

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-94842; File No. SR-NYSENAT-2022-06)

May 4, 2022

Self-Regulatory Organizations; NYSE National, Inc.; Notice of Filing of Proposed Rule Change to Modify Rule 7.31 to Add Subparagraph (f)(4) Regarding Directed Orders

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 April 20, 2022, NYSE National, Inc. (“NYSE National” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III 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 modify Rule 7.31 to add subparagraph (f)(4) regarding Directed Orders and make other conforming changes. 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 modify Rule 7.31 (Orders and Modifiers) to add new subparagraph (f)(4) to provide for Directed Orders and to make other conforming changes to its Rules in connection with the addition of this new order type on the Exchange. The Directed Order, as further defined below, would be an order sent to the Exchange to be routed directly to an alternative trading system (“ATS”) specified by an ETP Holder.

The Exchange proposes to add Rule 7.31(f)(4), which would define a Directed Order as a Limit Order with instructions to route on arrival at its limit price to a specified ATS with which the Exchange maintains an electronic linkage. Proposed Rule 7.31(f)(4) would also provide that Directed Orders would be available for all securities eligible to trade on the Exchange and would not be assigned a working time or interact with interest on the Exchange Book. The Exchange also proposes to provide in Rule 7.31(f)(4) that the ATS to which a Directed Order is routed would be responsible for validating whether the order is eligible to be accepted, and if such ATS determines to reject the order, the order would be cancelled.

Proposed Rule 7.31(f)(4)(A) would provide that a Directed Order must be designated for the Exchange’s Core Trading Session, as defined in Rule 7.34(a)(2).<sup>4</sup>

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<sup>4</sup> Because the Exchange proposes that Directed Orders may only be designated for the Core Trading Session, the Exchange also proposes conforming changes to Rule 7.34 (Trading Sessions). Specifically, the Exchange proposes to modify Rule 7.34(c)(1)(E) to provide that Directed Orders designated for the Early Trading Session would be rejected and Rule 7.34(c)(3)(C) to provide that Directed Orders designated for the Late Trading Session would be rejected.

Proposed Rule 7.31(f)(4)(A) would further provide that a Directed Order must be designated with a Time in Force modifier of IOC<sup>5</sup> or Day<sup>6</sup> and would be routed to the specified ATS with such modifier. The Exchange proposes that a Directed Order designated IOC would be traded in whole or in part on the ATS to which it is routed after receipt of the order, and any untraded quantity would be cancelled. The Exchange proposes that a Directed Order designated Day would expire at the end of the Core Trading Session on the day it is entered. Proposed Rule 7.31(f)(1)(A) would also provide that a Directed Order may not be designated with any other modifiers defined in Rule 7.31.

Proposed Rule 7.31(f)(4)(B) would provide that, during a trading halt or pause, an incoming Directed Order would be rejected.

Proposed Rule 7.31(f)(4)(C) would provide that a request to cancel a Directed Order designated Day would be routed to the ATS to which the order was routed.

The Exchange also proposes a conforming change to Rule 7.19 (Pre-Trade Risk Controls). The Exchange proposes to modify Rule 7.19(a)(5), which sets forth the definition of Gross Credit Risk Limit and currently provides that unexecuted orders in the Exchange Book, orders routed on arrival pursuant to Rule 7.37(a)(1), and executed orders are included for purposes of calculating the Gross Credit Risk Limit. The Exchange proposes to modify Rule 7.19(a)(5) to specify that orders routed on arrival pursuant to Rule 7.31(f)(4) would also be included for purposes of the Gross Credit Risk Limit calculation.

The Exchange believes that the proposed rule change would facilitate additional trading

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<sup>5</sup> See Rule 7.31(b)(2), which provides that a Limit Order may be designated with an Immediate-or-Cancel (“IOC”) modifier.

<sup>6</sup> See Rule 7.31(b)(1), which provides that orders may be designated with a Day modifier, and that an order to buy or sell designated Day, if not traded, will expire at the end of the designated session on the day on which it was entered.

opportunities by offering ETP Holders the ability to designate orders submitted to the Exchange to be routed to an ATS of their choosing for execution. The Exchange believes the proposed change would encourage ETP Holders to utilize the Exchange as a venue for order entry and further believes that the proposed change could create efficiencies for ETP Holders by enabling them to send orders that they wish to route to an alternate destination through the Exchange, thereby enabling them to leverage order entry protocols and specifications already configured for their interactions with the Exchange. The Exchange notes that the Directed Order, as proposed, would operate similarly to the Primary Only Order already offered by the Exchange, which is an order that is routed directly to the primary listing market on arrival, without being assigned a working time or interacting with interest on the Exchange Book.<sup>7</sup> The Exchange also believes that the Directed Order would offer ETP Holders functionality akin to order types and routing options that currently exist on other equities exchanges.<sup>8</sup>

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<sup>7</sup> See Rule 7.31(f)(1). NYSE National also offers variations of the Primary Only Order, including the Primary Only Until 9:45 Order, which is a Limit or Inside Limit Order that, on arrival and until 9:45 a.m. Eastern Time, routes to the primary listing market, and the Primary Only Until 3:55 Order, which is a Limit or Inside Limit Order entered on the Exchange until 3:55 p.m. Eastern Time, after which time the order is cancelled on the Exchange and routed to the primary listing market. See Rules 7.31(f)(2) and (f)(3). The Exchange's affiliated exchanges NYSE American LLC ("NYSE American"), NYSE Arca, Inc. ("NYSE Arca"), and NYSE Chicago, Inc. ("NYSE Chicago") (collectively, the "Affiliated Exchanges") also offer the Primary Only Order and variations thereof. See NYSE American Rules 7.31E(f)(1) - (f)(3); NYSE Arca Rules 7.31-E(f)(1) - (f)(3); NYSE Chicago Rules 7.31(f)(1) - (f)(3).

<sup>8</sup> See, e.g., Nasdaq Stock Market LLC ("Nasdaq"), Equity 4, Equity Trading Rules, Rule 4758(a)(ix) (defining the Nasdaq Directed Order as an order designed to use a routing strategy under which the order is directed to an automated trading center other than Nasdaq, as directed by the entering party, without checking the Nasdaq Book); Cboe EDGX Exchange, Inc. ("EDGX") Rules 11.8(c)(7) (defining the Routing/Directed ISO order type as an ISO that bypasses the EDGX system and is immediately routed by EDGX to a specified away trading center for execution) and 11.11(g)(2) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed); Cboe EDGA Exchange, Inc. ("EDGA") Rules 11.8(c)(7) (defining the Routing/Directed ISO order type as an ISO that bypasses the EDGA system and is

Because of the technology changes associated with this proposed rule change, the Exchange will announce the implementation date by Trader Update.<sup>9</sup> Subject to effectiveness of this proposed rule change, the Exchange anticipates that the proposed change will be implemented in the second quarter of 2022.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>11</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

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immediately routed by EDGA to a specified away trading center for execution) and 11.11(g)(2) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed); Cboe BZX Exchange, Inc. (“BZX”) Rules 11.13(b)(3)(D) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed) and 11.13(b)(3)(F) (defining the Directed ISO routing option, under which an ISO order would bypass the BZX system and be sent to a specified away trading center); Cboe BYX Exchange, Inc. (“BYX”) Rules 11.13(b)(3)(D) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed) and 11.13(b)(3)(F) (defining the Directed ISO routing option, under which an ISO order would bypass the BYX system and be sent to a specified away trading center). The Exchange also believes that the Directed Order would provide functionality similar to the C-LNK routing strategy formerly offered by EDGA, in which C-LNK orders bypassed EDGA’s local book and routed directly to a specified Single Dealer Platform destination. See Securities Exchange Act Release No. 82904 (March 20, 2018), 83 FR 12995 (March 26, 2018) (SR-CboeEDGA-2018-004) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Expand an Offering Known as Cboe Connect To Provide Connectivity to Single-Dealer Platforms Connected to the Exchange’s Network and To Propose a Per Share Executed Fee for Such Service).

<sup>9</sup> The Exchange will also provide information regarding the ATS(s) to which a Directed Order may be designated to route by Trader Update.

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

<sup>11</sup> 15 U.S.C. 78f(b)(5).

open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to remove impediments to and perfect the mechanism of a free and open market and promote just and equitable principles of trade because the Directed Order would offer ETP Holders access to additional trading opportunities by permitting them to designate orders submitted to the Exchange to be routed directly to a specified ATS for execution. The Exchange further believes that the proposed change would remove impediments to and perfect the mechanism of a free and open market by offering ETP Holders the option to send orders that they wish to route to an alternate destination for execution through the Exchange, which would create efficiencies to the extent ETP Holders are able to leverage existing protocols and specifications. Finally, the Exchange notes that the proposed functionality is not novel, as both the Exchange and other exchanges offer their members functionality whereby an exchange routes orders on behalf of a member to a specified trading center without such order interacting with the exchange's book.<sup>12</sup>

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 rules governing Directed Orders would promote competition because they would provide for an order type on the Exchange that would facilitate additional trading opportunities for market participants. The Exchange further believes that the proposed rules would allow it to offer its ETP Holders functionality similar to order types and routing options that exist on other equities exchanges, thereby enabling the Exchange to compete

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<sup>12</sup> See notes 7 & 8, supra.

with such exchanges.<sup>13</sup>

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

Within 45 days of the date of publication of this notice in the Federal Register or up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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-NYSENAT-2022-06 on the subject line.

Paper comments:

- Send paper comments in triplicate to: Secretary, Securities and Exchange Commission,

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<sup>13</sup> See note 8, supra.

100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSENAT-2022-06. 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-NYSE-NAT-2022-06 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>14</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).