

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-84586; File No. SR-NYSEArca-2018-79)

November 14, 2018

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Delete Exchange Rules that Reference Pillar Phase I Protocols

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 November 5, 2018, 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 delete Exchange rules that reference Pillar phase I protocols now that Pillar phase I protocols are no longer available for ETP Holders to communicate with the NYSE Arca Marketplace. 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 purpose of this proposed rule change is to delete obsolete rules from the Exchange's rulebook.

As a general matter, ETP Holders enter orders and order instructions by using communication protocols that map to the order types and modifiers described in Exchange rules. Prior to the implementation of Pillar, ETP Holders communicated with the NYSE Arca Marketplace using Pillar phase I protocols. When the Exchange introduced trading on its Pillar trading platform, the Exchange also introduced new technology to support how ETP Holders communicate with the NYSE Arca Marketplace, referred to in the Exchange's rules as Pillar phase II protocols. During the Pillar implementation, there was a period of time when both Pillar phase I protocols and Pillar phase II protocols were available to ETP Holders. Effective October 1, 2018, Pillar phase I protocols are no longer available to ETP Holders. All ETP Holders now use Pillar phase II protocols to communicate with the NYSE Arca Marketplace. As a result, there is no longer a need to provide a distinction between Pillar phase I protocols and Pillar phase II protocols in the Exchange's rules.

Now that Pillar phase I protocols are no longer available, the Exchange proposes to delete references to Pillar phase I protocols from the Exchange's rulebook. Specifically, the Exchange proposes to delete the preamble to Rule 7.11-E (Limit Up - Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility), which states: "Rules 7.11-E(a)(5) and (a)(6) govern order processing when ETP Holders communicate with the NYSE

Arca Marketplace using Pillar phase I protocols. Rule 7.11-E(a)(5P) governs order processing when ETP Holders communicate with the NYSE Arca Marketplace using Pillar phase II protocols. The Exchange will file a separate proposed rule change to delete Rules 7.11-E(a)(5) and (a)(6) when the Pillar phase I protocols are no longer available.”

The Exchange also proposes to delete Rules 7.11-E(a)(5) and (a)(6) from the rulebook since Pillar phase I protocols are no longer available on the Exchange. The preamble also states that Rule 7.11-E(a)(5P) would govern order processing when ETP Holders communicate with the NYSE Arca Marketplace using Pillar phase II protocols. Now that ETP Holders communicate with the NYSE Arca Marketplace using Pillar phase II protocols, for purposes of Rule 7.11-E, order processing would be governed by Rule 7.11-E(a)(5P). With the proposed deletion of current text in Rules 7.11-E(a)(5) and (a)(6), the Exchange proposes to renumber current Rule 7.11-E(a)(5P) as 7.11-E(a)(5) and renumber current Rule 7.11-E(a)(7) - (9) as Rule 7.11-E(a)(6) - (8) with no changes to the rule text.

Additionally, the Exchange proposes to amend Rule 7.31-E (Orders and Modifiers). Specifically, Rule 7.31-E(c)(5) currently provides that an Imbalance Offset Order (“IO Order”) is a Limit Order to buy (sell) that is to be traded only in a Trading Halt Auction. The rule further provides that IO Orders are available only to ETP Holders using Pillar phase II protocols. Now that all ETP Holders use Pillar phase II protocols, the Exchange proposes to delete the second sentence of Rule 7.31-E(c)(5), which the Exchange believes is superfluous and no longer necessary.

Further, the Exchange proposes to amend Rule 7.31-E(i)(2) which provides how the Self Trade Prevention (“STP”) functionality operates on the Exchange. Current Rule 7.31-E(i)(2) provides that any incoming order designated with an STP modifier is prevented from executing

against a resting opposite side order also designated with an STP modifier and from the same ETP ID. The STP modifier on the incoming order controls the interaction between two orders marked with STP modifiers. Orders marked with an STP modifier are not prevented from interacting during any auction.

As part of the Pillar implementation, the Exchange amended Rule 7.31-E(i)(2)(E) to provide that for purposes of STP, references to ETP ID mean an ETP ID when using Pillar phase I protocols to communicate with the NYSE Arca Marketplace or an MPID when using Pillar phase II protocols to communicate with the NYSE Marketplace. Now that all ETP Holders use Pillar phase II protocols, the Exchange proposes to delete Rule 7.31-E(i)(2)(E) as the distinction provided in the rule is no longer necessary. The Exchange also proposes to replace all references to ETP ID in Rule 7.31-E(i)(2)(A) - (D) with MPID to reflect that with Pillar phase II protocols in place now, the Exchange would use MPID instead of ETP ID to identify ETP Holders for purposes of STP.

Finally, the Exchange proposes to amend Rule 7.34-E (Trading Sessions). Specifically, Rule 7.34-E(b)(1) provides that any order entered into the NYSE Arca Marketplace must include a designation for which trading session(s) the order would remain in effect. The rule further provides that for ETP Holders that communicate with the NYSE Arca Marketplace using Pillar phase II protocols, orders entered without a trading session designation would be rejected. The Exchange proposes to delete reference to ETP Holders communicating with the NYSE Arca Marketplace using Pillar phase II protocols from the current rule because such reference is not necessary since all ETP Holders now communicate with the NYSE Arca Marketplace using Pillar phase II protocols. Additionally, since ETP Holders no longer communicate with the NYSE Arca Marketplace using Pillar phase I protocols, the Exchange proposes to delete Rules

7.34-E(b)(2) and (b)(3) in their entirety because it is no longer necessary for Exchange rules to distinguish between Pillar phase I protocols and Pillar phase II protocols for purposes of designating the trading session(s) for which orders would remain in effect on the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>5</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 regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to, and perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that amending its rules to remove references to Pillar phase I protocols would promote the protection of investors and the public interest because it would promote clarity and transparency in Exchange rules governing what rules govern trading on the Exchange because Pillar phase I protocols are no longer available for ETP Holders to communicate with the NYSE Arca Marketplace. The Exchange further believes that deleting references to Pillar phase I protocols from the Exchange's rules would remove impediments to and perfect the mechanism of a national market system because these proposed changes would add greater clarity to the Exchange's rules and promote market transparency and efficiency because Pillar phase I protocols, which for a period of time were available to ETP Holders to

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<sup>4</sup> 15 U.S.C. 78f(b).

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

communicate with the NYSE Arca Marketplace, are no longer available.

The Exchange believes that the proposed rule change to replace references to ETP ID with MPID for STP purposes would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed change would eliminate confusion with respect to how the Exchange identifies the identity of an ETP Holder for purposes of the Exchange's STP functionality. The Exchange further believes that this non-substantive amendment to the current rule is intended to provide clarity and eliminate confusion among market participants, which is in the interests of all investors and the general public.

**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 rule change is not designed to address competitive issues but rather is designed to ensure a fair and orderly market by removing trading rules that are no longer operative. As such, the proposed rule changes are intended to promote greater efficiency and transparency concerning trading on the Exchange.

**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**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>6</sup> and Rule 19b-4(f)(6)<sup>7</sup> thereunder because the proposal does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition;

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

and (iii) by its terms, become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>8</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay period. The Commission believes that waiver of the 30-day operative delay period is consistent with the protection of investors and the public interest. Specifically, the Commission believes that the proposal would delete obsolete rules from the Exchange's rulebook and thus should provide clarity and eliminate confusion. For these reasons, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, and designates the proposed rule change to be operative upon filing with the Commission.<sup>9</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.<sup>10</sup>

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<sup>8</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>9</sup> For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(C).

#### 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-2018-79 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-2018-79. 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-NYSEArca-2018-79 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>11</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>11</sup> 17 CFR 200.30–3(a)(12).