SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76267; File No. SR-NYSEArca-2015-56)

October 26, 2015

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving Proposed Rule Change, and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 1 and 2 thereto, Adopting New Equity Trading Rules Relating to Orders and Modifiers and the Retail Liquidity Program to Reflect the Implementation of Pillar, the Exchange's New Trading Technology Platform

I.   Introduction

On July 7, 2015, NYSE Arca, Inc. (the "Exchange" or "Arca") filed with the Securities

and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities

Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to adopt new

equity trading rules relating to Orders and Modifiers, and the Retail Liquidity Program, to reflect

the implementation of Pillar, the Exchange's new trading technology platform. The proposed

rule change was published for comment in the Federal Register on July 28, 2015.[3] On July 29,

2015, the Exchange filed Amendment No. 1 to the proposed rule change.[4] On September 1,

2015, pursuant to Section 19(b)(2) of the Act,[5] the Commission designated a longer period

within which to approve the proposed rule change, disapprove the proposed rule change, or

institute proceedings to determine whether to approve or disapprove the proposed rule change.[6]

---

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

[2]   17 CFR 240.19b-4

[3]   See Securities Exchange Act Release No. 75497 (July 21, 2015), 80 FR 45022 ("Notice").

[4]   Amendment No. 1 deletes references to IOC Routable Cross Orders and states that the Exchange has determined not to offer this order type when it implements Pillar.

[5]   15 U.S.C. 78s(b)(2).

[6]   See Securities Exchange Act Release No. 75801, 80 FR 53905 (September 8, 2015).

On October 15, 2015, the Exchange filed Amendment No. 2 to the proposed rule change.[7] The Commission received no comment letters on the proposed rule change. The Commission is publishing this notice to solicit comment on Amendment Nos. 1 and 2 from interested persons, and is approving the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

II.   Description of the Proposed Rule Change

The Exchange proposes to adopt new equity trading rules relating to the implementation of Pillar, the Exchange's new trading technology platform. The Exchange proposes to adopt two new Pillar rules: 1) NYSE Arca Equities Rule 7.31P ("Rule 7.31P") related to orders and modifiers; and 2) NYSE Arca Equities Rule 7.44P ("Rule 7.44P") related to the Retail Liquidity Program ("RLP"). According to the Exchange, these rules would set forth the RLP for Pillar and describe how orders and modifiers in Pillar would be priced, ranked, traded, and/or routed, using the terminology and priority categories that were approved in the Pillar I Filing.[8]

A.   Background

The Exchange represents that Pillar is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by Arca and its affiliates, New York Stock Exchange LLC ("NYSE") and NYSE MKT LLC ("NYSE

---

[7]   In Amendment No. 2, the Exchange proposes to: (i) correct a cross reference in proposed Rule 7.31P(a)(2)(B) from Rule 7.10 to Rule 7.10P; (ii) add a new sentence to proposed Rule 7.31P(b)(2)(A) to specify that an incoming Limit IOC Order with a minimum trade size ("MTS") must be at least a round lot and, if the MTS is larger than the size of the Limit IOC Order, the order would be rejected on arrival; (iii) to add a hard paragraph return between proposed Rule 7.31P(i)(1) and 7.31P(i)(2); and (iv) remove an extraneous reference to "500" in the sixth paragraph in the first example of proposed Rule 7.44P(l).

[8]   See Securities Exchange Act Release No. 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015) ("Pillar I Filing"); see also Notice at 45022.

MKT").[9] On July 24, 2015, the Commission approved Pillar rules relating to Trading Sessions, Order Ranking and Display, and Order Execution.[10]

This filing is the second set of proposed rule changes to support Pillar implementation. As proposed, the new rules governing trading on Pillar would have the same numbering as current rules, but with the modifier "P" appended to the rule number. The Exchange proposes that rules with a "P" modifier would operate for symbols that are trading on the Pillar trading platform. If a symbol is trading on the Pillar trading platform, a rule with the same number as a rule with a "P" modifier would no longer operate for that symbol and the Exchange would announce by Trader Update when symbols are trading on the Pillar trading platform. Definitions that do not have a companion version with a "P" modifier would continue to operate for all symbols.

B.   Proposed Modifications

As described in detail in the Notice, Rules 7.31P, and 7.44P incorporate much of the substance of current NYSE Arca Rules 7.31 and 7.44, respectively. However, with Pillar, the Exchange would introduce new terminology, reorganize and redraft certain provisions to improve clarity, and provide additional detail to other current provisions being redesignated. The Exchange also proposes to make several changes that are more substantive in nature, as follows:

- Market Orders: To reduce the potential for clearly erroneous executions, Market Order Trading Collars would prevent Market Orders from executing at the Trading Collar, which are based on the clearly erroneous execution numerical

---

[9]   See Notice at 45022.

[10]   See Pillar I Filing, supra note 8.

3

guidelines, and not just through the Trading Collar as under the current trading rules;[11]

- Limit Orders: Resting Limit Orders that would lock or cross a protected quotation if they become the best bid or offer ("BBO") would be re-priced;[12]

- Limit Order designated IOC: A Limit Order designated with an immediate-or-cancel ("IOC") modifier that is not eligible to route may be designated with an optional MTS. On entry, a Limit IOC Order with an MTS must have a minimum of one round lot and will be rejected on arrival if the MTS is larger than the size of the Limit IOC Order;[13]

- Auction-Only Orders: Market-on-Open ("MOO") and Limit-on-Open ("LOO") Orders would be eligible to participate in trading halt auctions and the Exchange would accept Auction-Only Orders in non-auction eligible symbols;[14]

- Reserve Orders: The displayed portion of Reserve Orders would be replenished following any execution that reduces the display quantity below the size designated to be displayed, at which point the replenished quantity would receive a new working time;[15]

- Passive Liquidity Orders: Passive Liquidity Orders would be renamed "Limit Non-Displayed Orders," would no longer be ranked behind other non-displayed

---

[11]   See proposed Rule 7.31P(a)(1)(B). See also Notice at 45023.

[12]   See proposed Rule 7.31P(a)(2). See also Notice at 45023.

[13]   See proposed Rule 7.31P(b)(2)(A). See also Notice at 45023.

[14]   See proposed Rule 7.31P(c). See also Notice at 45023.

[15]   See proposed Rule 7.31P(d)(1). See also Notice at 45023.

orders, and an optional Non-Display Remove Modifier would be available for this order type; [16]

- MPL Orders: Mid-point Passive Liquidity Orders would be renamed "Mid-point Liquidity Orders" ("MPL Order"). On arrival, MPL Orders (and MPL-Adding Liquidity Only ("ALO" Orders) would be eligible to trade with resting non-displayed interest that provides price improvement over the midpoint of the protected best bid or offer ("PBBO"). As under current rules, an MPL Order may be designated with an MTS, but in Pillar, the MTS would have to be a minimum of a round lot instead of one share. In addition, an MPL with an MTS would be rejected if, on arrival, the MTS is larger than the size of the order and would be cancelled at any point the MTS is larger than the residual size of the order; [17]

- Tracking Orders: Tracking Orders would peg to the PBBO instead of the national best bid or offer ("NBBO") and Self-Trade Prevention ("STP") Modifiers for Tracking Orders would no longer be ignored;[18]

- PNP Orders: Post No Preference ("PNP") Orders would no longer be offered;[19]

- PNP Blind Orders: PNP Blind Orders would be renamed "Arca Only Orders" and an optional Non-Display Remove Modifier would be available for this order type;[20]

---

[16]   See proposed Rule 7.31P(d)(2). See also Notice at 45023.

[17]   See proposed Rule 7.31P(d)(3). See also Notice at 45023.

[18]   See proposed Rule 7.31P(d)(4). See also Notice at 45023.

[19]   See Notice at 45023.

[20]   See proposed Rule 7.31P(e)(1). See also Notice at 45023.

- ALO Orders: The current form of ALO Orders, which are based on PNP Orders and are rejected on arrival if marketable, would no longer be offered. ALO Orders in Pillar would no longer be rejected on arrival if marketable and instead would be re-priced both on arrival and after updates to the PBBO. In addition, an ALO Order would trade with resting contra-side non-displayed orders that would provide price improvement;[21]

- Intermarket Sweep Order: Intermarket Sweep Orders ("ISO") designated Day and IOC would be renamed "Day ISO" and "IOC ISO," respectively, and ALO modifier functionality available for Day ISOs would be based on the proposed ALO Order in Pillar;[22]

- Primary Only Orders: Primary Only Orders designated for the Core Trading Session would be accepted and routed directly to the primary listing market on arrival and the Exchange would not validate whether the primary listing market would be accepting such orders. Primary Only Orders that are designated Day may be designated as a Reserve Order;[23]

- Pegged Orders: Pegged Orders would peg to the PBBO instead of the NBBO, would require a limit price, and would be accepted during a Short Sale Period, as defined in Rule 7.16(f). Market Pegged Orders would no longer be displayed and an offset value would no longer be required, and Primary Pegged Orders could

---

[21]   See proposed Rule 7.31P(e)(2). See also Notice at 45023.

[22]   See proposed Rule 7.31P(e)(3). See also Notice at 45023.

[23]   See proposed Rule 7.31P(f)(1). See also Notice at 45023.

not include an offset value. In addition, in Pillar, Pegged Orders would not be

assigned a working price if the PBBO is locked or crossed;[24] and

- Q Orders: Auto Q Orders would be eliminated.[25]

- In the RLP, Retail Orders may not be designated with a "No Midpoint Execution"

  Modifier.[26]

- All orders in the RLP would be ranked based on their priority category, pursuant

  to Rule 7.36P, and would not have different ranking in the Program.

  Accordingly, odd-lot orders ranked Priority 2 – Display Orders would have

  priority over orders ranked Priority 3 – Non-Display Orders, and Limit Non-

  Displayed Orders would no longer be ranked behind other non-display orders.[27]

- Retail Price Improvement Orders ("RPIs") would be accepted before the start of

  Core Trading Hours.[28]

III.   Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent

with the requirements of the Act[29] and the rules and regulations thereunder applicable to a

national securities exchange.[30] In particular, the Commission finds that the proposed rule change

---

[24]   See proposed Rule 7.31P(h). See also Notice at 45023.

[25]   See Notice at 45023.

[26]   See proposed Rule 7.44P(k); see also Notice at 45044.

[27]   See proposed Rule 7.44P(l); see also Notice at 45044.

[28]   See proposed Rule 7.44P(m); see also Notice at 45047.

[29]   15 U.S.C. 78f.

[30]   In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

is consistent with Section 6(b)(5) of the Act,[31] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission notes that the Exchange believes that the proposed rules would remove impediments to and perfect the mechanism of a free and open market because the proposed rule set would promote transparency by using consistent terminology governing equities trading, and by clearly denoting the rules that govern once a symbol has been migrated to the Pillar platform.[32]

With respect to proposed Rule 7.31P, the Exchange states that it believes that the proposed substantive differences to functionality being proposed for Pillar would remove impediments to and perfect the mechanism of a fair and orderly market for the following reasons:[33]

- Market Orders: The proposed substantive difference to prevent Market Orders from trading at the Trading Collar, and not just through the Trading Collar, would reduce the potential for Market Orders to trade at prices that would be considered clearly erroneous executions.

---

31   15 U.S.C. 78f(b)(5).

32   See Notice at 45047.

33   See Notice at 45047-45049

8

- Limit Orders: The proposed substantive difference to re-price resting Limit Orders would reduce the potential for the Exchange to publish a BBO that would lock or cross an Away Market PBBO that was locking or crossing a prior BBO of the Exchange.

- Limit Order Designated IOC: The proposed substantive difference to add optional MTS functionality for Limit IOC Orders would provide ETP Holders with greater certainty regarding the trade size of an IOC Order, and is based on existing order types available on another market.

- Auction-Only Orders: The proposed substantive difference to accept Auction-Only Orders in non-auction-eligible symbols and route them to the primary listing market would promote liquidity on the primary listing markets for their respective auctions. The proposed change would also protect investors and the public interest by enabling such orders to reach a destination where it is more likely to obtain an execution opportunity or participate in an auction. In addition, the proposed substantive difference to accept Auction-Only Orders for Trading Halt Auctions on the Exchange would promote liquidity for Exchange Trading Halt Auctions by adding additional order types that an ETP Holder could use that would participate only in an auction.

- Reserve Orders: The proposed substantive difference to replenish the display quantity of a Reserve Order after any trade that depletes the display quantity would promote the display of liquidity on the Exchange, because the Exchange would not wait for the display quantity to be depleted before replenishing from

reserve interest. In addition, this proposed functionality is similar to how Reserve Orders function on another market.

- Limit Non-Displayed Orders: The proposed substantive difference to rank Limit Non-Displayed Orders with all other orders ranked Priority 3 – Non-Display Orders would streamline the Exchange's priority and allocation methodology and eliminate a separate allocation category for a single order type. In addition, the proposed substantive difference to add an optional Non-Display Remove Modifier would provide ETP Holders with a tool to enable a Limit Non-Displayed Order to trade with an incoming ALO Order rather than have its working price be locked by the display price of an ALO Order. The proposed Non-Display Remove Modifier would also provide price improvement to the contra-side ALO Order with which it would trade.

- MPL Orders: The proposed substantive difference to provide that arriving MPL and MPL-ALO Orders would trade with contra-side orders priced better than the midpoint of the PBBO would provide price improvement opportunities for MPL Orders and is consistent with how orders priced at the midpoint operate on other markets. In addition, the proposed substantive differences to the optional MTS functionality to cancel or reject an MPL Order with an MTS smaller than the size of the order would eliminate the possibility for an MPL Order to trade in a size smaller than the MTS. Finally, the proposed substantive difference to require a minimum of a round lot for the MTS would align the MTS functionality with the proposed MTS functionality for Limit IOC Orders, thereby streamlining the

Exchange's rules and making the available modifiers consistent across multiple order types.

- Tracking Orders: The proposed substantive difference to price Tracking Orders based on the PBBO instead of the NBBO would conform how Tracking Orders are priced to how other orders at the Exchange are priced in Pillar, e.g., Limit Orders, MPL Orders, and Pegged Orders. In addition, this proposed change may increase the opportunity for Tracking Orders to trade because by being priced based on the same-side PBBO, a Tracking Order would not be restricted from trading because a price based on the NBBO would trade-through the PBBO. The proposed substantive difference to allow STP Modifiers for Tracking Orders would provide additional tools for ETP Holders to prevent wash sales between orders entered from the same ETP ID.

- Arca Only Orders: The proposed substantive difference to add an optional Non-Display Remove Modifier for Arca Only Orders would provide ETP Holders with a tool to enable an Arca Only Order to trade with an incoming ALO Order rather than have its working price be locked by the display price of an ALO Order. The proposed Non-Display Remove Modifier would also provide price improvement to the contra-side ALO Order with which it would trade. The proposed substantive difference to not offer PNP Orders in Pillar would streamline the order types available at the Exchange.

- ALO Orders: The proposed substantive difference to re-price ALO Orders that would trade with the BBO or lock or cross the PBBO, rather than reject such orders if marketable, would promote additional displayed liquidity on a publicly

11

registered exchange, and therefore promote price discovery. The Exchange further believes that the proposed re-pricing and re-displaying of an ALO Order would remove impediments to and perfect the mechanism of a free and open market because it assures that such order would meet its intended goal to be available on the Exchange's NYSE Arca Book as displayed liquidity without locking or crossing a protected quotation in violation of Rule 610(d) of Regulation NMS.[34] The proposed re-pricing and re-displaying of ALO Orders is consistent with how other exchanges currently operate. In addition, any time the working price of an order changes, it receives a new working time.[35] The proposed re-pricing of ALO Orders would be subject to this general requirement, and therefore re-priced ALO Orders would not have time priority over orders in the same priority category that may have an earlier working time. The Exchange further believes that the proposed substantive differences for ALO Orders to trade on arrival with non-displayed orders that would provide price improvement over the limit price of the ALO Order, but not trade with non-displayed orders priced equal to the limit price of the ALO Order, is consistent with how other exchanges operate, and therefore offering this functionality in Pillar would promote competition.

- ISO: The proposed substantive difference to use the ALO Order functionality proposed for Pillar for ISOs would similarly promote additional displayed liquidity on the Exchange by allowing Day ISO ALO Orders to be re-priced for

---

[34]   17 CFR 242.610(d).

[35]   See Rule 7.36P(f)(2).

12

display rather than rejected if they are marketable against the BBO on arrival and is consistent with functionality on another exchange.

- Primary Only Orders: The proposed substantive difference to route all Primary Only Orders to the primary listing market would promote liquidity on the primary listing market and provide an opportunity for ETP Holders to participate in trading on the primary listing market. In addition, the proposed substantive difference to permit Primary Only Day Orders to be designated as a Reserve Order would provide ETP Holders with more options of order types that could be routed directly to the primary listing market, which would promote liquidity on the primary listing market.

- Pegged Orders: The proposed substantive difference to use the PBBO instead of the NBBO as the dynamic reference price for Pegged Orders would conform how Pegged Orders are priced consistent with how other orders are priced in Pillar, e.g., Limit Orders, MPL Orders, and Tracking Orders. The proposed substantive differences for Market Pegged Orders in Pillar, to provide that they would be undisplayed and no longer require an offset, would be consistent with how other exchanges operate. Finally, the proposed substantive difference for Market Pegged Orders – not to assign a working price to such orders or have them eligible to trade when the PBBO is locked or crossed – would reduce the potential for a Market Pegged Order to trade when the market is locked or crossed. The proposed substantive difference for Primary Pegged Orders to no longer permit an offset value would promote the additional display of liquidity at the PBBO, rather than at prices inferior to the PBBO. The additional proposed

substantive difference for Primary Pegged Orders to reject an arrival when the PBBO is locked or crossed, or to not assign a new working price to a resting Primary Pegged Order if the market becomes locked or crossed, would reduce the potential for the Exchange to display an order that would lock or cross the PBBO. Because Primary Pegged Orders would be displayed orders, the Exchange further proposes that if the PBBO locks or crosses, a resting Primary Pegged Order could remain displayed at its prior working price, which is consistent with how displayed orders that are locked or crossed by another market function on the Exchange.

- Q Orders: The proposed substantive difference to eliminate Auto Q Orders would streamline the Exchange's rules and reduce complexity regarding how orders and modifiers function on the Exchange.

With respect to proposed Rule 7.44P, the Commission notes that the Exchange represents that proposed substantive difference to the priority and allocation of orders that trade against Retail Orders in proposed Rule 7.44P(l) would remove impediments to and perfect the mechanism of a fair and orderly market because it would align the priority and allocation of orders in the RLP with the priority and allocation of orders outside of the RLP.[36] The Exchange further states the proposed substantive difference would therefore promote transparency in Exchange rules and reduce potential confusion because the RLP would no longer operate differently from the priority and allocation of orders outside the RLP.[37] The Exchange also states that the proposed substantive difference for proposed Rule 7.44P(m), to accept RPIs before the Core Trading Session begins, would remove impediments to and perfect the mechanism and

---

[36]   See Notice at 45049.

[37]   Id.

14

a free and open market by allowing the entry of RPIs to build a book of liquidity that would be available to provide price improvement to incoming Retail Orders as soon as the Core Trading Session begins.[38]

Based on the Exchange's representations, the Commission believes that the proposed rule change does not raise any novel regulatory considerations and should provide greater specificity with respect to the functionality available on the Exchange as symbols are migrated to the Pillar platform. For these reasons, the Commission believes that the proposal should help to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

IV.   Accelerated Approval of Amendment Nos. 1 and 2

In Amendment No. 1, the Exchange proposes to delete references to IOC Routable Cross Orders because the Exchange has determined not to offer this order type when it implements Pillar. In Amendment No. 2, the Exchange proposes to: (i) correct a cross reference in proposed Rule 7.31P(a)(2)(B) from Rule 7.10 to Rule 7.10P; (ii) add a new sentence to proposed Rule 7.31P(b)(2)(A) to specify that an incoming Limit IOC Order with a MTS must be at least a round lot and, if the MTS is larger than the size of the Limit IOC Order, the order would be rejected on arrival; (iii) to add a hard paragraph return between proposed Rule 7.31P(i)(1) and 7.31P(i)(2); and (iv) remove an extraneous reference to "500" in the sixth paragraph in the first example of proposed Rule 7.44P(l).

The Commission believes that the changes proposed in Amendment Nos. 1 and 2 are non-substantive and further clarify the operation of the proposed rules governing Pillar.

---

[38]   Id.

Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[39] to approve the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

V.   Solicitation of Comments on Amendment Nos. 1 and 2

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment Nos. 1 and 2 are 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-NYSEArca-2015-56 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEArca-2015-56. 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

---

[39]   15 U.S.C. 78s(b)(2).

available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2015-56, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

VI.   Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[40] that the proposed rule change (SR-NYSEArca-2015-56), as modified by Amendment Nos. 1 and 2 thereto, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[41]

> Robert W. Errett
> Deputy Secretary

---

[40]   15 U.S.C. 78s(b)(2).

[41]   17 CFR 200.30-3(a)(12).