SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87442; File No. SR-NYSEAMER-2019-41)

November 1, 2019

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing of Proposed Rule Change Regarding the Applicability and Functionality of Certain Order Types on the Exchange

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 ("Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on October 22, 2019, NYSE American LLC ("Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its rules to clarify the applicability and functionality of certain order types on the Exchange. 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 Rule 900.3NY(Orders Defined) to clarify the applicability and functionality of certain order types. Specifically, the Exchange proposes to amend the definitions of Stop Orders, Stop Limit Orders and All-or None ("AON") Orders, as set forth in Rule 900.3NY(d), which describes the Contingency Orders or Working Orders. The Exchange is not proposing to change or alter any obligations, rights, policies or practices enumerated within its rules. Rather, this proposal is designed to reduce any potential investor confusion as to the functionality and applicability of certain order types presently available on the Exchange.

Proposed Changes to Order Type Definitions

Rule 900.3NY (the "Rule") contains certain definitions of options order types available on the Exchange. Paragraph (d) of the Rule defines Contingency Orders or Working Orders as orders that are "contingent upon a condition being satisfied or an order with a conditional or undisplayed price and/or size." Contingency Orders and Working Orders are maintained in the Working Order File of the Consolidated Book until they are eligible for execution and/or display.[4] The Exchange proposes to amend the definitions of Stop Orders, Stop Limit Orders and

4 See Rule 900.3NY(d). See Rule 964NY(b)(2)(E) (regarding priority of orders in the Working Order File once eligible for execution and stating that such orders "do not have any priority or standing until they are eligible for execution and/or display") and Rule 964NY(a) (providing, in relevant part, that the Exchange will display "all non-marketable limit orders in the Display Order Process, unless indicated otherwise").

AON Orders, which are Contingency Orders/Working Orders.

Rule 900.3NY(d)(1)-(2) Stop Orders and Stop Limit Orders. A Stop Order is an order that becomes a Market Order when the market for a particular option contract reaches a specified price.[5] A Stop Limit Order is an order that becomes a Limit Order when the market for a particular option contract reaches a specified price.[6] Stop Orders and Stop Limit Orders (collectively, "Stop Orders" herein unless otherwise specified) track the price of an option and are generally used to limit losses as prices move up, in the case of buy orders, or down in the case of sell orders. In each case, the "triggering event," which converts the order type (to a Market Order or Limit Order, as applicable) occurs once the option trades or is quoted at, or above for a buy (below for a sell), the specified stop price.[7] Thus, Stop Orders to buy (sell) may be triggered as the price of an option rises (falls). The current rule provides that a Stop Order to buy (sell) will be rejected if, at the time of arrival, the stop price is below (above) the bid (offer).[8] Regarding priority, Stop Orders (including Stop Limit Orders) are not displayed and have no standing in any Order Process in the Consolidated Book.[9] As such, Stop Orders "are not eligible to execute against incoming orders and will become eligible to execute via the Display Order

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5 See Rule 900.3NY(d)(1).

6 See Rule 900.3NY(d)(2).

7 See Rule 900.3NY(d)(1),(2).

8 See Rule 900.3NY(d)(1),(2).

9 See Rule 900.3NY(d)(1) (setting forth details about both Stop Orders and Stop Limit Orders, even though paragraph (d)(1) pertains solely to Stop Orders). See also Rule 964NY(b)(2)(E) (regarding priority of orders in the Working Order File once eligible for execution and stating that such orders "do not have any priority or standing until they are eligible for execution and/or display") and Rule 964NY(a) (providing, in relevant part, that the Exchange will display "all non-marketable limit orders in the Display Order Process, unless indicated otherwise").

Process only after the incoming order is executed in full or rests in the book or the working order is sent to the Display Order Process at the end of a triggering event."[10]

The Exchange proposes to modify the description of Stop Orders to enhance the clarity of the rule text, including by streamlining some of the existing text and adding new text, as appropriate, and deleting existing text to correct an inaccuracy regarding current functionality. First, the Exchange proposes to streamline the description of the order types as follows. The Exchange proposes to revise the first sentence describing each order type (i.e., Rule 900.3NY(d)(1),(2)) to state that the order type converts to a Market or Limit Order, respectively -- or "is triggered" -- when the market for a particular option contract reaches a specified price.[11] The Exchange also proposes to modify Rule 900.3NY(d)(1),(2) to combine into one sentence the description of both buy and sell Stop Orders without modifying current functionality. The current rule addresses buy and sell Stop Orders in two sentences and the Exchange thinks the proposed change would streamline the rule and make it easier to navigate. Specifically, proposed Rule 900.3NY(d)(1),(2) would provide that a Stop Order (or Stop Limit Order) "to buy (sell) is triggered" such that it becomes a Market Order or Limit Order, respectively, "when the option contract trades at a price equal to or greater (less) than the specified 'stop' price on the Exchange or another Market Center or when the Exchange bid (offer) is quoted at a price equal to or greater (less) than the stop price."[12]

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10 See Rule 900.3NY(d)(1) (settings forth details about both Stop Orders and Stop Limit Orders, even though paragraph (d)(1) pertains solely to Stop Orders).

11 See proposed Rule 900.3NY(d)(1), (2).

12 See proposed Rule 900.3NY(d)(1), (2). Consistent with this proposed change to address both buy and sell Stop Orders and Stop Limit Orders in one sentence, the Exchange proposes to delete as unnecessary the sentences in the current definitions that describes the functionality for sell Stop Orders and sell Stop Limit Orders. See id.

The Exchange also proposes to address the display and standing of each type of Stop Order for which information is currently contained only in paragraph (d)(1) of Rule 900.3NY.[13] Specifically, the Exchange proposes to modify the current rules to reflect that each type of Stop Order "is not displayed and has no standing in any Order Process in the Consolidated Book, unless or until it is triggered (i.e., same-side incoming interest trades or quotes at a price equal to or better than the stop price)."[14] The Exchange also proposes to add new rule text to clarify that "[a]fter the triggering event," a Stop Order (per Rule 900.3NY(d)(1)) becomes a new Market Order, and a Stop Limit Order (per Rule 900.3NY(d)(2)) becomes a new Limit Order, and each converted order is processed accordingly.[15]

Finally, the Exchange proposes to delete as inaccurate the last two sentences in the description of each type of Stop Order, which provides for the rejection of such orders to buy (sell) if entered with a stop price below the bid (or above the offer). This language is not accurate as the Exchange does not reject Stop Orders so priced, but instead would execute such orders once triggered. This proposed change would reflect current functionality and therefore add clarity and consistency to Exchange rules.[16]

Rule 900.3NY(d)(4) All-Or-None Orders ("AON Orders"). An AON Order is a Market

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13 See Rule 900.3NY(d)(1) (which provides that "Stop Orders (including Stop Limit Orders) shall not have standing in any Order Process in the Consolidated Book and shall not be displayed").

14 See proposed Rule 900.3NY(d)(1), (2). The Exchange notes that this proposed text modifies the existing text in paragraph (d)(1) and is new text for paragraph (d)(2) of the Rule. See id.

15 See proposed Rule 900.3NY(d)(1), (2). See also Rule 900.3NY(a), (b) (defining Market Order and Limit Order, respectively).

16 See proposed Rule 900.3NY(d)(1), (2).

or Limit Order that is to be executed in its entirety or not at all.[17] The Exchange is not proposing to modify the functionality of an AON Order, but rather proposes to amplify the definition of an AON Order to clarify its current functionality. Specifically, the Exchange proposes to make clear that an AON Order that does not execute on arrival will not be displayed or routed to another Market Center (i.e., AON Orders may only be executed on the Exchange) and would have no standing in any Order Process in the Consolidated Book.[18] Further, the Exchange proposes to clarify that AON Orders are not eligible to execute against incoming interest but rather may execute solely against interest resting in the Consolidated Book when sufficient size is available.[19] Finally, the Exchange proposes to specify that the System monitors the Consolidated Book for AON Order execution opportunities.[20] The Exchange believes the proposed changes would add transparency to the operation of this order type, without altering the current functionality.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)[21] of the Act, in general, and furthers the objectives of Section 6(b)(5),[22] 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

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17 See Rule 900.3NY(d)(4).

18 See proposed Rule 900.3NY(d)(4). See also Rule 964NY(b)(2)(E) (regarding priority orders in the Working Order File and noting that such orders (i.e., AON Orders) have no priority or standing until eligible for execution and/or display).

19 See proposed Rule 900.3NY(d)(4).

20 See id.

21 15 U.S.C. 78f(b).

22 15 U.S.C. 78f(b)(5).

securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

In particular, the Exchange believes that deleting inaccurate language (regarding Stop Orders) and enhancing the descriptions as to the functionality of Stop Orders and AON Orders types (i.e., the Contingency Orders or Working Orders) would add transparency and clarity to the Exchange's rules, without altering current functionality. In addition, the Exchange believes that clarifying the definitions and current operation of Stop Orders and AON Orders removes impediments to, and perfects the mechanism of a free and open market by helping to ensure that investors better understand the current functionality of certain orders types available for trading on the Exchange.

The Exchange further believes that the proposal removes impediments to, and perfects the mechanism of a free and open market by ensuring that members, regulators and the public can more easily navigate the Exchange's rulebook and better understand certain order types available for trading on the Exchange.

Technical Changes

The Exchange notes that the proposed organizational and non-substantive changes to the rule text would provide clarity and transparency to Exchange rules and would promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, a free and open market and a national market system.

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

The Exchange does not believe that this proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but rather revise or amplify incomplete or inaccurate rule text or remove language pertaining to unavailable functionality in the Exchange's rulebook, thereby reducing confusion and making the Exchange's rules easier to understand and navigate. The Exchange believes the proposed changes would add transparency to the operation of certain order types, without altering the current functionality.

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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEAMER-2019-41 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-NYSEAMER-2019-41. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEAMER-2019-41 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.[23]

Jill M. Peterson
Assistant Secretary

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[23] 17 CFR 200.30-3(a)(12).