SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80138; File No. SR-NYSEArca-2016-149)

March 1, 2017

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, to Amend NYSE Arca Rule 6.91

I. Introduction

On November 14, 2016, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), and Rule 19b-4 thereunder, a proposed rule change to amend NYSE Arca Rule 6.91 to clarify and provide greater specificity to its rules governing the trading of Electronic Complex Orders (“ECOs”), and to correct inaccuracies in those rules. The proposed rule change was published for comment in the Federal Register on December 2, 2016. NYSE Arca filed Amendment No. 1 to the proposal, which supersedes the original filing in its entirety, on December 23, 2016, and filed Amendment No. 2 to the proposal on February 17, 2017. On January 9, 2017, the Commission extended the time period for

4 For purposes of NYSE Arca Rule 6.91, an Electronic Complex Order is any Complex Order, as defined in NYSE Arca Rule 6.62(e), or any Stock/Option Order or Stock/Complex Order, as defined in NYSE Arca Rule 6.62(h), that is entered into the NYSE Arca System. See NYSE Arca Rule 6.91.
6 As discussed in greater detail below, Amendment No. 1 makes several changes that further clarify the operation of NYSE Arca Rule 6.91. In particular, Amendment No. 1 revises NYSE Arca Rule 6.91(a)(ii) to delete an incorrect cross-reference to NYSE Arca Rule 6.76A; adds a cross-reference to NYSE Arca Rule 6.91(a)(2) to NYSE Arca Rule 6.91(c); revises NYSE Arca Rule 6.91(c)(3)(ii) to indicate that NYSE Arca will
Commission action to March 2, 2017. The Commission received no comment letters regarding the proposal. This order provides notice of filing of Amendment Nos. 1 and 2 and approves the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

II. Description of the Proposed Rule Change

NYSE Arca Rule 6.91 governs the trading of ECOs in NYSE Arca’s Complex Matching Engine (“CME”). As described more fully in the Notice, NYSE Arca proposes to amend NYSE Arca Rule 6.91 to provide additional specificity, transparency, and clarity to its processing of determine the number of ticks away from the current, contra-side market for a COA-eligible order; amends NYSE Arca Rule 6.91(c)(3)(iii) to indicate that a COA-eligible order will reside on the Consolidated Book until it meets the requirements for COA eligibility and can initiate a COA; revises NYSE Arca Rules 6.91(c)(6)(A)(iv), 6.91(c)(6)(B)(v), and 6.91(c)(7)(B) to indicate that complex orders could trade pursuant to NYSE Arca Rule 6.91(c)(iii); amends NYSE Arca Rule 6.91(c)(6)(B) to indicate that when a COA ends early, or at the end of the Response Time Interval, the initiating COA-eligible order will execute pursuant to NYSE Arca Rule 6.91(c)(7) ahead of interest that arrived during the COA; and amends NYSE Arca Rule 6.91(c)(7) to indicate that when a COA ends early, or at the end of the Response Time Interval, the COA-eligible order will be executed against the contra-side interest received during the COA. Amendment No. 2 revises proposed NYSE Rule 6.91(c)(3) to delete proposed paragraph (iii), which would have required that the limit price of a COA-eligible order be at or within the NYSE Arca best bid/offer for each leg of the order to initiate a COA. In addition, Amendment No. 2 revises proposed NYSE Arca Rule 6.91(c)(6)(C)(i) to indicate that any updates to the leg markets that cause the same-side Complex BBO to lock or cross Electronic Complex Orders (“ECOs”) resting in the Consolidated Book will cause the COA to end early. Amendment No. 2 also revises proposed NYSE Arca Rule 6.91(c)(6)(C)(ii) to provide that updates to the leg markets that cause the same-side BBO to be priced higher (lower) than the COA-eligible order to buy (sell), but do not lock or cross ECOs resting in the Consolidated Book will not cause the COA to end early. To promote transparency of its proposed amendments, when NYSE Arca filed Amendment Nos. 1 and 2 with the Commission, it also submitted Amendment Nos. 1 and 2 as comment letters to the file, which the Commission posted on its website and placed in the public comment file for NYSEArca-2016-149 (available at https://www.sec.gov/comments/sr-nysearca-2016-149/nysearca2016149-1446653-130072.pdf). NYSE Arca also posted a copy of Amendment Nos. 1 and 2 on its website https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/rule-filings/filings/2016/NYSEArca-2016-149,%20Am%201.pdf when it filed Amendment Nos. 1 and 2 with the Commission.

ECOs. The proposal also corrects inaccuracies in NYSE Arca Rule 6.91.

**Execution of ECOs during Core Trading Hours**

The proposals make several changes to NYSE Arca Rule 6.91(a)(2), “Execution of Electronic Complex Orders.” The proposal amends NYSE Arca Rule 6.91(a)(2) to indicate that ECOs may be executed not only without consideration of prices of the same complex order that might be available on other exchanges, as the rule currently provides, but also without consideration of prices of single-legged orders that might be available on other exchanges. The proposal revises and reorganizes current NYSE Arca Rule 6.91(a)(2) by replacing current text and adding new paragraphs (ii), “Execution of Electronic Complex Orders During Core Trading,” and (iii), “Electronic Complex Orders in the Consolidated Book.”

According to the Exchange, the changes to NYSE Arca Rules 6.91(a)(2)(ii) and (iii) are designed to describe the processing of ECOs during Core Trading in a more concise and logical manner, with NYSE Arca Rule 6.91(a)(2)(ii) governing the execution of ECOs that are marketable on arrival and NYSE Arca Rule 6.91(a)(2)(iii) governing how ECOs would be ranked in the Consolidated Book and execute as resting interest on the Consolidated Book.

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8 The title of NYSE Arca Rule 6.91(a)(2)(ii) remains unchanged, except for the addition of the work “Electronic” prior to “Complex Orders.” NYSE Arca Rule 6.1A(a)(3) defines Core Trading Hours as “the regular trading hours for business set forth in the rules of the primary markets underlying those option classes listed on the Exchange; provided, however, that transactions may be effected on the Exchange until the regular time set for the normal close of trading in the primary markets with respect to equity option classes and ETF option classes, and 15 minutes after the regular time set for the normal close of trading in the primary markets with respect to index option classes, or such other hours as may be determined by the Exchange from time to time.”

9 See Notice, 81 FR at 87094-87095. The proposal also amends NYSE Arca Rule 6.91(a) to add a defined term, “leg markets,” to refer to individual quotes and orders in the Consolidated Book. In addition, the proposal revises NYSE Arca Rule 6.91(a)(2) to add the word “strategy” following the term “complex order,” and to add references to “Electronic” Complex Orders to the titles of NYSE Arca Rules 6.91(a)(2)(i) and (ii).
indicates that an incoming marketable ECO would trade against the best-priced contra-side interest resting in the Consolidated Book, consistent with NYSE Arca’s price/time priority model.\(^{10}\) If the best-priced contra-side interest is an ECO resting on the Consolidated Book, the incoming ECO would trade with the resting ECO on arrival.\(^{11}\) If the best-priced 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.\(^{12}\)

New NYSE Arca Rule 6.91(a)(2)(iii), which incorporates existing paragraphs (a)(2)(ii)(C) and (D) and renumbers them as (iii)(A) and (B), addresses incoming ECOs that are not marketable. Incoming ECOs that are not marketable are routed to the Consolidated Book.\(^{13}\) The proposal adds language to NYSE Arca Rule 6.91(a)(2)(iii)(A) to indicate that an ECO or portion of an ECO that is not executed on arrival will be ranked in the Consolidated Book, and that any new orders and quotes entered into the Consolidated Book that can execute against an ECO will be executed against such new orders or quotes according to NYSE Arca Rule 6.91(a)(2)(ii), rather than “according to (ii) above,” as provided in the current rule.\(^{14}\)

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\(^{10}\) See Notice, 81 FR at 87095. NYSE Arca Rule 6.91(a)(2)(ii) states that “The CME will accept an incoming marketable Electronic Complex Order and automatically execute it against the best-priced contra-side interest resting in the Consolidated Book. If, at a price, the leg markets can execute against an incoming Electronic Complex Order in full (or in a permissible ratio), the leg markets will have first priority at that price and will trade with the incoming Electronic Complex Order pursuant to Rule 6.76A before Electronic Complex Orders resting in the Consolidated Book can trade at that price.”

\(^{11}\) See Notice, 81 FR at 87095.

\(^{12}\) See id.

\(^{13}\) See Notice, 81 FR at 87095.

\(^{14}\) See Notice, 81 FR at 87095.
Electronic Complex Order Auction Rules

Because NYSE Arca proposes to make extensive changes to the description of the Complex Order Auction (“COA”) process in NYSE Arca Rule 6.91(c), the proposal deletes existing NYSE Arca Rule 6.91(c), “Electronic Complex Order Auction (“COA”) Process,” in its entirety and replaces it with new NYSE Arca Rule 6.91(c), which, according to the Exchange, is designed to describe the COA process more clearly, accurately, and logically.\(^\text{15}\) New NYSE Arca Rule 6.91(c) indicates that, upon entry into the System, an ECO may be executed immediately in full, or in a permissible ratio, as provided in NYSE Arca Rule 6.91(a)(2), or may be subject to a COA.\(^\text{16}\) This provision language modifies the existing rule by acknowledging that an incoming ECO could execute immediately. New NYSE Arca Rule 6.91(c)(1) defines a “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.\(^\text{17}\) New NYSE Arca Rule 6.91(c)(1) preserves existing provisions in current NYSE Arca Rule 6.91(c)(1) and (2) that allow NYSE Arca to determine COA eligibility on a class-by-class basis.

\(^\text{15}\) See Notice, 81 FR at 87095.

\(^\text{16}\) Current NYSE Arca Rule 6.91(c) states that “Upon entry into the System, eligible Electronic Complex Orders may be subject to an automated request for responses (“RFR”) auction.”

\(^\text{17}\) Current NYSE Arca Rule 6.91(c)(1) defines COA-eligible order as “an Electronic Complex Order that, as determined by the Exchange on a class-by-class basis, is eligible for a COA considering the order's marketability (defined as a number of ticks away from the current market), 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). Electronic Complex Orders processed through a COA may be executed without consideration to prices of the same complex orders that might be available on other exchanges.”
basis and require an OTP Holder to provide direction that an auction be initiated. The proposal eliminates from the new definition of COA-eligible order several features of ECOs that are included in the current definition of COA-eligible order, but that, according to the Exchange, are not determinative of COA eligibility on NYSE Arca, including 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).”

New NYSE Arca Rule 6.91(c)(2) provides that, upon entry into the System, a COA-eligible order will 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. Any portion of a COA-eligible order that does not trade immediately upon entry into the System may start a COA. Such a COA-eligible order will start a COA, provided that the limit price of the COA-eligible order to buy (sell) is: (i) higher (lower) than the best-priced, same side interest in both the leg markets and any ECOs resting in the Consolidated Book; and (ii) within a given number of ticks away from the current, contra-side market, as determined by NYSE Arca. NYSE Arca notes that, because a COA-eligible order may be a certain number of ticks away from the current

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18 See Notice, 81 FR at 87095-06. NYSE Arca currently allows COA-eligible orders to be entered in every class. See Amendment No. 1.
19 See id.
20 The “Complex BBO” is “the BBO for a given complex order strategy as derived from the best bid on OX and the best offer on OX for each individual component series of a Complex Order.” See NYSE Arca Rule 6.1A(2)(b). OX is NYSE Arca’s electronic order delivery, execution and reporting system for designated option issues through which orders and quotes of Users are consolidated for execution and/or display. See NYSE Arca Rule 6.1A(a)(13).
21 See new NYSE Arca Rule 6.91(c)(3).
22 See new NYSE Arca Rule 6.91(c)(3) and Amendment No. 2.
contra-side market, it is possible that a COA could be initiated even if the limit price of the COA-eligible order is not at or within the NYSE Arca best bid/offer for each leg of the order.\textsuperscript{23} NYSE Arca notes, however, that a COA-eligible order must execute at a price that is at or within the NYSE Arca best bid/offer for each leg of the order, consistent with NYSE Arca Rule 6.91(a)(2).\textsuperscript{24}

New NYSE Arca Rule 6.91(c)(3) provides that NYSE Arca will initiate a COA by sending a request for response ("RFR") message to all OTP Holders that subscribe to RFR messages. RFR messages will identify the component series, the size and side of the market of the order and any contingencies.\textsuperscript{25} These provisions are consistent with current NYSE Arca Rule 6.91(c)(2).\textsuperscript{26} New NYSE Arca Rule 6.91(c)(3) further provides that only one COA may be conducted at a time for any given complex order strategy. NYSE Arca believes that this provision can be inferred from current NYSE Arca Rule 6.91(c)(8), which describes the impact of COA-eligible orders that arrive during a COA.\textsuperscript{27} Finally, new NYSE Arca Rule 6.91(c)(3) states that, at the time the COA is initiated, NYSE Arca will record the Complex BBO (the “initial Complex BBO”) for purposes of determining whether the COA should end early.

\textsuperscript{23} See Amendment No. 2.

\textsuperscript{24} See id.

\textsuperscript{25} See new NYSE Arca Rule 6.91(c)(3).

\textsuperscript{26} Current NYSE Arca Rule 6.91(c)(2) states “Upon receipt of a COA-eligible order, and the direction from the entering OTP Holder that an auction be initiated, the Exchange will send an RFR message to all OTP Holders who subscribe to RFR messages. RFR messages will identify the component series, the size and side of the market of the order and any contingencies.”

\textsuperscript{27} See Notice, 81 FR at 87096. In particular, the Commission notes that current NYSE Arca Rule 6.91(c)(8) states that incoming COA-eligible orders received during the Response Time Interval that are one same side of the market and priced better than the initiating order will cause the auction to end.
pursuant to new NYSE Arca Rule 6.91(c)(6). As discussed more fully below, NYSE Arca believes that the use of the initial Complex BBO ensures that the COA respects the leg markets and the principles of price/time priority.

New NYSE Arca Rule 6.91(c)(4) defines the “Response Time Interval” (“RTI”) as the period of time during which RFR Responses may be entered. The rule further provides that NYSE Arca will determine the length of the RTI, provided, however, that the duration will not be less than 500 milliseconds and will not exceed one second. These provisions are consistent with current NYSE Arca Rule 6.91(c)(3), except that the new language indicating that the RTI “will not be less than 500 milliseconds” corrects a typographical error in the current rule text, which states that the duration of the RTI “shall be less than 500 milliseconds.” Finally, new NYSE Arca Rule 6.91(c)(3) indicates that, at the end of the RTI, the COA-eligible order will be allocated pursuant to new NYSE Arca Rule 6.91(c)(7).

New NYSE Arca Rule 6.91(c)(5), which describes the characteristics of RFR Responses, retains some provisions of current NYSE Arca Rules 6.91 6.91(c)(4) and (c)(7) and modifies other aspects of those rules. New NYSE Arca Rule 6.91(c)(5) retains the following provisions

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28 See note 20, supra (defining “Complex BBO”).
29 See Notice, 81 FR at 87096.
30 Current NYSE Arca Rules 6.91(c)(3) states: “The ‘Response Time Interval’ means the period of time during which responses to the RFR may be entered. The Exchange will determine the length of the Response Time Interval; provided, however, that the duration shall be less than 500 milliseconds and shall not exceed one (1) second.”
31 Current NYSE Arca Rule 6.91(c)(4) provides: “Any OTP Holder may submit responses to the RFR message (“RFR Responses”) during the Response Time Interval. RFR Responses may be submitted in $.01 increments. RFR Responses must be on the opposite side of the COA-eligible order; any same-side RFR Responses will be rejected by the Exchange.” Current NYSE Arca Rule 6.91(c)(7), “Firm Quote Requirement for COA-eligible Orders,” provides: “RFR Responses can be modified but may not be withdrawn at any time prior to the end of the Response Time Interval. At the end of the
in current NYSE Arca Rules 6.91(c)(4) and (7): any OTP Holder may submit RFR Responses during the RTI;\textsuperscript{32} RFR Responses are ECOs with a time-in-force contingency for the duration of the COA and will expire at the end of the COA;\textsuperscript{33} RFR Responses may be submitted in $0.01 increments and may be modified during the RTI;\textsuperscript{34} RFR Responses must be on the opposite side of the COA-eligible order, while RFR Responses on the same side as the COA-eligible order will be rejected;\textsuperscript{35} and RFR Responses will not be ranked or displayed in the Consolidated Book.\textsuperscript{36} New NYSE Arca Rule 6.91(c)(5)(A) adds new detail by indicating that an RFR Response must specify the price, size, and side of the market. Current NYSE Arca Rule 6.91(c)(7) states that RFR Response may not be withdrawn prior to the end of the RTI. New NYSE Arca Rule 6.91(c)(5)(C), however, indicates that RFR Responses may be cancelled during the RTI, which is consistent with NYSE Arca’s current functionality.\textsuperscript{37}

\textbf{Impact of Incoming Trading Interest on the COA Process}

Response Time Interval, RFR Responses are firm with respect to the COA-eligible order and RFR Responses that exceed the size of a COA-eligible order are also Firm with respect to other incoming COA-eligible orders that are received during the Response Time Interval. Any RFR Responses not accepted in whole or in a permissible ratio will expire at the end of the Response Time Interval. RFR Responses will not be ranked or displayed in the Consolidated Book.” NYSE Arca believes that the firm quote provisions of current NYSE Arca Rule 6.91(c)(7) are unnecessary because new NYSE Arca Rule 6.91(c)(5)(C) indicates that RFR Response will expire at the end of the COA, thus making clear when RFR Responses are “firm.” See Notice, 81 FR at 87097.

\textsuperscript{32}OTP Holders also may submit RFR Responses on behalf of Customers. See Amendment No. 1.

\textsuperscript{33}See NYSE Arca Rules 6.91(c)(5)(A) and (C).

\textsuperscript{34}See NYSE Arca Rules 6.91(c)(5)(A) and (C).

\textsuperscript{35}See NYSE Arca Rule 6.91(c)(5)(B).

\textsuperscript{36}See NYSE Arca Rule 6.91(c)(5)(C).

\textsuperscript{37}See Notice, 81 FR at 87097. NYSE Arca notes that other orders also may be cancelled. See id.
New NYSE Arca Rules 6.91(c)(6)(A) and (B) replace existing NYSE Arca Rule 6.91(c)(8), and new NYSE Arca Rule 6.91(c)(6)(C) replaces existing NYSE Arca Rule 6.91(c)(9). The new rules introduce and incorporate the concept of the initial Complex BBO—the BBO for a given complex order strategy derived from the best bid (“BB”) and best offer (“BO”) on NYSE Arca’s OX system for each individual component series of a complex order as recorded at the start of the RTI—as a benchmark against which incoming interest is measured to determine whether a COA should end early.\(^{38}\) New NYSE Arca Rules 6.91(c)(6)(A) and (B) addresses the impact on the COA of incoming ECOs and COA-eligible orders. New NYSE Arca Rule 6.91(c)(6)(C) addresses the impact of leg market updates on the COA. New NYSE Arca Rule 6.91(c)(6)(B) provides that when a COA ends early, or at the end of the RTI, the initiating COA-eligible order will execute pursuant to new NYSE Arca Rule 6.91(c)(7) ahead of any interest that arrived during the COA.

New NYSE Arca Rule 6.91(c)(A)(i) provides that incoming opposite-side ECOs or COA-eligible orders that lock or cross the initial Complex BBO will cause the COA to end early. If the incoming ECO or COA-eligible order is also executable against the limit price of the initiating COA-eligible order, it will be ranked with RFR Responses to execute with the COA-eligible order pursuant to new NYSE Arca Rule 6.91(c)(7).\(^{39}\) NYSE Arca believes that ending the COA early under these circumstances would allow an initiating COA-eligible order to execute (ahead of the incoming order) against any RFR Responses or ECOs received during the RTI until that point, while preserving the priority of the incoming order to trade with the resting

\(^{38}\) See Notice, 81 FR at 87097 and new NYSE Arca Rule 6.91(c)(3)(iii). See also note 20, supra.

\(^{39}\) See NYSE Arca Rule 6.91(c)(6)(A)(i).
leg markets. NYSE Arca also states that early conclusion of the COA would avoid disturbing priority in the Consolidated Book and allow the Exchange to appropriately handle the incoming orders.

New NYSE Arca Rule 6.91(c)(A)(ii) provides that incoming opposite-side ECOs or COA-eligible orders that are executable against the limit price of the COA-eligible order, but do not lock or cross the initial Complex BBO, will not cause the COA to end early and will be ranked with RFR Responses to execute with the COA-eligible order pursuant to NYSE Arca Rule 6.91(c)(7). NYSE Arca Rule 6.91(c)(6)(A)(iii) provides that incoming opposite-side 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 will not cause the COA to end early.

New NYSE Arca Rules 6.91(c)(6)(A)(iv) and (v) describe the treatment of incoming opposite-side ECOs and COA-eligible orders that do not execute with the initiating COA-eligible order or were not executable on arrival. An incoming opposite-side ECO will trade pursuant to NYSE Arca Rule 6.91(a)(2)(ii) or (iii). An incoming opposite-side COA-eligible order(s) will initiate subsequent COA(s) in price-time priority.43

40 See Notice, 81 FR at 87098.
41 See id.
42 See new NYSE Arca Rule 6.91(c)(6)(A)(iv). NYSE Arca notes that this provision is consistent with current NYSE Arca Rule 6.91(c)(8)(A), but provides additional detail regarding the ability for any balance of the incoming opposite-side ECO to trade with the best-priced resting contra-side interest before, or instead of, being ranked in the Consolidated Book. See Notice, 81 FR at 87098. Current NYSE Arca Rule 6.91(c)(8)(A) states, in part, that the remaining balance of an opposite-side incoming ECO will be placed in the Consolidated Book and ranked as described in NYSE Arca Rule 6.91(a)(1).
New NYSE Arca Rule 6.91(c)(6)(B)(i) indicates that an incoming ECO or COA-eligible order on the same side of the market as the initiating COA-eligible order that is priced higher (lower) than the initiating COA-eligible order to buy (sell) will cause the COA to end early.\textsuperscript{44} In addition, new NYSE Arca Rule 6.91(c)(6)(B)(ii) states that an incoming same-side ECO or COA-eligible order that is priced equal to or lower (higher) than the initiating COA-eligible order to buy (sell), and that also locks or crosses the contra-side initial Complex BBO, will cause the COA to end early. NYSE Arca believes that ending the COA early under the circumstances would ensure that the COA interacts seamlessly with the Consolidated Book, and would allow the COA-eligible order to execute (ahead of the incoming order) against any RFR Responses or ECOs received during the RTI until that point, while preserving the priority of the incoming order to trade with the resting leg markets.\textsuperscript{45} According to the Exchange, new NYSE Arca Rule 6.91(c)(6)(B)(ii) helps to correct an inaccuracy in current NYSE Arca Rules 6.91(c)(8)(B) and (C), which indicate that incoming same-side COA-eligible orders received during the RTI that are priced equal to or worse than the initiating COA-eligible order will join the COA.\textsuperscript{46} NYSE

\textsuperscript{44} Current NYSE Arca Rule 6.91(c)(8)(D) also provides that an incoming same-side, better-priced COA-eligible order will cause the COA to end.

\textsuperscript{45} See Notice, 81 FR at 87099.

\textsuperscript{46} Current NYSE Arca Rule 6.91(c)(8)(B) states: “Incoming COA-eligible orders received during the response time interval for the original COA-eligible order that are on the same side of the market, that are priced equal to the initiating order, will join the COA. A message with the updated size will be published. The new order(s) will be ranked and executed with the initiating COA-eligible order in price time order. Any remaining balance of either the initiating COA-eligible order and/or the incoming Electronic Complex order(s) will be placed in the Consolidated Book and ranked as described in (a)(1) above.” Current NYSE Arca Rule 6.91(c)(8)(C) states: “Incoming COA-eligible orders received during the Response Time Interval for the original COA-eligible order that are on the same side of the market, that are priced worse than the initiating order, will join the COA. The new order(s) will be ranked and executed with the initiating COA-eligible order in price time order. Any remaining balance of either the initiating
Arca states that incoming same-side equal-priced or worse priced COA-eligible orders or ECOs would not execute during the COA in progress, as the current rules suggest, but could trade with RFR Responses or ECOs that do not execute in the COA and, if any balance remains, would initiate a new COA.\footnote{See Notice, 81 FR at 87099.}

New NYSE Arca Rule 6.91(c)(6)(B)(iii) states that an incoming same-side ECO or COA-eligible order that is priced equal to, or lower (higher) than the initiating COA-eligible order to buy (sell), but does not lock or cross the contra-side initial Complex BBO, will not cause the COA to end early.

New NYSE Arca Rules 6.91(c)(6)(B)(iii), (iv), and (v) further describe the treatment of incoming same-side COA-eligible orders or ECOs received during the RTI. An incoming ECO or COA-eligible order that caused a COA to end early, if executable, will trade against any RFR Responses and/or ECOs received during the RTI that did not trade with the initiating COA-eligible order.\footnote{See new NYSE Arca Rule 6.91(c)(6)(B)(iv).} Any incoming same-side ECO, or the remaining balance of such an ECO, that did not trade against any remaining RFR Responses or ECOs will trade pursuant to new NYSE Arca Rule 6.91(a)(2)(ii) or (iii).\footnote{See new NYSE Arca Rule 6.91(c)(6)(B)(v).} The remaining balance of any incoming COA-eligible order(s) that does not trade against any remaining RFR Responses or ECOs will initiate new COA(s) in price-time priority.\footnote{See new NYSE Arca Rule 6.91(c)(6)(B)(vi).}
New NYSE Arca Rule 6.91(c)(6)(C)(i) provides that updates to the leg markets that cause the same-side Complex BBO to lock or cross any RFR Response(s) and/or ECOs received during the RTI, or ECOs resting in the Consolidated Book, will cause the COA to end early.\footnote{See Amendment No. 2.} In addition, updates to the leg markets that cause the contra-side Complex BBO to lock or cross the same-side initial Complex BBO will cause the COA to end early.\footnote{See NYSE Arca Rule 6.91(c)(6)(C)(iii).} In contrast, updates to the leg markets that cause the same-side Complex BBO to be priced higher (lower) than the COA-eligible order to buy (sell), but do not lock or cross any RFR Response(s) and/or Electronic Complex Order(s) received during the RTI, or ECOs resting in the Consolidated Book, will not cause the COA to end early.\footnote{See NYSE Arca Rule 6.91(c)(6)(C)(ii) and Amendment No. 2.} Updates to the leg markets that cause the contra-side Complex BBO (BO) to improve (i.e., become higher (lower), but do not lock or cross the same-side initial Complex BBO, will not cause the COA to end early.\footnote{See NYSE Arca Rule 6.91(c)(6)(C)(iv).} NYSE Arca believes that new NYSE Arca Rules 6.91(c)(6)(C)(i)-(iv) respect the COA process while maintaining the priority of orders and quotes on the Consolidated Book as they update.\footnote{See Notice, 81 FR at 87100.} NYSE Arca notes that new NYSE Arca Rule 6.91(c)(6)(C) is based on current NYSE Arca Rules 6.91(c)(9)(A) and (B).\footnote{Current NYSE Arca Rule 6.91(c)(9)(A) provides: “Individual 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 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
Arca states that the new rule provides additional clarity by indicating on which side the leg markets have updated.\footnote{57}

New NYSE Arca Rule 6.91(c)(7), which describes the allocation of COA-eligible orders at the conclusion of a COA, will replace current NYSE Arca Rule 6.91(c)(6) in its entirety.\footnote{58} NYSE Arca acknowledges that current NYSE Arca Rule 6.91(c), which refers to affording priority to Customer ECOs, does not reflect NYSE Arca’s price/time allocation model.\footnote{59} New NYSE Arca Rule 6.91(c)(7)(A) provides that RFR Responses and ECOs to buy (sell) that are priced higher (lower) than the initial Complex BBO will 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,

will be matched and executed against any remaining unexecuted Electronic Complex Orders and RFR Responses pursuant to (6) above.” Current NYSE Arca Rule 6.91(c)(9)(B) provides: “Individual 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.”

\footnote{57}{See Notice, 81 FR at 87100.}
\footnote{58}{See Notice, 81 FR at 87100.}
\footnote{59}{See id. and Amendment No. 1. Current NYSE Arca Rule 6.91(c)(6)(B) provides: “Customer Electronic Complex Orders resting in the Consolidated Book before, or that are received during, the Response Time Interval and Customer RFR Responses shall, collectively have second priority to trade against a COA-eligible order. The allocation of a COA-eligible order against the Customer Electronic Complex Orders resting in the Consolidated Book, Customer Electronic Complex Orders received during the Response Time Interval, and Customer RFR Responses shall be on a Size Pro Rata basis as defined in Rule 6.75(f)(6).” Current NYSE Arca Rule 6.91(c)(6)(C) provides: “Non-Customer Electronic Complex Orders resting in the Consolidated Book, non-Customer Electronic Complex Orders placed in the Consolidated Book during the Response Time Interval, and non-Customer RFR Responses will collectively have third priority to trade against a COA-eligible order. The allocation of COA-eligible orders against these contra sided orders and RFR Responses shall be on a Size Pro Rata basis as defined in Rule 6.75(f)(6).”}
as defined in NYSE Arca Rule 6.75(f)(6). After COA allocations pursuant to NYSE Arca Rule 6.91(c)(7)(A), the COA-eligible order will trade with best-priced contra-side interest pursuant to NYSE Arca Rule 6.91(a)(2)(ii) or (iii). Thus, after the COA-eligible order trades with price-improving interest received during the COA, any remainder of the COA-eligible order will follow NYSE Arca’s regular trading rules for an incoming ECO. Any unexecuted portion of the COA-eligible order will be ranked in the Consolidated Book.

III. Discussion and Commission Findings

After careful review of the proposed rule change, as modified by Amendment Nos. 1 and 2, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission finds that the proposed rule change, as modified by Amendment Nos. 1 and 2, is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles

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60 In contract, current NYSE Arca Rule 6.91(c)(6)(A) provides: “Individual orders and quotes in the leg markets resting in the Consolidated Book prior to the initiation of a COA will 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) by the orders and quotes in the Consolidated Book. The allocation of orders or quotes residing in the Consolidated Book that execute against a COA-eligible order shall be done pursuant to NYSE Arca Rule 6.76A.”

61 See new NYSE Arca Rule 6.91(c)(7)(B).

62 See Notice, 81 FR at 87100.

63 See new NYSE Arca Rule 6.91(c)(7).

64 In approving this proposed rule change, the Commission notes that it has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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.

Execution of Complex Orders During Core Trading Hours

NYSE Arca Rule 6.91(a)(2) currently provides that ECOs submitted to NYSE Arca may be executed without consideration of prices of the same complex order that might be available on other exchanges. The proposal revises NYSE Arca Rule 6.91(a)(2) to state that ECOs submitted to the System may be executed without consideration not only of the prices of the same complex order strategy that might be available on other exchanges, but also of the prices of other single-legged orders that might be available on other exchanges. The Commission believes that expanding NYSE Arca Rule 6.91(a)(2) to include single-legged orders on other exchanges is consistent with the rules of other options exchanges that allow complex orders to be executed without consideration of the prices that might be available on other options exchanges trading the same contracts.66 In addition, the Commission notes that this change is consistent with the Options Order Protection and Locked/Crossed Markets Plan, which excepts transactions effected as part of a “complex trade” from the requirement that exchanges establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs.67

66 See, e.g., ISE Rule 722(b)(3) (stating that complex orders may be executed without consideration of the prices that might be available on other options exchanges trading the same contracts); and Phlx Rules 1098(e)(i)(B) and (f)(iii) (providing that COLA-eligible orders and complex orders in the CBOOK will be executed without consideration of any prices that might be available on other exchanges trading the same contracts).

67 See Options Order Protection and Locked/Crossed Markets Plan, Section V(b)(viii) (available at http://www.optionsclearing.com/components/docs/clearing/services/options_order_protection_plan.pdf). The proposal also revises NYSE Arca Rule 6.91(a) to add the defined terms “System” to refer to the NYSE Arca System and “leg markets” to refer to individual quotes and orders in the Consolidated Book. The Commission believes that
The Commission believes that the proposal to add new NYSE Arca Rules 6.91(a)(2)(ii) and (iii), and the accompanying changes to delete certain existing rule text, will benefit market participants by more clearly describing, respectively, the treatment of incoming marketable ECOs (which are executed immediately) and incoming non-marketable ECOs (which are routed to the Consolidated Book) during Core Trading Hours. In particular, new NYSE Arca Rule 6.91(a)(2)(ii) specifies that an incoming marketable ECO would trade against the best-priced contra-side interest resting in the Consolidated Book. New NYSE Arca Rule 6.91(a)(2)(ii) further provides that if, at a price, the leg markets can execute against an incoming ECO in full (or in a permissible ratio), the leg markets will have first priority at that price and will trade with the incoming ECO pursuant to NYSE Arca Rule 6.76A before ECOs resting in the Consolidated Book can trade at that price. The Commission believes that new NYSE Arca Rule 6.91(a)(2)(ii) is consistent with current NYSE Arca Rules 6.91(a)(2)(ii)(A) and (B).

NYSE Arca notes that adding these defined terms to NYSE Arca Rule 6.91 could help to enhance the clarity and readability of the rule.

NYSE Arca notes that this is consistent with the Exchange’s price/time priority model. See Notice, 81 FR at 87095 and Amendment No. 1.

Current NYSE Arca Rule 6.91(a)(2)(ii)(A) states that “The CME will accept an incoming Electronic Complex Order and will automatically execute it against Electronic Complex Orders in the Consolidated Book; provided, however, that if individual orders or quotes residing in the Consolidated Book can execute the incoming Electronic Complex Order in full (or in a permissible ratio) at the same total or net debit or credit as an Electronic Complex Order in the Consolidated Book, the individual orders or quotes will have priority. The allocation of incoming orders or quotes or those residing in the Consolidated Book that execute against an Electronic Complex Order shall be done pursuant to NYSE Arca Rule 6.76A.” Current NYSE Arca Rule 6.91(a)(2)(ii)(B) states that “If an Electronic Complex Order in the CME is not marketable against another Electronic Complex Order is will automatically execute against individual orders or quotes residing in the Consolidated Book, provided the Electronic Complex Order can be executed in full (or in a permissible ratio) by the orders in the Consolidated Book. The allocation of incoming orders or quotes or those residing in the Consolidated Book that execute against an Electronic Complex Order shall be done pursuant to NYSE Arca Rule 6.76A.”
current NYSE Arca Rule 6.91(a)(2)(ii)(A) indicates that the leg markets have priority over same-priced resting ECOs, and current NYSE Arca Rule 6.91(a)(2)(ii)(B) indicates that an incoming ECO would trade with resting leg market interest if there are no better-priced ECOs.\textsuperscript{70}

The Commission believes that new NYSE Arca Rule 6.91(a)(2)(iii)(A) adds clarifying detail to NYSE Arca’s rules by indicating that an ECO or portion of an ECO that is not executed on arrival will be ranked in the Consolidated Book, thereby providing market participants with more precise information concerning NYSE Arca’s handling of these orders.\textsuperscript{71}

**Changes Related to the COA Process**

The Commission believes that the introductory language in new NYSE Arca Rule 6.91(c) is similar to the text of current NYSE Arca Rule 6.91(c), but provides additional clarity by indicating that an incoming ECO could execute immediately against interest resting in the Consolidate Book pursuant to NYSE Arca Rule 6.91(a)(2), or be subject to a COA.\textsuperscript{72} The Commission believes that the new definition of COA-eligible order in new NYSE Arca Rule 6.91(c)(1) will make clear that an ECO will be COA-eligible only if it is submitted during Core Trading Hours.\textsuperscript{73} The Commission also believes that not restricting COA eligibility based on an order’s size, number of series, or order origin type could benefit investors by helping to make

\textsuperscript{70} See Notice, 81 FR at 87095.

\textsuperscript{71} Current NYSE Arca Rule 6.91(a)(2)(ii)(C) provides that “If an Electronic Complex Order is being held in the Consolidated Book, the CME will monitor the bids and offers in the leg markets, and if a new order(s) or quote(s) entered into the Consolidated Book can execute the Electronic Complex Order in full (or in a permissible ratio), the Electronic Complex Order will be executed according to (ii) above.”

\textsuperscript{72} See note 16, supra.

\textsuperscript{73} As noted above, the requirement in new NYSE Arca Rule 6.91(c)(1)(i) that an OTP Holder designate the order as COA-eligible is consistent with current NYSE Arca Rule 6.91(c)(2), which provides, in part, that NYSE Arca will initiate an auction for a COA-eligible order upon direction from the entering OTP Holder that an auction be initiated.
more orders eligible for a COA and, therefore, able to receive potential price improvement during a COA.

New NYSE Arca Rule 6.91(c)(2) provides that, upon entry into the System, a COA-eligible order will 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. NYSE Arca believes that the immediate price improvement opportunity for an incoming COA-eligible order from ECOs resting in the Consolidated Book obviates the need to start a COA. The Commission believes that, under these circumstances, executing a COA-eligible order against resting interest that is priced better than the contra-side Complex BBO will provide the COA-eligible order with an immediate execution at an improved price, and could benefit both the sender of the COA-eligible order and the sender of the resting better-priced ECO.

The Commission believes that new NYSE Arca Rule 6.91(c)(3)(i) could enhance competition by encouraging market participants to submit aggressively priced COA-eligible orders, because only COA-eligible orders priced better than the same-side leg market and ECO interest would be able to initiate a COA. The Commission believes that new NYSE Arca Rule 6.91(c)(3)(ii) will provide NYSE Arca with flexibility to determine when the price of a COA-eligible order, based on the number of ticks away from the current contra-side market, warrants the initiation of a COA. The Commission believes that permitting only one COA at a time for any complex order strategy will help to provide for the orderly processing of trading interest on NYSE Arca. The Commission notes that although a COA could be initiated even if the limit price of the COA-eligible order is not at or within the NYSE Arca best bid/offer for each leg of

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74 See Notice, 81 FR at 87096.
the order, the COA-eligible order must execute at a price that is at or within the NYSE Arca best bid/offer for each leg of the order, consistent with NYSE Arca Rule 6.91(a)(2).\(^7\)5

As noted above,\(^7\)6 the definition of RTI in new NYSE Arca Rule 6.91(c)(4) corrects a typographical error in the current rule text with respect to the duration of the RTI. The Commission believes that the new rule text, which indicates that the duration of the RTI “will not be less than 500 milliseconds and will not exceed one (1) second,” will benefit market investors by assuring that the new rule accurately conveys the potential duration of the RTI.

As discussed more fully above, new NYSE Arca Rule 6.91(c)(5), which describes the characteristics of RFR Responses, retains features of the current provisions addressing RFR Responses,\(^7\)7 but adds new detail by indicating that an RFR Response must specify the price, size, and side of the market.\(^7\)8 The Commission believes that this change will make clear to market participants the information that they must include in an RFR Response. In addition, new NYSE Arca Rule 6.91(c)(5)(C) indicates that RFR Response may be cancelled during the RTI, replacing language in current NYSE Arca Rule 6.91(c)(7) which states that RFR Responses may not be withdrawn prior to the end of the RTI. The Commission believes that new NYSE Arca Rule 6.91(c)(5)(C) will correct an inaccuracy in NYSE Arca’s current rules and make clear to OTP Holders that they may cancel their RFR Responses during the RTI. The Commission notes that another options exchange also permits the withdrawal of RFR Responses during the RTI.\(^7\)9

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\(^7\)5 See Amendment No. 2.
\(^7\)6 See note 30, supra, and accompanying text.
\(^7\)7 See notes 31 - 37, supra, and accompanying text.
\(^7\)8 See new NYSE Arca Rule 6.91(c)(5)(A).
\(^7\)9 See CBOE Rule 6.53C(d)(vii) (stating that RFR Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the RTI).
Impact of Incoming Trading Interest on the COA Process

New NYSE Arca Rule 6.91(c)(6)(A)(i) provides that incoming opposite-side ECOs or COA-eligible orders that lock or cross the initial Complex BBO will cause the COA to end early. NYSE Arca believes that ending the COA early under these circumstances will allow an initiating COA-eligible order to execute, ahead of the incoming order, against RFR Responses or ECOs received during the RTI until that point, while preserving the priority of the incoming order to trade with the resting leg markets. NYSE Arca also believes that the early conclusion of the COA would avoid disturbing the priority in the Consolidated Book. The Commission believes that ending the COA early when an incoming contra-side ECO or COA-eligible order locks or crosses the initial Complex BBO will allow NYSE Arca to maximize order executions and provide for the orderly processing of trading interest on NYSE Arca by allowing the COA-eligible order to execute against trading interest received during the RTI, including the order that caused the COA to end early, while preserving the ability of the resting leg market orders that comprise the initial Complex BBO to trade with the incoming interest that locked or crossed the initial Complex BBO.

New NYSE Arca Rule 6.91(c)(6)(A)(ii) provides that incoming opposite-side ECO or COA-eligible orders that are executable against the limit price of the COA-eligible order, but do not lock or cross the initial Complex BBO, will not cause the COA to end early and will be

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80 If the incoming opposite-side ECO or COA-eligible order is also executable against the limit price of the initiating COA-eligible order, it will be ranked with RFR Responses to execute with the COA-eligible order. See new NYSE Arca Rule 6.91(c)(6)(A)(i).

81 See Notice, 81 FR at 87098. If no RFRs are received during the RTI, the COA-eligible order will execute against the best-priced contra-side interest, including the order that caused the COA to terminate early. See Amendment No. 1.

82 See Notice, 81 FR at 87098.
ranked with RFR Responses to execute with the COA-eligible order pursuant to NYSE Arca Rule 6.91(c)(7). The Commission believes that allowing the COA to continue under these circumstances could provide the potential for the COA-eligible order to receive price improvement as the auction continues. The Commission notes that, in this case, the incoming contra-side interest does not raise leg market priority concerns that would require an early termination of the COA because the incoming contra-side interest does not lock or cross the initial Complex BBO.

NYSE Arca Rule 6.91(c)(6)(A)(iii) provides that incoming opposite-side 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 will not cause the COA to end early. The Commission believes that because the incoming contra-side interest does not lock or cross the initial Complex BBO, it is not necessary to end the COA early to protect the priority of interest in the leg market.

New NYSE Arca Rules 6.91(c)(6)(A)(iv) and (v) describe the treatment of incoming opposite-side ECOs and COA-eligible orders that did not execute with the initiating COA-eligible order or were not executable on arrival. Such an incoming opposite-side ECO would trade pursuant to NYSE Arca Rule 6.91(a)(2)(ii) or (iii), and an incoming opposite-side COA-eligible order would initiate a subsequent COA. The Commission believes that allowing these incoming ECOs and COA-eligible orders to trade with interest resting in the Consolidated Book, or to initiate a new COA, as applicable, will allow NYSE Arca to provide additional execution opportunities for these orders. In addition, the Commission believes that new NYSE Arca Rules 6.91(c)(6)(A)(iv) and (v) will enhance the transparency of NYSE Arca’s rules by providing
additional detail regarding the treatment of incoming opposite-side ECOs and COA-eligible orders that did not trade with the initiating COA-eligible order or were not executable on arrival.

New NYSE Arca Rule 6.91(c)(6)(B) states that when a COA ends early, or at the end of the RTI, the initiating COA-eligible order will execute pursuant to new NYSE Arca Rule 6.91(c)(7) ahead of any interest that arrived during the COA. The Commission believes that this provision establishes the priority of the initiating COA-eligible order to trade before trading interest that arrives during the auction. The Commission notes that the rules of another options exchange similarly establish the priority of the auctioned order to trade prior to interest that arrives during the auction.\(^{83}\)

New NYSE Arca Rule 6.91(c)(6)(B)(i) indicates that an incoming ECO or COA-eligible order on the same side of the market as the initiating COA-eligible order that is priced higher (lower) than the initiating COA-eligible order to buy (sell) will cause the COA to end early.\(^{84}\) The Commission notes that this is consistent with current NYSE Arca Rule 6.91(c)(8)(D), which states that incoming same-side COA-eligible orders that are priced better than the COA-eligible order will cause the auction to end. The Commission believes that ending the COA early under these circumstances provides a means to maximize execution opportunities by allowing the COA-eligible order to execute against interest received during the auction and allowing the

\(^{83}\) See Phlx Rule 1098(e)(viii)(B) (stating, in part, with respect to the Phlx’s Complex Order Live Auction (“COLA”): “Incoming Complex Orders that were received during the COLA Timer for the same Complex Order Strategy as the COLA-eligible order that are on the same side of the market will join the COLA. The original COLA-eligible order has priority at all price points (i.e., multiple COLA Sweep Prices) over the incoming Complex Order(s), regardless of the price of the incoming Complex Order. The incoming Complex Order shall not be eligible for execution against interest on the opposite side of the market from the COLA-eligible order until the COLA-eligible order is executed to the fullest extent possible”).

\(^{84}\) The Commission notes that current NYSE Arca Rule 6.91(c)(8)(D) also provides that an incoming same-side, better-priced COA-eligible order will cause the COA to end.
incoming better-priced ECO or COA-eligible order to trade with interest resting in the Consolidated Book (in the case of an ECO), or initiate a new auction (in the case of a COA-eligible order).

New NYSE Arca Rule 6.91(c)(6)(B)(ii) states that an incoming same-side ECO or COA-eligible order that is priced equal to or lower (higher) than the initiating COA-eligible order to buy (sell), and that also locks or crosses the contra-side initial Complex BBO, will cause the COA to end early. NYSE Arca states that ending the COA early under these circumstances will allow the COA-eligible order to execute, ahead of the incoming order, against RFR Responses or ECOs received during the RTI until the point, while preserving the priority of the incoming order to trade with the resting leg markets. The Commission believes that ending the COA early under these circumstances is designed to maximize execution opportunities and provide for the orderly processing of trading interest on NYSE Arca by allowing the COA-eligible order to execute against trading interest received during the RTI, while preserving the ability of the resting leg market orders that comprise the initial Complex BBO to trade with the incoming interest that locked or crossed the initial Complex BBO.

New NYSE Arca Rule 6.91(c)(6)(B)(iii) states that an incoming same-side ECO or COA-eligible order that is priced equal to, or lower (higher) than the initiating COA-eligible order to buy (sell), but does not lock or cross the contra-side initial Complex BBO, will not cause the COA to end early. The Commission believes that, under these circumstances, the incoming same-side interest does not raise leg market priority concerns that would require an early termination of the COA because the incoming interest does not lock or cross the contra-side initial Complex BBO.

See Notice, 81 FR at 87099.
New NYSE Arca Rules 6.91(c)(6)(B)(iv), (v), and (vi) further describe the treatment of incoming same-side COA-eligible orders or ECOs received during the RTI. An incoming same-side ECO or COA-eligible order that caused a COA to end early, if executable, will trade against any RFR Responses and/or ECOs received during the RTI that did not trade with the initiating COA-eligible order.\textsuperscript{86} Any incoming same-side ECO, or the remaining balance of such an ECO, that did not trade against any remaining RFR Responses or ECOs will trade pursuant to new NYSE Arca Rule 6.91(a)(2)(ii) or (iii).\textsuperscript{87} The remaining balance of any incoming COA-eligible order(s) that does not trade against any remaining RFR Responses or ECOs will initiate new COA(s) in price-time priority.\textsuperscript{88} The Commission believes that these provisions could benefit investors by potentially maximizing the execution opportunities for incoming same-side orders by specifying that these orders may execute against remaining RFR Responses or ECOs, execute against interest resting in the Consolidated Book, or initiate a new COA.

The Commission believes that new NYSE Arca Rule 6.91(c)(6)(C) will provide greater clarity and specificity regarding the impact of leg market updates on the COA. The Commission believes that providing for an early end to the COA when the leg market updates cause the same-side Complex BBO to lock or cross RFR Responses or ECOs received during the RTI, or ECOs resting in the Consolidated Book,\textsuperscript{89} or cause the contra-side Complex BBO to lock or cross the same-side initial Complex BBO,\textsuperscript{90} will allow the COA-eligible order to execute against interest received during the auction and permit the updated leg markets to execute against available

\textsuperscript{86} See new NYSE Arca Rule 6.91(c)(6)(B)(iv).
\textsuperscript{87} See new NYSE Arca Rule 6.91(c)(6)(B)(v).
\textsuperscript{88} See new NYSE Arca Rule 6.91(c)(6)(B)(vi).
\textsuperscript{89} See NYSE Arca Rule 6.91(c)(6)(C)(i).
\textsuperscript{90} See NYSE Arca Rule 6.91(c)(6)(C)(iii).
trading interest, thereby maximizing execution opportunities for trading interest in the COA and in the leg markets, and providing for the orderly processing of trading interest on NYSE Arca. The Commission believes that allowing the COA to continue when leg market updates do not result in an execution opportunity—i.e., when leg market updates cause the same-side Complex BBO to be priced higher (lower) than the COA-eligible order to buy (sell), but do not lock or cross any RFR Responses or ECOs received during the RTI, or ECOs resting in the Consolidated Book,\(^91\) or when leg market updates cause the contra-side Complex BB (BO) to improve, but do not lock or cross the same-side initial Complex BBO\(^92\)—will allow for the submission of additional trading interest that might result in an execution or price improvement for the COA-eligible order.

New NYSE Arca Rule 6.91(c)(7), which describes the allocation of COA-eligible orders at the conclusion of a COA, will replace current NYSE Arca Rule 6.91(c)(6) in its entirety.\(^93\) NYSE Arca acknowledges that current NYSE Arca Rules 6.91(c)(6)(B) and (C), which refer to affording priority to Customer ECOs, are not consistent with NYSE/Arca’s price/time priority model.\(^94\) The Commission believes that new NYSE Arca Rule 6.91(c)(7)(A) protects leg market interest resting in the Consolidated Book at the beginning of the COA by providing that the COA-eligible order will be eligible to trade first with RFR Responses and ECOs priced better than the initial Complex BBO. New NYSE Arca Rule 6.91(c)(7)(B) indicates that a COA-eligible order will trade with best-priced contra-side interest pursuant to NYSE Arca Rule 6.91(a)(2)(ii) or (iii) after allocations pursuant to NYSE Arca Rule 6.91(c)(7)(A).

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\(^{91}\) See NYSE Arca Rule 6.91(c)(6)(C)(ii) and Amendment No. 2.

\(^{92}\) See NYSE Arca Rule 6.91(c)(6)(C)(iv).

\(^{93}\) See Notice, 81 FR at 87100.

\(^{94}\) See id. and Amendment No. 1.
Rule 6.91(c)(7) states that any unexecuted portion of a COA-eligible order will be ranked in the Consolidated Book. The Commission believes that these provisions establish additional execution opportunities for a COA-eligible order, or portion of a COA-eligible order, that does not execute during the COA, and provide clarity regarding the handling of these orders.

IV. Solicitation of Comments on Amendment Nos. 1 and 2

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment Nos. 1 and 2 to the proposed rule change are 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, 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; 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].

V. Accelerated Approval of the Proposed Rule Change, as Modified by Amendment Nos. 1 and 2

The Commission finds good cause to approve the proposed rule change, as modified by Amendment Nos. 1 and 2, prior to the 30th day after the date of publication of notice of the amended proposal in the Federal Register. Amendment No. 1 makes several changes that further clarify the operation of NYSE Arca Rule 6.91. In particular, Amendment No. 1 revises NYSE Arca Rule 6.91(a)(ii) to delete an incorrect cross-reference to NYSE Arca Rule 6.76A; adds a cross-reference to NYSE Arca Rule 6.91(a)(2) to NYSE Arca Rule 6.91(c); revises NYSE Arca Rule 6.91(c)(3)(ii) to indicate that NYSE Arca determines the number of ticks away from the current, contra-side market for a COA-eligible order; amends NYSE Arca Rule 6.91(c)(3)(iii) to indicate that a COA-eligible order will reside on the Consolidated Book until it meets the requirements for initiating a COA; revises NYSE Arca Rules 6.91(c)(6)(A)(iv), 6.91(c)(6)(B)(v), and 6.91(c)(7)(B) to indicate that complex orders could trade pursuant to NYSE Arca Rule 6.91(c)(iii); amends NYSE Arca Rule 6.91(c)(6)(B) to indicate that when a COA ends early, or at the end of the RTI, the initiating COA-eligible order will execute pursuant to NYSE Arca Rule
6.91(c)(7) ahead of interest that arrived during the COA; amends NYSE Arca Rule 6.91(c)(7) to indicate that when a COA ends early, or at the end of the RTI, the COA-eligible order will be executed against the contra-side interest received during the COA. Amendment No. 1 also states that: NYSE Arca currently allows COA-eligible orders to be entered in every class; OTP Holders may submit RFR Responses on behalf of customers; a COA-eligible order would execute against the best-priced contra-side interest, including an order that caused the COA to end early, if no RFRs were received during the RTI; and the proposal removes references to Customer ECO priority, which is not NYSE Arca’s allocation model, and instead reflects NYSE Arca’s price/time priority model. NYSE Arca believes that there is good cause for the Commission to accelerate the approval of Amendment No. 1 because the proposed changes in Amendment No. 1 are designed to improve NYSE Arca Rule 6.91 by adding more specificity and transparency. NYSE Arca notes that Amendment No. 1 clarifies and amplifies certain aspects of the original filing, including how ECOs and COA-eligible orders are handled on NYSE Arca, and how this functionality is consistent with NYSE Arca’s price/time priority model.

Amendment No. 2 revises proposed NYSE Rule 6.91(c)(3) to delete proposed paragraph (iii), which would have required that the limit price of a COA-eligible order be at or within the NYSE Arca best bid/offer for each leg of the order to initiate a COA. NYSE Arca states that, because a COA-eligible order may be a certain number of ticks away from the current market, it is possible that a COA could be initiated even if the limit price of the COA-eligible order is not at or within the NYSE Arca best bid/offer for each leg of the order. NYSE Arca notes, however, that a COA-eligible order must execute at a price that is at or within the NYSE Arca best bid/offer for each leg of the order, consistent with NYSE Arca Rule 6.91(a)(2). In addition,
Amendment No. 2 revises proposed NYSE Arca Rule 6.91(c)(6)(C)(i) to indicate that any updates to the leg markets that cause the same-side Complex BBO to lock or cross ECOs resting in the Consolidated Book will cause the COA to end early. NYSE Arca states that providing for the early termination of the COA under these circumstances will allow a COA-eligible order to execute against RFR Responses or ECOs received during the RTI until that point, while preserving the priority of the updated leg markets to trade with the ECOs resting in the Consolidated Book. Amendment No. 2 also revises proposed NYSE Arca Rule 6.91(c)(6)(C)(ii) to provide that updates to the leg markets that cause the same-side BBO to be priced higher (lower) than the COA-eligible order to buy (sell), but do not lock or cross ECOs resting in the Consolidated Book, will not cause the COA to end early. NYSE Arca states that accelerated approval of Amendment No. 2 will allow NYSE Arca to implement the changes proposed in Amendment No. 2 at the same time that the filing goes into effect, which would improve the rule by adding more specificity and transparency. NYSE Arca believes that the filing, as amended, clarifies how ECOs and COA-eligible orders are handled on NYSE Arca, both during Core Trading Hours and when there is a COA in progress.

As described above, Amendment No. 1 removes an incorrect cross-reference and adds several clarifying details to the proposal, thereby providing additional information concerning the manner in which NYSE Arca processes ECOs. Amendment No. 2 helps to assure the accuracy of the proposed rules by removing a provision that indicated, incorrectly, that the limit price of a COA-eligible order would have to be executable at a price at or within the NYSE Arca best bid/offer for each leg of the order to initiate a COA, and by adding references to ECOs resting in the Consolidated Book to NYSE Arca Rules 6.91(c)(6)(C)(i) and (ii) to provide a more complete description of the circumstances under which leg market updates would, or would not,
cause a COA to end early. The Commission believes that Amendment Nos. 1 and 2 provide additional details and make corrections to the text of the proposed rules, thereby helping to assure the accuracy of the proposed rules. The Commission also believes that the changes in Amendment Nos. 1 and 2 do not introduce material, new, or novel concepts. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act, to approve the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NYSEArca-2016-149), as modified by Amendment Nos. 1 and 2, is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

Eduardo A. Aleman
Assistant Secretary

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