SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-94030; File No. SR-NYSE-2022-05)

January 24, 2022

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify Rule 7.31 to Provide for Inside Limit Orders and Make Other Conforming Changes

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 January 18, 2022, New York Stock Exchange LLC ("NYSE" or "Exchange") 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 Exchange. 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 provide for Inside Limit Orders and make other conforming changes. 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

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to modify Rule 7.31 (Orders and Modifiers) to add new Rule 7.31(a)(3) to provide for Inside Limit Orders and to make other conforming changes in connection with the addition of this new order type on the Exchange.

Proposed Rule 7.31(a)(3) would define an Inside Limit Order as a Limit Order that is to be traded at the best price obtainable without trading through the NBBO. Proposed Rule 7.31(a)(3)(A) would provide that, on arrival, a marketable Inside Limit Order to buy (sell) would be assigned a working price of the NBO (NBB) and would trade with all sell (buy) orders on the Exchange Book priced at or below (above) the NBO (NBB) before routing to the NBO (NBB) on an Away Market. Once the NBO (NBB) is exhausted, the Inside Limit Order to buy (sell) would be displayed at its working price and be eligible to trade with incoming sell (buy) orders at that price. When the updated NBO (NBB) is displayed, the Inside Limit Order to buy (sell) would be assigned a new working price of the updated NBO (NBB) and would trade with all sell (buy) orders on the Exchange Book priced at or below the updated NBO (NBB) before routing to the updated NBO (NBB) on an Away Market. Such assessment would continue at each new NBO (NBB) until the order is filled, no longer marketable, or the limit price is reached. Once the Inside Limit Order is no longer marketable, it would be ranked and displayed on the Exchange Book.

Proposed Rule 7.31(a)(3)(B) would provide that an Inside Limit Order may not be designated as a Limit IOC Order but may be designated as a Limit Routable IOC Order. An

Inside Limit Order to buy (sell) designated as a Limit Routable IOC Order would trade with sell (buy) orders on the Exchange Book priced at or below (above) the NBO (NBB), and the quantity not traded would be routed to the NBO (NBB). Any unfilled quantity of the Inside Limit Order not traded on the Exchange or an Away Market would be cancelled.

Proposed Rule 7.31(a)(3) is substantially based on rules providing for Inside Limit Orders on the NYSE's affiliated exchanges NYSE American LLC ("NYSE American"), NYSE Arca, Inc. ("NYSE Arca"), NYSE Chicago, Inc. ("NYSE Chicago"), and NYSE National, Inc. ("NYSE National") (collectively, the "Affiliated Exchanges"), with one exception.[4] The Exchange does not propose to adopt a version of NYSE American Rule 7.31E(a)(3)(B), NYSE Arca Rule 7.31-E(a)(3)(B), NYSE Chicago Rule 7.31(a)(3)(B), or NYSE National Rule 7.31(a)(3)(B) with respect to designating an Inside Limit Order as a Primary Until 9:45 Order or a Primary Until 3:55 Order because the latter order types are not offered on the Exchange.

The Exchange also proposes conforming changes to Rule 7.31(d)(1), Rule 7.37(a)(4), and Rule 104(b)(6) to reflect the introduction of Inside Limit Orders as follows:

- Rule 7.31(d)(1) currently defines the Reserve Order. The Exchange proposes to modify Rule 7.31(d)(1) to provide that a Reserve Order is a Limit Order or Inside Limit Order with a quantity of the size displayed and with a reserve quantity of the size that is not displayed. This proposed change is consistent with NYSE American Rule 7.31E(d)(1), NYSE Arca Rule 7.31-E(d)(1), NYSE Chicago Rule 7.31(d)(1), and NYSE National Rule 7.31(d)(1).

[4] See NYSE American Rule 7.31E(a)(3); NYSE Arca Rule 7.31-E(a)(3); NYSE Chicago Rule 7.31(a)(3); and NYSE National Rule 7.31(a)(3).

- Rule 7.37(a) specifies that an Aggressing Order will be matched for execution against contra-side orders in the Exchange Book as provided for in Rule 7.37(b), subject to the provisions of Rule 7.37(a)(1) through (4). Rule 7.37(a)(4) currently provides that Market Orders will be executed at prices that are equal to or better than the NBBO. The Exchange proposes to modify Rule 7.37(a)(4) to provide that Inside Limit Orders will also be executed at prices that are equal to or better than the NBBO, consistent with the parameters of the Inside Limit Order as set forth in proposed Rule 7.31(a)(3). This proposed change is based on NYSE American Rule 7.37E(a)(4), NYSE Arca Rule 7.37-E(a)(4), NYSE Chicago Rule 7.37(a)(4), and NYSE National Rule 7.37(a)(4).
- The Exchange proposes to modify Rule 104(b)(6), which specifies the orders and modifiers that DMM units are not permitted to enter. The Exchange proposes to add Inside Limit Orders to Rule 104(b)(6) as an order type that DMM units may not enter.[5]

The Exchange believes that the proposed rule change would provide enhanced opportunities for trading by adding a new order type and would promote consistency between the Exchange's rules and the rules of its Affiliated Exchanges governing the same order type. In addition, because the purpose of an Inside Limit Order is to assess away market displayed interest on a price-by-price basis, thereby slowing down the routing of such order rather than simultaneously routing the order to away markets at potentially multiple prices, the order would be routed to the market participant with the best displayed price, and any unfilled portion would not be routed to the next best price level until all quotes at the current best bid or offer are

[5] The Exchange also proposes a non-substantive change to Rule 104(b)(6) to replace the reference to "Buy Minus Zero Plus Instructions" with "Last Sale Peg Orders" to reflect the updated terminology used in its rules for such order type. See, e.g., Rule 7.31(i)(4).

exhausted. Accordingly, the Inside Limit Order would offer market participants an opportunity to obtain improved executions by waiting for changes to the NBBO.

Because of the technology changes associated with this proposed rule change, the Exchange will announce the implementation date by Trader Update. Subject to approval of this proposed rule change, the Exchange anticipates that the proposed changes will be implemented in February 2022.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,[6] in general, and furthers the objectives of Section 6(b)(5),[7] 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.

The Exchange believes that the proposed rule change is designed to remove impediments to and perfect the mechanism of a free and open market because it would make an additional order type available on the Exchange. Moreover, the Inside Limit Order would offer market participants opportunities to obtain better execution prices because it would wait and adjust for changes to the NBBO (i.e., the order would be routed to the market participant with the best displayed price, and any unfilled portion would not be routed to the next best price level until all quotes at the current best bid or offer are exhausted). The Exchange also believes that the

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[6] 15 U.S.C. 78f(b).
[7] 15 U.S.C. 78f(b)(5).

proposed rule change would remove impediments to and perfect the mechanism of a free and open market, as well as protect investors and the public interest, because it is based on the rules of the Affiliated Exchanges and would therefore promote market quality by providing uniformity and continuity across the Affiliated exchanges with respect to the same order type.

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 would promote competition because they would provide for an additional order type on the Exchange, thereby offering additional trading opportunities for market participants. The Exchange further believes that the proposed rules would not impose any burden on competition that is not necessary or appropriate because they are designed to provide its members with consistency across the Affiliated Exchanges, thereby enabling the Exchange to compete with unaffiliated exchange competitors that similarly operate multiple exchanges on the same trading platforms.

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)(iii) of the Act[8] and subparagraph (f)(6) of Rule 19b–4 thereunder.[9]

A proposed rule change filed under Rule 19b-4(f)(6)[10] normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),[11] 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 to allow the Exchange to implement the proposal when the technology associated with the proposed change is available, which is anticipated to be less than 30 days from the date of this filing. The Exchange states that waiver of the operative delay would allow the Exchange to provide a new order type that would provide opportunities for improved executions and promote consistency with the rules of its Affiliated Exchanges. The Commission notes that the operation of the proposed order type is substantively similar to that of order types offered by the Exchange's affiliates. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest.

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8 15 U.S.C. 78s(b)(3)(A)(iii).

9 17 CFR 240.19b–4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange 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 satisfied this requirement.

10 17 CFR 240.19b–4(f)(6).

11 17 CFR 240.19b–4(f)(6)(iii).

Accordingly, the Commission waives the 30-day operative delay and designates the proposal operative upon filing.[12]

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 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. Please include File Number SR-NYSE-2022-05 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.

12 For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-NYSE-2022-05. 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-2022-05, 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.[13]

J. Matthew DeLesDernier
Assistant Secretary

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[13] 17 CFR 200.30-3(a)(12).