

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79404; File No. SR-NYSEArca-2016-149)

November 28, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of a Proposed Rule Change Amending Rule 6.91NY

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 14, 2016, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) 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 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 amend Rule 6.91NY (Electronic Complex Order Trading) to clarify the priority of Electronic Complex Orders and to modify aspects of its Complex Order Auction Process. 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 Exchange 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 these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects 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 proposes to amend Rule 6.91 to clarify the priority of Electronic Complex Orders (“ECO”)³ and to modify aspects of its Complex Order Auction (“COA”) Process.

Rule 6.91 sets forth how the Exchange conducts trading of ECOs in its Complex Matching Engine (“CME”). The Exchange proposes to streamline the rule text governing the execution of ECOs during Core Trading Hours⁴ to provide specificity and transparency regarding such order processing, without modifying the substance of such processing. The Exchange also proposes to amend the rules governing how ECOs that are eligible for a COA Process are executed and allocated to clarify the description of current functionality and to provide additional detail regarding order processing. The Exchange also proposes additional amendments to Rule 6.91 to clarify and add transparency to the COA Process, as described below.

Execution of ECOs during Core Trading Hours

The Exchange proposes to streamline its description of the priority of ECOs during Core Trading Hours, which the Exchange believes would add specificity and transparency to

³ Per Rule 6.91, “an ‘Electronic Complex Order’ means any Complex Order as defined in Rule 6.62(e) that is entered into the NYSE Arca System.” Rule 6.62(e) defines Complex Order as “any order involving the simultaneous purchase and/or sale of two or more different option series in the same underlying security, for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy.”

⁴ Core Trading Hours are the regular trading hours for business set forth in the rules of the primary markets underlying those option classes listed on the Exchange. See Rule 6.1A(a)(3).

Exchange rules. Every ECO, upon entry to the System, is routed to the CME for possible execution against other ECOs or against individual quotes and orders residing in the Consolidated Book (“leg markets”).⁵ The Exchange ranks and allocates ECOs residing in the Consolidated Book according to price/time priority based on the total or net debit or credit and the time of entry of the order.⁶ Paragraph (a)(2) to the Rule sets forth how ECOs are executed, including that ECOs submitted to the System may be executed without consideration of prices of the same complex order that might be available on other exchanges.⁷ The Exchange proposes to specify that ECOs may be executed without regard to prices of “either single-legged or the same complex order strategy” that might be available on other exchanges, which adds specificity and transparency to Exchange rules.⁸ The Exchange proposes to amend Rule 6.91(a)(2) by re-numbering the rule text. As described in more detail below, proposed Rule 6.91(a)(2)(ii) would govern the execution of ECOs during Core Trading when marketable on arrival and proposed Rule 6.91(a)(2)(iii) would govern how ECOs would be ranked in the Consolidated Book and execute as resting interest on the Consolidated Book.

Rule 6.91(a)(2)(ii) governs executions of ECOs during Core Trading. Paragraph (A) to Rule 6.91(a)(2)(ii) currently provides that the CME will accept an incoming marketable ECO

⁵ See proposed Rule 6.91(a) (the Exchange proposes to define “leg markets” in reference to individual quotes and orders in the Consolidated Book as used throughout the rule text). The Exchange also proposes to define “System” as a shorthand reference to the term “NYSE Arca System” and replace uses of the term “NYSE Arca System” with the term “System” throughout the rule text. See, e.g., proposed Rule 6.91(preamble) and paragraph (a).

⁶ See Rule 6.91(a)(1).

⁷ See Rule 6.91(a)(2). The Rule also provides that “[n]o leg of a [ECO] will be executed at a price outside the NYSE Arca best bid /offer for that leg.” See *id.*

⁸ Rule 6.91(a)(2)(i) governs the execution of ECOs at the Open. The Exchange proposes a non-substantive amendment to add the term “Electronic” so that the rule text would read, “Execution of Electronic Complex orders at the Open.”

and will automatically execute the ECO giving first priority to ECOs in the Consolidated Book, “provided, however, that if individual orders or quotes residing in the Consolidated Book can execute the incoming [ECO] in full (or in a permissible ratio) at the same total or net debit or credit as an [ECO] in the Consolidated Book, the individual orders or quotes will have priority.”⁹ In other words, the rule currently provides that, at the same price, the leg markets have priority over same-priced resting ECOs. Paragraph (B) to Rule 6.91(a)(2)(ii) provides that if an ECO in the CME is not marketable against another ECO “it will automatically execute against individual orders or quotes residing in the Consolidated Book, provided the [ECO] can be executed in full (or in a permissible ratio).”¹⁰ In other words, if there are no better-priced ECOs in the Consolidated Book, an incoming ECO would trade with the resting leg markets. Further, the current rule provides that leg markets that execute against an ECO, per Rule 6.91(a)(2)(ii)(A) or (B), are allocated pursuant to Rule 6.76A.¹¹

The Exchange proposes to revise and streamline the rule text governing execution of ECOs during Core Trading Hours in a manner that the Exchange believes would promote transparency regarding the processing of ECOs. The proposed rule text is not intended to change how the Exchange currently processes ECOs during Core Trading, which is described in the current rule, but rather to specify the order processing in a more concise and logical manner. Thus, the Exchange proposes to delete the current rule text in paragraphs (a)(2)(ii)(A) and (B) to the Rule and replace it with revised text in proposed paragraph (a)(2)(ii).

Proposed Rule 6.91(a)(2)(ii) (i.e., “Core Trading Order Allocation”) would provide that the CME would accept incoming marketable ECO and automatically execute it against the best-

⁹ See Rule 6.91(a)(2)(ii)(A).

¹⁰ See *id.*

¹¹ See Rule 6.91(a)(2)(ii)(A) and (B).

priced contra-side interest resting in the Consolidated Book.¹² This proposed rule text makes clear that an incoming marketable ECO would trade against the best-priced contra-side interest resting in the Consolidated Book, which is consistent with the Exchange’s price-time priority model. For example, if the best-price contra-side interest is an ECO resting on the Consolidated Book, the incoming ECO would trade with such ECO on arrival. However, if the best-price contra-side interest that can execute with the incoming ECO in full (or in a permissible ratio) is in the leg markets, the incoming ECO would trade with individual quotes and orders in the leg markets.

The proposed rule text would further specify that if, at a price, the leg markets can execute against an incoming ECO in full (or in a permissible ratio), the leg markets would have first priority at that price to trade with the incoming ECO – to be followed by resting ECOs – in price/time pursuant to Rule 6.76A.¹³ This proposed text, therefore, describes how an incoming marketable ECO would be allocated if resting ECOs and leg markets in the Consolidated Book are at the same price, i.e., the priority of same-priced interest in the Consolidated Book.

To distinguish the treatment of incoming marketable ECOs (that are immediately executed) from ECOs that are not marketable (and thus routed to the Consolidated Book) during Core Trading Hours, the Exchange proposes to renumber current Rule 6.91(a)(2)(ii)(C) and (D), as proposed Rule 6.91(a)(2)(iii)(A) and (B), under the new heading “Electronic Complex Orders in the Consolidated Book.” The Exchange also proposes to add language to Rule 6.91(a)(2)(iii)(A) to specify that an ECO, or portion of an ECO, that is not executed on arrival would be ranked in the Consolidated Book and that any new orders and quotes entered into the Consolidated Book that can execute against an ECO would be executed against such new orders

¹² See proposed Rule 6.91(a)(2)(ii).

¹³ See id.

or quotes “according to paragraph (a)(2)(ii) above.”¹⁴ The Exchange believes that the proposed additional heading and re-numbering of the rule text provides clarity regarding the treatment of non-marketable – as opposed to marketable – ECOs, which makes the rule text easier to navigate, without altering the functionality described in rule.

Proposed Modifications to COA Process

The Exchange proposes to modify its description of the COA Process and the execution of COA-eligible orders, which the Exchange believes would provide additional specificity and transparency to Exchange rules.¹⁵ Because of the number of modifications that the Exchange proposes to current paragraph (c), the Exchange proposes to delete paragraph (c) of the Rule in its entirety and replace it with new Rule 6.91(c), which the Exchange believes more clearly, accurately and logically describes the COA Process. Proposed Rules 6.91(c)(1) – (7) would describe the COA Process.

Execution of COA-Eligible Orders, Initiation of COAs and RFR Responses

Proposed Rule 6.91(c) would provide that, upon entry into the System, ECOs may be immediately executed, in full (or in a permissible ratio), or may be subject to a COA as described in the Rule. This rule text is based on current Rule 6.91(c), which provides that COA-eligible orders, upon entry into the System, “may be subject to an automated request for responses (“RFR”) auction.”¹⁶ As discussed below, the current rule text is silent as to the factors involved

¹⁴ The current rule text cross-references “(ii) above” but in light of the proposed addition of subsection (a)(2)(iii), the Exchange proposes to instead cross-reference “paragraph (a)(2)(ii),” which would add clarity to the proposed rule. Consistent with the proposed change to define “leg markets” in Rule 6.91(a), the Exchange proposes to replace “bids and offers in the leg markets” with “leg markets” in proposed Rule 6.91(a)(2)(iii)(A).

¹⁵ To the extent that the proposed streamlined rule text mirrors existing language, the Exchange cites the relevant section of both the proposed and existing rule.

¹⁶ The Exchange describes the concept of the Request for Response or “RFR” in connection with a COA in new paragraph (c)(3) to Rule 6.91.

in whether and when an incoming COA-eligible order may trigger a COA, which would be addressed in proposed Rules 6.91(c)(2) and (c)(3).

Proposed Rule 6.91(c)(1) would define the term “COA-eligible order” to mean an ECO that is entered in a class designated by the Exchange and is:

- (i) designated by the OTP Holder as COA-eligible; and
- (ii) received during Core Trading Hours.¹⁷

The proposed definition is based, in part, on the current Rule, which provides that whether an order is COA-eligible “would be determined by the Exchange on a class-by-class basis”¹⁸ and that the OTP Holder must provide direction that an auction be initiated.¹⁹ In addition, the Exchange believes that explicitly stating that an ECO would be COA-eligible only if submitted during Core Trading Hours would add clarity and transparency. The Exchange proposes to eliminate from the current definition (set forth in Rule 6.91(c)(1)) features of ECOs that are not determinative of COA eligibility on the Exchange, , such as the “size, number of series, and complex order origin types (i.e., Customers, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange).” The Exchange is also not including language from current Rule 6.91(c)(1) that provides that ECOs “processed through the COA Process may be executed without consideration to prices of the same complex orders that might be available on other exchanges,” as this requirement is already set forth in paragraph (a)(2) of the Rule. Finally, the Exchange proposes to remove consideration of an ECO’s “marketability (defined as a number of ticks away from the

¹⁷ See proposed Rule 6.91(c)(1).

¹⁸ See Rule 6.91(c)(1).

¹⁹ See Rule 6.91(c)(2) (requiring that an OTP Holder mark an ECO for auction in order for a COA to be conducted).

current market)” as a requirement for COA-eligibility and to instead include this requirement in proposed paragraph (c)(3) regarding whether a COA-eligible order would actually trigger (as opposed to be *eligible* to trigger) a COA, as discussed below.

Proposed Rule 6.91(c)(2) would add new rule text describing the “Immediate Execution of COA-eligible orders.” The proposed text would clearly state that, upon entry of a COA-eligible order into the System, it would trade immediately, in full (or in a permissible ratio), with any ECOs resting in the Consolidated Book that are priced better than the contra-side Complex BBO, pursuant to proposed Rule 6.91(a)(2)(ii).²⁰ In such case, the arriving COA-eligible order would trade in a manner consistent with proposed Rule 6.91(a)(2)(ii) (i.e., “Core Trading Order Allocation”) and seek an immediate execution with the best-priced contra-side interest. The proposed paragraph would further specify that any portion of the COA-eligible order that does not execute immediately upon entry may start a COA, subject to the conditions set forth in proposed paragraph (c)(3).

The Exchange believes that the proposed rule text promotes transparency regarding when, under current functionality, a COA-eligible order would receive an immediate execution (i.e., when it can receive price improvement from resting ECOs) versus being subject to a COA. The Exchange believes that the immediate price improvement opportunity for an incoming COA-eligible order from resting ECOs in the Consolidated Book obviates the need to start a COA, which is why incoming orders first trade against price-improving interest in the Consolidated Book before initiating a COA.

²⁰ See Rule 6.1A(2)(b) (defining Complex BBO as “the BBO for a given complex order strategy as derived from the best bid on OX and best offer on OX for each individual component series of a Complex Order”).

Proposed Rule 6.91(c)(3) would specify the conditions required for the “Initiation of a COA” and, if those conditions are met, sets forth how a COA would be initiated. As proposed, and consistent with current functionality, for any portion of a COA-eligible order not executed immediately under proposed Rule 6.91(c)(2), the Exchange would initiate a COA based on the limit price of the COA-eligible order in relation to a number of factors.

- First, as set forth in proposed Rule 6.91(c)(3)(i), the limit price of the COA-eligible order to buy (sell) would have to be higher (lower) than the best-priced, same-side interest in both the leg markets and any ECOs resting in the Consolidated Book. In other words, the limit price of the COA-eligible order would have to improve the current same-side market.
- Second, as set forth in proposed Rule 6.91(c)(3)(ii), the COA-eligible order would have to be marketable, which, based on current Rule 6.91(c)(1), is defined as a number of ticks away from the current, contra-side market.
- Finally, as set forth in proposed Rule 6.91(c)(3)(iii), to initiate a COA, the limit price of the COA-eligible order to buy (sell) would have to be executable at a price at or within the NYSE Arca best bid/offer for each leg of the order, which is based on current Rule 6.91(a)(2) regarding the execution of ECOs in general.

Proposed Rule 6.91(c)(3) further provides that the Exchange would initiate a COA by sending a Request for Response (“RFR”) message to all OTP Holders that subscribe to RFR messages.²¹ This requirement is based on the first sentence of current Rule 6.91(c)(2). Proposed Rule 6.91(c)(3) would further provide that RFR messages would identify the component series, the size and side of the market of the order and any contingencies, which is based on the second

²¹ See proposed Rule 6.91(c)(3).

sentence of current Rule 6.91(c)(2) without any changes. In addition, proposed Rule 6.91(c)(3) would include new rule text to specify that only one COA may be conducted at a time in any given complex order strategy, which is not explicitly stated in the current rule.²² Finally, proposed Rule 6.91(c)(3) would specify that, at the time the COA is initiated, the Exchange would record the Complex BBO (the “initial Complex BBO”) for purposes of determining whether the COA should end early pursuant to proposed paragraph (c)(6) of this Rule (discussed below). This is new rule text that is consistent with current functionality that ensures the COA respects the leg markets as well as principles of price/time priority.²³

Proposed Rule 6.91(c)(4) would define the term Response Time Interval (“RTI”) as the period of time during which responses to the RFR may be entered. As further proposed, the Exchange would determine the length of the RTI; provided, however, that the duration would not be less than 500 milliseconds and would not exceed one (1) second. This rule text is based on current Rule 6.91(c)(3) insofar as it defines the RTI and the duration of the RTI, with the non-substantive modification to replace reference to “shall” with reference to “will.” Proposed Rule 6.91(c)(4) would also include new rule text providing that, at the end of the RTI, the COA-eligible order would be allocated pursuant to proposed Rule 6.91(c)(7), which describes the allocation of COA-eligible orders (hereinafter “COA Order Allocation”) (described below). This proposed new rule text is based in part on current Rule 6.91(c)(5), which provides that at the expiration of the RTI, COA-eligible orders may be executed, in whole or in part, pursuant to Rule 6.91(c)(6) (Execution of COA-eligible orders). The proposed rule text refers instead to

²² The Exchange believes this can be inferred from the text describing the impact of COA-eligible orders that arrive during a COA in progress. See, e.g., Rule 6.91(c)(8). Proposed Rule 6.91(c)(6), described below, provides specificity of when a COA may terminate early and when a subsequent COA may be initiated.

²³ See proposed Rule 6.91(a)(2)(ii) (leg markets have priority at a price).

Rule 6.91(c)(7), which incorporates the order allocation concepts currently set forth in Rule 6.91(c)(6). The proposed change is intended to add clarity and transparency to the COA Process.

Proposed Rule 6.91(c)(5) would provide that any OTP Holder may submit responses to the RFR message (“RFR Responses”) during the RTI. This rule text is based on the first sentence of current Rule 6.91(c)(4) without any changes. Proposed Rule 6.91(c)(5)(A) – (C) would provide additional specificity regarding RFR Responses.

- Proposed Rule 6.91(c)(5)(A) would provide that RFR Responses are ECOs that have a time-in-force contingency for the duration of the COA (i.e., are designated as “GTX”), must specify the price, size, and side of the market, and may be submitted in \$0.01 increments. This rule text is based in part on the first sentence of Rule 6.91(c)(4), which provides that RFR Responses may be submitted in \$.01 increments. Proposed Rule 6.91(c)(5)(A) is also based in part on the second to last sentence of current Rule 6.91(c)(7), which provides that RFR Responses expire at the end of the RTI, which is the same in substance as saying that an RFR Response has a time-in-force condition of GTX for the COA. The Exchange believes its proposed rule text is more accurate because it states that RFR Responses are valid for the duration of the COA, as opposed to the RTI, the latter being the period during which COA interest (including RFR Responses and incoming ECOs) is received and the former being the overall COA Process that allocates COA-eligible orders with the best-priced auction interest, including RFR Responses.
- Proposed Rule 6.91(c)(5)(B) would provide that RFR Responses must be on the opposite side of the COA-eligible order and any RFR Responses on the same side of the COA-eligible order would be rejected. This proposed rule text is based on the last

sentence of current Rule 6.91(c)(4), which provides that RFR Responses must be on the opposite side of the COA-eligible order and any same-side RFR responses would be rejected by the Exchange, without any substantive changes.

- Proposed Rule 6.91(c)(5)(C) would provide that RFR Responses may be modified or cancelled during the RTI, would not be ranked or displayed in the Consolidated Book, and would expire at the end of the COA. The proposed text stating that RFR Responses may be modified or cancelled during the RTI is new rule text based in part on current Rule 6.91(c)(7), which provides that RFR Responses can be modified but may not be withdrawn at any time prior to the end of the RTI. The Exchange believes it is consistent with the current rule that states that an RFR Response may be modified to explicitly provide that an RFR Response may be cancelled, which is current functionality, and proposes to amend the rule to reflect that RFR Responses may also be cancelled. The proposed text stating that RFR Responses expire at the end of the COA make clear when RFR Responses are “firm” and thus obviate the need for current Rule 6.91(c)(7).²⁴ The proposed text of Rule 6.91(c)(5)(C) stating that RFR Responses would not be ranked or displayed in the Consolidated Book is based on the last sentence of current Rule 6.91(c)(7) without any changes.

The Exchange believes that the proposed Rules 6.91(c)(5)(A) – (C), which reorganizes information from existing rule text and add language to describe the requisite characteristics and behavior of an RFR Response, adds clarity and transparency to Exchange rules, including that, like all orders, an RFR Response may be modified or cancelled prior to the end of the RTI. The Exchange believes that specifying that RFR Responses are GTX (i.e., good for the duration of the

²⁴ Rule 6.91(c)(7) sets forth the Firm Quote Requirements for COA-eligible orders.

COA) and may trade with interest received during the COA before expiring would encourage participation in the COA and would maximize the number of contracts traded.

Impact of ECOs, COA-eligible orders and Updated Leg Markets on COA in progress

Proposed Rule 6.91(c)(6) would govern the impact of ECOs, COA-eligible orders, and updates to the leg markets that arrived during an RTI of a COA. This proposed rule text would replace current Rule 6.91(c)(8), as described in greater detail below. The Exchange believes that, because proposed Rule 6.91(c)(6) would establish what happens to a COA (i.e., whether it will end early) before the COA-eligible order is allocated, it would be more logical to describe these processes before the rule describes how COA-eligible orders are allocated, which would be set forth in proposed Rule 6.91(c)(7). To streamline the rule and make the rule text more logical, the Exchange proposes to add headings (see proposed Rule 6.91(c)(6)(A)-(C)) to make clear which type of incoming interest is covered.

Proposed Rule 6.91(c)(6)(A) would describe the impact of incoming ECOs or COA-eligible orders on the opposite-side of the market as the initiating COA-eligible order. The current rule addresses the impact of opposite-side, incoming ECOs on a COA,²⁵ but because it does not address opposite-side COA-eligible orders, proposed paragraph (A) of Rule 6.91(c)(6) would be new rule text. The Exchange notes that the impact of an incoming COA-eligible order

²⁵ See Rule 6.91(c)(8)(A) (providing that “[i]ncoming Electronic Complex orders received during the Response Time Interval that are on the opposite side of the market and marketable against the limit price of the initiating COA-eligible order will be ranked and executed in price time with RFR Responses by account type (as described in (6) above). Any remaining balance of either the initiating COA-eligible order or the incoming Electronic Complex order will be placed in the Consolidated Book and ranked as described in (a)(1) above”).

mirrors that of an incoming ECO in the scenarios covered in proposed Rules (c)(6)(A)(i)-(iii) (discussed below), which adds internal consistency and specificity to Exchange rules.²⁶

- Proposed Rule 6.91(c)(6)(A)(i) would provide that incoming ECOs or COA-eligible orders that lock or cross the initial Complex BBO would cause the COA to end early. The concept of the initial Complex BBO as a benchmark against which incoming opposite-side interest would be measured is new rule text, but is consistent with current functionality. As noted above (see supra note 21), the initial Complex BBO is the BBO for a given complex order strategy as derived from the Best Bid (“BB”) and Best Offer (“BO”) for each individual component series of a Complex Order as recorded at the start of the RTI. Proposed Rule 6.91(c)(6)(A)(i) would further provide that if such incoming ECO or COA-eligible order is also executable against the limit price of the initiating COA-eligible order, it would be ranked with RFR Responses to execute with the initiating COA-eligible order. The Exchange believes that addressing this scenario would better enable market participants to understand how their ECOs, including COA-eligible orders, may be treated, and the proposed change therefore is designed to add clarity and transparency to Exchange rules.
- The proposed rule text relating to how an incoming opposite-side ECO or COA-eligible order would be processed is based on current Rule 6.91(c)(8)(A), which provides that incoming ECOs received during the RTI “that are on the opposite side of the market and marketable against the limit price of the initiating COA-eligible

²⁶ The differential treatment of the balance of the incoming order, depending on whether it is an ECO or a COA-eligible order is covered in proposed rules Rule 6.91(c)(6)(A)(iv) and (v), respectively.

order will be ranked and executed in price time with RFR Responses.”²⁷ The proposed rule text would also include opposite-side COA-eligible orders and would not include any reference to Customer and non-Customer “account type,” which, as discussed below, is unnecessary.²⁸ The proposed rule text also does not include reference to “price time,” as the COA-eligible order would interact with the best-priced contra-side interest received during the RTI, per proposed paragraph (c)(7) of this Rule.²⁹

- Proposed Rule 6.91(c)(6)(A)(ii) would provide that incoming ECOs or COA-eligible orders that are executable against the limit price of the initiating COA-eligible order, but do not lock or cross the initial Complex BBO, would not cause the COA to end early and would be ranked with RFR Responses to execute with the initiating COA-eligible order. This proposed paragraph specifies that the COA would continue uninterrupted by such incoming orders because such interest does not trigger priority concerns (because the incoming order isn’t priced better than the leg markets at the start of the COA), but is eligible to participate in the COA. This proposed text would be new rule text, which reflects current functionality that is based on the principles set forth in Rule 6.91(c)(8)(A).
- Proposed Rule 6.91(c)(6)(A)(iii) would provide that incoming ECOs or COA-eligible orders that are either not executable on arrival against the limit price of the initiating COA-eligible order or do not lock or cross the initial Complex BBO would not cause

²⁷ See Rule 6.91(c)(8)(A), supra note 26.

²⁸ See proposed Rule 6.91(c)(6)(A)(i). See also discussion of “COA Order Allocation” below.

²⁹ See proposed Rule 6.91(c)(7).

the COA to end early. Per this proposed paragraph, the COA would proceed uninterrupted as the incoming interest does not trigger priority concerns (i.e., does not lock or cross the initial Complex BBO) nor can the interest participate in the COA (i.e., because it is not executable against the initiating COA-eligible order). This would be new rule text, which reflects current functionality.

- Proposed Rule 6.91(c)(6)(A)(iv) would provide that any incoming ECO(s), or the balance thereof, that was not executed with the initiating COA-eligible order or was not executable on arrival would trade pursuant to proposed paragraph (a)(2)(ii) of this Rule (i.e., Core Trading Allocation). This proposed rule text is based on the last sentence of current Rule 6.91(c)(8)(A), regarding ECOs, but provides additional detail regarding the ability for any balance on the incoming ECO to trade with the best-priced, resting contra-side interest before (or instead of) being ranked in the Consolidated Book, which is consistent with the Exchange's processing of incoming ECOs.
- Proposed Rule 6.91(c)(6)(A)(v) would provide that any incoming COA-eligible order(s), or the balance thereof, that was not executed with the initiating COA-eligible order or was not executable on arrival would initiate subsequent COA(s) in price-time priority. Because the treatment of opposite-side COA-eligible orders is not described in the current rule, this would be new rule text. Unlike the treatment of incoming opposite-side ECOs – where any remaining balance of the ECOs would be subject to Core Trading Allocation or would be posted to the Consolidated Book after trading with the initiating COA-eligible order – any balance of the incoming contra-

side COA-eligible order that does not trade with the initiating COA-eligible order would initiate a new COA.

The Exchange believes that proposed Rule 6.91(c)(6)(A)(i) – (v) would provide additional specificity regarding the impact of opposite-side ECOs or COA-eligible orders on the COA Process, which adds transparency to Exchange rules. Specifically, the Exchange believes that providing for a COA to terminate early when an incoming order locks or crosses the initial Complex BBO, as proposed, would allow an initiating COA-eligible order to execute (ahead of the incoming order) against any RFR Responses or ECOs received during the RTI up until that point, while preserving the priority of the incoming order to trade with the resting leg markets. The Exchange believes that early conclusion of the COA would avoid disturbing priority in the Consolidated Book and would allow the Exchange to appropriately handle incoming orders. The proposed rule text is consistent with the processing of ECOs during Core Trading and ensures that the leg markets respect the COA as well as principles of price/time priority.³⁰ Moreover, the Exchange believes that the proposed impact of incoming COA-eligible orders aligns with the treatment of incoming ECOs, which adds internal consistency to Exchange rules, and affords additional opportunities for price improvement to the initiating COA-eligible order, which may trade with the opposite-side order(s).

The Exchange proposes to process any remaining balance of such orders differently from any balance of the incoming ECO because an ECO would either execute against resting interest or be ranked with ECOs in the Consolidate Book, whereas any balance of an incoming COA-eligible order would initiate a new COA, affording that order additional opportunities for price improvement. The Exchange believes that this proposed rule text, which is consistent with

³⁰ See proposed Rule 6.91(a)(2)(ii) (leg markets have priority at a price).

current functionality, maximizes the execution opportunities to the incoming order(s), with potential price improvement, as these orders may trade with interest received in the (initiating) COA; and, for the incoming COA-eligible order, the potential for additional price improvement in a subsequent COA.

Proposed Rule 6.91(c)(6)(B) would describe the impact of incoming ECOs or COA-eligible orders on the same side of the market as the initiating COA-eligible order on a COA. The current rule addresses the impact of same-side, incoming COA-eligible orders on a COA,³¹ but because it does not address same-side ECOs, this aspect of the proposed rule would be new. The impact of an incoming ECO mirrors that of an incoming COA-eligible order in the scenarios covered in proposed Rule (c)(6)(B)(i)-(iv) (discussed below), which adds internal consistency and specificity to Exchange rules.³²

- Proposed Rule 6.91(c)(6)(B)(i) would provide that incoming ECOs or COA-eligible orders that are priced better than the initiating COA-eligible order would cause the COA to end.³³ This proposed rule text is based in part on current Rule 6.91(c)(8)(D), which provides that better-priced incoming COA-eligible orders that arrive during the RTI will cause a COA to end.³⁴

³¹ See Rule 6.91(c)(8)(B) - (C) (addressing the impact of same-side incoming COA-eligible orders on a COA).

³² The Exchange notes that the differential treatment of the balance of the incoming order, depending on whether it is an ECO or a COA-eligible order is covered in proposed rules Rule 6.91(c)(6)(B)(v) and (vi), respectively.

³³ An incoming ECO or COA-eligible order priced “better than” the COA-eligible order means it is priced higher (lower) than the initiating COA-eligible order to buy (sell). See proposed Rule 6.91(c)(6)(B)(ii).

³⁴ See Rule 6.91(c)(8)(D) (providing, in part, that “[i]ncoming COA-eligible orders received during the Response Time Interval for the original COA-eligible order that are on the same side of the market and that are priced better than the initiating order will cause the auction to end”).

- Proposed Rule 6.91(c)(6)(B)(ii) would provide that an incoming ECO or COA-eligible order that is priced equal to or worse than the initiating COA-eligible order,³⁵ and also locks or crosses the contra-side initial Complex BBO, would cause the COA to end early. The proposed rule is based in part on current Rules 6.91(c)(8)(B) and (C), which describe how the Exchange processes COA-eligible orders that are received during a COA that are on the same side of the market of the initiating COA and priced equal to or worse than the initiating COA.³⁶ However, the current rule does not specify that a COA would terminate early when an incoming ECO locks or crosses the contra-side initial Complex BBO, therefore this would be new rule text.
- Proposed Rule 6.91(c)(6)(B)(iii) would provide that incoming ECOs or COA-eligible orders that are priced equal to or worse than the initiating COA-eligible order,³⁷ but do not lock or cross the contra-side Complex BBO, would not cause the COA to end early. Proposed Rule 6.91(c)(6)(B)(i) is based on current Rules 6.91(c)(8)(B) and (C), which describe how the Exchange processes COA-eligible orders that are received during a COA that are on the same side of the market of the initiating COA-eligible order and priced equal to or worse than the initiating COA-eligible order. However, the current rule does not address whether the incoming orders lock or cross the contra-side initial Complex BBO. The Exchange believes that this additional

³⁵ An incoming ECO or COA-eligible order priced “worse than” the COA-eligible order means it is priced lower (higher) than the initiating COA-eligible order to buy (sell). See proposed Rule 6.91(c)(6)(B)(ii).

³⁶ See Rule 6.91(c)(8)(B) - (C), supra note 32.

³⁷ An incoming ECO or COA-eligible order priced “worse than” the COA-eligible order means it is priced lower (higher) than the initiating COA-eligible order to buy (sell). See proposed Rule 6.91(c)(6)(B)(iii).

detail promotes internal consistency regarding how the COA process and how it intersects with the price/time priority of the initial Complex BBO.

- The Exchange notes that current Rules 6.91(c)(8)(B) and (C) state that an incoming same-side COA-eligible order (priced equal to or worse than the initiating order) joins a COA in progress and is executed in price/time with the COA-eligible order, with any balance placed in the Consolidated Book pursuant to (a)(1).³⁸ The proposed rule text would clarify how such incoming COA-eligible orders would be processed. Specifically, the Exchange proposes to clarify how such incoming COA-eligible orders (as well as ECOs) would be processed, including any remaining balance thereof, in proposed paragraphs (c)(6)(iv)-(vi) of the Rule, discussed below.³⁹
- Proposed Rule 6.91(c)(6)(B)(iv) would provide that any incoming ECO or COA-eligible order that caused a COA to end early, if executable, would trade against any RFR Responses and/or ECOs that did not trade with the initiating COA-eligible order. This proposed paragraph reflects current functionality and is based on current Rule 6.91(c)(8)(D) inasmuch as it addresses incoming same-side COA-eligible orders that cause the COA to end early.
- Proposed Rule 6.91(c)(6)(B)(v) would provide that any remaining balance of incoming ECOs that do not trade against any remaining RFR Responses or ECOs

³⁸ See Rule 6.91(c)(8)(B) and (C) (providing, in part, that “[i]ncoming COA-eligible orders received during the [RTI] for the original COA-eligible order that are on the same side of the market, that are priced [equal to or worse] than the initiating order, will join the COA”).

³⁹ See, e.g., proposed Rule 6.91(c)(6)(B)(iv),(vi) (providing that, rather than joining the COA, these incoming COA-eligible orders may trade with RFR Responses or ECOs that don’t execute in the COA and, if any balance remains still, would initiate a new COA – but would not execute during the COA in progress as the current rule suggests).

received during the RTI would trade pursuant to Core Trading Allocation, pursuant to paragraph (a)(2)(ii) of this Rule. This proposed rule text is consistent with the treatment of the balance of incoming same-side ECOs set forth in current Rule 6.91(8)(A)-(C), with the added detail that the ECO would first be subject to Core Trading Allocation pursuant to proposed Rule 6.91(a)(2)(ii) before being ranked in the Consolidated Book.

- Proposed Rule 6.91(c)(6)(B)(vi) would provide that the remaining balance of any incoming COA-eligible order(s) that does not trade against any remaining RFR Responses or ECOs received during the RTI would initiate new COA(s) in price-time priority. This proposed rule text is based in part on current Rule 6.91(c)(8)(D), which provides that any unexecuted portion of the incoming COA-eligible would initiate a new COA.⁴⁰

The Exchange believes that proposed Rules 6.91(c)(6)(B)(i)-(vi) would provide greater specificity regarding the impact of arriving same-side COA-eligible orders and ECOs on a COA, which adds internal consistency, clarity and transparency to Exchange rules. Specifically, the Exchange believes that providing for a COA to terminate early under the circumstances specified in proposed Rules 6.91(c)(6)(B)(i) and (ii) would allow a COA-eligible order to execute (ahead of the incoming order) against any RFR Responses or ECOs received during the RTI up until that point, while preserving the priority of the incoming order to trade with the resting leg markets. The Exchange believes that early conclusion in this circumstance would ensure that the

⁴⁰ See Rule 6.91(c)(8)(D) (providing, in part, that “[t]he COA-eligible order that caused the auction to end will “if marketable, initiate another COA”). See *supra* note 35 (noting inaccuracy in current rule, which provides that incoming COA-eligible orders would execute during the COA in progress).

COA interacts seamlessly with the Consolidated Book so as not to disturb the priority of orders on the Book.

The proposed rule text is consistent with the processing of ECOs during Core Trading and ensures that the COA respects the leg markets as well as principles of price/time priority.⁴¹ In addition, the proposed rule would also provide greater specificity that the incoming COA-eligible order or ECO would, if executable, trade against any remaining RFR Responses and/or ECOs received during the RTI, which allows the incoming orders opportunities for price improvement. The proposed rule would also make clear that any remaining balance of the incoming COA-eligible order would then initiate a new COA. The Exchange believes that these proposed changes maximize the execution opportunities to the incoming order(s), with potential price improvement, as these orders may trade with interest received in the (original) COA; and, for the incoming COA-eligible order, the potential for additional price improvement in a subsequent COA.

Proposed Rule 6.91(c)(6)(C): would describe the impact of new individual quotes or orders (i.e., updates to the leg markets) during the RTI on the same or opposite side of the COA-eligible order. In each event described below, regardless of whether the COA ends early, the COA-eligible order would execute pursuant to proposed Rule 6.91(c)(7) (described below); and, consistent with Core Trading Allocation, the updated leg markets would execute pursuant to proposed paragraph (a)(2)(ii) of this Rule.⁴²

- Proposed Rule 6.91(c)(6)(C)(i) would provide that updates to the leg markets that would cause the same-side Complex BBO to lock or cross any RFR Response(s) and/or ECO(s) would cause the COA to end early. The Exchange believes that

⁴¹ See proposed Rule 6.91(a)(2)(ii) (leg markets have priority at a price).

⁴² See proposed Rule 6.91(c)(6)(C).

providing for a COA to terminate early when the leg markets update in this manner would allow a COA-eligible order to execute against any RFR Responses or ECOs received during the RTI up until that point, while preserving the priority of the updated leg markets.

- Proposed Rule 6.91(c)(6)(C)(ii) would provide that updates to the leg markets that would cause the same-side Complex BBO to be priced better than the COA-eligible order,⁴³ but do not lock or cross any RFR Responses and/or ECOs received would not cause the COA to end early.
- Proposed Rule 6.91(c)(6)(C)(iii) would provide that updates to the leg markets that would cause the contra-side Complex BBO to lock or cross the same-side initial Complex BBO would cause the COA to end early.
- Proposed Rule 6.91(c)(6)(C)(iv) would provide that updates to the leg markets that would cause the contra-side Complex BB (BO) to improve (i.e., become higher (lower)), but not lock or cross the same-side initial Complex BBO, would not cause the COA to end early.

The believes that proposed Rule 6.91(c)(6)(C)(i)-(iv) respect the COA process, while at the same time ensuring a fair and orderly market by maintaining the priority of quotes and orders on the Consolidated Book as they update. The proposed rule is based in part on Rule 6.91(c)(9)(A)⁴⁴ and (B),⁴⁵ which address the impact of updates to the leg markets on a COA.

⁴³ Individual orders and quotes cause the same-side Complex BBO to be “better” than the COA-eligible order if they cause the Complex BBO to be higher (lower) than the COA-eligible order to buy (sell). See proposed Rule 6.91(c)(6)(C)(i).

⁴⁴ See Rule 6.91(c)(9)(A) (providing that “[i]ndividual orders and quotes that are entered into the leg markets that cause the derived Complex Best Bid/Offer to be better than the COA-eligible order and to cross the best priced RFR Response will cause the auction to terminate, and individual orders and quotes in the leg markets will be allocated pursuant

However, the current rule text does not specify on which side of the market the leg markets have updated. The Exchange proposes to include this detail in the new rule text for additional clarity and transparency. In addition, the current rule text uses the term “derived Complex BBO,” which is not a defined term. In the proposed rule, the Exchange proposes to use the term Complex BBO, which is a defined term.⁴⁶ The Exchange further believes this proposed rule text promotes transparency and clarity to Exchange rules.

COA Order Allocation

Current Rules 6.91(c)(6)(A) – (D) set forth how a COA-eligible order executes against same-priced contra-side interest (i.e., at the same net price) after executing against any better-priced contra-side interest. However, the current rule text does not reflect priority and order allocation, including that current paragraphs (c)(6)(B) and (C) refer to affording priority to Customer ECOs which is not consistent with the Exchange’s price/time priority model.

In short, current Rule 6.91(c)(6) provides that COA-eligible orders will be executed against the best priced contra-side interest. The rule further provides that at the same net price,

to (a)(2)(i) above and matched against Electronic Complex Orders and RFR Responses in price time priority pursuant to (6) above. The initiating COA-eligible order will be matched and executed against any remaining unexecuted Electronic Complex Orders and RFR Responses pursuant to (6) above”). The Exchange also notes that proposed Rule 6.91(c)(6)(C)(i) clarifies that the Complex BBO in question is the same-side Complex BBO, as the current rule text is silent in this regard, which adds clarity and transparency to Exchange rules.

⁴⁵ See Rule 6.91(c)(9)(B) (providing that “[i]ndividual orders and quotes that are entered into the leg markets that cause the derived Complex Best Bid/Offer to cross the price of the COA-eligible order will cause the auction to terminate, and individual orders and quotes in the leg markets will be allocated pursuant to (a)(2)(i) above and matched against Electronic Complex Orders and RFR Responses in price time priority pursuant to (6) above.”). The Exchange also notes that proposed paragraph (c)(6)(C)(ii) clarifies that the Complex BBO in question is the contra-side Complex BBO, as the current rule text is silent in this regard, which adds clarity and transparency to Exchange rules.

⁴⁶ See supra 21. The Exchange notes that the word “derived” is no longer needed as it is encompassed in the definition of Complex BBO. See id.

the order will be allocated as provided for in Rules 6.91(c)(6)(A) – (D). Current Rule 6.91(c)(6)(A) provides that individual orders and quotes in the leg markets resting in the Consolidated Book prior to the initiation of a COA have first priority to trade against a COA-eligible order, provided the COA-eligible order can be executed in full (or in a permissible ratio), on a price/time basis pursuant to Rule 6.76A.⁴⁷ Current Rules 6.91(c)(6)(B) and (C) provide that Customer ECOs resting in the Consolidated Book before, or that are received during, the RTI, and Customer RFR Responses shall, collectively have second priority to trade against a COA-eligible order followed by resting non-Customer ECOs, those received during the RTI, and non-Customer RFR Responses, which would have third priority.⁴⁸ Pursuant to the current Rule, the allocation of a COA-eligible order against these Customer and non-Customer ECOs and RFR Responses shall be on a Size Pro Rata basis as defined in Rule 6.75(f)(6).⁴⁹ Finally, current Rule 6.91(c)(6)(D) provides that individual orders and quotes in the leg markets that cause the derived Complex BBO to be improved during the COA and match the best RFR Response and/or ECOs received during the RTI will be filled after ECOs and RFR Responses at the same net price pursuant to Rule 6.76A.⁵⁰

The Exchange proposes to clarify and update the rule text describing the priority and allocation of COA-eligible orders during the COA process in proposed Rule 6.91(c)(7), under the heading “Allocation of COA-Eligible Orders,” which would replace current paragraph (c)(6) in its entirety. Proposed Rule 6.91(c)(7) would provide that at the end of the RTI, a COA-eligible order would be executed against contra-side interest as provided for in proposed Rules

⁴⁷ See Rule 6.91(c)(6)(A).

⁴⁸ See Rule 6.91(c)(6)(B) and (C).

⁴⁹ See id.

⁵⁰ See Rule 6.91(c)(6)(D).

6.91(c)(7)(A) and (B), and any unexecuted portion of the COA-eligible order would be ranked in the Consolidated Book pursuant to proposed Rule 6.91(a)(1).

- Proposed Rule 6.91(c)(7)(A) would provide that RFR Responses and ECO priced better than⁵¹ the initial Complex BBO would be eligible to trade first with the COA-eligible order, beginning with the highest (lowest), at each price point, on a Size Pro Rata basis as defined in Rule 6.75(f)(6). This proposed rule text is based in part on current Rule 6.91(c)(6), which provides that COA-eligible orders would be executed against the best priced contra side interest (which in this case, would be ECOs and RFR Responses) and current Rule 6.91(c)(6)(C), which provides that ECOs and RFR Responses are allocated on a Size Pro Rata basis. The Exchange believes this proposed change streamlines how the allocation process works, and clarifies that if ECOs and RFR Responses are the best-priced interest, they would trade with the incoming COA-eligible order on a Size Pro Rata basis.
- Proposed Rule 6.91(c)(7)(B) provides that after COA allocations pursuant to paragraph (c)(7)(A) of this Rule, the COA-eligible order would trade with the best-priced contra-side interest pursuant to paragraph (a)(2)(ii) above. In other words, once the COA-eligible order has traded with any ECOs or RFR Responses priced better than the initial Complex BBO (i.e., any price-improving interest to arrive during the RTI), the initiating COA-eligible order would follow regular allocation rules for an incoming marketable ECO. This rule text is based in part on current Rule 6.91(c)(6)(A), which provides that if the COA-eligible order can be executed in full (or a permissible ratio) by the orders and quotes in the Consolidated Book, they will

⁵¹ To qualify as “better than,” RFR Responses and ECOs to buy (sell) would need to be priced higher (lower) than the initial Complex BBO. See proposed Rule 6.91(c)(7)(A).

be allocated pursuant to Rule 6.76A. Because this allocation is identical to how a regular marketable ECO would be allocated, the Exchange believes it would streamline the rule and provide greater transparency to provide a cross reference to proposed Rule 6.91(a)(2)(ii) instead of Rule 6.76.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b)(5) of the Securities Exchange Act of 1934 (the “Act”),⁵² which requires the rules of an exchange 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.

Overall, the Exchange is proposing various changes that would promote just and equitable principles of trade, because ECOs, including COA-eligible orders, would be handled in a fair and orderly manner, as described above. The various modifications and clarifications, many of which are consistent with current functionality are intended to improve the rule overall by adding more specificity and transparency. The Exchange believes that the proposed rule changes would promote just and equitable principles of trade as well as protect investors and the public interest by making more clear how ECOs and COA-eligible orders are handled on the Exchange, both during Core Trading Hours and when there is a COA in progress. In particular, the proposed changes are intended to help ensure a fair and orderly market by maintaining price/priority of incoming ECOs (including COA-eligible orders) and updated leg markets. Similarly, the proposed changes are designed to promote just and equitable principles by seeking to execute as much interest as possible at the best possible price(s).

⁵² 15 U.S.C. 78f(b).

Execution of ECOs during Core Trading Hours

The Exchange believes that the proposed rule changes regarding Core Trading Order Allocation, which do not alter the substance of the rule but instead condense and streamline the rule text, would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes are designed to protect investors and the public interest by making the Exchange's rules more clear, concise, transparent and internally consistent, which enhances the overall comprehensibility to investors without altering the operation of the rule. Specifically, the Exchange believes that, although it does not alter the substance of the rule, the proposed rule text regarding Core Trading Order Allocation provides additional specificity regarding processing of ECOs against same-priced contra-side interest and, in particular, under what circumstances the leg markets would have first priority to execute against an incoming marketable ECO. The Exchange believes this additional transparency, which makes the rule clearer and more complete for market participants, would encourage additional ECOs to be directed to the Exchange.

Proposed Modifications to COA Process

Overall, the Exchange believes that the proposed changes to the COA Process maximize execution opportunities for the initiating COA-eligible Order, RFR Responses and ECOs entered during the COA, and the leg markets at the best possible price consistent with the principles of price/time priority, which would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes are designed to protect investors and the public interest.

Execution of COA-Eligible Orders, Initiation of COAs and RFR Responses

In particular, the proposed rule text promotes transparency regarding the definition of

what constitutes a COA-eligible order and the circumstances under which an arriving COA-eligible order would receive an immediate execution (i.e., when it can receive price improvement from resting ECOs) versus being subject to a COA. The proposed rule text is not intended to change how the Exchange currently processes ECOs, but rather to provide clarity regarding the processing of COA-eligible orders and whether such orders are subject to a COA. Specifically, the proposed changes would help ensure a fair and orderly market because this information adds clarity and transparency to the COA process and would allow market participants to be more informed about the COA process. Moreover, the proposed change maximizes the opportunities for price improvement for the entire COA-eligible order as it would first trade against any price-improving interest in the Consolidated Book, and, if any residual interest remains, the order would be subject to a COA. Further, the Exchange believes that the proposed rule text regarding the requisite characteristics and behavior of an RFR Response adds clarity and transparency to Exchange rules, including that, like all orders, an RFR Response may be modified or cancelled prior to the end of the RTI, which promotes just and equitable principles of trade. In addition, the Exchange believes that specifying that RFR Responses are valid for the duration of the COA would encourage participation in the COA and would maximize the number of contracts traded, which benefits all market participants and protects investors and the investing public.

Impact of ECOs, COA-eligible orders and individual order/quotes on COA in progress

Regarding interest that arrives during a COA in progress, the Exchange believes that the proposed rule text provides clarity regarding the impact of opposite- and same-side ECOs or COA-eligible orders on the COA Process, which promotes transparency and adds clarity to Exchange rules. Moreover, the Exchange notes that because the COA is intended to operate seamlessly with the Consolidated Book, the proposed changes would promote just and equitable

principles of trade by providing price-improvement opportunities for COA-eligible orders while at the same time providing an opportunity for such orders to interact with orders or quotes received during the RTI, including incoming ECOs. In addition, the Exchange believes that this practice of honoring the updated leg markets would help ensure a fair and orderly market by maintaining the priority of quotes and orders on the Consolidated Book as they update. The Exchange believes that the proposed changes to the COA would increase the number of options orders that are provided with the opportunity to receive price improvement.

The Exchange also believes that the proposed modification regarding when the balance of an initiating (or incoming) COA-eligible order would initiate a new COA (as opposed to being posted to the Consolidated Book) is likewise consistent with the Act because it would remove impediments to and perfect the mechanism of a free and open market and a national market system clarifying the rule text to the benefit of market participants, particularly those interested in submitting COA-eligible orders. In addition, the proposed changes also promote additional transparency and internal consistency in Exchange rules. The Exchange believes that, as proposed, COA Order Allocation maximizes price discovery and liquidity while employing price priority, which benefits all market participants.

COA Order Allocation

The Exchange believes that the proposed rule changes, which clarify the priority and order allocation and processing of COA-eligible orders would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes are designed to protect investors and the public interest by making the Exchange's rules more clear, concise, transparent and internally consistent, which enhances the overall comprehensibility to investors without altering the operation of the rule. For example,

the Exchange believes that the revised rule text governing the execution of COA-Eligible orders provides clarity regarding the circumstances under which the leg markets would have first priority to execute against an incoming COA-eligible or ECO. The Exchange also believes that the proposed changes would conform to the Exchange's price/time priority model and reduce the potential for investor confusion.

Non-substantive changes

The Exchange believes that the proposed non-substantive, technical changes, including updated cross references that conform rule text to proposed changes, promotes just and equitable principles of trade, fosters cooperation and coordination among persons engaged in facilitating securities transactions, and removes impediments to and perfects the mechanism of a free and open market by ensuring that members, regulators and the public can more easily navigate the Exchange's rulebook and better understand the defined terms used by the Exchange.

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. To the contrary, the Exchange believes that the proposed changes would encourage increased submission of ECOs, as well as increased participation in COAs, which will add liquidity to the Exchange to the benefit all market participants and is therefore pro-competitive. The proposal does not impose an intra-market burden on competition, because these changes make the rule clearer and more complete for all participants. Nor does the proposal impose a burden on competition among the options exchanges, because of the vigorous competition for order flow among the options exchanges. To the extent that market participants disagree with the particular approach taken by the Exchange herein, market participants can easily and readily direct complex order flow to competing venues.

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 within such longer period 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 Exchange consents, the Commission will:

- A. by order approve or disapprove such 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. Please include File Number SR-NYSEArca-2016-149 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-2016-149. 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 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; 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-2016-149 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.⁵³

Robert W. Errett
Deputy Secretary

⁵³ 17 CFR 200.30-3(a)(12).