

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-102874; File No. SR-NYSETEX-2025-05]**

### **Self-Regulatory Organizations; NYSE Texas, Inc.; Notice of Filing and Immediate**

### **Effectiveness of Proposed Rule Change to Amend Rule 1.1, Reinstate Article 16, Rules 1 through 4 and Relocate Them**

April 16, 2025.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 14, 2025, the NYSE Texas, Inc. (“NYSE Texas” 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 substantially prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to (1) amend Rule 1.1 to adopt new definitions relating to Market Makers and (2) reinstate Article 16, Rules 1 through 4 relating to the registration and obligations of Market Makers and relocate them under Rule 7, Section 2. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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<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.

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

In 2019, the Exchange transitioned to trading on the NYSE Pillar trading platform (“Pillar”).<sup>4</sup> Because the Exchange did not contemplate supporting a Market Maker function at that time, Article 16 (Market Makers), which sets forth Rules 1 through 6 relating to Market Makers, was designated as inapplicable to trading on Pillar. In connection with the Exchange’s recent proposed change to adopt rules to permit the listing and trading of certain Exchange Traded Products,<sup>5</sup> the Exchange proposes to reinstate the rules relating to the registration and obligation of Market Makers in Article 16, Rules 1 through 4<sup>6</sup> and to relocate them under Rule 7, Section 2 as Rules 7.20 through 7.23, with changes to harmonize them with rules governing Market Makers on its affiliated exchanges, New York Stock Exchange LLC (“NYSE”), NYSE American LLC (“NYSE American”), and NYSE Arca, Inc. (“NYSE Arca”) (collectively, the

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<sup>4</sup> See Securities Exchange Act Release No. 87264 (October 9, 2019), 84 FR 55345 (October 16, 2019) (SR-NYSECHX-2019-08) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Add Rules To Support the Transition of Trading to the Pillar Trading Platform).

<sup>5</sup> See Securities Exchange Act Release No. 102617 (March 12, 2025), 90 FR 12578 (March 18, 2025) (SR-NYSECHX-2025-04) (Notice of Filing of Proposed Rule Change for Amendments to Rules 1.1, 5, 7.18, 8 and Article 22, Rules 24-27).

<sup>6</sup> The Exchange does not propose to reinstate Article 16, Rules 5 and 6 to promote consistency between the Exchange’s rules governing Market Makers and those of its Affiliated Exchanges.

“Affiliated Exchanges”). The Exchange also proposes to amend Rule 1.1 to include new defined terms related to the operation of Market Makers on the Exchange, consistent with the rules of its Affiliated Exchanges, and to adopt new Rule 7.24 based on NYSE Arca Rule 7.24-E. The proposed changes would provide for the operation of Market Makers on the Exchange pursuant to rules consistent with those of its Affiliated Exchanges and would promote displayed liquidity and market quality on the Exchange.

The Exchange proposes the following new rules to govern the registration and obligations of Market Makers on the Exchange:

- Proposed Rule 1.1(m) (definition of Lead Market Maker);
- Proposed Rule 1.1(o) (definition of Market Maker);
- Proposed Rule 1.1(p) (definition of Market Maker Authorized Trader);
- Proposed Rule 7.20 (Registration of Market Makers);
- Proposed Rule 7.21 (Obligations of Market Maker Authorized Traders (“MMATs”));
- Proposed Rule 7.22 (Registration of Market Makers in a Security);
- Proposed Rule 7.23 (Obligations of Market Makers);
- Proposed Rule 7.24 (Designated Market Maker Performance Standards);

#### *Rule 1.1*

Rule 1.1 sets forth definitions of terms that are used throughout the Exchange rules. The Exchange proposes to add the following definitions to the rule:

- The Exchange proposes to amend current Rule 1.1(m) to set forth the definition of “Lead Market Maker.” A “Lead Market Maker” would be defined as a registered Market Maker that is the exclusive Designated Market Maker in listings for which

the Exchange is the primary market. This proposed rule is based on NYSE Arca Rule 1.1 (definition of “Lead Market Maker”).

- The Exchange proposes to amend current Rule 1.1(o) to set forth the definition of “Market Maker.” A “Market Maker” would be defined as a Participant that acts as a Market Maker pursuant to Rule 7. This proposed rule is based on NYSE Rule 1.1(t) (which uses the term “Non-DMM Market Maker”), NYSE American Rule 1.1E(v), and NYSE Arca Rule 1.1 (definition of Market Maker).
- The Exchange proposes to amend current Rule 1.1(p) to set forth the definition of “Market Maker Authorized Trader” or “MMAT.” A “Market Maker Authorized Trade” or “MMAT” would be defined as an Authorized Trader (as defined in Rule 1.1(a)) who performs market making activities pursuant to Rule 7 on behalf of a Market Maker. This proposed rule is based on NYSE Rule 1.1(p), NYSE American Rule 1.1E(w), and NYSE Arca Rule 1.1 (definition of Market Maker Authorized Trader).

To accommodate the addition of these definitions, the Exchange also proposes to adjust the lettering in Rule 1.1. Specifically, current Rule 1.1(m) defining the term “Marketable” would become Rule 1.1(n), current Rule 1.1(n) defining “NBBO, Best Protected Bid, Best Protected Offer, Protected Best Bid and Offer (PBBO)” would become Rule 1.1(q), and so forth, with no changes to the substance of the definitions.

#### *Rule 7, Section 2*

The Exchange proposes to amend Rule 7, Section 2, which is currently designated as “Reserved,” and rename it “Market Makers.” As discussed below, the Exchange proposes new Rules 7.20 through 7.24 to reinstate Article 16, Rules 1 through 4 as Rules 7.20 through 7.23,

and to add new Rule 7.24 under Section 2 of Rule 7, which would locate the Exchange's proposed rules concerning Market Makers in the same section as the rules of its Affiliated Exchanges. In addition to changes as noted below, the Exchange proposes to use "will" rather than "shall" in reinstating the text of Article 16, Rules 1 through 4.

*Rule 7.20*

The Exchange proposes to add Rule 7.20, "Registration of Market Makers," to set forth the requirements for Participants to apply for registration as Market Makers. Proposed Rule 7.20 is based on Article 16, Rule 1, except as noted below to harmonize the format and language of the rule with NYSE Rule 7.20, NYSE American Rule 7.20E, and NYSE Arca Rule 7.20-E, which set forth substantially similar requirements for the registration of Market Makers. Proposed Rule 7.20 would require Participants interested in acting as Market Makers to submit an application to the Exchange, as well as set forth the criteria the Exchange may consider in determining whether to approve or disapprove a prospective Market Maker's application and specify how a Market Maker's registration may be suspended, terminated, or withdrawn. Proposed Rule 7.20 would also provide that Market Makers are designated as dealers on the Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder.

In proposed Rule 7.20(a), the Exchange proposes to adopt the language of NYSE Rule 7.20(a), NYSE American Rule 7.20E(a), and NYSE Arca Rule 7.20-E(a) rather than the substantially similar language of Article 16, Rule 1(a) in providing that Participants may not act as Market Makers in securities on the Exchange unless they are registered as a Market Maker in such securities and the Exchange has not suspended or canceled their registration. Proposed Rule 7.20(a) would also provide that registered Market Makers are designated as dealers on the

Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder, reflecting language from Article 16, Rule 1(f). This proposed change would promote consistency with the rules of the same number on the Affiliated Exchanges.

The Exchange next proposes to locate part of the text of Article 16, Rule 1(a) in proposed Rule 7.20(b), with non-substantive changes to conform with NYSE Rule 7.20(b), NYSE American Rule 7.20E(b), and NYSE Arca Rule 7.20-E(b). Specifically, the Exchange proposes that Rule 7.20(b) would provide that an applicant for registration as a Market Maker will file an application in writing on such form as the Exchange may prescribe and that such applications will be reviewed by the Exchange, considering factors including, but not limited to, a Participant's capital, operations, personnel, technical resources, and disciplinary history. Proposed Rule 7.20(b) would also provide that, after reviewing a Participant's application, the Exchange will either approve or disapprove the Participant's registration as a Market Maker, consistent with NYSE Rule 7.20(b), NYSE American Rule 7.20E(b), and NYSE Arca Rule 7.20-E(b).

In proposed Rule 7.20(c), the Exchange proposes to reflect text from Article 16, Rules 1(b)<sup>7</sup> and 1(c), with non-substantive conforming changes to harmonize the text with NYSE Rule 7.20(c), NYSE American Rule 7.20E(c), and NYSE Arca Rule 7.20-E(c) and to update the reference to Article 15. Proposed Rule 7.20(c) would provide that an applicant's registration as a Market Maker will become effective upon receipt by the Participant of notice of an approval of registration by the Exchange and that if an application is disapproved by the Exchange, the applicant will have an opportunity to be heard upon the specific grounds for the denial, in

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<sup>7</sup> The Exchange does not propose to retain the last sentence of Article 16, Rule 1(b), which provides that a Market Maker may only make markets in securities to which it has been assigned, to promote consistency with the rules of the Affiliated Exchanges.

accordance with the provisions of the Rule 10.9500 Series.

In proposed Rule 7.20(d), the Exchange proposes to reflect the first sentence of Article 16, Rule 1(d), with non-substantive conforming changes to harmonize the text with NYSE Rule 7.20(d), NYSE American Rule 7.20E(d), and NYSE Arca Rule 7.20-E(d) and update the reference to Rule 4. Proposed Rule 7.20(d) would provide that the registration of a Market Maker may be suspended or terminated by the Exchange upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with Rule 7.23.

The Exchange proposes to base Rule 7.20(e) on NYSE Rule 7.20(e), NYSE American Rule 7.20E(e), and NYSE Arca Rule 7.20-E(e). Proposed Rule 7.20(e) would provide that a Market Maker may withdraw its registration by written notice to the Exchange, with such withdrawal becoming effective on the tenth business day following the Exchange's receipt of the notice, and that a Market Maker that fails to provide such notice may be subject to formal disciplinary action pursuant to the Rule 10.9200 Series. In addition, subsequent to withdrawal, the Participant will not be permitted to re-register as a Market Maker for a period of six months. Proposed Rule 7.20(e) is similar to Article 16, Rule 1(d),<sup>8</sup> with changes to add clarity and specificity in the Exchange's rules with respect to the notice requirement for a Market Maker to withdraw its resignation and to promote consistency with the rules of the Affiliated Exchanges.

The Exchange does not propose to reinstate Article 16, Rule 1(e), as it does not believe such emergency procedures are necessary, and to harmonize proposed Rule 7.20 with the

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<sup>8</sup> The Exchange does not propose to reinstate the portions of Article 16, Rule 1(d) providing (1) that the rule is not intended to limit any other power of the Exchange to discipline a Participant pursuant to Exchange rules, (2) that a Participant whose Market Maker registration has been involuntarily suspended, terminated or otherwise limited may seek review under the provisions of Article 15, or (3) that the Exchange may involuntarily withdraw a Participant from one or more assigned securities without suspending or terminating the Participant's registration as a Market Maker, to promote consistency with the rules of the Affiliated Exchanges.

Affiliated Exchanges' rules. The Exchange also does not propose to reinstate Article 16, Rule 1(f) (except for the portion noted above in proposed Rule 7.20(a)), in conformity with the rules of the Affiliated Exchanges.

*Rule 7.21*

The Exchange proposes to add Rule 7.21 and title it "Obligations of Market Maker Authorized Traders ("MMATs")." Proposed Rule 7.21 reflects the text of Article 16, Rule 3, with certain changes discussed below to harmonize the format and language of the rule with NYSE Rule 7.21, NYSE American Rule 7.21E, and NYSE Arca Rule 7.21-E, which set forth substantially similar requirements. Proposed Rule 7.21 would provide that Market Maker Authorized Traders ("MMATs") are permitted to enter orders only for the account of the Market Maker for which they are registered. In addition, the proposed rule would specify the registration requirements for MMATs and the procedures for suspension and withdrawal of registration of MMATs. Specifically, the proposed rule would provide that a Market Maker must submit an application to the Exchange to register an associated person as an MMAT. An MMAT must meet certain requirements, and a Market Maker must ensure that its MMATs are qualified to perform market making activities. Proposed Rule 7.21 also provides that the Exchange may suspend or withdraw an MMAT's registration.

To promote consistency between proposed Rule 7.21 and rules of the same number on the Affiliated Exchanges, the Exchange proposes the following changes.

In proposed Rule 7.21(b)(2), to align the original text of Article 16, Rule 3(b)(2) with NYSE Rule 7.21(b)(2), NYSE American Rule 7.21E(b)(2), and NYSE Arca Rule 7.21-E(b)(2), the Exchange proposes to replace the requirement that an MMAT complete the Securities Trader Examination ("Series 57"), Securities Industry Essentials qualification examination, and any

other training and/or certification program as may be required by the Exchange with the requirement that an MMAT complete the Series 57 and a training and certification program sponsored by the Exchange. The Exchange further proposes that the requirement to complete the Series 57 may be waived by the Exchange if the applicant MMAT has served as a dealer-specialist or market maker on a registered national securities exchange or association for at least two consecutive years within three years of the date of application. This proposed change would harmonize proposed Rule 7.21(b)(2) with the Affiliated Exchanges' rules of the same number, while maintaining requirements substantially similar to those outlined in Article 16, Rule 3(b)(2) for individuals to qualify as MMATs on the Exchange.

In proposed Rule 7.21(b)(3), the Exchange proposes stylistic changes to the text of Article 16, Rule 3(b)(3) that would not alter the requirement set forth therein but would harmonize the text of the rule with NYSE Rule 7.21(b)(3), NYSE American Rule 7.21E(b)(3), and NYSE Arca Rule 7.21-E(b)(3). Specifically, the Exchange proposes that the rule would provide that the Exchange may require a Market Maker to provide additional information the Exchange considers necessary to establish whether registration should be granted, rather than that the Exchange may require a Market Maker to provide any and all additional information the Exchange deems necessary to establish whether registration should be granted.

To align the original text of Article 16, Rule 3(c)(1)(D) with NYSE Rule 7.21(c)(1)(D), NYSE American Rule 7.21E(c)(1)(D), and NYSE Arca Rule 7.21-E(c)(1)(D), the Exchange proposes that Rule 7.21(c)(1)(D) provide that the Exchange may suspend or withdraw the registration of an MMAT if the Exchange believes doing so is in the interest of maintaining fair and orderly markets. This proposed change does not reflect any substantive differences from Article 16, Rule 3(c)(1)(D) and would harmonize proposed Rule 7.21(c)(1)(D) with the

Affiliated Exchanges' rules of the same number.

Finally, the Exchange proposes the following non-substantive conforming changes. In proposed Rule 7.21(b), to conform with the text of NYSE Rule 7.21(b), NYSE American Rule 7.21E(b), and NYSE Arca Rule 7.21-E(b), the Exchange proposes to omit the phrase "consistent with the following minimum requirements." To eliminate outdated rule references and conform proposed Rule 7.21 with the rules of the Affiliated Exchanges, the Exchange proposes to omit the reference to Rule 1 in proposed Rule 7.21(b)(1) and the reference to Article 13, Rule 2 in proposed Rule 7.21(c)(1). In proposed Rule 7.21(c) and the paragraphs thereunder, the Exchange proposes to use the term "withdraw" rather than "terminate" when referring to the discontinuation of an MMAT's registration. In proposed Rule 7.21(c)(1)(A), the Exchange proposes to add the words "and regulations" to harmonize the text of this Rule with the text of the Affiliated Exchanges' rules of the same number. In proposed Rule 7.21(c)(2), the Exchange proposes to replace the outdated reference to the "Matching System" with a reference to the "Exchange."

#### *Rule 7.22*

The Exchange proposes to add Rule 7.22 and title it "Registration of Market Makers in a Security." Proposed Rule 7.22 reflects the text of Article 16, Rule 2, with certain changes and additions discussed below to harmonize the format and language of the rule with NYSE Rule 7.22, NYSE American Rule 7.22E, and NYSE Arca Rule 7.22-E, which set forth substantially similar requirements. The Exchange proposes to title Rule 7.22 "Registration of Market Makers in a Security," rather than keeping the title of Article 16, Rule 2 ("Assignment of Securities to Market Makers"), which is a non-substantive change that would promote consistency with the rules of the Affiliated Exchanges. Proposed Rule 7.22 would set forth the process for Market

Makers to become registered in a security and the factors the Exchange may consider in approving such registration. Specifically, Market Makers may submit a request to the Exchange to be registered in a security, and the Exchange will evaluate whether to approve such registration, taking into consideration factors including the Market Maker’s financial resources, experience in making markets, operational capability, and the character of the market for the security. The proposed rule would also describe both termination of a Market Maker’s registration in a security by the Exchange and voluntary termination by a Market Maker.

To promote consistency between proposed Rule 7.22 and rules of the same number on the Affiliated Exchanges, the Exchange proposes the following changes.

First, in proposed Rule 7.22(a), the Exchange proposes to update the description set forth in Article 16, Rule 2(a) of the process by which Market Makers may seek assignment in securities to conform with the description set forth in NYSE Rule 7.22(a), NYSE American Rule 7.22E(a), and NYSE Arca Rule 7.22-E(a). In addition, to promote consistency with the subparagraph numbering under NYSE Rule 7.22, NYSE American Rule 7.22E, and NYSE Arca Rule 7.22-E, the Exchange proposes to include the text of Article 16, Rule 2(b) and the subparagraphs thereunder in proposed Rule 7.22(a), with non-substantive stylistic changes to harmonize the rule text with the rules of the Affiliated Exchanges.

Next, the Exchange proposes new Rules 7.22(b) through (d), which do not have analogues in Article 16, Rule 2, but would serve to conform proposed Rule 7.22 with rules of the same number on the Affiliated Exchanges.

Proposed Rule 7.22(b) provides that a Market Maker’s registration in a security may be terminated by the Exchange if the Market Maker fails to enter quotations in the security within five business days after the Market Maker’s registration in the security becomes effective. This

proposed rule is based on NYSE Rule 7.22(b), NYSE American Rule 7.22E(b), and NYSE Arca Rule 7.22-E(b), without any changes.

Proposed Rule 7.22(c) is based on NYSE Arca Rule 7.22-E(c), with a non-substantive change to reference “Participants” instead of “ETP Holders.” Proposed Rule 7.22(c) provides that the Exchange may limit the number of Designated Market Makers in a security upon prior written notice to Participants. Proposed Rule 7.22(c) also incorporates rule text from Interpretations and Policies .01 under Article 16, Rule 2, which similarly provides that the Exchange may limit the number of Market Makers assigned to any security at its discretion.<sup>9</sup>

Proposed Rule 7.22(d) is based on NYSE Arca Rule 7.22-E(d), without any changes. Proposed Rule 7.22(d) would provide that Designated Market Makers and Lead Market Makers shall be selected by the Exchange, with such selection based on factors including experience with making markets in equities; adequacy of capital; willingness to promote the Exchange as a marketplace; issuer preference; operational capacity; support personnel; and history of adherence to Exchange rules and securities laws.

Proposed Rule 7.22(e) reflects the text of Article 16, Rule 2(c), with non-substantive changes to conform with NYSE Rule 7.22(e), NYSE American Rule 7.22E(e), and NYSE Arca Rule 7.22-E(e). Proposed Rule 7.22(e) would be subtitled “Voluntary Termination of Security Registration,” consistent with the rules of the Affiliated Exchanges. In the first paragraph of proposed Rule 7.22(e), the Exchange proposes to specify that a Market Maker may voluntarily terminate its registration in a security by providing the Exchange with a one-day written notice of such termination. This proposed change would reflect the use of “terminate” instead of

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<sup>9</sup> The Exchange does not propose to incorporate the first sentence of Interpretations and Policies .01 under Article 16, Rule 2 (which provides that there may be more than one Market Maker assigned to a security traded on the Exchange) in proposed Rule 7.22.

“withdraw” (similar to changes proposed in Rule 7.21) and provide clarity in proposed Rule 7.22(e) with respect to the timing of a Market Maker’s voluntary termination notice, in both cases aligning this rule with the Affiliated Exchanges’ rule of the same number. The Exchange further proposes to include a reference to the Rule 10.9200 Series for added clarity with respect to the formal disciplinary action that may apply to a Market Maker that fails to give advanced written notice of termination. Finally, to promote consistency with NYSE Rule 7.22(e), NYSE American Rule 7.22E(e), and NYSE Arca Rule 7.22-E(e), the Exchange does not propose to retain the second, third, or fifth sentences of Article 16, Rule 2(c) in proposed Rule 7.22(e).

In proposed Rule 7.22(f), which corresponds to Article 16, Rule 2(e), the Exchange similarly proposes non-substantive, stylistic changes to conform with NYSE Rule 7.22(f), NYSE American Rule 7.22E(f), and NYSE Arca Rule 7.22-E(f). The Exchange proposes to omit the subtitle of Article 16, Rule 2(e) and subparagraph (1) under Article 16, Rule 2(e), collapse the text of subparagraph (2) under Article 16, Rule 2(e) into proposed Rule 7.22(f), and update the language of Article 16, Rule 2(e) to harmonize it with the language of NYSE Rule 7.22(f), NYSE American Rule 7.22E(f), and NYSE Arca Rule 7.22-E(f). Proposed Rule 7.22(f) would thus provide that the Exchange may suspend or terminate any registration of a Market Maker in a security or securities under this Rule whenever, in the Exchange’s judgment, the interests of a fair and orderly market are best served by such action.

Finally, the Exchange proposes that the last sentence of Article 16, Rule 2(e), which provides that a Participant whose assignment to one or more securities has been suspended or terminated may seek review under Article 15, be reflected in proposed Rule 7.22(g), with a non-substantive change to update an outdated rule reference. Proposed Rule 7.22(g) would thus provide that a Participant may seek review of any action taken by the Exchange pursuant to this

Rule, including the denial of the application for, or the termination or suspension of, a Market Maker's registration in a security or securities, in accordance with the Rule 10.9500 Series.

The Exchange does not propose to reinstate the text of Article 16, Rule 2(d), which provides for the temporary withdrawal of a Market Maker in assigned securities, in Rule 7.22 and instead proposes to include rule text relating to the temporary withdrawal of Market Makers in assigned securities in proposed Rule 7.23, as discussed below.

*Rule 7.23*

The Exchange proposes to add Rule 7.23 and title it "Obligations of Market Makers." Proposed Rule 7.23 reflects the text of Article 16, Rule 4, with certain changes as noted below to harmonize the format and language of the rule with NYSE Rule 7.23, NYSE American Rule 7.23E, and NYSE Arca Rule 7.23-E, which provide for substantially similar Market Maker obligations. Proposed Rule 7.23 would set forth the obligation of Market Makers to engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange. The proposed rule would delineate the specific responsibilities and duties of Market Makers, including the Two-Sided Obligation applicable to securities in which the Market Maker is registered and the requirement that the interest satisfying the Two-Sided Obligation be not more than the Designated Percentage (as defined in Proposed Rule 7.23) away from the National Best Bid or Offer ("NBBO"). Proposed Rule 7.23 also provides that Market Makers will be subject to certain minimum capital requirements and sets forth the circumstances under which a Market Maker could be subject to disciplinary action or suspension or revocation of registration by the Exchange for failure to comply with the course of dealings obligations set forth in this proposed rule.

In adapting Article 16, Rule 4 into proposed Rule 7.23, the Exchange proposes the

following non-substantive changes to the original text of Article 16, Rule 4 to conform with the format and language used in NYSE Rule 7.23, NYSE American Rule 7.23E, and NYSE Arca Rule 7.23-E.

First, in proposed Rule 7.23(a)(1), the Exchange proposes to update the text of Article 16, Rule 4(a)(1) to conform with the language in NYSE Rule 7.23(a)(1), NYSE American Rule 7.23E(a)(1), and NYSE Arca Rule 7.23-E(a)(1) providing that a Market Maker will maintain a Two-Sided Obligation in securities in which the Market Maker is registered to trade and, for consistency with the format of the Affiliated Exchanges' rules, to relocate the rule text under Article 16, Rule 4(d) below proposed Rule 7.23(a)(1). In proposed Rules 7.23(a)(1)(A) and (B) (corresponding to Article 16, Rules 4(d)(1) and (2), respectively), the Exchange proposes to replace references to "Open Trading State" with "Core Trading Hours" to reflect the current terminology used by the Exchange. The Exchange similarly proposes to delete an obsolete reference to "SNAP Cycle" in proposed Rule 7.23(a)(1)(A) (corresponding to Article 16, Rule 4(d)). The Exchange next proposes to collapse the text of Article 16, Rules 4(d)(2)(A) and (B), which set forth requirements relating to Bid Quotations and Offer Quotations, into proposed Rule 7.23(a)(1)(B)(i) relating to Bid (Offer) Quotations, which would streamline the rule text and promote consistency with NYSE Rule 7.23(a)(1)(B)(i), NYSE American Rule 7.23E(a)(1)(B)(i), and NYSE Arca Rule 7.23-E(a)(1)(B)(i).

The Exchange proposes that Rule 7.23(a)(1)(B)(ii) would reflect the text of Article 16, Rule 4(d)(2)(C).

Next, in proposed Rules 7.23(a)(1)(B)(iii) and (iv), which correspond to Article 16, Rules 4(d)(2)(D) and (E), respectively, the Exchange proposes to update the rule text to replace outdated references to Article 20 and otherwise conform the text of the rules with NYSE Rules

7.23(a)(1)(B)(iii) and (iv), NYSE American Rules 7.23E(a)(1)(B)(iii) and (iv), and NYSE Arca Rules 7.23-E(a)(1)(B)(iii) and (iv).

In proposed Rule 7.23(a)(1)(C), which corresponds to Article 16, Rule 4(d)(2)(F), the Exchange proposes a non-substantive conforming change to update the rule text to replace “quoting” with “entering trading interest” to harmonize the text of the rule with NYSE Rule 7.23(a)(1)(C), NYSE American Rule 7.23E(a)(1)(C), and NYSE Arca Rule 7.23-E(a)(1)(C).

The Exchange does not propose to include the text of Article 16, Rule 4(d)(2)(G) in proposed Rule 7.23, as the terms “System Securities” and “System” are no longer applicable to trading on the Exchange.

In proposed Rule 7.23(a)(2), which corresponds to Article 16, Rule 4(e), the Exchange proposes non-substantive conforming changes to harmonize the text of Article 16, Rule 4(e) with NYSE Rule 7.23(a)(2), NYSE American Rule 7.23E(a)(2), and NYSE Arca Rule 7.23-E(a)(2). The Exchange proposes to omit the “Adequate capital” subtitle and further proposes that Rule 7.23(a)(2) would provide that “A Market Maker will maintain adequate minimum net capital” rather than “Each Market Maker must have and maintain minimum net capital.” The Exchange proposes to locate the requirement set forth in Article 16, Rule 4(e) as subparagraph (a)(2) of Rule 7.23 to conform with the formatting of NYSE Rule 7.23, NYSE American Rule 7.23E, and NYSE Arca Rule 7.23-E, thereby promoting consistency among the rules of Affiliated Exchanges.

To account for proposed Rule 7.23(a)(2) as described above, the Exchange proposes that Article 16, Rules 4(a)(2), (3), and (5) correspond to proposed Rules 7.23(a)(3) through (5). In adapting Article 16, Rules 4(a)(2), (3), and (5) to be Rules 7.23(a)(3) through (5), the Exchange proposes a non-substantive change to begin each rule with the phrase “A Market Maker will” to

conform with the format of NYSE Rule 7.23(a)(3) through (5), NYSE American Rule 7.23E(a)(3) through (5), and NYSE Arca Rule 7.23-E(a)(3) through (5). The Exchange does not propose to reinstate Article 16, Rules 4(a)(4) or (a)(6) in proposed Rule 7.23 to promote consistency with NYSE Rule 7.23, NYSE American Rule 7.23E, and NYSE Arca Rule 7.23-E.

The Exchange proposes Rule 7.23(b), which is based on NYSE Rule 7.23(b), NYSE American Rule 7.23E(b), and NYSE Arca Rule 7.23-E(b). Proposed Rule 7.23(b) would provide that a Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during the Core Trading Hours on all days in which the Exchange is open for business.

The Exchange does not propose to reinstate the text of Article 16, Rule 4(b) in proposed Rule 7.23 to promote consistency with NYSE Rule 7.23, NYSE American Rule 7.23E, and NYSE Arca Rule 7.23-E.

The Exchange proposes Rule 7.23(c), which reflects the text of Article 16, Rule 4(c), with certain changes to conform with NYSE Rule 7.23(c), NYSE American Rule 7.23E(c), and NYSE Arca Rule 7.23-E(c). In proposed Rule 7.23(c), the Exchange proposes to add a reference to paragraph (a) of this Rule, to omit the references to Rule 1(d) and Rule 2(e), and to provide that Market Makers may be subject to disciplinary action, suspension, or revocation of registration by the Exchange, consistent with NYSE Rule 7.23(c), NYSE American Rule 7.23E(c), and NYSE Arca Rule 7.23-E(c). The Exchange further proposes to replace references to “this Rule 4” with “this Rule.” The Exchange also proposes to include in proposed Rule 7.23(c) that a Participant may seek review of actions taken by the Exchange taken pursuant to this Rule in accordance with the Rule 10.9200 Series, in conformity with NYSE Rule 7.23(c), NYSE American Rule 7.23E(c), and NYSE Arca Rule 7.23-E(c).

Finally, the Exchange proposes Rule 7.23(d), which is based on NYSE Rule 7.23(d),

NYSE American Rule 7.23E(d), and NYSE Arca Rule 7.23-E(d). Proposed Rule 7.23(d) would provide that a Market Maker may apply to the Exchange to withdraw temporarily from its Market Maker status in the securities in which it is registered, based on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. In such event, the Exchange will act promptly on a Market Maker's request and, if the request is granted, the Exchange may temporarily reassign the securities to another Market Maker. The Exchange proposes to adopt this rule text in lieu of the substantially similar text of Article 16, Rule 2(d) and to locate it under Rule 7.23, to promote consistency with the rules of its Affiliated Exchanges.

The Exchange does not propose to reinstate Article 16, Rule 4(f), which describes the LEAD Market Maker Program. The LEAD Market Maker Program related to the Liquidity Enhancing Access Delay as described in Article 20, Rule 8(h), which rule is no longer effective.

*Rule 7.24*

Proposed Rule 7.24 would set forth minimum performance standards for Designated Market Makers, to be determined by the Exchange from time to time, including (i) percent of time at the NBBO; (ii) percent of executions better than the NBBO; (iii) average displayed size; (iv) average quoted spread; and (v) in the event the security is a derivative security, the ability of the Designated Market Maker to transact in underlying markets. Proposed Rule 7.24 would also provide that Lead Market Makers (as defined in proposed Rule 1.1(m)) would be held to higher performance standards in the securities in which they are registered as Lead Market Maker than Designated Market Makers that are not Lead Market Makers. Proposed Rule 7.24 is based on NYSE Arca Rule 7.24-E, without any changes.

## *Article 16*

The Exchange proposes to designate Article 16 as “Reserved” and to delete the preamble in Article 16 designating the Article as inapplicable to trading on Pillar. Further to the proposed changes described above to relocate the content of Article 16 under Rule 7, Section 2, the Exchange also proposes to delete Article 16, Rules 1 through 6.

### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>11</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange believes that the proposed rules would remove impediments to and perfect the mechanism of a free and open market because they propose rules governing Market Makers that are based on existing rules in the Exchange’s rulebook and/or on rules governing Market Makers on the Exchange’s affiliated markets, NYSE, NYSE American, and NYSE Arca, all of which have been previously approved by the Commission. The proposed rule change would therefore remove impediments to and perfect the mechanism of a free and open market and a national market system by promoting consistency across the rules of affiliated exchanges, as well as continuity that would enable market makers on the Exchange’s affiliated markets to also become Market Makers on the Exchange by meeting the same registration requirements and

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<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

by agreeing to be subject to the same obligations. The proposed rule change also removes impediments to and perfects the mechanism of a free and open market and a national market system by providing for Market Makers to support trading in Exchange Traded Products that could be listed on the Exchange, further to the Exchange’s recent filing. The Exchange also believes that providing for a Market Maker role on the Exchange would allow Participants that are market makers on other exchanges to leverage their existing market-making strategies on the Exchange. The proposed rules are also intended to serve investor protection and public interest goals by providing for a Market Maker function on the Exchange. The restoration of the Market Maker role would provide for a new category of market participant on the Exchange that will contribute to displayed liquidity and price discovery, thereby promoting competition and market quality on the Exchange to the benefit of all market participants.

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 proposed rule change sets forth rules governing Market Makers on the Exchange, which rules are based on rules previously approved on the Exchange for Market Makers, as well as on the approved rules of its Affiliated Exchanges pertaining to Market Makers. The Exchange believes that the proposed rules would promote competition because they would provide for obligations relating to Market Makers that are based on established rules, thereby reducing any potential barriers to entry for market makers registered on other exchanges to be approved as a Market Maker on the Exchange. The Exchange also believes that the proposed rule change would promote competition by providing Participants that are registered as market makers on other exchanges with the opportunity to similarly register as a Market Maker on the Exchange. The

Exchange therefore believes that the proposed rule change would promote competition by providing for market making activity on the Exchange, encouraging additional displayed liquidity, and facilitating price discovery for all market participants.

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

Because the foregoing 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 for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>14</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>15</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 the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### Electronic Comments:

- Use the Commission's internet comment form (<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-NYSETEX-2025-05 on the subject line.

##### Paper Comments:

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

All submissions should refer to file number SR-NYSETEX-2025-05. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://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 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-NYSETEX-2025-05 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>16</sup> 17 CFR 200.30-3(a)(12), (59).