SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80576; File No. SR-NYSEArca-2017-47)

May 2, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.35 to Specify Order Handling for an IPO Auction

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 April 21, 2017, 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend NYSE Arca Equities Rule 7.35 (Auctions) to specify order handling for an IPO Auction. 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

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

[2]   15 U.S.C. 78a.

[3]   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 NYSE Arca Equities Rule 7.35 (Auctions) ("Rule 7.35") to specify order handling for an IPO Auction.

Under Rule 7.35(f), IPO Auctions follow the processing rules of a Core Open Auction, provided that: (1) the Exchange will specify the time an IPO Auction will be conducted; (2) there will be no Auction Imbalance Freeze, Auction Collars, or restrictions on the entry or cancellation of orders for an IPO Auction; and (3) an IPO Auction will not be conducted if there are only Market Orders on both sides of the market.

The Exchange proposes to amend Rule 7.35(f)(2) to provide that order types that are not eligible to participate in the IPO Auction would be rejected until such time that the Auction Processing Period for the IPO Auction has concluded. Specifically, Limit Orders designated IOC, Limit Non-Displayed Orders, MPL Orders, Tracking Orders, Market Pegged Orders, Discretionary Pegged Orders, Cross Orders, Retail Orders, and Retail Price Improvement Orders are not eligible to participate in auctions, including IPO Auctions.[4] Because none of these order

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[4] See Rules 7.31(b)(2) (A Limit Order designated IOC is not eligible to participate in any auctions); 7.31(d)(2) (Limit Non-Displayed Order does not participate in an auction); 7.31(d)(3) (MPL Order does not participate in an auction); 7.31(d)(4) (Tracking Orders are not triggered to trade during an auction because the Exchange does not route during an auction); 7.31(h)(1) (Market Pegged Orders will not participate in any auctions); 7.31(g) (A Cross Order is not eligible to participate in any auctions); and 7.44(m) (the Retail Liquidity Program operates only during the Core Trading Session and Retail Orders will be accepted during Core Trading Hours only). Because Discretionary Pegged Orders are non-displayed Pegged Orders, they are processed similarly to Market Pegged Orders in that they would not participate in auctions, would be rejected if entered or

types are eligible to participate in an auction and because there would be no trading in a security before an IPO Auction, the Exchange believes it would be appropriate to reject such orders until after the Auction Processing Period concludes, at which time they would be eligible to trade. Accordingly, the Exchange proposes to amend Rule 7.35(f)(2) to specify that the Exchange would reject these orders until after the Auction Processing Period for the IPO Auction has concluded.

In conjunction with this change, the Exchange proposes to delete the current text in Rule 7.32(f)(2) stating that there will be no restriction on the entry of orders for an IPO Auction.

As proposed, amended Rule 7.35(f)(2) would provide (deleted text bracketed, new text underlined):

> (2) There will be no Auction Imbalance Freeze, Auction Collars, or restrictions on the [entry or] cancellation of orders for an IPO Auction. Limit Orders designated IOC, Limit Non-Displayed Orders, MPL Orders, Tracking Orders, Market Pegged Orders, Discretionary Pegged Orders, Cross Orders, Retail Orders, and Retail Price Improvement Orders will be rejected until after the Auction Processing Period for the IPO Auction has concluded.

The Exchange also proposes to amend Rule 7.35(h)(3), which describes the transition to continuous trading following an auction, to specify how the Exchange would transition to continuous trading following an IPO Auction. Currently, Rule 7.35(h)(3)(A) provides that when transitioning to continuous trading from a prior trading session or following an auction, a quote will be published based on unexecuted orders that were eligible to trade in the trading sessions

cancelled if cancel/replaced during a halt or pause in a security listed on the Exchange, and would be rejected if entered before or during the Early Trading Session. The Exchange proposes to amend Rules 7.18(c)(4), 7.31(h)(3)(A), and 7.34(c)(1)(A) to specify this behavior.

both before and after the transition or auction, i.e., previously-live orders. To make the text more specific, the Exchange proposes to define the term "previously-live order" separately for an IPO Auction to mean unexecuted orders that were entered before the IPO Auction Processing Period began. In the case of an IPO Auction, there is no prior trading session. In addition, as described in detail above, the Exchange would reject orders that are not eligible to participate in the IPO Auction until after the Auction Processing Period for the IPO Auction has concluded. Therefore, the only unexecuted orders following an IPO Auction would be those orders that would have been eligible to participate in the IPO Auction. The Exchange further proposes to specify that the current definition of previously-live orders would be applicable for the Core Open Auction, Trading Halt Auction, and Closing Auction.

In addition, the Exchange believes that in the context of transitioning to continuous trading, an IPO Auction is more akin to a Trading Halt Auction than to the Core Open Auction because there is no trading in such security immediately preceding the auction, but there may be a previously-published quote.[5] Accordingly, the Exchange proposes to amend Rule 7.35(h)(3)(A)(ii) to provide that the procedures for publishing a quote after an IPO Auction would be the same as are currently applicable for publishing a quote following a Trading Halt Auction.[6] Because all marketable orders at the indicative match price would trade in an IPO

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[5]   In limited circumstances, the first day of trading of a new listing on an exchange may not be an initial public offering, e.g., first day of listing of a new rights security, and therefore another exchange that trades such security on an unlisted trading privileges basis may begin quoting and trading in such security before the Exchange's IPO Auction. In such case, there may be a quote in that symbol before the IPO Auction, just as there would be a previously-published quote in a security that is subject to a Trading Halt Auction.

[6]   Rule 7.35(h)(3)(A)(i) currently specifies order processing following an Early Open Auction, Core Open Auction, and Closing Auction. Because there is no trading in a security before an Early Open Auction and no previously-published quote against which

Auction and the Exchange would reject orders that are not eligible to participate in the IPO Auction, following an IPO Auction there would not be any previously-live orders that would be marketable against other orders in the NYSE Arca Book. For this reason, the Exchange proposes to specify that the second step specified in that rule would be for the Trading Halt Auction only. The Exchange also proposes to amend this rule to correct a typographical error to remove the hyphen between "trade" and "through."

Finally, the Exchange proposes to amend Rule 7.35(h)(3)(B). The rule currently provides that unexecuted orders that were not eligible to trade in the prior trading session (or were received during a halt or pause) or that were received during the Auction Processing Period, will be assigned a new working time at the end of the Auction Processing Period in time sequence relative to one another based on original entry time. The Exchange proposes to clarify this rule text by adding sub-numbering, specifying that existing rule text relates to a Trading Halt Auction, adding how orders entered before an Early Open Auction would be assigned a working time, and specifying that all such unexecuted orders would be processed in time sequence, *i.e.,* such orders would be quoted, traded, or routed consistent with Rules 7.36 and 7.37. As proposed, the rule would provide that "unexecuted orders that (1) were not eligible to trade in the prior trading session, (2) for a Trading Halt Auction, were received during a halt or pause, (3) for the Early Open Auction, were received before the Early Open Auction Processing Period, or (4) that were received during the Auction Processing Period" would be assigned a new working time at the end of the Auction Processing Period in time sequence relative to one another based on

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to compare the new quote, the Exchange proposes to amend this rule text to remove reference to the Early Open Auction.

original time entry [sic] and would be processed in time sequence.[7] This proposed rule text represents current functionality.

The Exchange further proposes to amend how the Exchange would assign working times to previously-live orders following an IPO Auction. The Exchange proposes to amend Rule 7.35(h)(3)(B) to specify that for an IPO Auction, previously-live orders (as defined in proposed Rule 7.35(h)(3)(A) above) that did not trade in the auction would retain the working time assigned at original entry time. The Exchange proposes this difference for IPO Auctions because, as proposed above, the Exchange would be rejecting orders that are not eligible to trade in an IPO Auction until after the Auction Processing Period concludes. Therefore, there would not be any other orders that need to be re-ranked with such previously-live orders and therefore the previously-live orders may retain their previously-assigned working times as they are processed in time sequence.

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Because of the technology changes associated with this proposed rule change, the Exchange will announce by Trader Update the implementation date, which the Exchange anticipates will be in the third quarter of 2017.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),[8] in general, and furthers the objectives of Section 6(b)(5),[9] in particular,

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[7]   For example, for the Early Open Auction, unexecuted orders that either did not participate in an auction or, if there were no auction, were not represented in the first quote would be added to the NYSE Arca Book in time sequence and processed consistent with Rule 7.36 and 7.37 and the terms of the order.

[8]   15 U.S.C. 78f(b).

[9]   15 U.S.C. 78f(b)(5).

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.

Specifically, the Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system by rejecting orders that are not yet eligible to trade. Similar to how the Exchange rejects Limit Orders designated IOC, Cross Orders, and Market Pegged Orders that are entered during the Early Trading Session and designated for the Core Trading Session, as provided for in Rule 7.34(c)(1), the Exchange believes that it provides greater certainty for ETP Holders for the Exchange to reject an order that is not yet eligible to trade. Because Limit Orders designated IOC, Limit Non-Displayed Orders, MPL Orders, Tracking Orders, Market Pegged Orders, Discretionary Pegged Orders, Cross Orders, Retail Orders, and Retail Price Improvement Orders are not eligible to participate in an auction and because there would be no trading in a security before an IPO Auction, the Exchange believes it would be consistent with the protection of investors and the public interest to reject such orders until after the Auction Processing Period concludes, at which time they would be eligible to trade.

The Exchange further believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to align its rules governing how the Exchange transitions from an IPO Auction to continuous trading with its proposal to reject orders that are not yet eligible to trade. Specifically, because immediately following an IPO Auction, the only available orders would be previously-entered orders that were eligible to

participate in the IPO Auction, the proposed rule changes are designed to reflect how this order processing would be reflected in the transition to continuous trading following an IPO Auction. For example, there would be no need to adjust the working time of such orders. The Exchange believes that specifying such order processing in its rules would promote transparency and therefore remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange believes that the proposed amendments to Rule 7.35(h)(3)(A) and (B) would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes would provide greater specificity regarding how orders would be processed following an auction, including defining what constitutes a "previously-live order" for different auctions, how previously-live orders would be quoted following an auction, and how unexecuted orders would be processed following all auctions, including an Early Open Auction, thereby promoting transparency and clarity in exchange rules.

The Exchange further believes that the proposed amendments to Rules 7.18(c)(4) and 7.34(c)(1)(A) would remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange proposes to process Discretionary Pegged Orders, like [sic] Market Pegged Orders are non-displayed Pegged Orders, in the same manner as Market Pegged Orders, which are also non-displayed Pegged Orders. Accordingly, the Exchange proposes that Discretionary Pegged Orders would not participate in auctions, would be rejected if entered or cancelled if cancel/replaced during a halt or pause for an Exchange-listed security, and would be rejected if entered before or during the Early Trading Session.

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 Exchange believes that the proposed rule change would not impose any burden on competition because it is not designed to address any competitive issues. Rather, the proposed rule change is designed to provide specificity in Exchange rules regarding how the Exchange would process orders before and after all auctions, including the Early Open Auction and an IPO Auction. In addition the proposed changes regarding Discretionary Pegged Orders would not impose any burden on competition because Discretionary Pegged Orders, like Market Pegged Orders are non-displayed orders, and the proposed changes are based on how Market Pegged Orders operate.

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 foregoing 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[10] and Rule 19b-4(f)(6) thereunder.[11]

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[10]   15 U.S.C. 78s(b)(3)(A).

[11]   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.

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:

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-2017-47 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-2017-47. 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-2017-47, 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]

Eduardo A. Aleman
Assistant Secretary

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