

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-79705; File No. SR-NYSEArca-2016-169)

December 29, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.35(a)(10)(A)

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on December 22, 2016, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“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 7.35(a)(10)(A) to extend the period for the current Trading Halt Auction Collar price collar. 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 places

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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.

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 7.35(a)(10)(A) (“Rule 7.35”) to extend the period for the current Trading Halt price collar thresholds.

As specified in Rule 7.35(a)(10)(A), the price collar thresholds for Trading Halt Auctions are currently set at 10% for securities with an Auction Reference Price<sup>4</sup> 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. These price collar thresholds were adopted on an interim basis and sunset on January 31, 2017.<sup>5</sup>

When approving the current price collar thresholds for Trading Halt Auctions, the Commission noted that they were appropriate as an interim measure to protect investors and the public interest.<sup>6</sup> The Exchange committed to use the period while the interim price collar thresholds are in place to conduct an analysis to determine whether to make the proposed price

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<sup>4</sup> As set forth in Rule 7.35(a)(8)(A), the Auction Reference Price for Trading Halt Auctions is the last consolidated round-lot price of that trading day and, if none, the prior trading day’s Official Closing Price.

<sup>5</sup> See Securities Exchange Act Release No. 78734 (July 20, 2016), 81 FR 48876 (July 26, 2016) (SR-NYSEArca-2016-98) (Notice of Filing and Immediate Effectiveness to extend the period for the interim Trading Halt Auction Collar thresholds to January 31, 2017). Effective September 28, 2016, the Exchange has deleted former Rule 1.1(s) and eliminated the “P” modifier from Rule 7.35. See Securities Exchange Act Release No. 79078 (October 11, 2016), 81 FR 71559 (October 17, 2016) (SR-NYSEArca-2016-135) (Notice of Filing and Immediate Effectiveness of proposed rule change).

<sup>6</sup> See Securities Exchange Act Release Nos. 76994 (Jan. 28, 2016), 81 FR 5809 (Feb. 3, 2016) (SR-NYSEArca-2015-121) (Approval Order) and 77140 (Feb. 16, 2016), 81 FR 8812 (SR-NYSEArca-2016-27) (Notice of Filing).

collar thresholds permanent or to propose other or additional changes to its re-opening process. Since that time, the Participants of the Regulation NMS Plan to Address Extraordinary Market Volatility (“LULD Plan”) (which includes the Exchange),<sup>7</sup> with input from the Advisory Committee to the LULD Plan, have filed to amend the LULD Plan to require, among other things, that a Trading Pause would continue until the Primary Listing Exchange has reopened trading using its established reopening procedures and reports a Reopening Price.<sup>8</sup> In connection with the Twelfth Amendment to the LULD Plan, the Exchange has filed a proposed rule change to amend its Trading Halt Auction procedures to provide for automated reopening processes that would be uniform across the Primary Listing Exchanges.<sup>9</sup> The Exchange’s proposed enhancements to the Trading Halt Auction include eliminating the current interim price collar thresholds and replacing them with Auction Collars that are aligned with the LULD Plan Price Bands and providing for extensions of a Trading Pause and related widening of Auction Collars for each such extension.

The Exchange proposes that the current interim price collar thresholds should remain in effect until the Trading Halt Auction Filing is approved and operative.<sup>10</sup> To effect this change,

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<sup>7</sup> See Securities Exchange Act Release No. 77679 (April 21, 2016), 81 FR 24908 (April 27, 2016) (File No. 4-631) (Order approving 10<sup>th</sup> Amendment to the LULD Plan). Unless otherwise specified, capitalized terms used herein have the same meaning as set forth in the Plan or in Exchange rules.

<sup>8</sup> See Securities Exchange Act Release No. 79410 (November 28, 2016), 81 FR 87114 (December 2, 2016) (File No. 4-631) (Notice of Filing of the Twelfth Amendment to the LULD Plan) (“Twelfth Amendment to the LULD Plan”).

<sup>9</sup> See Securities Exchange Act Release Nos. 79107 (October 18, 2016), 81 FR 73519 (October 24, 2016) (SR-NYSEArca-2016-130) (Notice of Filing) (“Trading Halt Auction Filing”) and 79480 (December 6, 2016), 81 FR 89525 (December 12, 2016) (SR-NYSEArca-2016-130) (Notice of Designation of a Longer Period for Commission Action extending time for Commission action on the Trading Halt Auction Filing to January 22, 2017).

<sup>10</sup> As provided for in the Trading Halt Auction Filing, supra id., the Exchange proposes to

the Exchange proposes to amend Rule 7.35(a)(10)(A) to provide that the price collar thresholds specified in that paragraph applicable to Trading Halt Auctions would be in effect until SR-NYSEArca-2016-130 is both approved and operative. This extension of the time period would also provide additional time for the Commission to review the Twelfth Amendment to the LULD Plan. The Exchange continues to believe that it is appropriate to have protections in place for Trading Halt Auctions to assure that a reopening trade will not deviate significantly from prior prices, even taking into consideration natural price movements for a security. The Exchange believes that it is appropriate to maintain price collar thresholds for Trading Halt Auctions based on the clearly erroneous execution guidelines because an auction trade is subject to these guidelines for purposes of determining whether such execution is clearly erroneous. In addition, the Exchange's interim price collar thresholds are similar to how BATS BZX Exchange, Inc. ("BATS") prices its Halt Auctions for ETPs. Like BATS, the Exchange is the primary listing market only for ETPs and would, therefore only have Trading Halt Auctions for ETPs. BATS Rule 11.23(d)(2)(D) provides that BATS executes orders in ETPs in a Halt auction at a price level within a "Collar Price Range" that maximizes the number of shares executed in the auction. Similar to the Exchange's rule, BATS uses Collar Price Ranges that are based on the numerical guidelines set forth in the market-wide clearly erroneous execution rules.<sup>11</sup> The Exchange's Auction Collars differ from BATS's pricing mechanism because the Exchange would use the

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implement the proposed rule changes following Commission approval of the Twelfth Amendment to the LULD Plan.

<sup>11</sup> As set forth in BATS Rule 11.23(a)(6), the Collar Price Range is 10% for securities with a Collar Midpoint of \$25.00 or less, 5% for securities with a Collar Midpoint greater than \$25.00 but less than or equal to \$50.00, and 3% for securities with a Collar Midpoint greater than \$50.00. BATS Rule 11.23(a)(6) defines the Collar Midpoint as the Volume Based Tie Breaker, which is defined in BATS Rule 11.23(a)(23) as the midpoint of the NBBO if it is a Valid NBBO, with a Valid NBBO defined as where: (i) there is both a NBB and NBO for the security; (ii) the NBBO is not crossed; and (iii) the midpoint of the NBBO is less than the Maximum Percentage away from both the NBB and the NBO.

consolidated last sale price as the reference price, rather than the midpoint of a “Valid NBBO.” The Exchange believes that using the consolidated last sale price tracks the market-wide clearly erroneous execution rules, which similarly use the consolidated last sale price for determining whether an execution is clearly erroneous.

The Exchange will announce by Trader Update when the interim collars will no longer be operative and the changes proposed in the Trading Halt Auction Collar Filing will be operative.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>13</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 believes that extending the interim period for the current Trading Halt Auction price collar thresholds would remove impediments to and perfect the mechanism of a fair and orderly market by providing for Auctions Collars at the Exchange pending Commission review of the Twelfth Amendment to the LULD Plan and the Exchange’s Trading Halt Auction Filing. Until such time as these proposed changes have been approved and operative, the price collar thresholds for Trading Halt Auctions would continue to be aligned with the clearly erroneous execution guidelines and therefore continuing with these price collar thresholds would reduce the potential for a Trading Halt Auction to be a clearly erroneous execution. In addition,

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

the Exchange believes that extending the Exchange's interim measure pending Commission approval of the Twelfth Amendment to the LULD Plan and the Trading Halt Auction Filing would be consistent with the protection of investors and the public interest.

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 the interim price collar thresholds for Trading Halt Auctions on the Exchange to remain in effect until the Trading Halt Auction Filing is approved and operative.

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>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</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

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission 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. The Exchange has satisfied this requirement.

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:

##### 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-2016-169 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-NYSEArca-2016-169. 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-2016-169 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>16</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).