the CCO would function similarly to Tracking Orders, as described in NYSE Arca Rule 7.31-E(d)(4) and NYSE National Rule 7.31(d)(4), in that a CCO would be a Limit Order that is not displayed, it would not trade on arrival, and instead would be triggered to trade by a contra-side Aggressing Order that has exhausted all other interest eligible to trade at the CCO's working price and is equal to or less than the size of the CCO. Also similar to the Tracking Order, a CCO with a later working time would trade ahead of a CCO with an earlier working time (which can only be from the same DMM) if not designated for a partial execution and could not execute in full against the Aggressing Order. The Exchange believes it promotes just and equitable principles of trade for the CCO with the later working time to trade ahead of a same-priced CCO Order with an earlier working time if the earlier CCO chose to forgo the option for a partial execution, particularly since all CCOs in a security are entered by the same DMM. For similar reasons, the Exchange believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system for an Aggressing Order with an MTS to ignore a CCO because if an Aggressing Order with an MTS has a condition that it is not

47013 at n. 61 (August 6, 2015) (SR-NYSE-2015-26) (Order Granting Approval of a Proposed Rule Change Making Permanent the Rules of the NYSE New Market Model Pilot and the NYSE Supplemental Liquidity Providers Pilot).

eligible to trade, the Exchange does not believe that the Aggressing Order with an MTS should be denied an opportunity to trade if the MTS could otherwise be met by other orders on the Exchange Book.

The Exchange believes it would remove impediments to and perfect the mechanism of a free and open market and a national market system to retain the optional functionality currently available for CCS for a CCO to provide a partial execution to an incoming order, as such option would provide for more execution opportunities at the Exchange. Similarly, the Exchange believes it would remove impediments to and perfect the mechanism of a free and open market and a national market system for an arriving CCO to trigger a resting D Order to trade because it would provide for additional execution opportunities for D Orders. Because CCOs would trade at their limit price, the Exchange believes that the proposal to make such orders ineligible to trade if the limit price is equal to or through the PBBO, NBBO, Price Bands, or resting orders on the Exchange Book, or if the PBBO or NBBO is crossed, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would reduce the potential for a CCO to trade through the PBBO, NBBO or resting orders on the Exchange Book.

The Exchange believes that the proposed processing of sell short CCOs during a Short Sale Period under proposed Rule 7.16(f)(5)(E) would remove impediments to and perfect the mechanism of a fair and orderly market because it would provide that CCOs would not trade at or below the NBB during a Short Sale Period in violation of Rule 201 of Regulation SHO. Proposed Rule 7.16(f)(5)(E) is also based on NYSE Arca Rule 7.16- E(f)(5)(E) and NYSE National Rule 7.16(f)(5)(E) for Tracking Orders.

Lastly, the Exchange believes the proposed changes to Rules 7.36 and 7.37 describing how CCOs would be ranked and allocated would remove impediments to, and perfect the mechanisms of, a free and open market and a national market system because having CCOs as an interest of last resort is consistent with how CCS currently functions when trading at prices equal to the BBO or outside the BBO. Prioritizing CCOs behind Yielding Orders³⁰ complies with subsection (G) of Section 11(a)(1)³¹ of the Act (the “G Rule”) because CCOs represent DMM interest only. In sum, the G Rule requires orders entered by DMMs or Floor Brokers to yield priority to all orders entered by non-members of the Exchange at the same price. Therefore, the G Rule does not require that Yielding Orders yield priority to CCOs, which may only be entered by DMMs.

Orders Not Available to Market Makers

The Exchange believes the proposed changes to Rule 7.31(a)(1) to specify that Market Orders would not be available to DMMs and Rule 7.31(i)(4) to specify that the Last Sale Peg Modifier would not be available to DMMs would promote just and equitable principles of trade because these changes would provide additional transparency by specifying that Market Orders and the Last Sale Peg Modifier would not be available to DMMs when the Exchange transitions Exchange-listed securities to Pillar. These proposed changes are based on current functionality, as described in Rule 104(d)(iv), which states that Market Orders and the Buy Minus Zero Plus modifier are not available to DMMs trading in Exchange-listed securities.

³⁰ Rule 7.31(i)(5). Yielding Orders aid Floor brokers in complying with the G Rule when trading on Pillar by yielding priority to all displayed and non-displayed orders at the same price.

³¹ 15 U.S.C. 78k(a)(1)(G).

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

In accordance with Section 6(b)(8) of the Act,³² the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change would provide DMMs with functionality currently available on the Exchange when Exchange-listed securities transition to Pillar. The Exchange does not believe that the proposed CCO would impose any burden on competition that is not necessary or appropriate because such orders are designed to provide additional liquidity on the Exchange without providing DMMs with any execution priority for CCOs over other orders. This order type thus does not confer any execution priority benefits to DMMs, but rather, would assist the DMM in meeting its affirmative obligation to maintain depth and continuity in its assigned securities. The proposed rule change also specifies that Market Orders and the Last Sale Peg Modifier would continue to be unavailable to DMMs when Exchange-listed securities transition to Pillar, as is the case today under Rule 104(d)(iv). The Exchange does not believe this proposed rule change would impose any burden on competition because these order types are not necessary for the DMMs to meet their affirmative obligations pursuant to Rule 104 and are not currently available to DMMs.

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.

³² 15 U.S.C. 78f(b)(8).

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

Within 45 days of the date of publication of this notice in the Federal Register or up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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 e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2019-22 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSE-2019-22. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The

Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSE-2019-22 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

Eduardo A. Aleman
Deputy Secretary

³³ 17 CFR 200.30-3(a)(12).

Additions: Underlined

Amendment No. 1 deleted text in ~~strikethrough~~

Rules of New York Stock Exchange LLC

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Pillar Platform Rules (Rules 1P - 13P)

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RULE 7P EQUITIES TRADING

Section 1. General Provisions

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Rule 7.16. Short Sales

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(f) **Short Sale Price Test Pursuant to Rule 201 of Regulation SHO.** The following provisions will apply to short sales subject to the provisions of Rule 201 of Regulation SHO:

* * * * *

(5) **Re-pricing of Orders during Short Sale Period.** During the Short Sale Period, short sale orders will be handled by Exchange systems as follows:

* * * * *

(E) [Reserved.] CCO -- The working price of CCOs will not be adjusted. CCOs will not be eligible to trade at or below the NBB.

* * * * *

Additions: Underlined
Deletions: [Bracketed]

Rules of New York Stock Exchange LLC

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* * * * *

Section 3. Exchange Trading

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Rule 7.31. Orders and Modifiers

(a) Primary Order Types

(1) Market Order. An unpriced order to buy or sell a stated amount of a security that is to be traded at the best price obtainable without trading through the NBBO. A Market Order must be designated Day and will be rejected on arrival or cancelled if resting if there is no contra-side NBBO. Unexecuted Market Orders are ranked Priority 1 - Market Orders. Market Orders are not available to Designated Market Makers.

* * * * *

(d) Orders with a Conditional or Undisplayed Price and/or Size

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(5) Capital Commitment Order (“CCO”). A Limit Order that is not displayed, does not route, must be entered in a minimum of a round lot, and must be designated Day. A CCO is ranked Priority 5 - CCO. CCOs are available only to Designated Market Makers in their assigned securities, are eligible to be traded in the Core Trading Session only, and are not eligible to participate in any Auctions.

(A) On arrival. A CCO to buy (sell) does not trade on arrival and is triggered to trade at its working price by an Aggressing Order to sell (buy) that (i) has exhausted all other buy (sell) interest eligible to trade at the Exchange at the CCO’s working price, and (ii) has a remaining quantity equal to or less than the size of a resting CCO.

(1) A CCO to buy (sell) may be designated to trade with an Aggressing Order to sell (buy) that has a remaining quantity greater than the size of the resting CCO (i.e., a partial execution).

(2) An arriving CCO to buy (sell) with a limit price in the discretionary price range, as defined in paragraph (d)(4)(C)(i) of this Rule, can trigger a resting D Order to sell (buy) to exercise discretion.

(B) Working Price. The working price of a CCO equals the limit price of the order. A CCO to buy (sell) will not be eligible to trade if:

(1) its limit price is equal to or higher (lower) than the PBO (PBB), NBO (NBB), Upper (Lower) Price Band, or the working price of any resting sell (buy) orders on the Exchange Book; or

(2) the PBBO or NBBO is locked or crossed.

(C) Resting CCOs. Multiple CCOs with the same limit price will be ranked by time.

(1) At the same price, a CCO with a later working time will trade ahead of a CCO with an earlier working time that is not designated as eligible for a partial execution and cannot execute in full against the Aggressing Order.

(2) An Aggressing Order to buy (sell) with an MTS Modifier will ignore a resting CCO to sell (buy) if the CCO does not meet such order's MTS.

(D) A CCO may be designated with an STP Modifier and will be rejected if combined with any other modifiers.

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(i) Additional Order Instructions and Modifiers:

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(4) Last Sale Peg Modifier. A Non-Routable Limit Order to buy may be designated with a Last Sale Peg Modifier (“Last Sale Peg Order”). A Last Sale Peg Order will not trade or be displayed at a price higher than the later of the most recent last-sale price in such security, which can be either a last-sale eligible trade executed on the Exchange or a consolidated last-sale eligible trade (either, a “last-sale price”). Last Sale Peg Orders are not available to Designated Market Makers.

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Rule 7.34. Trading Sessions

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(c) *Orders Permitted in Each Session.*

(1) Early Trading Session. Unless otherwise specified in paragraphs (c)(1)(A) - (C), orders and modifiers defined in Rule 7.31 are eligible to participate in the Early Trading Session.

(A) Pegged Orders, Last Sale Peg Orders, [and] D Orders, and CCOs are not eligible to participate in the Early Trading Session. Non-Displayed Primary Pegged Orders, and CCOs entered before the Core Trading Session will be rejected. Primary Pegged Orders, Last Sale Peg Orders, and D Orders entered before the Core Trading Session will be accepted but will not be eligible to trade until the Core Trading Session begins.

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Rule 7.36. Order Ranking and Display

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(e) Priority Categories. At each price point, all orders are assigned a priority category. If at a price point there are no orders in a priority category, the next priority category has first priority.

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(5) Priority 5 - CCO. CCOs have fifth priority.

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Rule 7.37. Order Execution and Routing

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(b) *Allocation.*

(1) At each price, an Aggressing Order will be allocated against contra-side orders as follows:

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(I) Next, orders ranked Priority 5 - CCO will be allocated based on time.

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