

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75151; File No. SR-NYSEMKT-2015-42)

June 11, 2015

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Revising the Schedule for Implementing the Exchange's Recently Approved Rule to Provide a Price Protection for Market Maker Quotes pursuant to Rule 967.1NY

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 June 5, 2015, NYSE MKT LLC (the "Exchange" or "NYSE MKT") 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 revise the schedule for implementing the Exchange's recently approved rule to provide a price protection for Market Maker quotes pursuant to Rule 967.1NY. The text of 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

---

<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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to revise the schedule for implementing the Exchange's recently approved rule to provide a price protection risk mechanism for Market Maker quotes pursuant to Rule 967.1NY.<sup>4</sup>

Rule 967.1NY provides two layers of price protection to incoming Market Maker quotes, rejecting those Market Maker quotes that exceed certain parameters, as a risk mitigation tool. The first layer of price protection, set forth in Rule 967.1NY(a)(1), assesses incoming sell quotes against the NBB and incoming buy quotes against the NBO (the "NBBO Price Reasonability Check"). Specifically, per Rule 967.1NY(a)(1), provided that an NBBO is available, a Market Maker quote would be rejected if it is priced a specified dollar amount or percentage through the contra-side NBBO.

The second layer of price protection assesses the price of call or put bids against a specified benchmark (the "Underlying Stock Price/Strike Price Check"), per Rule 967.1NY(a)(2) and (3). This second layer of protection applies to bids in call options or put options when (1) there is no NBBO available, for example, during pre-opening or prior to conducting a re-opening after a trading halt, or (2) if the NBBO is so wide as to not reflect an appropriate price for the respective options series.

---

<sup>4</sup> See Securities Exchange Act Release No. 74440 (March 4, 2015), 80 FR 12687 (March 10, 2015) (SR-NYSEMKT-2014-116) (Approval Order); see also Securities Exchange Act Release No. 74017 (January 8, 2015), 80 FR 1979 (January 14, 2015) (SR-NYSEMKT-2014-116) (Notice).

Rule 967.1NY(b) operates as an additional safeguard and risk control feature. In particular, when a Market Maker quote is rejected pursuant to Rule 967.1NY(a), the Exchange will also cancel any resting same-side quote(s) in the affected series, if rejected pursuant to (a)(1); or the Exchange will also cancel any resting same-side quote(s) in the affected class(es), if rejected pursuant to (a)(2) or (a)(3) of the Rule.

When the Exchange proposed Rule 967.1NY, it stated that it would announce via Trader Update the implementation date of the Rule.<sup>5</sup> Because of the differing technology associated with the two layers of price protection, the Exchange now proposes a two-stage implementation of the Rule. Specifically, the Exchange proposes to implement Rule 967.1NY(a)(1) and Rule 967.1NY(b) as it relates to quotes that have been rejected pursuant to the NBBO Price Reasonability Check first. The Exchange believes that because the NBBO Price Reasonability Check is an approved rule of the Exchange, implementing it as soon as practicable would enable Market Makers and investors alike to benefit from the protections that would be afforded by the NBBO Price Reasonability Check.<sup>6</sup> The Exchange would announce the implementation date by Trader Update to be published no later than five (5) days after the Commission's publication of this filing.

The Exchange further proposes a separate, later implementation date for Rule 967.1NY(a)(2) and (3) (the Underlying Stock Price/Strike Price Check) and Rule 967.1NY(b) as it relates to the Underlying Stock Price/Strike Price Check. This two-stage implementation would provide the Exchange additional time to implement the technology related to the Underlying Stock Price/Strike Price Check. The Exchange proposes to add Commentary .01 to

---

<sup>5</sup> See Notice, *id.*, 80 FR at 1981.

<sup>6</sup> The Exchange notes that to the extent that Rule 967.1NY(b) references Rule 967.1NY(a)(2) and (3), that language would be without force until the implementation of the latter sections of the Rule.

the rule, directing ATP Holders to consult Trader Updates for additional information regarding the implementation schedule for paragraphs (a)(2) and (a)(3) of the Rule, with final implementation of such paragraphs to be completed by no later than March 4, 2016. As noted above, the Exchange proposes to announce the implementation date via Trader Update and would indicate those symbols for which the Underlying Stock Price/Strike Price Check will be unavailable, as the Exchange anticipates that this functionality would be implemented on an iterative basis depending on the symbol. Further, the Exchange will issue subsequent Trader Updates whenever there is a change to the list of symbols for which the Underlying Stock Price/Strike Price Check is unavailable.

The Exchange is proposing this rule change to provide transparency regarding the implementation schedule regarding the two layers of price protection for Market Maker quotes pursuant to Rule 967.1NY.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade, 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 providing an iterative implementation schedule for the approved price protection features set forth in Rule 967.1NY is consistent with the Act because it would enable Market Makers and the public to immediately benefit from the approved NBBO Reasonability Check while allowing the Exchange additional time to implement the technology

---

<sup>7</sup> 15 U.S.C. § 78f(b).

<sup>8</sup> 15 U.S.C. § 78f(b)(5).

associated with the Underlying Stock Price/Strike Price Check when there is no reliable NBBO available.

Specifically, the proposed iterative implementation schedule for Rule 967.1NY would assist with the maintenance of a fair and orderly market and protect investors and the public interest because it would enable the Exchange to implement the NBBO Reasonability Check immediately, thereby helping to mitigate the risks associated with the entry of quotes that are priced a specified dollar amount or percentage through the prevailing contra-side market, which the Exchange believes is evidence of error. The Exchange further believes that announcing the implementation dates of the new risk mitigation tools via Trader Updates would remove impediments to and perfects the mechanism of a free and open market because they would provide notice of when each of the approved risk control features is being implemented, and for which symbols.

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 any competitive issues, but rather, to propose an iterative implementation schedule for an approved rule of the Exchange. Therefore, the Exchange does not believe that the proposed rule change will impose any burden on competition, but rather, would enable Market Makers, the public, and investors to immediately benefit from the additional price protection offered by the NBBO Reasonability Check and delay the implementation of the Underlying Stock Price/Strike Price Check pending finalization of the technology associated with that feature.

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 if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>10</sup>

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 waiver of this requirement would enable the Exchange to implement immediately the approved price protection risk mechanisms for which the associated Exchange technology is currently available or is in the process of becoming finalized, consistent with the proposed implementation schedule. 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 proposed rule change to be operative upon filing.<sup>11</sup>

---

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

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii). 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> 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).

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 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-NYSEMKT-2015-42 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-NYSEMKT-2015-42. 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, D.C. 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-NYSEMKT-2015-42, 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>12</sup>

Robert W. Errett  
Deputy Secretary

---

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