SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-90730; File No. SR-NYSE-2020-87)

December 18, 2020

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Amend Rule 7.31

I. Introduction

On October 20, 2020, New York Stock Exchange LLC ("NYSE" or "Exchange") 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 amend NYSE Rule 7.31 to (1) cancel ALO Orders that lock displayed interest and (2) add two new types of Self Trade Prevention ("STP") modifiers. The proposed rule change was published for comment in the Federal Register on November 6, 2020.[3] On December 15, 2020, the Exchange filed Amendment No. 1 to the proposed rule change, which replaced and superseded the proposed rule change in its entirety.[4] The Commission has received no comments on the proposed rule change. This order provides notice of the filing of Amendment No. 1 to the proposed rule change, and grants approval to the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

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

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 90309 (November 2, 2020), 85 FR 71127 (November 6, 2020).

4 In Amendment No. 1 to the proposed rule change, the Exchange removed its proposal to cancel ALO Orders that lock displayed interest, and now only proposes to add two new types of STP modifiers to NYSE Rule 7.31. Amendment No. 1 is available on the Commission's website at https://www.sec.gov/comments/sr-nyse-2020-87/srnyse202087-8146047-226657.pdf.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

The Exchange's proposal, as modified by Amendment No. 1, seeks to amend NYSE Rule 7.31 to provide for two additional types of STP modifiers. Currently, NYSE offers two versions of STP: STP Cancel Newest ("STPN") and STP Cancel Oldest ("STPO"), as described in NYSE Rules 7.31(i)(2)(A) and 7.31(i)(2)(B), respectively. NYSE proposes to expand its STP offerings to establish STP Decrement and Cancel ("STPD") and STP Cancel Both ("STPC"), which would be set forth in proposed Rules 7.31(i)(2)(C) and 7.31(i)(2)(D), respectively. NYSE's proposed STPD and STPC offerings are based in part on the STPD and STPC offerings on NYSE's affiliates NYSE Arca, Inc. ("NYSE Arca"), NYSE American LLC ("NYSE American"), NYSE Chicago, Inc. ("NYSE Chicago"), and NYSE National, Inc. ("NYSE National") (collectively, the "Affiliated Exchanges"),[5] with differences to separately describe order processing for orders that are allocated in price-time priority and how STPD and STPC would function consistent with NYSE's parity allocation model.

For STPD, proposed NYSE Rule 7.31(i)(2)(C) would provide that an incoming order to buy (sell) with an STPD modifier would not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same Client ID,[6] as outlined in proposed NYSE Rules 7.31(i)(2)(C)(i) and (ii).

Proposed NYSE Rule 7.31(i)(2)(C)(i) would apply to resting orders in a priority category that allocates orders on price-time priority. As proposed, if both orders with an STP modifier are equivalent in size, both orders would be canceled back to the originating member organization.

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5 See NYSE Arca Rule 7.31-E(i)(2); NYSE American Rule 7.31E(i)(2); NYSE National Rule 7.31(i)(2); and NYSE Chicago Rule 7.31(i)(2).

6 As specified in current NYSE Rule 7.31(i)(2)(D), for purposes of STP, references to Client ID mean a Client ID when using Pillar phase I protocols to communicate with NYSE or an MPID when using Pillar phase II protocols to communicate with NYSE.

If the orders are not equivalent in size, the equivalent size would be canceled back to the originating Client ID and the larger order would be decremented by the size of the smaller order, with the balance remaining on NYSE's Book. The Exchange states that this proposed functionality is based on the STPD functionality available on the Affiliated Exchanges.

Proposed NYSE Rule 7.31(i)(2)(C)(ii) would address how STPD would function for resting orders in a priority category that allocates orders on parity. As proposed, if a resting order would have been considered for an allocation, both the portion of the resting order that would receive an allocation and the portion of the incoming order marked with the STPD modifier that would be allocated to the resting order would be canceled back to the originating member organization. Resting orders with an STP modifier from the same Client ID that would not have been eligible for a parity allocation would remain on NYSE's Book. NYSE states that if a member organization designates an order with an STPD modifier, that member organization has instructed NYSE to cancel the equivalent portion of both the incoming order and resting order with an STP modifier from the same Client ID, resulting in the larger order being decremented by the size of the smaller order and remaining on NYSE's Book. According to the Exchange, in the case of a parity allocation, because resting orders are allocated based on their position on an allocation wheel,[7] it would be consistent with the incoming order's decrementing instruction to provide a parity allocation to an eligible resting order with an STP modifier from the same Client ID and cancel both the portion of the resting order corresponding to the allocation and the portion of the incoming order that would have been allocated to the resting order. The Exchange states that this proposed functionality is similar to how NYSE currently

[7] See NYSE Rule 7.37(b)(2).

processes STPO modifiers if a resting order with an STP modifier from the same Client ID is in a priority category that allocates orders on parity, as described in NYSE Rule 7.31(i)(2)(B)(ii).

For STPC, proposed NYSE Rule 7.31(i)(2)(D) would provide that an incoming order to buy (sell) marked with the STPC modifier would not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same Client ID, as outlined in proposed NYSE Rules 7.31(i)(2)(D)(i) and (ii).

Proposed NYSE Rule 7.31(i)(2)(D)(i) would apply to resting orders in a priority category that allocates orders on price-time priority. As proposed, the entire size of both orders with an STP modifier would be canceled back to the originating member organization. The Exchange states that the proposed functionality is based on the STPC functionality available on the Affiliated Exchanges.

Proposed NYSE Rule 7.31(i)(2)(D)(ii) would address how STPC would function for resting orders in a priority category that allocates orders on parity. As proposed, if a resting order with an STP modifier is in a priority category that allocates orders on parity and would have been considered for an allocation against an incoming order with an STPC modifier, none of the resting orders eligible for a parity allocation in that priority category would receive an allocation. The first resting order with an STP modifier eligible for a parity allocation would be canceled back, as would the incoming order. NYSE states that this proposed processing would be consistent with the member organization's instruction that both the incoming order and resting order with an STP modifier from the same Client ID be canceled if there were a potential for an execution between the two orders. The Exchange states that this proposed functionality is similar to how NYSE currently processes STPN modifiers if a resting order with an STP modifier from the same Client ID is in a priority category that allocates orders on parity, as described in NYSE Rule 7.31(i)(2)(A)(ii).

NYSE also proposes non-substantive changes to renumber current NYSE Rules 7.31(i)(2)(C) and 7.31(i)(2)(D) as NYSE Rules 7.31(i)(2)(E) and 7.31(i)(2)(F) to accommodate the addition of the proposed rules governing STPD and STPC. NYSE also proposes a conforming change to current NYSE Rules 7.31(d)(4)(F) and 7.31(i)(2)(C) to clarify that D Orders could only be designated with an STPN or STPO modifier (i.e., that the new STPD and STPC modifiers would not be available for use with D Orders). NYSE also proposes to amend current NYSE Rule 7.31(i)(2)(D) to specify that STPD and STPC modifiers would only be available for use with Pillar phase II protocols.

The Exchange states that, because of the technology changes associated with this proposed rule change, it will announce the implementation date by Trader Update. Subject to approval of the proposed rule change, the Exchange anticipates that the proposed change will be implemented in January 2021**.**

III. Discussion and Commission Findings

After careful consideration of the proposed rule change, as modified by Amendment No. 1, the Commission finds that the Exchange's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to national securities exchanges. In particular, the Commission finds that the Exchange's proposal is consistent with Section 6(b)(5) of the Act,[8] which requires that the rules of an exchange be designed, among other things, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect

8 15 U.S.C. 78f(b)(5).

investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers or dealers.

With respect to the proposed addition of STPD and STPC modifiers, NYSE asserts that the proposed change would remove impediments to and perfect the mechanism of a free and open market by allowing member organizations to better manage order flow and prevent executions with themselves. NYSE asserts that because orders routed by the same member organization via different connections may, in certain circumstances, be eligible to trade against each other, its proposal to establish additional STP modifiers would remove impediments to and perfect the mechanism of a free and open market, and serve to protect investors and the public interest, by enhancing member organizations' ability to prevent potentially undesirable trades and internalize order flow. NYSE also asserts that the proposed rule change is designed 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 because the proposed changes are based on the approved rules of its Affiliated Exchanges, with modifications to address functionality specific to the NYSE's parity allocation model, and aligning its STP modifiers with those offered by its Affiliated Exchanges would promote consistency for member organizations that are members of the Exchange and one or more other Affiliated Exchanges. NYSE further asserts that the proposed differences to address how the proposed STPD and STPC modifiers would function for resting orders that are in a priority category that allocates orders on parity would remove impediments to and perfect the mechanism of a free and open market because the proposed rules are designed to honor the STPD and STPC instructions consistent with the NYSE's parity model. These proposed rules are also similar to how NYSE currently processes STPN and STPO modifiers for resting orders that are in a priority category that allocates orders on parity.

The Commission believes that the proposed rule change, as amended, will make the Exchange's STP rules consistent with the existing rules and functionalities of other exchanges. Accordingly, the Commission believes that the proposal is reasonably designed to remove impediments to and perfect the mechanism of a free and open market and is not designed to permit unfair discrimination. Based on the foregoing, the Commission therefore finds that the proposed rule change is consistent with the Act.[9]

IV. Solicitation of Comments on Amendment No. 1

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 1 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 No. SR-NYSE-2020-87 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 No. SR-NYSE-2020-87. The file numbers should be included on the subject line if e-mail is used. To help the Commission process and review your

9 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).

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 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. 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 publicly available. All submissions should refer to File No SR-NYSE-2020-87 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of notice of the amended proposal in the Federal Register. In Amendment No. 1, the Exchange removed its proposal to cancel ALO Orders that lock displayed interest, and now only proposes to add two new types of STP modifiers. Amendment No. 1 does not change any substantive provisions of the latter part of the proposed rule change regarding STP modifiers that were noticed for public comment. As discussed above, the Exchange further states that this proposed rule change will make its rules consistent with the rules and functionalities of other exchanges. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,[10] to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[11] that the proposed rule change (SR-NYSE-2020-87), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

J. Matthew DeLesDernier
Assistant Secretary

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10 15 U.S.C. 78s(b)(2).

11 Id.

12 17 CFR 200.30-3(a)(12).