

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-78152; File No. SR-NYSEArca-2016-90)

June 24, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Temporarily Widen Price Collar Thresholds for the Core Open Auction and Trading Halt Auctions

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 24, 2016, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) 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 temporarily widen price collar thresholds for the Core Open Auction and Trading Halt Auctions, which would be operative on June 24, 2016 only. 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

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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.

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 temporarily widen price collar thresholds for the Core Open Auction and Trading Halt Auctions, which would be operative for June 24, 2016 only.

On June 23, 2016, the United Kingdom ("UK") held a referendum vote to decide whether the UK should leave or remain in the European Union. The results of this vote were not made public until after the U.S. markets closed on June 23, 2016. Based on this referendum, the UK has voted to leave the European Union. As expected, this vote has resulted in an extraordinary level of global market activity on June 24, 2016, as the markets assess what the impact of the UK leaving the European Union will mean. This spike in market volatility has also impacted the U.S. equities markets, including pricing of Exchange Traded Products ("ETP"), the majority of which are listed on the Exchange.

Because of the extraordinary level of market volatility following the UK referendum vote, including in the U.S. ETP market, the Exchange believes that widening the Auction Collars for the Core Open Auction and Trading Halt Auctions for June 24, 2016 only would assist the Exchange in conducting fair and orderly auctions.

As set forth in Rule 7.35P(a)(10), the price collar thresholds for the Core Open Auction and Trading Halt Auctions are currently set at 10% for securities with an Auction Reference Price of \$25.00 or less, 5% for securities with an Auction Reference Price greater than \$25.00

but less than or equal to \$50.00, and 3% for securities with an Auction Reference Price greater than \$50.00.<sup>4</sup>

The Exchange proposes to apply Auction Collars of 10% for all Auction-Eligible Securities,<sup>5</sup> regardless of the Auction Reference Price. The Exchange believes that for securities priced greater than \$25.00, the proposed wider price collar threshold will allow for additional price movements that is expected because of the extraordinary volatility in the market, while continuing to prevent auctions from occurring at prices significantly away from the applicable Auction Reference Price. The proposed 10% price collar threshold for the Core Open Auction is the same as currently used by the Nasdaq Stock Market LLC (“Nasdaq”) for its opening crosses.<sup>6</sup>

## 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) of the Act,<sup>8</sup> in particular, in that 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

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<sup>4</sup> The Auction Reference Price for the Core Open Auction is the midpoint of the Auction NBBO or, if the Auction NBBO is locked, the locked price. If there is no Auction NBBO, the prior trading day’s Official Closing Price. The Auction Reference Price for the Trading Halt Auction is the last consolidated round-lot price of that trading day, and if none, the prior trading day’s Official Closing Price. See NYSE Arca Equities Rule 7.35P(a)(8).

<sup>5</sup> For the Core Open Auction, Auction-Eligible Securities are all securities for which the Exchange is the primary listing market and UTP Securities designated by the Exchange. For the Trading Halt Auction, Auction-Eligible Securities are securities for which the Exchange is the primary listing market. See NYSE Arca Equities Rule 7.35P(a)(1)(A) and (B).

<sup>6</sup> See Nasdaq Rule 4752(d)(2)(E) and [http://www.nasdaqtrader.com/content/productservices/trading/crosses/openclose\\_faqs.pdf](http://www.nasdaqtrader.com/content/productservices/trading/crosses/openclose_faqs.pdf).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

in securities, and 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.

In particular, the Exchange believes that the impact of the UK vote to leave the European Union has resulted in extraordinary global market volatility, not seen in scale since August 24, 2015, and the U.S. ETP market is not immune. In response to this extraordinary market volatility, the Exchange believes that it would promote the protection of investors and the public interest to temporarily widen the price collar thresholds for the Core Open Auction and Trading Halt Auctions on June 24, 2016 only because it would promote fair and orderly auctions. The Exchange further believes that widening the price collar thresholds would remove impediments to and perfect the mechanism of a national market system because it is designed to allow for greater price movement, while at the same time preventing auction trades from occurring at prices significantly away from the applicable Auction Reference Price. Accordingly, investors would be protected from executions significantly away from the last sale in a security or other applicable reference price, but natural price fluctuations resulting from the market volatility would be permitted. In addition, the Exchange believes that widening the Auction Collars could reduce the possibility of securities triggering multiple trading pauses under the Regulation NMS Plan to Address Market Volatility.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change would 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 is designed to ensure a fair and orderly market by temporarily widening the price collar thresholds for the Core Open Auction and Trading Halt Auctions on a trading day with extraordinary market volatility

due to the UK vote to leave the European Union, In addition, the proposed rule change is intended to be in effect for June 24, 2016 only to respond to unique events relating to UK referendum and therefore will not create a burden 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

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, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>11</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>12</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 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 the operative delay would allow the Exchange to

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

<sup>10</sup> 17 CFR 240.19b-4(f)(6). The Exchange has requested that the Commission waive the requirement that the Exchange provide the Commission 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 on which the Exchange filed the proposed rule change pursuant to Rule 19b-4(f)(6)(iii). The Commission hereby grants this request.

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

immediately implement the proposed rule change, thereby promoting the operation of a fair and orderly market on a day with extraordinary market volatility due to the UK referendum to leave the European Union. 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 proposal operative upon filing.<sup>13</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. If the Commission takes such action, the Commission shall institute proceedings to determine 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2016-90 on the subject line.

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<sup>13</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).

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2016-90. 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 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-NYSEArca-2016-90, 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>

Brent J. Fields  
Secretary

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