

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-77140; File No. SR-NYSEArca-2016-27)

February 16, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Rule 7.35P to Provide for Price Collar Thresholds for Trading Halt Auctions

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on February 4, 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 Rule 7.35P to provide for price collar thresholds for Trading Halt Auctions. 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

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

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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.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Rule 7.35P to provide for price collar thresholds for Trading Halt Auctions on Pillar. As previously described, the Exchange is in the process of implementing Pillar, its new trading platform.<sup>4</sup> The Exchange anticipates beginning migrating symbols to Pillar on February 22, 2016. As symbols migrate to Pillar, specified current rules not designated with “P” will no longer be applicable, and rules with a “P” designation will govern the applicable conduct. With respect to auctions, on Pillar, current Rules 1.1(s) and 7.35 will no longer govern trading; Rule 7.35P will govern all aspects of auctions on Pillar.<sup>5</sup>

The Exchange recently amended Rule 1.1(s) to provide for price collar thresholds for Trading Halt Auctions on a temporary basis.<sup>6</sup> However, Rule 1.1(s)(B) will not be applicable to trading on Pillar. Accordingly, the Exchange proposes to amend Rule 7.35P to adopt price collar thresholds for Trading Halt Auctions on the same terms and conditions as approved in Rule

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<sup>4</sup> See Securities Exchange Act Release Nos. 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (Notice) and 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015) (Order) (SR-NYSEArca-2015-38) (“Pillar I Filing”); 75497 (July 21, 2015), 80 FR 45022 (July 28, 2015) (Notice) and 76267 (Oct. 26, 2015), 80 FR 66951 (Oct. 30, 2015) (Order) (SR-NYSEArca-2015-56) (“Pillar II Filing”); 75467 (July 16, 2015), 80 FR 43515 (July 22, 2015) (Notice) and 76198 (Oct. 20, 2015), 80 FR 65274 (Oct. 26, 2015) (Order) (SR-NYSEArca-2015-58) (“Pillar III Filing”); and 76085 (Oct. 6, 2015), 80 FR 61513 (Oct. 13, 2015) (Notice) and 76869 (Jan. 11, 2016), 81 FR 2276 (Jan. 15, 2016) (Order) (SR-NYSEArca-2015-86) (“Pillar Auction Filing”).

<sup>5</sup> See Pillar Auction Filing.

<sup>6</sup> See Securities Exchange Act Release No. 76994 (Jan. 28, 2016) (SR-NYSEArca-2015-121) (Approval Order) (“Trading Halt Auction Collar Filing”). Rule 1.1(s)(B) will be in effect until July 28, 2016.

1.1(s)(B). As proposed, Rule 7.35P(a)(10) would be amended to add reference to Trading Halt Auctions by providing that “Auction Collar” would mean the price collar thresholds for the Indicative Match Price for the Core Open Auction, Trading Halt Auction, or Closing Auction.

The Exchange would further amend Rule 7.35P(a)(10)(A) to add the specified percentages for price collar thresholds for Trading Halt Auctions. Consistent with Rule 1.1(s)(B), the price collar thresholds for Trading Halt Auctions would be 10% for securities with a consolidated last sale price of \$25.00 or less, 5% for securities with a consolidated last sale price greater than \$25.00 but less than or equal to \$50.00, and 3% for securities with a consolidated last sale price greater than \$50.00. The Exchange proposes a non-substantive difference from Rule 1.1(s) to refer to the “Auction Reference Price” in Rule 7.35P instead of the last consolidated sale price. Rule 7.35P defines the term “Auction Reference Price” for the Trading Halt Auction to be the last consolidated round-lot price of that trading day, and if none, the prior trading day’s Official Closing Price. Because the Rule 7.35P Auction Reference Price for Trading Halt Auctions is based on the same reference price for Trading Halt Auctions as specified in Rule 1.1(s)(B), the Exchange proposes in Rule 7.35P to reference the term “Auction Reference Price” rather than refer to the last consolidated sale price.

Finally, as with Rule 1.1(s), the Exchange proposes that the price collar thresholds for Trading Halt Auctions would be in effect temporarily. Because the Rule 1.1(s)(B) Trading Halt Auction collars will be in effect until July 28, 2016, the Exchange proposes that the price collar thresholds specified in Rule 7.35P(a)(10)(A) applicable to Trading Halt Auctions would similarly be in effect until July 28, 2016.

As the Exchange noted in the Trading Halt Auction Collar Filing, the Exchange is continuing its analysis to identify what changes, if any, would be appropriate for how the

Exchange conducts its Trading Halt Auctions and, based on this analysis, will file a separate rule proposal to either make the price collar thresholds for Trading Halt Auctions permanent or propose other or additional changes to the re-opening auction process.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>8</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 recently amended Rule 1.1(s) to provide price collar thresholds for Trading Halt Auctions on a temporary basis. However, the Exchange will be migrating symbols to its Pillar trading platform and Rule 1.1(s) will no longer govern auctions on the Exchange once a symbol trades on Pillar. The Exchange therefore believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to provide that the rule that governs auctions on the Exchange on Pillar be amended to reflect recently approved changes to Rule 1.1(s)(B). The Exchange further believes the proposed price collar thresholds for Trading Halt Auctions, which would be based on the numerical guidelines set forth in Rule 7.10(c)(1) and Rule 1.1(s)(B), would also remove impediments to and perfect the mechanism of a fair and orderly market and protect investors and the public interest because they would reduce the potential for a Trading Halt Auction to be a clearly

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

erroneous execution on Pillar.

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 change is not designed to address any competitive issue but rather to provide for a price protection mechanism to prevent Trading Halt Auctions from occurring at prices that could be a clearly erroneous execution.

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 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>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>11</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>12</sup> permits the Commission to designate a shorter time if such action is consistent with the

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of 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.

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange stated that it anticipates beginning the migration of symbols to Pillar on February 22, 2016 and therefore there would be symbols trading on the Exchange that will no longer be governed by Rule 7.35 or 1.1(s) in less than 30 days. The Exchange stated that waiver of the operative delay would allow the Exchange to immediately implement the approved changes to Rule 1.1(s)(B) on its Pillar trading platform without delay. The Commission believes the waiver of the operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.<sup>13</sup>

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 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 change 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:

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<sup>13</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2016-27 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-2016-27. 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 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-2016-27, 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.<sup>14</sup>

Brent J. Fields  
Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).