

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95687; File No. SR-NYSEARCA-2022-57)

September 7, 2022

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 6.62P-O (a)(4)

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 August 29, 2022, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) 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 6.62P-O (a)(4) to modify the values used to determine Trading Collars. 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 6.62P-O (a)(4) to modify the values used to determine Trading Collars as set forth below.

The Exchange has in place various price check features that are designed to help maintain a fair and orderly market, including Trade Collar Protection.⁴ Trading Collars mitigate the risks associated with orders sweeping through multiple price points (including during extreme market volatility) and resulting in executions at prices that are potentially erroneous. Specifically, a Market Order or Limit Order to buy (sell) will not trade or route to an Away Market at a price above (below) the Trading Collar assigned to that order.⁵ As such, Trading Collars function as a ceiling (for buy orders) or floor (for sell orders) of the price at which such order could be traded, displayed, or routed.

Trading Collars are determined based on the Reference Price, which for an order to buy (sell) is the NBO (NBB).⁶ Under the current rule, the Trading Collar for an order to buy (sell) is a specified amount above (below) the Reference Price, as follows: (1) for orders with a

⁴ See Rule 6.62P-O(a)(4)(A). Trading Collars assigned to an order are calculated once per trading day and would be updated only if the series is halted. See *id.*

⁵ Rule 6.62P-O(a)(1) provides that a Market Order is “[a]n unpriced order message to buy or sell a stated number of option contracts at the best price obtainable, subject to the Trading Collar assigned to the order. A Market Order may be designated Day or GTC.” Rule 6.62P-O(a)(2) provides that a Limit Order is “[a]n order message to buy or sell a stated number of option contracts at a specified price or better, subject to Limit Order Price Protection and the Trading Collar assigned to the order.”

⁶ See Rule 6.62P-O(a)(4)(B).

Reference Price of \$1.00 or lower, \$0.25; or (2) for orders with a Reference Price above \$1.00, the lower of \$2.50 or 25%.⁷

The current Trading Collar functionality (and the method of calculation) was recently implemented in connection with the Exchange's migration to the Pillar trading platform.⁸ Consistent with the pre-Pillar functionality (under Rule 6.60-O(a)), the Trading Collar thresholds were designed to be within the current parameters for determining whether a trade is an Obvious Error or Catastrophic Error to protect per Rule 6.87-O (the "Obvious Error Rule").⁹ While the Exchange believes that these recent changes have been generally successful in protecting market participants against bad executions, the Exchange has determined that additional modifications would enhance the Trading Collar functionality. The Exchange therefore proposes to modify the Trading Collar thresholds to better align with the thresholds in the Obvious Error Rule. As such, the proposed change is designed to (further) prevent the trading of aggressively-priced interest that, if executed, would qualify to be handled under the procedures set forth in the Obvious Error Rule.

Specifically, the Exchange proposes to amend Rule 6.62P-O(a)(4)(C) to modify the values used to calculate the Trading Collars as follows:

* * * * *

⁷ See Rule 6.62P-O(a)(4)(C).

⁸ The Exchange announced the migration of the fifth and final tranche of symbols to the Pillar trading platform, via Trader Update, available here: <https://www.nyse.com/trader-update/history#110000440092>.

⁹ See Rules 6.87-O(c)(1) (thresholds for Obvious Errors) and 6.87-O(d)(1) (thresholds for Catastrophic Errors).

Reference Price	Trading Collar
\$0.00 to \$1.00	\$0.20
\$1.01 to \$2.00	Lesser of \$0.20 or 25% of the Reference Price
\$2.01 to \$3.00	Lesser of \$0.30 or 25% of the Reference Price
\$3.01 to \$5.00	Lesser of \$0.30 or 25% of the Reference Price
\$5.01 to \$7.50	Lesser of \$0.40 or 25% of the Reference Price
\$7.51 to \$10.00	Lesser of \$0.40 or 25% of the Reference Price
\$10.01 to \$20.00	Lesser of \$0.70 or 25% of the Reference Price
\$20.01 to \$50.00	Lesser of \$0.90 or 25% of the Reference Price
\$50.01 to \$100.00	Lesser of \$1.40 or 25% of the Reference Price
\$100.01 and above	Lesser of \$1.90 or 25% of the Reference Price

Consistent with current Rule 6.62P-O(a)(4)(C)(i), if the calculation of a Trading Collar would not be in the Minimum Price Variation or MPV for the series, such calculation would be rounded down to the nearest price within the applicable MPV.

In addition, the Exchange proposes that the amounts in the proposed table above would apply, “[u]nless announced otherwise by Trader Update,” which discretion is consistent with the implementation of Trading Collars on other option exchanges.¹⁰

The Exchange believes that the proposed modifications would enhance the efficacy of the price protection afforded by Trading Collars and the proposed values for determining such collars would better align with the current parameters for determining whether a trade is an

¹⁰ See, e.g., NYSE American Rule 967NY(a)(2) (providing that the values set forth in paragraphs (A)(i)-(v) of Rule 967NY(a)(2) apply “unless announced otherwise via Trader Update...”). The Exchange notes that, when migrating to Pillar, it inadvertently failed to include this language affording the Exchange discretion to modify the Trading Collars. See, e.g., Rule 6.60-O(a)(2) (providing that the values set forth in paragraphs (A)(i)-(v) of Rule 6.60-O(a)(2) apply “unless announced otherwise via Trader Update...”).

Obvious Error or Catastrophic Error.

Implementation

The Exchange will announce the implementation of this proposal via Trader Update to be published no later than 60 days following the effectiveness of this rule.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),¹¹ in general, and furthers the objectives of Section 6(b)(5),¹² 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.

Overall, the Exchange believes the proposed change is consistent with the protection of investors and the investing public and would promote a fair and orderly market because it would enhance the (recently revised) operation of the Trading Collar functionality and would continue to protect investors from receiving bad executions away from prevailing market prices. Further, the Exchange believes that the proposed modification would promote just and equitable principles of trade as the proposed values for determining Trading Collars would better align with the current parameters for determining whether a trade is an Obvious Error or Catastrophic Error.¹³

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ See, e.g., Rules 6.87-O(c)(1) (thresholds for Obvious Errors) and 6.87-O(d)(1) (thresholds for Catastrophic Errors).

In addition, the Exchange believes that its proposal to retain discretion to modify the values used to determine the Trading Collar would promote just and equitable principles of trade because it would allow the Exchange to respond to certain market conditions as necessary, which discretion is consistent with the implementation of Trading Collars on other option exchanges.¹⁴

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. Instead, the Exchange believes the proposal would enhance the operation of the Trading Collars that provide market participants with protection from anomalous executions. Thus, the Exchange does not believe the proposal creates any significant impact on competition.

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 Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁵ and Rule 19b-4(f)(6) thereunder.¹⁶ 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 prior to 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, the proposed rule change has become effective pursuant to

¹⁴ See, e.g., NYSE American Rule 967NY(a)(2).

¹⁵ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁶ 17 CFR 240.19b-4(f)(6).

Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.¹⁷

A proposed rule change filed under Rule 19b-4(f)(6)¹⁸ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b4(f)(6)(iii),¹⁹ the Commission may designate a shorter time if such action is consistent with the 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 Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to provide, without delay, further protections against potentially erroneous executions. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.²⁰

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)²¹ of the Act to determine

¹⁷ 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 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 fulfilled this requirement.

¹⁸ 17 CFR 240.19b-4(f)(6).

¹⁹ 17 CFR 240.19b-4(f)(6)(iii).

²⁰ For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

²¹ 15 U.S.C. 78s(b)(2)(B).

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-2022-57 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-2022-57. 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-2022-57 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.²²

J. Matthew DeLesDernier
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).