

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79068; File No. SR-NYSEArca-2016-136)

October 7, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Amending NYSE Arca Equities Rule 7.35P to Provide for Widened Price Collar Thresholds for the Core Open Auction on Volatile Trading Days

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 September 28, 2016, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend NYSE Arca Equities Rule 7.35P to provide for widened price collar thresholds for the Core Open Auction on volatile trading days. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 NYSE Arca Equities Rule 7.35P ("Rule 7.35P") to provide for widened price collar thresholds for the Core Open Auction on volatile trading days. The Exchange believes that widening the Auction Collars for the Core Open Auction during periods of market-wide volatility would assist the Exchange in conducting fair and orderly auctions for its listed securities.

As set forth in Rule 7.35P(a)(10), the price collar thresholds for the Core Open Auction are currently set at 10% for securities with an Auction Reference Price of \$25.00 or less, 5% for securities with an Auction Reference Price greater than \$25.00 but less than or equal to \$50.00, and 3% for securities with an Auction Reference Price greater than \$50.00.⁴

The Exchange proposes to widen the applicable Auction Collars for the Core Open Auction on days with market-wide volatility to 10% for all Auction-Eligible Securities,⁵ regardless of the Auction Reference Price. The Exchange believes that for securities priced greater than \$25.00, the proposed wider price collar threshold would allow for additional price movements during periods of market-wide volatility, while continuing to prevent auctions from

⁴ The Auction Reference Price for the Core Open Auction is the midpoint of the Auction NBBO or, if the Auction NBBO is locked, the locked price. If there is no Auction NBBO, the prior trading day's Official Closing Price. The Auction Reference Price for the Trading Halt Auction is the last consolidated round-lot price of that trading day, and if none, the prior trading day's Official Closing Price. See NYSE Arca Equities Rule 7.35P(a)(8).

⁵ For the Core Open Auction, Auction-Eligible Securities are all securities for which the Exchange is the primary listing market and UTP Securities designated by the Exchange. See NYSE Arca Equities Rule 7.35P(a)(1)(A).

occurring at prices significantly away from the applicable Auction Reference Price.⁶ The proposed 10% price collar threshold for the Core Open Auction is the same as currently used by the Nasdaq Stock Market LLC (“Nasdaq”) for its opening crosses.⁷

To determine whether there is market-wide volatility, the Exchange proposes to use the same standard that its affiliated exchange, the New York Stock Exchange LLC (“NYSE”), recently added to determine whether there is market-wide volatility.⁸ As proposed, the Exchange would widen its Auction Collars for the Core Open Auction if, as of 9:00 a.m. Eastern Time, the E-mini S&P 500 Futures are +/- 2% from the prior day's closing price of the E-mini S&P 500 Futures or the Exchange determines that it is necessary or appropriate for the maintenance of a fair and orderly market. Market-wide volatility applies similar pricing pressure to all eligible securities and, in addition to the empirical measurement of the E-mini S&P 500 Futures, the Exchange proposes that it would have the power to widen the Auction Collars if it determines that it is necessary or appropriate for the maintenance of a fair and orderly market.⁹

⁶ On June 24, 2016, the Exchange temporarily widened Auction Collars for the Core Open Auction for all Auction-Eligible Securities to 10% in response to the a temporary basis [sic] referendum vote by the United Kingdom (“UK”) to leave the European Union, which resulted in an extraordinary level of global market activity, including the pricing of the ETPs traded on the Exchange. See Securities Exchange [sic] Release No. 78152 (June 24, 2016), 81 FR 42781 (June 30, 2016) (SR-NYSEArca-2016-90).

⁷ See Nasdaq Rule 4752(d)(2)(E) and http://www.nasdaqtrader.com/content/productservices/trading/crosses/openclose_faqs.pdf.

⁸ See NYSE Rules 15(d)(2) and 123D(a)(1)(B)(ii); see also Securities Exchange [sic] Release No. 78228 (July 5, 2016), 81 FR 44907 (July 11, 2016) (SR-NYSE-2016-24) (Approval Order).

⁹ Volatility affecting the Core Open Auction can emanate from many sources, including the previous day's trading session, overnight trading, trading in the foreign markets before the opening, substantial activity in the futures market before the opening, government actions or announcements, global news and events, and changes to the E-mini S&P Futures after 9:00 a.m. Eastern Time.

The Exchange believes that widening the Auction Collars for the Core Open Auction during periods of market-wide volatility would promote greater efficiency and transparency on such trading days by specifying uniform parameters for how the Core Open Auction would be effectuated for all Auction-Eligible securities on trading days experiencing market-wide volatility.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹¹ in particular, in that 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, and 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.

In particular, the Exchange believes that applying the same Auction Collars of 10% to all Eligible Auction Securities during periods of market-wide volatility, regardless of the Auction Reference Price, would 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, because it would promote fair and orderly auctions during periods when market-wide volatility is causing pricing dislocation across all securities. The Exchange further believes that widening the price collar thresholds for all securities would remove impediments to and perfect the mechanism of a national market system because it is designed to allow for greater price movement, while at the same time preventing auction trades from occurring at prices significantly away from the applicable Auction Reference Price. Accordingly, investors would

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

be protected from executions significantly away from the last sale in a security or other applicable reference price, but natural price fluctuations resulting from the market volatility would be permitted. In addition, the Exchange believes that widening the Auction Collars could reduce the possibility of securities triggering multiple trading pauses under the Regulation NMS Plan to Address Market Volatility.

The Exchange further believes that by specifying the standards for when Auction Collars would be widened, the proposal would advance the efficiency and transparency of the opening process, thereby fostering accurate price discovery at the open of trading. For the same reasons, the proposal is also designed to protect investors as well as the public interest.

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

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address competitive issues but rather is designed to ensure a fair and orderly market by widening the price collar thresholds for the Core Open Auction on trading days with market-wide volatility and therefore will not create a burden on competition. The proposed rule change is not intended to address competitive issues but rather promote greater efficiency and transparency at the open of trading on the Exchange.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period 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 such 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-NYSEArca-2016-136 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-2016-136. 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; 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-2016-136 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.¹²

Robert W. Errett
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).