

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-92304; File No. SR-NYSEArca-2021-47)

June 30, 2021

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change for New Rules 6.1P-O, 6.37AP-O, 6.40P-O, 6.41P-O, 6.62P-O, 6.64P-O, 6.76P-O, and 6.76AP-O and Amendments to Rules 1.1, 6.1-O, 6.1A-O, 6.37-O, 6.65A-O and 6.96-O

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on June 21, 2021, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes new Rules 6.1P-O (Applicability), 6.37AP-O (Market Maker Quotations), 6.40P-O (Pre-Trade and Activity-Based Risk Controls), 6.41P-O (Price Reasonability Checks - Orders and Quotes), 6.62P-O (Orders and Modifiers), 6.64P-O (Auction Process), 6.76P-O (Order Ranking and Display), and 6.76AP-O (Order Execution and Routing) and proposes amendments to Rules 1.1 (Definitions), 6.1-O (Applicability, Definitions and References), 6.1A-O (Definitions and References - OX), 6.37-O (Obligations of Market Makers), 6.65A-O (Limit-Up and Limit-Down During Extraordinary Market Volatility), and 6.96-O (Operation of Routing Broker) to reflect the implementation of the Exchange’s Pillar trading

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

technology on its options market. The proposed change is available on the Exchange's website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

The Exchange plans to transition its options trading platform to its Pillar technology platform. The Exchange's and its national securities exchange affiliates'<sup>4</sup> (together with the Exchange, the "NYSE Exchanges") cash equity markets are currently operating on Pillar. For this transition, the Exchange proposes to use the same Pillar technology already in operation for its cash equity market. In doing so, the Exchange will be able to offer not only common specifications for connecting to both of its cash equity and equity options markets, but also common trading functions.

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<sup>4</sup> The Exchange's national securities exchange affiliates are the New York Stock Exchange LLC ("NYSE"), NYSE American LLC ("NYSE American"), NYSE National, Inc. ("NYSE National"), and NYSE Chicago, Inc. ("NYSE Chicago").

The Exchange plans to roll out the new technology platform over a period of time based on a range of symbols, anticipated for the fourth quarter of 2021. With this transition, certain rules would continue to be applicable to symbols trading on the current trading platform - the OX system,<sup>5</sup> but would not be applicable to symbols that have transitioned to trading on Pillar.

Instead, the Exchange proposes new rules to reflect how options would trade on the Exchange once Pillar is implemented. These proposed rule changes will (1) use Pillar terminology that is based on Exchange Rule 7-E Pillar terminology governing cash equity trading; (2) provide for common functionality on both its options and cash equity markets; and (3) introduce new functionality.

The Exchange notes that certain of the proposed new Pillar rules concern functionality not currently available on the OX system and that would be unique to how option contracts trade, and therefore would be new rules with no parallel version for the Exchange's cash equity market.

#### Proposed use of "P" modifier

As proposed, new rules governing options trading on Pillar would have the same numbering as current rules that address the same functionality, but with the modifier "P" appended to the rule number. For example, Rule 6.76-O, governing Order Ranking and Display - OX, would remain unchanged and continue to apply to any trading in symbols on the OX

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<sup>5</sup> "OX" refers to the Exchange's current 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 Rule 6.1A-O(13). "OX Book" refers to the OX's electronic file of orders and quotes, which contain all of the orders in each of the Display Order and Working Order processes and all of the Market Makers' quotes in the Display Order Process. See Rule 6.1A-O(14). With the transition to Pillar, the Exchange would no longer use the terms "OX" or "OX Book" and rules using those terms would not be applicable to trading on Pillar. Once the transition is complete, the Exchange will file a subsequent proposed rule change to delete references to OX and OX Book from the rulebook.

system. Proposed Rule 6.76P-O would govern Order Ranking and Display for trading in options symbols migrated to the Pillar platform. All other current rules that have not had a version added with a “P” modifier will be applicable to how trading functions on both the OX system and Pillar. Once all options symbols have migrated to the Pillar platform, the Exchange will file a separate rule proposal to delete rules that are no longer operative because they apply only to trading on the OX system.

To reflect how the “P” modifier would operate, the Exchange proposes to add rule text immediately following the title “Rule 6-O Options Trading,” and before “Rules Principally Applicable to Trading of Option Contracts” that would provide that rules with a “P” modifier would be operative for symbols that are trading on the Pillar trading platform. As further proposed, if a symbol is trading on the Pillar trading platform, a rule with the same number as a rule with a “P” modifier would no longer be operative for that symbol and the Exchange would announce by Trader Update<sup>6</sup> when symbols are trading on the Pillar trading platform.<sup>7</sup>

The Exchange believes that adding this explanation regarding the “P” modifier in Exchange rules would provide transparency regarding which rules and definitions would be operative during the symbol migration to Pillar.

#### Summary of Proposed Rule changes

In this filing, the Exchange proposes the following new Pillar rules: Rules 6.1P-O (Applicability), 6.37AP-O (Market Maker Quotations), 6.40P-O (Pre-Trade and Activity-Based

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<sup>6</sup> Trader Updates are available here: <https://www.nyse.com/trader-update/history>. Anyone can subscribe to email updates of Trader Updates, available here: <https://www.nyse.com/subscriptions>.

<sup>7</sup> The Exchange used the same description when it transitioned its cash equity platform to Pillar. See Securities Exchange Act Release Nos. 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015) (SR-NYSEArca-2015-38) (Approval Order) and 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (Notice).

Risk Controls), 6.41P-O (Price Reasonability Checks - Orders and Quotes), 6.62P-O (Orders and Modifiers), 6.64P-O (Auction Process), 6.76P-O (Order Ranking and Display), and 6.76AP-O (Order Execution and Routing). The Exchange also proposes to amend Rules 1.1 (Definitions), 6.1-O (Applicability, Definitions and References), and 6.1A-O (Definitions and References - OX) to reflect definitions that would be applicable for options trading on Pillar and make conforming amendments to Rules 6.37-O (Obligations of Market Makers), 6.65A-O (Limit-Up and Limit-Down During Extraordinary Market Volatility), and 6.96-O (Operation of Routing Broker). These proposed rules would set forth the foundation of the Exchange's options trading model on Pillar and would use existing Pillar terminology currently in effect for the Exchange's cash equity platform.

Because certain proposed rules have definitions and functions that carry forward to other proposed rules, the Exchange proposes to describe the new rules in the following order (rather than by rule number order): definitions, applicability, ranking and display, execution and routing, orders and modifiers, market maker quotations, pre-trade and activity-based risk controls, price reasonability checks, and auctions.

To promote clarity and transparency, the Exchange further proposes to add a preamble to the following current rules specifying that they would not be applicable to trading on Pillar: Rule 6.1-O (Applicability, Definitions and References), 6.1A-O (Definitions and References - OX), Rule 6.37A-O (Market Maker Quotations), 6.40-O (Risk Limitation Mechanism), 6.60-O (Price Protection - Orders), 6.61-O (Price Protections - Quotes), 6.62-O (Certain Types of Orders Defined), 6.64-O (OX Opening Process), 6.76-O (Order Ranking and Display - OX), 6.76A-O (Order Execution - OX), 6.88-O (Directed Orders), and 6.90-O (Qualified Contingent Crosses).

As discussed in greater detail below, the Exchange is not proposing fundamentally different functionality applicable to options trading on Pillar than on the OX system. However, with Pillar, the Exchange would introduce new terminology, and as applicable, new or updated functionality that would be available for options trading on the Pillar platform.

The Exchange notes that new rules relating to electronic complex trading on Pillar will be addressed in separate proposed rule change.

### Proposed Rule Changes

#### Rule 1.1 - Definitions

Rule 1.1 sets forth definitions that are applicable to both the Exchange's cash equity and options markets. Rule 6.1-O(b) sets forth definitions that are applicable to the trading of option contracts on the Exchange. Rule 6.1A-O sets forth definitions that are applicable to trading on the Exchange's current OX system. In connection with the transition of options trading to Pillar, the Exchange proposes to copy the definitions currently set forth in Rules 6.1-O and 6.1A-O into Rule 1.1, with changes as described below. This proposed rule change would streamline the Exchange's rules by consolidating definitions that would be applicable for trading on Pillar into Rule 1.1. Once the transition to Pillar is complete, the Exchange will file a subsequent proposed rule change to delete current Rules 6.1-O and 6.1A-O.

In connection with adding definitions to Rule 1.1, the Exchange proposes to delete the sub-paragraph numbering currently set forth in Rule 1.1. The Exchange does not believe that the sub-paragraph numbering is necessary because the definitions are organized in alphabetical order and would continue to be organized in alphabetical order. In addition, removing the sub-paragraph numbering would make any future amendments to Rule 1.1 easier to process as any new definitions would simply be added in alphabetical order.

Certain definitions in Rule 1.1 currently specify that they are only for “equities” trading. With the proposed consolidation of definitions, some of those definitions will become applicable to both options and cash equity trading, and others will continue to be applicable only to cash equity trading. With the proposed consolidation, the Exchange proposes to remove existing language limiting those definitions to “equities” traded on the Exchange if the definition would be equally applicable to options trading. In addition, to the extent that a proposed definition would continue to be applicable only to cash equity trading, the Exchange proposes to make a global change to update references to “equities” traded on the Exchange to “cash equity securities” traded on the Exchange. The Exchange believes these proposed modifications would add clarity and consistency to Exchange rules.

The Exchange proposes the following amendments to Rule 1.1.

First, definitions set forth in Rule 6.1-O(b) would be added to Rule 1.1 in alphabetical order without any substantive differences.<sup>8</sup> To promote clarity, if the definition that is being copied is not specifically about options trading, the Exchange proposes to add an introductory clause to the definition to specify that the term is for options traded on the Exchange. The Exchange does not propose to copy the definition of “Quote with Size,” which is currently

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<sup>8</sup> Rule 6.1-O(b) has definitions for: Options Clearing Corporation, Rules of the Options Clearing Corporation, Clearing Member, Participating Exchange, Option Contract, Exchange Option Transaction and Exchange Transaction, Type of Option, Call, Put, Class of Options, Series of Options, Option Issue, Underlying Stock or Underlying Security, Exercise Price, Aggregate Exercise Price, Expiration Month, Expiration Date, Long Position, Short Position, Opening Purchase Transaction, Opening Writing Transaction, Closing Sale Transaction, Closing Purchase Transaction, Covered, Uncovered, Outstanding, Primary Market, Options Trading, Customer, Trading Crowd, Foreign Broker/Dealer, Exchange-Traded Fund Share, Quote with Size, Trading Official, Non-OTP Firm or Non-OTP Holder Market Maker, Firm, Consolidated Book, Crowd Participants, Electronic Order Capture System, Short Term Option Series, and Quarterly Options Series.

defined in Rule 6.1-O(b)(33), to Rule 1.1 because that term would not be used in the Pillar rules, and does not propose to copy the definition of “Short Term Options Series,” because it is duplicative of Commentary .07 to Rule 6.4-O. In addition, the Exchange is not including the definition of “Foreign Broker/Dealer,” which is currently defined in Rule 6.1-O(b)(31), in Rule 1.1, as this term is not used anywhere else in Exchange rules.<sup>9</sup> The Exchange also proposes the following clarifying, non-substantive changes to definitions that are being copied from Rule 6.1-O(b) to Rule 1.1:

- The Exchange proposes to provide that the term “class of options” or “class” would mean all series of options, both puts and calls, overlying the same underlying security.
- The Exchange proposes to streamline the definitions of “Closing Purchase Transaction,” “Closing Sale Transaction,” “Opening Purchase Transaction,” and “Opening Writing Transaction” without any substantive differences.
- The Exchange proposes to revise the definition of “Electronic Order Capture System” to eliminate reference to the Commission’s order Instituting Public Administrative Proceedings Pursuant to Section 19(h)(1) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions, which was the initial authority for the Exchange to specify requirements relating to the Electronic Order Capture System. The Exchange will continue to include requirements for the Electronic Order Capture System in its rules and does not

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<sup>9</sup> The Exchange is not proposing to delete the definitions of either “Quote with Size” or “Foreign Broker/Dealer” at this time as such terms would be deleted in the subsequent filing to delete Rule 6.1-O.

believe it is necessary to continue to cite to the original authority for this requirement in Exchange rules.

- The Exchange proposes to streamline the definition of “Expiration Date” to eliminate now obsolete language limiting the definition to options expiring before, on, or after February 15, 2015. In addition, the Exchange does not propose to include the following text in the Rule 1.1 definition of “Expiration Date”:  
“Notwithstanding the foregoing, in the case of certain long-term options expiring on or after February 1, 2015 that the Options Clearing Corporation has designated as grandfathered, the term “expiration date” shall mean the Saturday immediately following the third Friday of the expiration month.” This rule text is now obsolete as the Exchange does not have any series trading on the Exchange with such Saturday expiration dates.
- The Exchange proposes to add to the definition of “option contract” that option contracts would include within the definition of “security” or “securities” as such terms are used in the Bylaws and Rules of the Exchange. This proposed text is copied from the last sentence of current Rule 6.1-O(a). As described below, proposed Rule 6.1P-O would not include this text.
- The Exchange proposes to amend the definition of “option issue” to mean the security underlying a class of options.
- The Exchange proposes to streamline the definition of “outstanding” without any substantive differences.
- The Exchange proposes to use the term “underlying security” rather than referring separately to an “underlying stock or Exchange-Traded Fund Share,” as an

Exchange-Traded Fund Share is a security as that term is defined in Rule 1.1 (and is also an NMS stock).

Second, definitions set forth in Rule 6.1A-O(a) would be moved and added to Rule 1.1 in alphabetical order without any substantive differences.<sup>10</sup> Because certain of these definitions are already set forth in Rule 1.1 for cash equity trading, the Exchange proposes to amend those existing definitions to specify that they would be applicable to options trading, and if applicable, set forth differences for options trading, as described in more detail below. The Exchange does not propose to move the definition of “Directed Order Market Maker” to Rule 1.1 because in Pillar, the Exchange would no longer support Directed Order Market Makers. In addition, the Exchange does not propose to move the definitions of “Complex BBO” or “Complex NBBO” to Rule 1.1, and instead will be proposing to define those terms in a separate proposed rule change relating to electronic complex trading. As noted above, the terms “OX” and “OX Book” will not be used in Pillar rules.

Finally, in addition to definitions that are being moved without any substantive changes, the Exchange proposes the following specific changes to Rule 1.1 definitions:<sup>11</sup>

- Approved Person: The Exchange proposes a non-substantive amendment to change the word “a” to “an” before “OTP Firm.”

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<sup>10</sup> Rule 6.1A-O(a) has definitions for: Authorized Trader, BBO, Complex BBO, Core Trading Hours, Customer, Professional Customer, Lead Market Maker, Market Center, Marketable, Market Maker, Market Maker Authorized Trader, Minimum Price Variation, NBBO, Complex NBBO, NOW Recipient, OX, OX Book, Routing Broker, Sponsored Participant, Sponsoring OTP Firm, Sponsorship Provisions, User, Directed Order Market Maker, and Order Flow Provider.

<sup>11</sup> The Exchange also proposes a non-substantive amendment to the definition of “Exchange” to add a period at the end of the sentence.

- Authorized Trader: The Exchange proposes to amend the Rule 1.1 definition of “Authorized Trader” to remove the limitation to equities trading so that it is applicable to both cash equity securities and options traded on the Exchange, and to add that it can mean a person who may submit orders to the Exchange’s Trading Facilities on behalf of his or her OTP Holder. These proposed amendments combine the definition of Authorized Trader currently set forth in Rule 6.1A-O(a)(1) with the existing Rule 1.1 definition of Authorized Trader without any substantive differences.
- Away Market: The Exchange proposes to amend the Rule 1.1 definition of “Away Market” to add how that term would be used for options trading on the Exchange. As proposed, the new text would provide: “[w]ith respect to options traded on the Exchange, the term “Away Market” means any Trading Center (1) with which the Exchange maintains an electronic linkage, and (2) that provides instantaneous responses to orders routed from the Exchange.” This proposed definition is based on the Rule 6.1A-O(a)(12) definition of “NOW Recipient” with only a non-substantive difference to use the Pillar term of “Away Market” instead of the term “NOW Recipient.” The Exchange does not include in this definition reference to designating and publishing to its website certain Away Markets because such markets are by definition those with which the Exchange maintains electronic linkage (i.e., pursuant to the Options Order Protection and Locked/Crossed Market Plan).
- BBO: The Exchange proposes to amend the Rule 1.1 definition of “BBO” to add how that term would be used for options trading on the Exchange. As proposed,

with respect to options traded on the Exchange, BBO would mean the best displayed bid or best displayed offer on the Exchange. This definition is based on the Rule 6.1A-O(a)(2)(a) definition of BBO without any substantive differences.

- Consolidated Book: The term “Consolidated Book” is currently defined in Rule 6.1-O(b)(37) and the term “OX Book” is currently defined in Rule 6.1A-O(a)(14). For Pillar, the Exchange proposes to define the term “Consolidated Book” based on both of those existing definitions and would provide that for options traded on the Exchange, the term “Consolidated Book” would mean the Exchange’s electronic book of orders and quotes and that all orders and quotes that are entered into the Consolidated Book would be ranked and maintained in accordance with the rules of priority, as provided for in proposed Rule 6.76P-O. This proposed definition is also similar to the existing Rule 1.1 definition of “NYSE Arca Book,” which would be amended to specify that the definition would only be for cash equity securities traded on the Exchange.
- Core Trading Hours: The definition of Core Trading Hours would be applicable to both cash equity securities and options trading on the Exchange. Because options trading may extend past 4:00 p.m., the Exchange proposes to amend the Rule 1.1 to provide that for options traded on the Exchange, transactions may be effected on the Exchange for an equity options class until close of trading of the primary market for the securities underlying an options class. This proposed text is based on current Rule 6.1A-O(a)(3) without substantive changes.<sup>12</sup>

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<sup>12</sup> The Exchange does not propose to include text regarding trading that continues 15 minutes after the regular time set for the normal close of trading in the primary markets with respect to index options classes, as this is already addressed in Rule 5.20-O(a)

- Customer and Professional Customer: The Exchange proposes to amend Rule 1.1 to add the definitions of “Customer” and “Professional Customer.” The proposed definitions are based on the definitions of Customer and Professional Customer set forth in Rule 6.1A-O(a)(4) and (4A) with non-substantive differences only to specify that these definitions would be applicable for options traded on the Exchange, eliminate redundant headers, and re-number the sub-paragraphs. The Exchange also proposes to include a cross-reference to the definition of a broker or dealer as defined Sections 3(a)(4) and 3(a)(5) of the Exchange Act and rules thereunder.<sup>13</sup> The Exchange believes that this specificity adds clarity and transparency to the proposed definition.
- Lead Market Maker: The Exchange proposes to amend the Rule 1.1 definition of “Lead Market Maker” to add how that term would be used for options trading. As proposed, the new text would provide that for options traded on the Exchange, the term “Lead Market Maker” or “LMM” would “mean a person that has been deemed qualified by the Exchange for the purpose of making transactions on the Exchange in accordance with Rule 6.82-O. Each LMM must be registered with the Exchange as a Market Maker. Any OTP Holder or OTP Firm registered as a Market Maker with the Exchange is eligible to be qualified as an LMM.” This proposed definition is based on the Rule 6.1A-O(a)(5) definition of Lead Market Maker without any differences.

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(Trading Sessions).

<sup>13</sup> The Exchange does not propose to carry over the definition of “Customer” that is set forth in Rule 6.1-O(b)(29) as unnecessary.

- Marketable: The Exchange proposes to amend the Rule 1.1 definition of “Marketable” to extend it to address options traded on the Exchange. The current description of the term “Marketable” for purposes of Market Orders is the same in both Rules 1.1 and 6.1A-O(a)(7). With respect to Limit Orders, in Rule 1.1, the term “Marketable” currently means an order that can be immediately executed or routed. The current Rule 6.1A-O(a)(7) definition of the term “Marketable” for Limit Orders means when the price of the order matches or crosses the NBBO on the other side of the market. The current Rule 1.1 definition relating to Limit Orders means substantively the same thing as the Rule 6.1A-O(a)(7) description for Limit Orders, and the Exchange proposes using the existing Rule 1.1 definition of the term “Marketable” for both cash equity and options trading of Limit Orders. The Exchange also proposes a non-substantive amendment to add a comma after the phrase, “the term “Marketable” means” and before “for a Limit Order.”
- Market Maker: The Exchange proposes to amend the Rule 1.1 definition of “Market Maker” to add how that term would be used for options trading. As proposed, the new text would provide that for options traded on the Exchange, the term “Market Maker” would refer “to an OTP Holder or OTP Firm that acts as a Market Maker pursuant to Rule 6.32-O.” This proposed definition is based on the Rule 6.1A-O(a)(8) definition of Market Maker without any differences. The Exchange also proposes to include in the definition of Market Maker that for purposes of the NYSE Arca rules, the term Market Maker includes Lead Market Makers, unless the context otherwise indicates. This proposed text is based on

Rule 6.1-O(c), References, without substantive differences. The Exchange believes this proposed change would streamline and clarify this definition.

- Market Maker Authorized Trader: The Exchange proposes to amend the Rule 1.1 definition of “Market Maker Authorized Trader” to add how that term would be used for options trading. As proposed, the new text would provide that for options traded on the Exchange, the term “Market Maker Authorized Trader” or “MMAT” would “mean an authorized trader who performs market making activities pursuant to Rule 6-O on behalf of an OTP Firm or OTP Holder registered as a Market Maker.” This proposed definition is based on the Rule 6.1A-O(a)(9) definition of Market Maker Authorized Trader without any differences.
- Market Participant Identifier (“MPID”): The Exchange proposes to add a new definition to Rule 1.1 for “Market Participant Identifier (‘MPID’).” This term is currently used in Rules 7.19-E and 7.31-E(i)(2). Because this term would also be used for options trading, the Exchange believes that defining this term in Rule 1.1 would promote clarity and transparency. The proposed definition would provide that “Market Participant Identifier” or “MPID” refers to the identification number(s) assigned to the orders and quotes of a single ETP Holder, OTP Holder, or OTP Firm for the execution and clearing of trades on the Exchange by that permit holder. The definition would further provide that an ETP Holder, OTP Holder, or OTP Firm may obtain multiple MPIDs and each such MPID may be associated with one or more sub-identifiers of that MPID.

- Minimum Price Variation or MPV: The Exchange proposes to amend Rule 1.1 to add the definition of “Minimum Price Variation” or “MPV” for both cash equity securities and options that are traded on the Exchange. The Exchange proposes that the term “Minimum Price Variation” or “MPV” means the minimum price variations established by the Exchange. The Exchange further proposes that the MPV for quoting cash equity securities traded on the Exchange are set forth in Rule 7.6-E. The Exchange further proposes that the MPV for quoting and trading options traded on the Exchange are set forth in Rule 6.72-O(a). The proposed definition as it relates to options trading is based on the Rule 6.1A-O(a)(10) definition of MPV.
- NBBO: The Exchange proposes to amend the Rule 1.1 definition of “NBBO, Best Protected Bid, Best Protected Offer, Protected Best Bid and Offer (PBBO)” to add how the term NBBO would be used for options trading. The Exchange proposes that: “[w]ith respect to options traded on the Exchange, the term “NBBO” means the national best bid or offer. The terms “NBB” means the national best bid and “NBO” means the national best offer. This proposed definition is based on the Rule 6.1A-O(a)(11)(a) definition of NBBO without any differences.

In addition, unless otherwise specified, for options trading, the Exchange may adjust its calculation of the NBBO based on information about orders it sends to Away Markets, execution reports received from those Away Markets, and certain orders received by the Exchange. This proposed text reflects how the Exchange currently calculates the NBBO for options trading and is based on how the PBBO is calculated on the Exchange’s cash equity market, as described in Rule 7.37-

E(d)(2).<sup>14</sup> The Exchange proposes that it would adjust its calculation of the NBBO for options traded on the Exchange in the same manner that the Exchange calculates the PBBO for cash equity securities traded on the Exchange. The Exchange further notes that there are limited circumstances when the Exchange would not adjust its calculation of the NBBO, and would determine the NBBO for options in the same way that the Exchange determines the NBBO for cash equity securities traded on the Exchange. As described in detail below, the Exchange will specify in its rules when it would be not be using an adjusted NBBO for purposes of a specific rule.

The Exchange further proposes that the term “Away Market NBBO” would refer to a calculation of the NBBO that excludes the Exchange’s BBO.

- NYSE Arca Book: The Exchange proposes to amend the Rule 1.1 definition of “NYSE Arca Book” to specify that this term is applicable only for cash equity securities traded on the Exchange. As noted above, the Exchange uses the term “Consolidated Book” for options traded on the Exchange.
- NYSE Arca Marketplace: The Exchange proposes to amend the Rule 1.1 definition of “NYSE Arca Marketplace” to specify that this term is applicable only for cash equity securities traded on the Exchange.
- Order Flow Provider or OFP: The Exchange proposes to add the definition of “Order Flow Provider or OFP” to Rule 1.1 to mean “any OTP Holder that

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<sup>14</sup> See Securities Exchange Act Release No. 91564 (April 14, 2021), 86 FR 20541 (April 20, 2021) (SR-NYSEArca-2021-21) (Notice of filing and immediate effectiveness of proposed rule change to specify when the Exchange may adjust its calculation of the PBBO).

submits, as agent, orders to the Exchange.” This proposed definition is based on the Rule 6.1A-O(a)(21) definition of “Order Flow Provider” without any differences.

- Trading Center: The Exchange proposes to amend the Rule 1.1 definition of “Trading Center” to add how this term would be used for options trading. As proposed: “[w]ith respect to options traded on the Exchange, for purposes of Rule 6-O, the term “Trading Center” means a national securities exchange that has qualified for participation in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation.” This proposed definition is based on the Rule 6.1A-O(a)(6) definition of “Market Center” with a non-substantive difference to use the term “Trading Center” instead of “Market Center.”
- User: The Exchange proposes to amend the Rule 1.1 definition of “User” to add how this term would be used for options trading. As proposed: “[w]ith respect to options traded on the Exchange, the term ‘User’ shall mean any OTP Holder or OTP Firm who is authorized to obtain access to the Exchange pursuant to Rule 6.2A-O.” This proposed definition is based on the Rule 6.1A-O(a)(19) definition of User with non-substantive differences to use Pillar terminology.
- User Agreement: The Exchange proposes a non-substantive amendment to the Rule 1.1 definition of “User Agreement” to replace the term “NYSE Arca, L.L.C” with the term the “Exchange.”

In addition to proposed amendments to Rule 1.1, the Exchange proposes to amend Rule 6.96-O to add the definition of “Routing Broker,” which is currently defined in Rule 6.1A-

O(a)(15). For options trading on Pillar, the Exchange proposes to define the term in Rule 6.96-O (Operation of a Routing Broker) to mean “the broker-dealer affiliate of NYSE Arca, Inc. and any other non-affiliate that provides services for routing orders submitted to the Exchange to other Trading Facilities for execution whenever such routing is required by NYSE Arca Rules and federal securities laws.”<sup>15</sup> The proposed rule text is based on the current definition in Rule 6.1A-O(a)(15), with non-substantive amendments to use Pillar terminology.

In connection with the proposed amendments to Rule 1.1, the Exchange proposes to add the following preamble to Rule 6.1A-O: “This Rule will not be applicable to trading on Pillar.” This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.1A-O would not be applicable to trading on Pillar.

#### Proposed Rule 6.1P-O: Applicability

Current Rule 6.1-O sets forth the applicability, definitions, and references in connection with options trading. As noted above, the definitions in Rule 6.1-O(b) and reference to LMMs being included in the definition of Market Maker will be copied to proposed Rule 1.1 for purposes of trading on Pillar.

The Exchange proposes new Rule 6.1P-O to include only those portions of Rule 6.1-O relating to applicability of Exchange Rules that would continue to be applicable after the transition to Pillar. Proposed Rule 6.1P-O(a) would be based on current Rule 6.1-O(a) with differences that would streamline the proposed rule and reduce duplication of terms defined in Rule 1.1. Proposed Rule 6.1P-O(b) would be based in part on Rule 6.1-O(e) regarding the “Applicability of Other Exchange Rules,” with changes to eliminate obsolete and duplicative text

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<sup>15</sup> The Exchange also proposes non-substantive amendments to Rule 6.96-O to renumber current paragraphs (a), (b), and (c), as paragraphs (b), (c), and (d).

and to clarify the proposed rule to provide that unless stated otherwise, Exchange Rules would be applicable to transactions on the Exchange in option contracts.

In connection with proposed Rule 6.1P-O, the Exchange proposes to add the following preamble to Rule 6.1-O: “This Rule will not be applicable to trading on Pillar.” This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.1-O would not be applicable to trading on Pillar.

#### Proposed Rule 6.76P-O: Order Ranking and Display

Rule 6.76-O governs order ranking and display for the current Exchange options trading system. Proposed Rule 6.76P-O would address order ranking and display for options trading under Pillar.

With the transition to Pillar, the Exchange does not propose any substantive differences to how orders would be ranked and displayed on the Exchange. However, the Exchange proposes to eliminate the terminology relating to the “Display Order Process” and “Working Order Process” and instead use Pillar terminology based on Rule 7.36-E, which governs order ranking and display on the Exchange’s cash equity market. The Exchange proposes a difference between proposed Pillar options rules and the existing cash equity Pillar rules to reflect that, in addition to entering orders, Market Makers enter quotes on the options trading platform. Accordingly, when the cash equity rules refer to “orders,” the proposed options Pillar rules would refer to both “orders and quotes.”

As discussed in detail below, the Exchange believes that the proposed new rule text provides transparency with respect to how the Exchange’s price-time priority model would operate through the use of new terminology applicable to all orders and quotes on the Pillar trading platform.

Proposed Rule 6.76P-O(a) would set forth definitions for purposes of all of Rule 6-O Options Trading on the Pillar trading platform, including proposed Rule 6.76AP-O (Order Execution and Routing), described below. The proposed definitions are based on Rule 7.36-E(a) definitions for purposes of Rule 7-E cash equity trading, with differences, as noted above, to reference “orders and quotes” throughout proposed Rule 6.76P-O. The Exchange believes that these proposed definitions would provide transparency regarding how the Exchange would operate its options platform on Pillar, and serve as the foundation for how orders and modifiers would be described for options trading on Pillar, as discussed in more detail below.

- Proposed Rule 6.76P-O(a)(1) would define the term “display price” to mean the price at which an order or quote ranked Priority 2 - Display Orders or Market Order is displayed, which may be different from the limit price or working price of the order. This proposed definition is based on Rule 7.36-E(a)(1). The Exchange proposes a non-substantive difference to refer to “order or quote ranked Priority 2 - Display Orders,” versus referring to “Limit Order,” as set forth in Rule 7.36-E(a)(1). The term “Priority 2 - Display Orders” is described in more detail below. The Exchange also proposes a second difference compared to the Exchange’s cash equity rules to include Market Orders as interest that may have a display price (for example, as described below and consistent with current functionality, a Market Order could be displayed at its Trading Collar).
- Proposed Rule 6.76P-O(a)(2) would define the term “limit price” to mean the highest (lowest) specified price at which a Limit Order or quote to buy (sell) is eligible to trade. The limit price is designated by the User. As noted in the proposed definitions of display price and working price, the limit price designated

by the User may differ from the price at which the order would be displayed or eligible to trade. This proposed definition is based on Rule 7.36-E(a)(2) without any substantive differences. The Exchange proposes one non-substantive difference to refer to the specified price of a “Limit Order or quote,” versus referring to “Limit Order,” as set forth in Rule 7.36-E(a)(2).

- Proposed Rule 6.76P-O(a)(3) would define the term “working price” to mean the price at which an order or quote is eligible to trade at any given time, which may be different from the limit price or display price of an order. This proposed definition is based on Rule 7.36-E(a)(3) without any substantive differences. The Exchange proposes one non-substantive difference to refer to “order or quote” for purposes of determining ranking priority. The Exchange believes that the term “working price” would provide clarity regarding the price at which an order may be executed at any given time. Specifically, the Exchange believes that use of the term “working” denotes that this is a price that is subject to change, depending on the circumstances. The Exchange will be using this term in connection with orders and modifiers, as described in more detail below.
- Proposed Rule 6.76P-O(a)(4) would define the term “working time” to mean the effective time sequence assigned to an order or quote for purposes of determining its priority ranking. The Exchange proposes to use the term “working time” in its rules for trading on the Pillar trading platform instead of terms such as “time sequence” or “time priority,” which are used in rules governing trading on the Exchange’s current system. The Exchange believes that use of the term “working” denotes that this is a time assigned to an order for purposes of ranking and is

subject to change, depending on circumstances. This proposed definition is based on Rule 7.36-E(a)(4) without any substantive differences. The Exchange proposes one non-substantive difference to refer to an “order or quote,” versus referring solely to “an order,” as set forth in Rule 7.36-E(a)(4).

- Proposed Rule 6.76P-O(a)(5) would define an “Aggressing Order” or “Aggressing Quote” to mean a buy (sell) order or quote that is or becomes marketable against sell (buy) interest on the Consolidated Book. The proposed terms would therefore refer to orders or quotes that are marketable against other orders or quotes on the Consolidated Book, such as incoming orders or quotes as well as orders that have returned unexecuted after routing. These terms would also be applicable to resting orders or quotes that become marketable due to one or more events. For the most part, resting orders or quotes will have already traded with contra-side interest against which they are marketable.

To maximize the potential for orders or quotes to trade, the Exchange continually evaluates whether resting interest may become marketable. Events that could trigger a resting order to become marketable include updates to the working price of such order or quote, updates to the NBBO, changes to other interest resting on the Consolidated Book, or processing of inbound messages. To address such circumstances, the Exchange proposes to include in proposed Rule 6.76P-O(a)(5) that a resting order or quote may become an Aggressing Order or Aggressing Quote if its working price changes, if the NBBO is updated, because of changes to other orders or quotes on the Consolidated Book, or when processing inbound messages.

The proposed definition of an “Aggressing Order” is based on Rule 7.36-E(a)(5) without any substantive differences. The proposed rule includes non-substantive differences to account for options trading, such as including the defined term “Aggressing Quote”; referring to an “order or quote” versus “an order”; referring to the Consolidated Book rather than NYSE Arca Book; and referring to the NBBO instead of the PBBO, which is not a term used in options trading. The Exchange believes that these proposed definitions would promote transparency in Exchange rules by providing detail regarding circumstances when a resting order or quote may become marketable, and thus would be an Aggressing Order or Aggressing Quote.

Proposed Rule 6.76P-O(b) would govern the display of non-marketable Limit Orders and quotes. The proposed Pillar functionality would operate as described in current preamble of Rule 6.76-O and the Display Order Process set forth in Rule 6.76-O(a)(1), without any substantive differences, but will not use the terms “Display Order Process,” “Working Order Process,” or “OX,” because the Exchange is not proposing to use that terminology in Pillar. Throughout proposed paragraph (b) of Rule 6.76P-O, the Exchange proposes to use the term “will” in instead of “shall.” As proposed, the Exchange would display “all non-marketable Limit Orders or quotes ranked Priority 2 –Display Orders unless the order or modifier instruction specifies that all or a portion of the order is not to be displayed,” which rule text is substantially identical to the first sentence of the preamble to current Rule 6.76-O except that Pillar ranking terminology would be used.

Rule 6.76P-O(b)(1), which is substantially identical to current Rule 6.76-O(b), would provide that except as otherwise permitted in proposed new Rule 6.76AP-O (discussed below), all non-marketable displayed interest would be displayed on an anonymous basis.

Proposed Rule 6.76P-O(b)(2) is substantially identical to the second sentence of the preamble to current Rule 6.76-O, and would provide that the Exchange would disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between the Exchange and other Market Centers, consistent with the OPRA Plan.

Finally, proposed Rule 6.76P-O(b)(3) would provide that if “an Away Market locks or crosses the Exchange BBO, the Exchange will not change the display price of any Limit Orders or quotes ranked Priority 2 - Display Orders and any such orders will be eligible to be displayed as the Exchange’s BBO.” This proposed concept, which is based on Rule 7.36-E(b)(4) (but omits the cash equity-related information regarding regulatory halts), ensures that resting displayed interest that did not cause a locked or crossed market condition can stand their ground and maintain priority at the price at which they were originally displayed. This provision is consistent with the treatment of displayed orders on the Exchange’s cash equity market as described in Rule 7.36-E(b)(4).

Proposed Rule 6.76P-O(c) would describe the Exchange’s general process for ranking orders and quotes and would be comparable to Rule 6.76-O(a), without any substantive differences. As proposed, Rule 6.76P-O(c) would provide that all non-marketable orders and quotes would be ranked and maintained in the Consolidated Book according to price-time priority in the following manner: (1) price; (2) priority category; (3) time; and (4) ranking restrictions applicable to an order/quote or modifier condition. Accordingly, orders and quotes

would be first ranked by price. Next, at each price level, orders and quotes would be assigned a priority category. Orders and quotes in each priority category would be required to be exhausted before moving to the next priority category. Within each priority category, orders and quotes would be ranked by time. These general requirements for ranking are applicable to all orders and quotes, unless an order or quote or modifier has a specified exception to this ranking methodology, as described in more detail below. The Exchange is proposing this ranking description instead of using the concepts of a Display Order Process and Working Order Process in Rule 6.76-O. However, substantively there would be no difference in how the Exchange would rank orders and quotes on the Pillar trading platform from how it ranks orders and quotes in the current trading system. For example, a non-displayed order would always be ranked after a displayed order at the same price, even if the non-displayed order has an earlier working time. In addition, this proposed rule is based on Rule 7.36-E(c).

Proposed Rule 6.76P-O(d) would describe how orders and quotes would be ranked based on price. Specifically, as proposed, all orders and quotes would be ranked based on the working price of an order or quote. Orders and quotes to buy would be ranked from highest working price to lowest working price and orders and quotes to sell would be ranked from lowest working price to highest working price. The rule would further provide that if the working price of an order or quote changes, the price priority of an order or quote would change. This price priority is current functionality, but the new rule would use Pillar terminology based on Rule 7.36-E(d).

Proposed Rule 6.76P-O(e) would describe the proposed priority categories for ranking purposes. As proposed, at each price, all orders and quotes would be assigned a priority category. If, at a price, there are no orders or quotes in a priority category, the next category would have first priority. The Exchange does not propose to include in Rule 6.76P-O, which sets forth the

general rule regarding ranking, specifics about how one or more order or quote types may be ranked and displayed. Instead, as described in more detail below, the Exchange will address separately in new Rule 6.62P-O governing orders and modifiers which priority category correlates to different order types and modifiers. Accordingly, details regarding which proposed priority categories would be assigned to the display and reserve portions of Reserve Orders, which is currently addressed in Rule 6.76-O (a)(1)(B) and (a)(2)(A), will be addressed in proposed Rule 6.62P-O and therefore would not be included in proposed Rule 6.76P-O.

The proposed changes are also based on the priority categories for cash equity trading as set forth in Rule 7.36-E(e)(1)-(3), except for the options-specific reference to “orders and quotes” rather than just orders as relates to interest ranked Priority 2 and 3.

The proposed priority categories would be:

- Proposed Rule 6.76P-O(e)(1) would specify “Priority 1 – Market Orders,” which provides that unexecuted Market Orders would have priority over all other same-side orders with the same working price. As described in greater detail below, a Market Order subject to a Trading Collar would be displayed on the Consolidated Book. In such circumstances, the displayed Market Order would have priority over all other resting orders at that price.
- Proposed Rule 6.76P-O(e)(2) would specify “Priority 2 – Display Orders.” This proposed priority category would replace the “Display Order Process.” As proposed, non-marketable Limit Orders or quotes with a displayed working price would have second priority. For an order or quote that has a display price that differs from the working price of the order or quote, the order or quote would be ranked Priority 3 - Non-Display Orders at the working price. This priority

category is based on how Priority 2 -Display Orders function on the Exchange's cash equity market, as described in Rule 7.36-E(e)(2).

- Proposed Rule 6.76P-O(e)(3) would specify "Priority 3 – Non-Display Orders." This priority category would be used in Pillar rules instead of reference to the "Working Order Process." As proposed, non-marketable Limit Orders or quotes for which the working price is not displayed, including the reserve interest of Reserve Orders, would have third priority. This priority category is based on how Priority 3 - Non-Display Orders function on the Exchange's cash equity market, as described in Rule 7.36-E(e)(3).

Proposed Rule 6.76P-O(f) would set forth that at each price level within each priority category, orders and quotes would be ranked based on time priority. The proposed changes are based on Pillar terminology in Rule 7.36-E(f)(1) and (3), except for the non-substantive reference to "orders and quotes" rather than just orders.

- Proposed Rule 6.76P-O(f)(1) would provide that an order or quote is assigned a working time when it is first added to the Consolidated Book based on the time such order or quote is received by the Exchange. This proposed process of assigning a working time to orders is current functionality and is substantively the same as current references to the "time of original order entry" found in several places in Rule 6.76-O. This proposed rule uses Pillar terminology based on Rule 7.36-E(f)(1) without any substantive differences. To provide transparency in Exchange rules, the Exchange further proposes to include in proposed Rule 6.76P-O(f) how the working time would be determined for orders that are routed. As proposed:

- Proposed Rule 6.76P-O(f)(1)(A) would specify that an order that is fully routed to an Away Market on arrival, per proposed Rule 6.76AP-O(b)(1), would not be assigned a working time unless and until any unexecuted portion of the order returns to the Consolidated Book. The Exchange notes that this is the current process for assigning a working time to an order and uses Pillar terminology based on Rule 7.36-E(f)(1)(A) without any substantive differences.
- Proposed Rule 6.76P-O(f)(1)(B) would specify that for an order that, on arrival, is partially routed to an Away Market, the portion that is not routed would be assigned a working time. If any unexecuted portion of the order returns to the Consolidated Book and joins any remaining resting portion of the original order, the returned portion of the order would be assigned the same working time as the resting portion of the order. If the resting portion of the original order has already executed and any unexecuted portion of the order returns to the Consolidated Book, the returned portion of the order would be assigned a new working time. This process for assigning a working time to partially routed orders is the same as currently used by the Exchange and uses Pillar terminology based on Rule 7.36-E(f)(1)(B) without any substantive differences.
- Proposed Rule 6.76P-O(f)(2) would provide that an order or quote would be assigned a new working time if: (A) the display price of an order or quote changes, even if the working price does not change, or (B) the working price of an order or quote changes, unless the working price is adjusted to be the same as the

display price of an order or quote. This proposed text uses Pillar terminology based in part on Rule 7.36-E(f)(2), which provides that an order is assigned a new working time any time the working price of an order changes. The Exchange is proposing to provide greater specificity when the working time of an order would change as compared to current Rule 7.36-E(f).

- Proposed Rule 6.76P-O(f)(3) would provide that an order or quote would be assigned a new working time if the size of an order or quote increases and that an order or quote retains its working time if the size of the order or quote is decreased. This process for assigning a new working time when the size of an order changes is the same as currently used by the Exchange and uses Pillar terminology based on Rule 7.36-E(f)(3) without any substantive differences.

Proposed Rule 6.76P-O(g) would specify that the Exchange would apply ranking restrictions applicable to specified order or modifier instructions. These order and modifier instructions would be identified in proposed new Rule 6.62P-O, described below. Proposed Rule 6.76P-O(g) uses Pillar terminology based on Rule 7.36-E(g), without any substantive differences. Current Rule 6.76-O(a)(2)(C)-(E) discuss ranking of certain order types with contingencies, but the Exchange proposes that for Pillar, ranking details regarding orders with contingencies would be described in proposed Rule 6.62P-O.

Finally, proposed Rule 6.76P-O(h) would be applicable to “Orders Executed Manually” and would contain the same text as set forth in Rule 6.76-O(d) without any substantive differences except for the non-substantive change of capitalizing the defined term Trading

Crowd (per proposed Rule 1.1), removing the superfluous clause “in addition,” and updating the cross-reference to reflect the new Pillar rule.<sup>16</sup>

In connection with proposed Rule 6.76P-O, the Exchange proposes to add the following preamble to Rule 6.76-O: “This Rule will not be applicable to trading on Pillar.” This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.76-O would not be applicable to trading on Pillar.

#### Proposed Rule 6.76AP-O: Order Execution and Routing

Current Rule 6.76A-O, titled “Order Execution — OX,” governs order execution and routing at the Exchange. The Exchange proposes that Rule 6.76AP-O would set forth the order execution and routing rules for options trading on Pillar. The Exchange proposes that the title for new Rule 6.76AP-O would be “Order Execution and Routing” instead of “Order Execution — OX” because the Exchange does not propose to use the term “OX” in connection with Pillar. The Exchange believes that because proposed Rule 6.76AP-O, like Rule 6.76A-O, would specify the Exchange’s routing procedures, referencing to “Routing” in the rule’s title would provide additional transparency in Exchange rules regarding what topics would be covered in new Rule 6.76AP-O. This proposed rule is based on Rule 7.37-E, which describes the order execution and routing rules for cash equity securities trading on the Pillar platform.

Proposed Rule 6.76AP-O(a) and its subparagraphs would set forth the Exchange’s order execution process and would cover the same subject as the preamble to Rule 6.76A-O. However, the proposed rule would use Pillar terminology of “Aggressing Order” and “Aggressing Quote” -

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<sup>16</sup> See proposed Rule 6.76P-O(h)(1) (removing “in addition”) (B) (regarding “Trading Crowd”) and (D) (updating the cross-reference to new subparagraph (B) in connection with the Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (“G exemption rule“)).

- rather than refer to an “incoming marketable bid or offer.” As proposed, an Aggressing Order or Aggressing Quote would be matched for execution against contra-side orders or quotes in the Consolidated Book according to the price-time priority ranking of the resting interest, subject to specified parameters.

Proposed Rule 6.76AP-O(a)(1) would set forth the LMM Guarantee, which is substantively the same as the current LMM Guarantee, as described in Rule 6.76A-O(a)(1). The Exchange proposes a substantive difference because on Pillar, the Exchange would no longer support Directed Order Market Makers or Directed Orders. Accordingly, rule text relating to Directed Order Market Makers or Directed Orders will not be included in proposed Rule 6.76AP-O.<sup>17</sup>

Proposed Rule 6.76AP-O(a)(1) would provide that an LMM would be entitled to an allocation guarantee when the execution price is equal to the NBB (NBO) and there is no displayed Customer interest in time priority at the NBBO in the Consolidated Book. In such cases, the Aggressing Order or Aggressing Quote would be matched against the quote of the LMM for an amount equal to 40% of the Aggressing Order or Aggressing Quote, up to the size of the LMM’s quote (the “LMM Guarantee”). With respect to how the LMM Guarantee would function on Pillar, the Exchange does not propose any substantive differences from current Rule 6.76A-O(a)(1).

Proposed Rule 6.76AP-O(a)(1)(A) proposes new functionality under Pillar and provides that if an LMM has more than one quote at a price, the LMM Guarantee would be applied among

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<sup>17</sup> The Exchange proposes to add a preamble to Rule 6.88-O (Directed Orders) to provide that the Rule would not be applicable to trading on Pillar.

such quotes in time priority, provided there is no displayed Customer interest with time priority at each quote.

Proposed Rule 6.76AP-O(a)(1)(B), which is substantively identical to current Rule 6.76A-O(a)(1)(B), would provide that if an LMM is entitled to an LMM Guarantee (pursuant to proposed paragraph (a)(1)) and the Aggressing Order or Aggressing Quote had an original size of five (5) contracts or fewer, then such order or quote would be matched against the quote of the LMM for an amount equal to 100%, up to the size of the LMM's quote. The Exchange also proposes to add Commentary .01 to the proposed rule (which is substantively identical to Commentary .02 of current Rule 6.76A-O) to make clear that on a quarterly basis, the Exchange would evaluate what percentage of the volume executed on the Exchange comprised of orders for five (5) contracts or fewer that was allocated to LMMs and would reduce the size of the orders included in this provision if such percentage is over 40%.<sup>18</sup>

Proposed Rule 6.76AP-O(a)(1)(C) would specify that if the result of applying the LMM Guarantee is a fractional allocation of contracts, the LMM Guarantee would be rounded down to the nearest contract and if the result of applying the LMM Guarantee results in less than one contract, the LMM Guarantee would be equal to one contract. The Exchange believes that including this additional detail in the proposed rule would add transparency to Exchange rules.

Finally, the Exchange proposes Rule 6.76AP-O(a)(1)(D), which would provide that after applying any LMM Guarantee, the Aggressing Order or Aggressing Quote would be allocated pursuant to proposed paragraph (a) of this Rule, i.e., that such orders or quotes would be matched for execution against contra-side interest resting in the Consolidated Book according to price-

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<sup>18</sup> See proposed Rule 6.76AP-O, Commentary .01, which will not include cross-reference that appears in the current rule Commentary .02 to Rule 6.76A-O.

time priority. This proposed text is substantively identical to Rule 6.76A-O(a)(1)(C) and uses Pillar terminology.

Consistent with the Exchange's proposed approach to new Rule 6.76P-O, proposed Rule 6.76AP-O would not include references to specific order types and instead would state the Exchange's general order execution methodology. Any exceptions to such general requirements would be set forth in connection with specific order or modifier definitions in proposed Rule 6.62P-O, described below.

Proposed Rule 6.76AP-O(b) would set forth the Exchange's routing process and is intended to address the same subject as Rule 6.76A-O(c), which is currently referred to as "Step 3" in order processing, without any substantive differences.

Proposed Rule 6.76AP-O(b) would provide that, absent an instruction not to route, the Exchange would route marketable orders to Away Market(s) after such orders are matched for execution with any contra-side interest in the Consolidated Book in accordance with proposed paragraph (a) of this Rule regarding Order Execution. Proposed Rule 6.76AP-O(b) also uses Pillar terminology based on current Rule 7.37-E(b), which governs the Exchange's routing process on the Exchange's cash equity platform.

The proposed rule would then set forth additional details regarding routing:

- Proposed Rule 6.76AP-O(b)(1) would provide that an order that cannot meet the pricing parameters of proposed Rule 6.76AP-O(a) may be routed to Away Market(s) before being matched for execution against contra-side interest in the Consolidated Book. The Exchange believes that this proposed rule text provides transparency that an order may be routed before being matched for execution, for example, to prevent locking or crossing or trading through the NBBO. This rule

uses Pillar terminology based on Rule 7.37-E(b)(1), with no substantive differences.

- Proposed Rule 6.76AP-O(b)(2) would provide that an order with an instruction not to route would be processed as provided for in proposed Rule 6.62P-O. As described in greater detail below, the Exchange proposes to describe how orders and quotes with an instruction not to route would be processed in proposed Rule 6.62P-O(e).
- Proposed Rule 6.76AP-O(b)(3) would provide that any order or portion thereof that has been routed would not be eligible to trade on the Consolidated Book, unless all or a portion of the order returns unexecuted. This routing methodology is current functionality and covers that same subject as current Rule 6.76A-O(c)(2) with no substantive differences and is based in part on Pillar terminology used in Rule 7.37-E(b)(6). In contrast to Rule 6.76A-O(c)(2), however, the Exchange proposes that Rule 6.76AP-O(b)(3) would focus on the fact that once routed, an order would not be eligible to trade on the Consolidated Book, rather than stating the obvious that it would be subject to the routing destination's trading rules once routed. In addition, because, as discussed above, the working time assigned to orders that are routed is being proposed to be addressed in new Rule 6.76P-O(f)(1)(A) and (B), the Exchange believes it would be unnecessary to restate this information in new Rule 6.76AP-O.
- Proposed Rule 6.76AP-O(b)(4) would provide that requests to cancel an order that has been routed in whole or part would not be processed unless and until all or a

portion of the order returns unexecuted. This proposed rule is based on Pillar terminology used in Rule 7.37-E(b)(7)(A) without any substantive differences.

- Finally, proposed Rule 6.76AP-O(c) would provide that after trading with eligible contra-side interest on the Consolidated Book and/or returning unexecuted after routing to Away Market(s), any unexecuted non-marketable portion of an order would be ranked consistent with new Rule 6.76P-O. This rule represents current functionality and is based on Rule 6.76A-O generally and paragraph (c)(2)(C) as it pertains to orders that were routed away without any substantive differences. This proposed rule is also based on Pillar terminology used in Rule 7.37-E(c) without any substantive differences.

The Exchange believes that the specific routing methodologies for an order type or modifier should be included with how the order type is defined, which will be in proposed Rule 6.62P-O. Accordingly, the Exchange does not believe it needs to specify in proposed Rule 6.76AP-O whether an order is eligible to route, and if so, whether there are any specific routing instructions applicable to the order and therefore will not be carrying over such specifics that are currently included in Rule 6.76A-O.

In connection with proposed Rule 6.76AP-O, the Exchange proposes to add the following preamble to Rule 6.76A-O: “This Rule will not be applicable to trading on Pillar.” This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.76A-O would not be applicable to trading on Pillar.

#### Proposed Rule 6.62P-O: Orders and Modifiers

Current Rule 6.62-O (Certain Types of Orders Defined) defines the order types that are currently available for options trading both on the OX system and for open outcry trading on the

Exchange. The Exchange proposes that new Rule 6.62P-O would set forth the order types and modifiers that would be available for options trading both on Pillar (i.e., electronic order entry) and in open outcry trading. The Exchange proposes to specify that Rule 6.62-O would not be applicable to trading on Pillar.

Because certain order types and modifiers that would be available for options trading on Pillar are based on, or similar to, order types and modifiers available on the Exchange's cash equity market, the Exchange proposes to structure proposed Rule 6.62P-O based on Rule 7.31-E and use similar terminology. The Exchange also proposes to title proposed Rule 6.62P-O as "Orders and Modifiers," which is the title of Rule 7.31-E.

Primary Order Types. Proposed Rule 6.62P-O(a) would specify the Exchange's primary order types, which would be Market Orders and Limit Orders, and is based on Rule 7.31-E(a), which sets forth the Exchange's cash equity primary order types. Similar to Rule 7.31-E(a), proposed Rule 6.62P-O(a) would also set forth the Exchange's proposed Limit Order Price Protection functionality and Trading Collars.

Market Orders. Proposed Rule 6.62P-O(a)(1) would define a Market Order as an unpriced order message to buy or sell a stated number of option contracts at the best price obtainable, subject to the Trading Collar assigned to the order, and would further specify that unexecuted Market Orders may be designated Day or GTC, which represents current functionality,<sup>19</sup> and that unexecuted Market Orders would be ranked Priority 1 - Market Orders.

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<sup>19</sup> The ability for a Market Order to be designated Day or GTC is based on current Rules 6.62-O(m) (describing a "Day Order") and 6.62-O(n) (describing a "Good-til-Cancelled Order" or "GTC Order") and Commentary .01 to Rule 6.62-O, which requires all orders to be either "day," "immediate or cancel," or "good 'til cancelled." As described in more detail below, on Pillar, the time-in-force designation, e.g., Day or GTC, would be a modifier that can be added to an order type and will not be described in the rules as a separate order type. Similar to Rule 7.31-E, the Exchange will specify which time-in-

This proposed rule text uses Pillar terminology similar to Rule 7.31-E(a)(1), but with differences to reflect options trading.

Proposed Rule 6.62P-O(a)(1) would further provide that for purposes of processing Market Orders, the Exchange would not use an adjusted NBBO.<sup>20</sup> On the Exchange's cash equity market, the Exchange does not use an adjusted NBBO when processing Market Orders. The Exchange proposes to similarly not use an adjusted NBBO when processing Market Orders on its options market.

Proposed Rule 6.62P-O(a)(1)(A) would provide that a Market Order that arrives during continuous trading would be rejected, or that was routed, returns unexecuted, and has no resting quantity to join would be cancelled if it fails the validations specified in proposed Rule 6.62P-O(a)(1)(A)(i) - (iv). This proposed rule is based in part on Rule 6.62-O(a), which specifies circumstances when a Market Order will be rejected during Core Trading Hours, with differences to use Pillar terminology and to modify the circumstances when a Market Order would be rejected. As proposed, a Market Order would be rejected (or cancelled if routed first) if:<sup>21</sup>

- There is no NBO (proposed Rule 6.62P-O(a)(1)(A)(i)).

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force designations are available for each order type.

<sup>20</sup> See discussion supra, regarding the proposed Rule 1.1 definition of "NBBO."

<sup>21</sup> The Exchange will also reject a Market Order if it is entered when the underlying NMS stock is either in a Limit State or a Straddle State, which is current functionality. See Rule 6.65A-O(a)(1). The Exchange proposes a non-substantive amendment to Rule 6.65A-O(a)(1) to add a cross reference to proposed Rule 6.62P-O(a)(1). The Exchange also proposes to amend the second sentence of Rule 6.65A-O(a)(1) to remove references to trading collars, and instead specify that the Exchange would cancel any resting Market Orders if the underlying NMS stock enters a Limit State or a Straddle State and would notify OTP Holders of the reason for such cancellation. This proposed change would describe both how Market Orders function today on the OX system and how they would be processed on Pillar.

- There is no NBB and the NBO is higher than \$0.50 (for sell Market Orders only). The Exchange further proposes that if there is no NBB and the NBO is \$0.50 or below, a Market Order to sell would not be rejected and would have a working price and display price one MPV above zero and would not be subject to a Trading Collar (proposed Rule 6.62P-O(a)(1)(A)(ii)). The proposed rule would further provide that a Market Order to sell would be cancelled if it was assigned a Trading Collar, routed, and when it returns unexecuted, it has no resting portion to join and there is no NBB, regardless of the price of the NBO. Accordingly, in this scenario, if there were no NBB and an NBO that is \$0.50 or below, the returned, unexecuted Market Order would be cancelled rather than displayed at one MPV above zero.
- There are no contra-side Market Maker quotes on the Exchange or contra-side Away Market NBBO, provided that a Market Order to sell would be accepted as provided for in proposed Rule 6.62P-O(a)(1)(A)(ii) (proposed Rule 6.62P-O(a)(1)(A)(iii)).
- The NBBO is not locked or crossed and the spread is equal to or greater than a minimum amount based on the midpoint of the NBBO (proposed Rule 6.62P-O(a)(1)(A)(iv)). The proposed “wide-spread” parameter is based in part on Rule 6.87-O(b)(3) with two differences. First, the first bucket would include \$2.00, instead of capping at \$1.99, and second, the wide-spread calculation would be

based off of the midpoint of the NBBO, rather than off of the bid price, as follows:

The midpoint of the NBBO	Spread Parameter
\$0.00 to \$2.00	\$0.75
Above \$2.00 to and including \$5.00	\$1.25
Above \$5.00 to and including \$10.00	\$1.50
Above \$10.00 to and including \$20.00	\$2.50
Above \$20.00 to and including \$50.00	\$3.00
Above \$50.00 to and including \$100.00	\$4.50
Above \$100.00	\$6.00

Proposed Rule 6.62P-O(a)(1)(B) would provide that an Aggressing Market Order to buy (sell) would trade with all orders or quotes to sell (buy) on the Consolidated Book priced at or below (above) the Trading Collar before routing to Away Market(s) at each price. Proposed Rule 6.62P-O(a)(1)(B) would further provide that after trading or routing, or both, a Market Order would be displayed at the Trading Collar, subject to proposed Rule 6.62P-O(a)(1)(C), which is consistent with current functionality that Market Orders would be displayed at a trading collar, per Rule 6.60-O(a)(5).

Proposed Rule 6.62P-O(a)(1)(C) would provide that a Market Order would be cancelled before being displayed if there are no remaining contra-side Market Maker quotes on the Exchange or contra-side Away Market NBBO. Proposed Rule 6.62P-O(a)(1)(D) would provide that a Market Order would be cancelled after being displayed at its Trading Collar if there ceases to be a contra-side NBBO. These proposed cancellation events are based on a subset of the scenarios of when a Market Order would have been rejected on arrival, and the Exchange believes it is appropriate to cancel a Market Order either before it is displayed, or after it is displayed, in these circumstances in order to prevent the potential for such order to be displayed when there is no real market in a series.

Finally, proposed Rule 6.62P-O(a)(1)(E) would provide that a resting, displayed Market Order that is locked or crossed by an Away Market would be routed to that Away Market. Because Market Orders are intended to obtain the best price obtainable, the Exchange proposes to route displayed Market Orders if they are locked or crossed by an Away Market.<sup>22</sup>

Limit Orders. Proposed Rule 6.62P-O(a)(2) would define a Limit Order as an order message to buy or sell a stated number of option contracts at a specified price or better, subject to Limit Order Price Protection and the Trading Collar assigned to the order, and that a Limit Order may be designated Day, IOC, or GTC. In addition, unless otherwise specified, the working price and the display price of a Limit Order would be equal to the limit price of the order, it is eligible to be routed, and it would be ranked Priority 2 - Display Orders. This proposed rule text uses Pillar terminology that is based in part on Rule 7.31-E(a)(2). The ability for a Limit Order to be designated Day, IOC, or GTC is based on current Rules 6.62-O(m) and 6.62-O(n). In addition, marketable limit orders are currently subject to trading collars.

Proposed Rule 6.62P-O(a)(2)(A) would provide that a marketable Limit Order to buy (sell) received by the Exchange would trade with all orders and quotes to sell (buy) on the Consolidated Book priced at or below (above) the NBO (NBB) before routing to an Away Market NBO (NBB) and may route to prices higher (lower) than the NBO (NBB) only after trading with orders and quotes to sell (buy) on the Consolidated Book at each price point, and once no longer marketable, the Limit Order would be ranked and displayed on the Consolidated

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<sup>22</sup> As described above for proposed Rule 6.76P-O(b)(3), displayed interest other than displayed Market Orders would stand their ground if locked or crossed by an Away Market. The Exchange would provide an option for Limit Orders to instead be routed, see discussion *infra*, regarding proposed Rule 6.62P-O(i)(1) and the proposed Proactive if Locked/Crossed Modifier.

Book. This proposed rule text is based on Rule 7.31-E(a)(2)(A), with non-substantive differences to use terminology specific to options trading.

Limit Order Price Protection. The Exchange proposes to describe its proposed Limit Order Price Protection functionality in proposed Rule 6.62P-O(a)(3). On the OX system, the concept of “Limit Order Price Protection” for orders is set forth in Rule 6.60-O(b) and is called the “Limit Order Filter.” For quotes, price protection filters are described in Rule 6.61-O. The proposed “Limit Order Price Protection” on Pillar would be applicable to both Limit Orders and quotes and would work similarly to how the current price protection mechanisms function on the OX system in that a Limit Order or quote would be rejected if it is priced a specified percentage away from the contra-side NBB or NBO. However, on Pillar, the Exchange proposes to use new thresholds and reference prices that would be applicable to both orders and quotes.

Proposed Rule 6.62P-O(a)(3)(A) would provide that each trading day, a Limit Order or quote to buy (sell) would be rejected or cancelled (if resting) if it is priced at a “Specified Threshold,” described below, above (below) the Reference Price, rounded down to the nearest price within the MPV for the Series (“Limit Order Price Protection”). In other words, a Limit Order designated GTC would be re-evaluated for Limit Order Price Protection on each day that it is eligible to trade and would be cancelled if the limit price is through the Specified Threshold. In addition, the rounding feature is based on how Limit Order Price Protection is calculated on the Exchange’s cash equity market if it is not within the MPV for the security, as described in the last sentence of Rule 7.31-E(a)(2)(B). The proposed rule would further provide that Cross Orders and Limit-on-Open (“LOO”) Orders (described below) would not be subject to Limit Order Price Protection and that Limit Order Price Protection would not be applied to a Limit Order or quote if there is no Reference Price.

- Proposed Rule 6.62P-O(a)(3)(A)(i) would provide that a Limit Order or quote that arrives when a series is open would be evaluated for Limit Order Price Protection on arrival.
- Proposed Rule 6.62P-O(a)(3)(A)(ii) would provide that a Limit Order or quote received during a pre-open state would be evaluated for Limit Order Price Protection after an Auction concludes.<sup>23</sup>
- Proposed Rule 6.62P-O(a)(3)(A)(iii) would provide that a Limit Order or quote that was resting on the Consolidated Book before a trading halt would be evaluated for Limit Order Price Protection again after the Trading Halt Auction concludes.

Proposed Rule 6.62P-O(a)(3)(B) would specify that the Reference Price for calculating Limit Order Price Protection for an order or quote to buy (sell) would be the NBO (NBB), provided that, immediately following an Auction, the Reference Price would be the Auction Price, or if none, the upper (lower) Auction Collar price, or, if none, the NBO (NBB). The Exchange believes that adjusting the Reference Price for Limit Order Price Protection immediately following an Auction would ensure that the most up-to-date price would be used to assess whether to cancel a Limit Order that was received during a pre-open state or would be reevaluated after a Trading Halt Auction. The Exchange further proposes that for purposes of calculating Limit Order Price Protection, the Exchange would not use an adjusted NBBO, which

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<sup>23</sup> See discussion infra, regarding proposed Rule 6.64P-O(a) and proposed definitions for the terms “Auction,” “Auction Price,” Auction Collar,” “pre-open state,” and “Trading Halt Auction.”

is based on how Limit Order Price Protection currently functions on the Exchange’s cash equity market, as described in Rule 7.31-E(a)(2)(B).<sup>24</sup>

Proposed Rule 6.62P-O(a)(3)(C) would specify the Specified Threshold and would provide that unless determined otherwise by the Exchange and announced to OTP Holders and OTP Firms by Trader Update, the Specified Threshold applicable to Limit Order Price Protection would be:

<b>Reference Price</b>	<b>Specified Threshold</b>
\$0.00 to \$1.00	\$0.30
\$1.01 to \$10.00	50%
\$10.01 to \$20.00	40%
\$20.01 to \$50.00	30%
\$50.01 to \$100.00	20%
\$100.01 and higher	10%

The Exchange believes that the proposed thresholds are more granular than those currently specified in Rules 6.60-O(b) (for orders) and 6.61-O(a)(1)(A) and (B) (for quotes) and therefore determining whether to reject a Limit Order or quote will be more tailored to the applicable Reference Price. In addition, consistent with Rules 6.60-O(b) and 6.61-O(a)(1), the Exchange proposes that these thresholds could change, subject to announcing the changes by Trader Update. Providing flexibility in Exchange rules regarding how the Specified Thresholds would be set is consistent with the rules of other options exchanges.<sup>25</sup>

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<sup>24</sup> References to the NBBO, NBB, and NBO in Rule 7.31-E refer to using a determination of the national best bid and offer that has not been adjusted.

<sup>25</sup> See, e.g., CBOE Exchange, Inc. (“Cboe”) Rule 5.34(a)(4) (describing the “Drill-Through Protection” and that Cboe “determines the buffer amount on a class and premium basis”); and the Nasdaq Stock Market LLC (“Nasdaq”) Options 3, Section 15(a)(1)(B) (specifying that “Order Price Protection” can be a configurable dollar amount specified by Nasdaq and announced via an Options Trader Alert).

Trading Collar. Trading Collars on the OX system are currently described in Rule 6.60-O(a). Under the current rules, incoming Market Orders and marketable Limit Orders are limited in having an immediate execution if they would trade at a price greater than one “Trading Collar.” A collared order is displayed at that price and then can be repriced to new collars as the NBBO updates. On Pillar, the Exchange proposes new Trading Collar functionality.

Unlike current functionality, which permits a collared order to be repriced, as proposed, a Market Order or Limit Order would be assigned a single Trading Collar that would be applicable to that order until it is fully executed or cancelled. The new proposed Trading Collar would function as a ceiling (for buy orders) or floor (for sell orders) of the price at which such order could be traded, displayed, or routed. The Exchange further proposes that when an order is working at its assigned Trading Collar, it would cancel if not executed within a specified time period.

Proposed Rule 6.62P-O(a)(4) would provide that a Market Order or Limit Order to buy (sell) would not trade or route to an Away Market at a price above (below) the Trading Collar assigned to that order. As further proposed, Auction-Only Orders, Limit Orders designated IOC or FOK, Cross Orders, ISOs, and Market Maker quotes would not be subject to Trading Collars, which is consistent with current functionality.<sup>26</sup> In addition, Trading Collars would not be applicable during Auctions.

Proposed Rule 6.62P-O(a)(4)(A) would provide that a Trading Collar assigned to an order would be calculated once per trading day and would not be updated. Accordingly, an order designated GTC would receive a new Trading Collar each day, but that Trading Collar would not

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<sup>26</sup> See Rule 6.60-O(a)(3) (“Trade Collar Protection does not apply to quotes, IOC Orders, AON Orders, FOK Orders, and NOW Orders.”).

be updated intraday. The rule would further provide that a Market Order or Limit Order that is received during continuous trading would be assigned a Trading Collar before being processed for either trading, repricing, or routing and that an order that is routed on arrival and returned unexecuted would use the Trading Collar assigned upon arrival. In addition, a Market Order or Limit Order received during a pre-open state would be assigned a Trading Collar after an Auction concludes.

Proposed Rule 6.62P-O(a)(4)(B) would provide that the Reference Price for calculating the Trading Collar for an order to buy (sell) would be the NBO (NBB). The proposed rule would further provide that for Auction-eligible orders to buy (sell) that were received during a pre-open state and are assigned a Trading Collar after the Auction concludes, the Reference Price would be the Auction Price or, if none, the upper (lower) Auction Collar price or, if none, the NBO (NBB). For purposes of calculating a Trading Collar, the Exchange would not use an adjusted NBBO. Proposed Rule 6.62P-O(a)(4)(B)(i) would further provide that a Trading Collar would not be assigned to a Limit Order if there is no Reference Price at the time of calculation. And proposed Rule 6.62P-O(a)(4)(B)(ii) would provide that after an Auction, if a Market Order has not already been assigned a Trading Collar and there is no Reference Price, the order would be cancelled.

Proposed Rule 6.62P-O(a)(4)(C) would describe how the Trading Collar would be calculated and would provide that the Trading Collar for an order to buy (sell) would be a specified amount above (below) the Reference Price, as follows: (1) for orders with a Reference Price of \$1.00 or lower, \$0.25; or (2) for orders with a Reference Price above \$1.00, the lower of \$2.50 or 25%. Proposed Rule 6.62P-O(a)(4)(C)(i) would further provide that if the calculation of a Trading Collar would not be in the MPV for the series, it would be rounded down to the nearest

price within the applicable MPV (this proposed functionality is based on how Trading Collars are calculated on the Exchange's cash equity market, as described in Rule 7.31-E(a)(1)(B)). Proposed Rule 6.62P-O(a)(4)(C)(ii) would further provide that for orders to sell, if subtracting the Trading Collar from the Reference Price would result in a negative number, the Trading Collar for Limit Orders would be the limit price and the Trading Collar for Market Orders would be one MPV above zero.

Proposed Rule 6.62P-O(a)(4)(D) would describe how the Trading Collar would be applied and would provide that if an order to buy (sell) would trade or route above (below) the Trading Collar or would have its working price repriced to a Trading Collar that is below (above) its limit price, the order would be added to the Consolidated Book at the Trading Collar for 500 milliseconds and if not traded within that period, would be cancelled. In addition, once the 500-millisecond timer begins for an order, the order would be cancelled at the end of the timer even if it repriced or has been routed to an Away Market during that period, in which case any portion of the order that is returned unexecuted would be cancelled.

The Exchange believes that the proposed Trading Collar functionality is designed to provide a similar type of order protection as is currently available (as described in Rule 6.60-O(a)) because it would limit the price at which a marketable order could be traded, routed, or displayed. The Exchange believes that the proposed differences are designed to simplify the functionality by applying a static ceiling price (for buy orders) or floor price (for sell orders) at which such order could be traded or routed that would be determined at the time of entry, and would be applicable to the order until it is traded or cancelled. The Exchange believes that the proposed functionality would provide greater determinism to an OTP Holder or OTP Firm of the

Trading Collar that would be applicable to a Market Order or Limit Order and when such order may be cancelled if it reaches its Trading Collar.

Time in Force Modifiers. Proposed Rule 6.62P-O(b) would set forth the time-in-force modifiers that would be available for options trading on Pillar and is based on Rule 7.31-E(b). The Exchange proposes to offer the same time-in-force modifiers that are currently available for options trading on the Exchange and use Pillar terminology to describe the functionality. As noted above, the Exchange proposes to describe the Time in Force Modifiers in proposed Rule 6.62P-O(b), and then specify for each order type which Time in Force Modifiers would be available for such orders or quotes.

Day Modifier. Proposed Rule 6.62P-O(b)(1) would provide that any order or quote to buy or sell designated Day, if not traded, would expire at the end of the trading day on which it was entered and that a Day Modifier cannot be combined with any other Time in Force Modifier. This proposed rule text is based on Rule 7.31-E(b)(1) with one difference to reference “quotes” in addition to orders. This proposed functionality would operate no differently than how a “Day Order,” as described in Rule 6.62-O(m), currently functions.

Immediate-or-Cancel (“IOC”) Modifier. Proposed Rule 6.62P-O(b)(2) would provide that a Limit Order may be designated IOC or Routable IOC, as described in proposed Rules 6.62P-O(b)(2)(A) and (B) and that a Limit Order designated IOC would not be eligible to participate in any Auctions. This proposed rule text is based on the first and third sentences of Rule 7.31-E(b)(2) without any differences and is also based on current functionality. The Exchange proposes to use Pillar terminology based on Rule 7.31-E(b)(2) to describe this functionality.

Proposed Rule 6.62P-O(b)(2)(A) would define a “Limit IOC Order” as a Limit Order designated IOC that would be traded in whole or in part on the Exchange as soon as such order is

received, and the unexecuted quantity would be cancelled and that a Limit IOC Order does not route. This proposed rule text is based on Rule 7.31-E(b)(2)(A) without any substantive differences. The proposed Pillar Limit IOC Order would function the same as an “Immediate-or-Cancel Order (IOC Order),” as currently described in Rule 6.62-O(k), without any differences.

Proposed Rule 6.62P-O(b)(2)(B) would define a “Limit Routable IOC Order” as a Limit Order designated Routable IOC that would be traded in whole or in part on the Exchange as soon as such order is received, and the unexecuted quantity routed to Away Market(s) and that any quantity not immediately traded either on the Exchange or an Away Market would be cancelled. This proposed rule text is based on Rule 7.31-E(b)(2)(B) without any substantive differences. The proposed Pillar Limit Routable IOC Order is also based on the “NOW Order,” as currently described in Rule 6.62-O(o) and uses Pillar terminology.

Fill-or-Kill (“FOK”) Modifier: Proposed Rule 6.62P-O(b)(3) would provide that a Limit Order designated FOK would be traded in whole on the Exchange as soon as such order is received, and if not so traded is to be cancelled and that a Limit Order designated FOK does not route and does not participate in any Auctions. The Exchange does not offer the FOK Modifier on its cash equity market, and this proposed rule uses Pillar terminology to offer the same functionality that is currently described in Rule 6.62-O(l) as the “Fill-or-Kill Order (FOK Order)” without any substantive differences.

Good-‘Til-Cancelled (“GTC”) Modifier. Proposed Rule 6.62P-O(b)(4) would provide that a Limit or Market Order designated GTC remains in force until the order is filled, cancelled, the MPV in the series changes overnight, the option contract expires, or a corporate action results in an adjustment to the terms of the option contract. The Exchange does not offer the GTC Modifier on its cash equity market, and this proposed rule uses Pillar terminology to offer the

same functionality that is currently described in Rule 6.62-O(n) as the “Good-Till-Cancelled (GTC Order)” without any substantive differences.

Auction-Only Orders. Proposed Rule 6.62P-O(c) would define an “Auction-Only Order” as a Limit Order or Market Order that is to be traded only in an Auction pursuant to Rule 6.64P-O,<sup>27</sup> which is text based on Rule 7.31-E(c). The proposed rule would further provide that an Auction-Only Order would not be accepted when a series is opened for trading and any portion of an Auction-Only Order that is not traded in a Core Open Auction or Trading Halt Auction would be cancelled. This represents current functionality and is based in part on the last sentence of Rule 7.31-E(c)(1), the last sentence of Rule 7.31-E(c)(2), and the last sentence of Rule 6.62-O(r), which defines an “Opening Only Order.”

Proposed Rule 6.62P-O(c)(1) would define a “Limit-on-Open Order (‘LOO Order’)” as a Limit Order that is to be traded only in an Auction. This proposed rule uses Pillar terminology based on Rule 7.31-E(c)(1) to describe functionality that would be no different from current functionality, as described in Rule 6.62-O(r).

Proposed Rule 6.62P-O(c)(2) would define a “Market-on-Open Order (‘MOO Order’)” as a Market Order that is to be traded only in an Auction. This proposed rule uses Pillar terminology based on Rule 7.31-E(c)(2) to describe functionality that would be no different from current functionality, as described in Rule 6.62-O(r).

Proposed Rule 6.62P-O(c)(3) would define an “Imbalance Offset Order (‘IO Order’).” The Exchange currently offers an IO Order for participation in Trading Halt Auctions on its cash equity market but does not offer this order type for options trading on the OX system. For cash equity trading, the IO Order is a conditional order type that is eligible to participate in a Trading

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<sup>27</sup> See discussion infra, regarding proposed Rule 6.64P and definitions relating to Auctions.

Halt Auction only if it would offset the imbalance. For options trading on Pillar, the Exchange proposes to offer the IO Order for both Core Open Auctions and Trading Halt Auctions.

As proposed, the IO Order would function no differently than how an IO Order currently functions on the Exchange's cash equity market. Accordingly, proposed Rule 6.62P-O(c)(3) would define an IO Order as a Limit Order that is to be traded only in an Auction, which is based in part on Rule 7.31-E(c)(5).

- Proposed Rule 6.62P-O(c)(3)(A) would provide that an IO Order would participate in an Auction only if: (1) there is an Imbalance in the series on the opposite side of the market from the IO Order after taking into account all other orders and quotes eligible to trade at the Indicative Match Price; and (2) the limit price of the IO Order to buy (sell) would be at or above (below) the Indicative Match Price. This proposed text is based on Rule 7.31-E(c)(5)(B) without any substantive differences.
- Proposed Rule 6.62P-O(c)(3)(B) would provide that the working price of an IO Order to buy (sell) would be adjusted to be equal to the Indicative Match Price, provided that the working price of an IO Order would not be higher (lower) than its limit price. This proposed text is based on Rule 7.31-E(c)(5)(C) without any differences.

Orders with a Conditional or Undisplayed Price and/or Size. Proposed Rule 6.62P-O(d) would set forth the orders with a conditional or undisplayed price and/or size that would be available for options trading on Pillar. On Pillar, the Exchange proposes to offer the same type of orders that are available in the OX system and that are currently described in Rule 6.62-O(d) as a "Contingency Order or Working Order," with changes as described below.

Reserve Order. Reserve Orders are currently defined in Rule 6.62-O(d)(3). The Exchange proposes that for options traded on Pillar, Reserve Orders would function similarly to how Reserve Orders function on its cash equity market, as described in Rule 7.31-E(d)(1). Accordingly, the Exchange proposes that proposed Rule 6.62P-O(d)(1), which would define Reserve Orders for options trading on Pillar, would be based on Rule 7.31-E(d)(1), with differences only to reflect differences in options and cash equity trading. For example, options trading does not have a concept of “round lot” or “odd lot” trading, and therefore the proposed options trading version of the Rule would not include description of behavior that correlates to such functionality.

Proposed Rule 6.62P-O(d)(1) would define a Reserve Order as a Limit Order with a quantity of the size displayed and with a reserve quantity of the size (“reserve interest”) that is not displayed and that the displayed quantity of a Reserve Order is ranked Priority 2 - Display Orders and the reserve interest is ranked Priority 3 - Non-Display Orders. This proposed rule text is based on Rule 7.31-E(d)(1) without any differences. Proposed Rule 6.62P-O(d)(1) would further provide that both the display quantity and the reserve interest of an arriving marketable Reserve Order would be eligible to trade with resting interest in the Consolidated Book or route to Away Markets, unless designated as a Non-Routable Limit Order, which is based on the third sentence of Rule 7.31-E(d)(1) with a non-substantive difference to add reference to Non-Routable Limit Order.

Proposed Rule 6.62P-O(d)(1) would further provide that the working price of the reserve interest of a resting Reserve Order to buy (sell) would be adjusted in the same manner as a Non-Displayed Limit Order, as provided for in paragraph (d)(2)(A) of this Rule, provided that it would never be priced higher (lower) than the working price of the display quantity of the Reserve

Order. This proposed rule text is based on the last sentence of Rule 7.31-E(d)(1) with one difference to reference that the reserve interest could never have a working price that is more aggressive than the working price of the display quantity of the Reserve Order, which would be new functionality on Pillar designed to ensure that the reserve interest of a Reserve Order to buy (sell) would never trade at a price higher (lower) than the working price of the display quantity of the Reserve Order.<sup>28</sup>

- Proposed Rule 6.62P-O(d)(1)(A) would provide that the displayed portion of a Reserve Order would be replenished when the display quantity is decremented to zero and that the replenish quantity would be the minimum display size of the order or the remaining quantity of the reserve interest if it is less than the minimum display quantity. This proposed rule text is based on Rule 7.31-E(d)(1)(A) with differences to reflect that options are not traded in “round lots” or “odd lots.” Accordingly, the Exchange would not replenish a Reserve Order on the options trading platform until the display portion is fully decremented.
- Proposed Rule 6.62P-O(d)(1)(B) would provide that each time the display quantity of a Reserve Order is replenished from reserve interest, a new working time would be assigned to the replenished quantity. This proposed rule text is based in part on Rule 7.31-E(d)(1)(B) with differences to reflect that for options traded on Pillar, there would never be more than one display quantity of a Reserve

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<sup>28</sup> For example, as described in more detail below, the proposed Non-Routable Limit Order would be eligible to be repriced only once after it is resting in the Consolidated Book (see proposed Rule 6.62P-O(e)(1)). If the display quantity of a Non-Routable Limit Order that is combined with a Reserve Orders has already been repriced and is no longer eligible to be repriced, and the Away Market NBBO adjusts, the reserve quantity would not adjust to a price that would be more aggressive than the working price of the display quantity of the order.

Order, and therefore the Exchange would not have different “child” display quantities of a Reserve Order with different working times, as could occur for a Reserve Order on the Exchange’s cash equity trading platform.

- Proposed Rule 6.62P-O(d)(1)(C) would provide that a Reserve Order may be designated as a Non-Routable Limit Order and if so designated, the reserve interest that replenishes the display quantity would be assigned a display price and working price consistent with the instructions for the order. This proposed rule text is based on Rule 7.31-E(d)(1)(B)(ii) without any substantive differences.
- Proposed Rule 6.62P-O(d)(1)(D) would provide that a routable Reserve Order would be evaluated for routing both on arrival and each time the display quantity is replenished. Proposed Rule 6.62P-O(d)(1)(D)(i) would provide that if routing is required, the Exchange would route from reserve interest before publishing the display quantity. And proposed Rule 6.62P-O(d)(1)(D)(ii) would provide that any quantity of a Reserve Order that is returned unexecuted would join the working time of the reserve interest and that if there is no reserve interest to join, the returned quantity would be assigned a new working time. This proposed rule text is based on Rule 7.31-E(d)(1)(D) and subparagraphs (i) and (ii) with differences to reflect that there is no concept of round lots or multiple child display orders for options trading.
- Proposed Rule 6.62P-O(d)(1)(E) would provide that a request to reduce the size of a Reserve Order would cancel the reserve interest before cancelling the display quantity. This proposed rule text is based on Rule 7.31-E(d)(1)(E) with

differences only to reflect that there would not be more than one child display order for options trading of Reserve Orders on Pillar.

- Proposed Rule 6.62P-O(d)(1)(F) would provide that a Reserve Order may be designated Day or GTC, but it may not be designated as an ALO Order. This proposed rule text is based in part on Rule 7.31-E(d)(1)(C), with differences to reflect that the GTC Modifier would be available for Reserve Orders trading on the Pillar options trading platform and that Primary Pegged Orders would not be available for options traded on Pillar.

Non-Displayed Limit Order. The Exchange proposes to offer the Non-Displayed Limit Order for options trading on Pillar, which would be new for options trading and is based on the existing Non-Displayed Limit Order as described in Rule 7.31-E(d)(2).<sup>29</sup> Proposed Rule 6.62P-O(d)(2) would define a Non-Displayed Limit Order as a Limit Order that is not displayed, does not route, and is ranked Priority 3 - Non-Display Orders; and that a Non-Displayed Limit Order may be designated Day or GTC and would not participate in any Auctions. This proposed rule text is based on Rule 7.31-E(d)(2) with differences to reflect that the GTC Time-in-Force Modifier is available for options trading on Pillar.

- Proposed Rule 6.62P-O(d)(2)(A) would provide that the working price of a Non-Displayed Limit Order would be assigned on arrival and adjusted when resting on the Consolidated Book and that the working price of a Non-Displayed Limit Order to buy (sell) would be the lower (higher) of the limit price or the NBO

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<sup>29</sup> The Exchange notes that a Non-Displayed Limit Order would function similarly to a PNP Blind Order that locks or crosses the contra-side NBBO. In such case, a PNP Blind Order would not be displayed, as described in Rule 6.62-O(u) (“if the PNP Blind Order would lock or cross the NBBO, the price and size of the order will not be disseminated”).

(NBB). This proposed rule text is based on Rule 7.31-E(d)(2)(A) with non-substantive differences to reference the Consolidated Book instead of the NYSE Arca Book and to streamline the rule text without any substantive differences.

- Proposed Rule 6.62P-O(d)(2)(B) would provide that a Non-Displayed Limit Order may be designated with a Non-Display Remove Modifier and if so designated, a resting Non-Displayed Limit Order to buy (sell) with a working price equal to the working price of an ALO Order or Day ISO ALO to sell (buy) would trade as the liquidity taker against such order. This functionality would be new for options trading and is based on the Non-Display Remove Modifier functionality available on the cash equity market as described in Rule 7.31-E(d)(2)(B), without any substantive differences.

All-or-None (“AON”) Order. AON Orders are currently defined in Rule 6.62-O(d)(4). AON Orders are not available on the Exchange’s cash equity market, and for options trading on Pillar, would function similarly to how AON Orders currently function because such orders would only execute if they can be satisfied in their entirety. However, unlike the OX system, where AON Orders are not integrated in the Consolidated Book, on Pillar, the Exchange proposes that AON Orders would be ranked in the Consolidated Book and function as conditional orders that would trade only if their condition could be met, similar to how orders with a Minimum Trade Size (“MTS”) Modifier function on Pillar on the Exchange’s cash equity market. Because of the new functionality that would be available for AON Orders on Pillar, the Exchange proposes to use Pillar terminology to describe this order type.

Proposed Rule 6.62P-O(d)(3) would provide that an AON Order is a Limit Order that is to be traded in whole on the Exchange at the same time or not at all, which represents current

functionality as described in the first sentence of Rule 6.62-O(d)(4). Proposed Rule 6.62P-O(d)(3) would further provide that an AON Order that does not trade on arrival would be ranked Priority 3 - Non-Display Orders and that an AON Order may be designated Day or GTC, does not route, and would not participate in any Auctions. This proposed rule text uses Pillar terminology to describe the proposed new functionality that such orders would be ranked on the Consolidated Book.

- Proposed Rule 6.62P-O(d)(3)(A) would provide that the working price of an AON Order would be assigned on arrival and adjusted when resting on the Consolidated Book and that the working price of an AON Order to buy (sell) would be the lower (higher) of the limit price or NBO (NBB). Because an AON Order is non-displayed, the Exchange proposes that its working price should be adjusted in the same manner as the proposed Non-Displayed Limit Order.
- Proposed Rule 6.62P-O(d)(3)(B) would provide that an Aggressing AON Order to buy (sell) would trade with sell (buy) orders and quotes that in the aggregate can satisfy the AON Order in its entirety. This proposed rule text is new and promotes clarity in Exchange rules that an Aggressing AON Order (whether on arrival or as a resting order that becomes an Aggressing Order) would be eligible to trade with more than one contra-side order or quote, provided that multiple orders and quotes in the aggregate would satisfy the AON Order in its entirety.
- Proposed Rule 6.62P-O(d)(3)(C) would provide that a resting AON Order to buy (sell) would trade with an Aggressing Order or Aggressing Quote to sell (buy) that individually can satisfy the whole AON Order. This is proposed new functionality, because currently, an AON Order can trade only against resting

interest in the Consolidated Book. The Exchange believes this proposed change would provide an AON Order with additional execution opportunities.

- Proposed Rule 6.62P-O(d)(3)(C)(i) would provide that if an Aggressing Order or Aggressing Quote to sell (buy) does not satisfy the resting AON Order to buy (sell), that Aggressing Order or Aggressing Quote would not trade with and may trade through such AON Order. Proposed Rule 6.62P-O(d)(3)(C)(ii) would further provide that if a resting non-displayed order to sell (buy) does not satisfy the quantity of a same-priced resting AON Order to buy (sell), a subsequently arriving order or quote to sell (buy) that satisfies the AON Order would trade before such resting non-displayed order or quote to sell (buy) at that price. Both of these proposed rules are consistent with current Rule 6.62-O(d)(4), which provides that an AON Order does not have “standing in any Order Process in the Consolidated Book,” i.e., a resting AON Order can be ignored if its condition is not met. This proposed rule text is also based on how the MTS Modifier functions on the cash equity market, as described in Rule 7.31-E(i)(3)(E)(i) and (ii).
- Proposed Rule 6.62P-O(d)(3)(D) would provide that a resting AON Order to buy (sell) would not be eligible to trade against an Aggressing Order or Aggressing Quote to sell (buy): (i) at a price equal to or above (below) any orders or quotes to sell (buy) that are displayed at a price equal to or below (above) the working price of such AON Order; or (ii) at a price above (below) any orders or quotes to sell (buy) that are not displayed and that have a working price below (above) the working price of such AON Order. This proposed rule text is new functionality for AON Orders that is designed to protect the priority of resting orders and

quotes and is based on how the MTS Modifier functions on the cash equity market, as described in Rule 7.31-E(i)(3)(C) and its subparagraphs (i) and (ii).

- Proposed Rule 6.62P-O(d)(3)(E) would provide that if a resting AON Order to buy (sell) becomes an Aggressing Order it would trade as provided in paragraph (d)(3)(B) of this Rule; however, other resting orders or quotes to buy (sell) ranked Priority 3 - Non-Display Orders that become Aggressing Orders or Aggressing Quotes at the same time as the resting AON Order would be processed before the AON Order. This is proposed new functionality and is designed to promote clarity in Exchange rules that if multiple orders ranked Priority 3 - Non-Display Orders, including AON and non-AON Orders, become Aggressing Orders or Aggressing Quotes at the same time, the AON Order would not be eligible trade until the other orders ranked Priority 3- Non-Display Orders have been processed, even if they have later working times. The Exchange believes that it would be consistent with the conditional nature of AON Orders for other same-side non-displayed orders to have a trading opportunity before the AON Order.
- Proposed Rule 6.62P-O(d)(3)(F) would provide that an AON Order may be designated with a Non-Display Remove Modifier and if so designated, a resting AON Order to buy (sell) that can trade with an ALO Order or Day ISO ALO Order to sell (buy) would trade as the liquidity-taking order. This proposed functionality would be new for options trading and is based on the Non-Display Remove Modifier available on the cash equity market, as described in Rules 7.31-E(d)(2)(B) and 7.31-E(e)(1)(C).

Stop Order. Stop Orders are currently defined in Rule 6.62-O(d)(1). The Exchange proposes to use Pillar terminology to describe Stop Orders in proposed Rule 6.62P-O(d)(4). Proposed Rule 6.62P-O(d)(4) would provide that a Stop Order is an order to buy (sell) a particular option contract that becomes a Market Order (or is “elected”) when the Exchange BB (BO) or the most recent consolidated last sale price reported after the order was placed in the Consolidated Book (the “Consolidated Last Sale”) (either, the “trigger”) is equal to or higher (lower) than the specified “stop” price. Because a Stop Order becomes a Market Order when it is elected, the Exchange proposes that when it is elected, it would be cancelled if it does not meet the validations specified in proposed Rule 6.62P-O(a)(1)(A) and if not cancelled, it would be assigned a Trading Collar.

Proposed Rule 6.62P-O(d)(4)(A) would provide that a Stop Order would be assigned a working time when it is received but would not be ranked or displayed in the Consolidated Book until it is elected and that once converted to a Market Order, the order would be assigned a new working time and be ranked Priority 1- Market Orders. The original working time assigned to a Stop Order would be used to rank multiple Stop Orders elected at the same time.

Proposed Rule 6.62P-O(d)(4)(B) would specify additional events that are designed to limit when a Stop Order may be elected so that a Market Order does not trade during a period of pricing uncertainty:

- Proposed Rule 6.62P-O(d)(4)(B)(i) would provide that if not elected on arrival, a Stop Order that is resting would not be eligible to be elected based on a Consolidated Last Sale unless the Consolidated Last Sale is equal to or in between the NBBO. This proposed rule text provides additional transparency of when a resting Stop Order would be eligible to be elected.

- Proposed Rule 6.62P-O(d)(4)(B)(ii) would provide that a Stop Order would not be elected if the NBBO is crossed.
- Proposed Rule 6.62P-O(d)(4)(B)(iii) would provide that after a Limit State or Straddle State is lifted, the trigger to elect a Stop Order would be either the Consolidated Last Sale received after such state was lifted or the Exchange BB (BO).<sup>30</sup>

Stop Limit Order. Stop Limit Orders are currently defined in Rule 6.62-O(d)(2). The Exchange proposes to use Pillar terminology to describe Stop Limit Orders in proposed Rule 6.62P-O(d)(5). Proposed Rule 6.62P-O(d)(5) would provide that a Stop Limit Order is an order to buy (sell) a particular option contract that becomes a Limit Order (or is “elected”) when the Exchange BB (BO) or the Consolidated Last Sale (either, the “trigger”) is equal to or higher (lower) than the specified “stop” price.<sup>31</sup> As further proposed, a Stop Limit Order to buy (sell) would be rejected if the stop price is higher (lower) than its limit price. Because a Stop Limit Order becomes a Limit Order when it is elected, the Exchange proposes that when it is elected, it would be cancelled if it fails Limit Order Price Protection or a Price Reasonability Check and if not cancelled, it would be assigned a Trading Collar.<sup>32</sup>

Proposed Rule 6.62P-O(d)(5)(A) would provide that a Stop Limit Order would be assigned a working time when it is received but would not be ranked or displayed in the

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<sup>30</sup> Rule 6.65A(a)(2) currently provides that the Exchange will not elect Stop Orders when the underlying NMS stock is either in a Limit State or a Straddle State, which would continue to be applicable on Pillar. The Exchange proposes a non-substantive amendment to Rule 6.65A(a)(2) to add a cross-reference to proposed Rule 6.62P-O(d)(4).

<sup>31</sup> The term “Consolidated Last Sale” is defined in proposed Rule 6.62P-O(d)(4).

<sup>32</sup> See discussion infra, regarding proposed Rule 6.41P-O and Price Reasonability Checks.

Consolidated Book until it is elected and that once converted to a Limit Order, the order would be assigned a new working time and be ranked Priority 2 - Display Orders.

Proposed Rule 6.62P-O(d)(5)(B) would specify additional events that are designed to limit when a Stop Limit Order may be elected so that a Limit Order would not have a possibility of trading or being added to the Consolidated Book during a period of pricing uncertainty.

- Proposed Rule 6.62P-O(d)(5)(B)(i) would provide that if not elected on arrival, a Stop Limit Order that is resting would not be eligible to be elected based on a Consolidated Last Sale unless the Consolidated Last Sale is equal to or in between the NBBO.
- Proposed Rule 6.62P-O(d)(5)(B)(ii) would provide that a Stop Limit Order would not be elected if the NBBO is crossed.

Orders with Instructions Not to Route. Currently, the Exchange defines non-routable orders in Rule 6.62-O as a PNP Order (which includes a Repricing PNP Order or RPNP) (current Rule 6.62-O(p)), a Liquidity Adding Order (“ALO”) (which includes a Repricing ALO (“RALO”) (current Rule 6.62-O(t)); a PNP-Blind Order (current Rule 6.62-O(u)); and a PNP-Light Order (Rule 6.62-O(v)). The Exchange also defines the PNP Plus Order (current Rule 6.62-O(y)), which is available for Electronic Complex Orders, and Intermarket Sweep Orders (current Rule 6.62-O(aa)).

The Exchange separately defines non-routable quotes in Rule 6.37A-O as a Market Maker - Light Only Quotation (“MMLO”) (current Rule 6.37A-O(a)(3)(A)); a Market Maker - Add Liquidity Only Quotation (“MMALO”) (current Rule 6.37A-O(a)(3)(B)); and a Market Maker - Repricing Quotation (“MMRP”) (current Rule 6.37A-O(a)(3)(C)).

On Pillar, the Exchange proposes to streamline the non-routable order types and quotes that would be available for options trading, use terminology that is similar to how non-routable orders are described for cash equity trading as described in Rule 7.31-E(e), and describe the functionality that would be applicable to both orders and quotes in proposed Rule 6.62P-O(e). As described in greater detail below, proposed Rule 6.37AP-O governing Market Maker Quotations would no longer define how quotations would function. Instead, that rule would specify that Market Maker quotes must be designated as either a Non-Routable Limit Order or ALO Order. On Pillar, the Exchange would no longer offer functionality based on the PNP-Blind Order, PNP-Light Order, or MMLO.

Non-Routable Limit Order. Proposed Rule 6.62P-O(e)(1) would define the Non-Routable Limit Order. This proposed order type incorporates functionality currently available in both the existing PNP and RPNP order types, as defined in Rule 6.62-O, and the existing MMRP quotation type, as defined in Rule 6.37A-O(a)(3)(C), and uses Pillar terminology.

Proposed Rule 6.62P-O(e)(1) would provide that a Non-Routable Limit Order is a Limit Order or quote that does not route and may be designated Day or GTC and would further provide that a Non-Routable Limit Order with a working price different from the display price would be ranked Priority 3-Non-Display Orders and a Non-Routable Limit Order with a working price equal to the display price would be ranked Priority 2-Display Orders. This proposed rule uses Pillar terminology similar to how a Non-Routable Limit Order is described for the Exchange's cash equity market in Rules 7.31-E(e)(1) and 7.31-E(e)(1)(B).

Proposed Rule 6.62P-O(e)(1)(A) would provide that a Non-Routable Limit Order would not be displayed at a price that would lock or cross an Away Market NBBO and that a Non-

Routable Limit Order to buy (sell) would trade with orders or quotes to sell (buy) in the Consolidated Book priced at or below (above) the Away Market NBO (NBB).

Proposed Rule 6.62P-O(e)(1)(A)(i) would provide that a Non-Routable Limit Order can be designated to be cancelled if it would be displayed at a price other than its limit price. The proposed option to cancel a Non-Routable Limit Order is based on how a PNP Order currently functions. The Exchange proposes a substantive difference that if an OTP Holder or OTP Firm opts to cancel instead of reprice a Non-Routable Limit Order, such order would be cancelled if it could not be displayed at its limit price, which could be because the order would be repriced to display at a price that would not lock or cross an Away Market NBBO or because it would be repriced due to Trading Collars.<sup>33</sup>

Proposed Rule 6.62P-O(e)(1)(A)(ii) would provide that if not designated to cancel, if the limit price of a Non-Routable Limit Order to buy (sell) would lock or cross an Away Market NBO (NBB), it would be repriced to have a working price equal to the Away Market NBO (NBB) and a display price one MPV below (above) that NBO (NBB). Accordingly, the proposed Non-Routable Limit Order, if not designated to cancel, would reprice in the same manner as an RPNP order or MMRP quotation.

The Exchange proposes new functionality for the Non-Routable Limit Order as compared to either the RPNP Order or the Non-Routable Limit Order on the Exchange's cash equity market. Specifically, proposed Rule 6.62P-O(e)(1)(B) would provide that the display price of a resting Non-Routable Limit Order to buy (sell) that has been repriced would be repriced higher

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<sup>33</sup> Because Trading Collars would be applicable to Non-Routable Limit Orders, the Exchange does not propose to cancel an incoming Non-Routable Limit Order if its price is more than a configurable number of MPVs outside its initial display price, which is how an RPNP currently functions, and therefore would not include functionality based on Rule 6.62-O(p)(1)(B) in the proposed Pillar rules.

(lower) only one additional time.<sup>34</sup> If after that repricing, the display price could be repriced higher (lower) again, the order can be designated to either remain at its last working price and display price or be cancelled, provided that a resting Non-Routable Limit Order that is a quote cannot be designated to be cancelled.<sup>35</sup>

The Exchange notes that this designation to cancel is separate from the designation to cancel if it cannot be displayed at its limit price. If a Non-Routable Limit Order is designated to cancel if it cannot be displayed at its limit price, this second cancellation designation would not be needed as the order would have already been cancelled. Rather, this second cancellation designation is applicable only to a resting Non-Routable Limit Order that has been designated to reprice on arrival and was repriced before it was displayed on the Consolidated Book, and provides OTP Holders and OTP Firms with an option to cancel a resting order if market conditions were such that a resting order could have been repriced again, e.g., the contra-side Away Market NBBO changes. To assist Market Makers in maintaining quotes in their assigned series, the Exchange proposes that this second cancellation designation would not be available to Market Makers for their quotes.

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<sup>34</sup> For example, on arrival, a Non-Routable Limit Order to buy (sell) with a limit price higher (lower) than the NBO (NBB), would have a display price one MPV below (above) the NBO (NBB) and a working price equal to the NBO (NBB). If the Away Market NBO (NBB) reprices higher (lower), the resting Non-Routable Limit Order to buy (sell) would similarly be repriced higher (lower). If the NBO (NBB) adjusts higher (lower) again, the resting Non-Routable Limit Order would not be adjusted again.

<sup>35</sup> The working time of a Non-Routable Limit Order would be adjusted as described in proposed Rule 6.76P-O(f)(2), which would be applicable to any scenario when the working time of an order may change, including a Non-Routable Limit Order. Similar to how the Pillar rules function on the Exchange's cash equity market, the Exchange does not propose to separately describe how the working time of an order changes in proposed Rule 6.62P-O.

Proposed Rule 6.62P-O(e)(1)(B)(i) would provide that if the limit price of the resting Non-Routable Limit Order to buy (sell) that has been repriced no longer locks or crosses the Away Market NBO (NBB), it would be assigned a working price and display price equal to its limit price. This proposed rule text is based on Rule 7.31-E(e)(1)(A)(iv).

Proposed Rule 6.62P-O(e)(1)(B)(ii) would provide that the working price of a resting Non-Routable Limit Order to buy (sell) that has been repriced would be adjusted to be equal to its display price if the Away Market NBO (NBB) is equal to or lower (higher) than its display price. This proposed rule is based in part on how an RPNP reprices (as described in Rule 6.62-O(p)(1)(A)(i)) and uses Pillar terminology. The proposed rule would further provide that once the working price and display price of a Non-Routable Limit Order to buy (sell) are the same, the working price would be adjusted higher (lower) only if the display price of the order is adjusted.<sup>36</sup>

Proposed Rule 6.62P-O(e)(1)(C) would provide that a Non-Routable Limit Order may be designated with a Non-Display Remove Modifier and if so designated, a Non-Routable Limit Order to buy (sell) with a working price, but not display price, equal to the working price of an ALO Order or Day ISO ALO to sell (buy) would trade as the liquidity taker against such order. This functionality is based on the Non-Display Remove Modifier available for cash equity trading, as described in Rule 7.31-E(e)(1)(C), and would be new for options trading on Pillar.

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<sup>36</sup> For example, if the Away Market NBO is 1.05 and the Exchange receives a Non-Routable Limit Order to buy priced at 1.10, it would be assigned a display price of 1.00 and a working price of 1.05. If the Away Market NBO adjusts to 1.00, the working price of the Non-Routable Limit Order to buy would be adjusted to 1.00 to be equal to its display price. However, if the Away Market NBO moves back to 1.05, the Non-Routable Limit Order's working price would not adjust again to 1.05 and would stay at 1.00.

Finally, proposed Rule 6.62P-O(e)(1)(D) would provide that the designation to cancel a Non-Routable Limit Order would not be applicable in an Auction and such order will participate in an Auction at its limit price. This proposed rule text promotes clarity and transparency that a Non-Routable Limit Order would be eligible to participate in an Auction, but that it would be repriced to its limit price for participation in such Auction.

ALO Order. Proposed Rule 6.62P-O(e)(2) would define an ALO Order as a Limit Order or quote that is a Non-Routable Limit Order that would not remove liquidity from the Consolidated Book. This proposed order type incorporates functionality similar to both the existing ALO and RALO order types, as defined in Rule 6.62-O, and the existing MMALO quotation type, as defined in Rule 6.37A-O(a)(3)(B). Unless otherwise specified in proposed Rule 6.62P-O(e)(2), an ALO Order would function as a Non-Routable Limit Order, including that it would participate in an Auction at its limit price.

Proposed Rule 6.62P-O(e)(2)(A) would provide that an ALO Order would not be displayed at a price that would lock or cross an Away Market NBBO, would lock or cross displayed interest in the Consolidated Book, or would cross non-displayed interest in the Consolidated Book. Because an ALO Order would never remove liquidity, this proposed rule text ensures that such order would not be displayed at a price that would lock or cross displayed interest either on the Exchange or an Away Market, and would not be displayed at a price that crosses non-displayed interest in the Consolidated Book.

Proposed Rule 6.62P-O(e)(2)(A)(i) would provide that an ALO Order can be designated to be cancelled if it would be displayed at a price other than its limit price. An ALO Order with this designation to cancel would function similarly to a Liquidity Adding Order as defined in Rule 6.62-O(t) and uses Pillar terminology.

Proposed Rule 6.62P-O(e)(2)(A)(ii) would provide that an ALO Order to buy (sell) would be displayed at its limit price if it locks non-displayed orders or quotes to sell (buy) on the Consolidated Book. Because an ALO Order would not be repriced in this scenario, this functionality would be the same regardless of whether the order includes a designation to cancel.

Proposed Rule 6.62P-O(e)(2)(A)(iii) would provide that an ALO Order to buy (sell) would not consider an AON Order or an order with an MTS Modifier to sell (buy) for purposes of determining whether it needs to be repriced or cancelled. This proposed rule is designed to promote transparency that a resting contra-side order with conditional instructions, i.e., an AON Order or an order with an MTS Modifier, would not have any bearing on whether an Aggressing ALO Order would need to be repriced. Accordingly, an ALO Order would neither trade as the liquidity taker with such orders (even if it could satisfy their size condition) and could be displayed at a price that would lock or cross the price of such orders. Once the ALO Order is resting on the Consolidated Book, the Exchange would reevaluate the orders on the Consolidated Book. For example, if the ALO Order could satisfy the size condition of the resting AON Order, the resting AON Order would become the Aggressing Order and would trade as the liquidity taker with such resting ALO Order.

Proposed Rule 6.62P-O(e)(2)(B) would describe how an ALO Order would be processed if it is not designated to cancel, as follows:

- If the limit price of an ALO Order to buy (sell) would lock or cross displayed orders or quotes to sell (buy) on the Consolidated Book, it would be repriced to have a working price and display price one MPV below (above) the lowest (highest) priced displayed order or quote to sell (buy) on the Consolidated Book (proposed Rule 6.62P-O(e)(2)(B)(i));

- If the limit price of an ALO Order to buy (sell) would lock or cross an Away Market NBO (NBB), it would be repriced to have a working price equal to the Away Market NBO (NBB) and a display price one MPV below (above) the NBO (NBB) (proposed Rule 6.62P-O(e)(2)(B)(ii)); or
- If the limit price of an ALO Order to buy (sell) would cross non-displayed orders or quotes<sup>37</sup> on the Consolidated Book, it would be repriced to have a working price and display price equal to the lowest (highest) priced non-displayed order or quote to sell (buy) on the Consolidated Book (proposed Rule 6.62P-O(e)(2)(B)(iii)).

Because an ALO would never be a liquidity-taking order, the above-described repricing scenarios provide clarity and transparency regarding how an ALO Order would be repriced to prevent either trading with interest on the Consolidated Book or routing to an Away Market. The proposed option to reprice is based in part on how a RALO currently functions, as described in Rule 6.62-O(t)(1)(A).

Proposed Rule 6.62P-O(e)(2)(C) would provide that the display price of a resting ALO Order to buy (sell) that has been repriced would be repriced higher (lower) only one additional time and that if, after that repricing, the display price could be repriced higher (lower) again, the order can be designated to either remain at its last working price and display price or be cancelled, provided that a resting ALO Order that is a quote cannot be designated to be cancelled. This proposed functionality would be new to Pillar and is based on how the proposed Non-Routable Limit Order would function, as described above.

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<sup>37</sup> For example, a contra-side Market Maker quote designated as a Non-Routable Limit Order could have a non-displayed working price.

Proposed Rule 6.62P-O(e)(2)(C)(i) would provide that if the limit price of an ALO Order to buy (sell) that has been repriced no longer locks or crosses displayed orders or quotes in the Consolidated Book, locks or crosses the Away Market NBBO, or crosses non-displayed orders or quotes in the Consolidated Book, it would be assigned a working price and display price equal to its limit price. This proposed rule text is similar to proposed Rule 6.62P-O(e)(1)(B)(i) for Non-Routable Limit Orders, with differences to reflect the additional circumstances when an ALO Order would be repriced based off of contra-side displayed or non-displayed interest in the Consolidated Book.

Proposed Rule 6.62P-O(e)(2)(D) would provide that the working price of a resting ALO Order to buy (sell) that has been repriced would be adjusted to be equal to its display price (and would not be adjusted again unless the display price of the order is adjusted) if:

- the Away Market NBO (NBB) re-prices to be equal to or lower (higher) than the display price of the resting ALO Order to buy (sell) (proposed Rule 6.62P-O(e)(2)(D)(i)); or
- an ALO Order or Day ISO ALO to sell (buy) is displayed on the Consolidated Book at a price equal to the working price of the resting ALO Order to buy (sell) (proposed Rule 6.62P-O(e)(2)(D)(ii)).

This proposed rule text is similar to proposed Rule 6.62P-O(e)(1)(C) for Non-Routable Limit Orders, with differences to reflect the additional circumstances when an ALO Order would be repriced as a result of contra-side interest on the Consolidated Book. Specifically, the Exchange proposes that for an ALO Order that has been repriced and has a non-displayed working price, if the Exchange receives a contra-side ALO Order (or Day ISO ALO) with a limit price that is equal to or crosses the working price of the resting ALO Order, the working price of

the resting ALO Order would be adjusted to be equal to its display price. This proposed functionality would reduce the potential for two contra-side ALO Orders to have working prices that are locked on the Consolidated Book.

Proposed Rule 6.62P-O(e)(2)(E) would provide that when the working price and display price of an ALO Order to buy (sell) are the same, the working price would be adjusted higher (lower) only if the display price of the order is adjusted. This proposed functionality would be new for Pillar.

Proposed Rule 6.62P-O(e)(2)(F) would provide that the ALO designation would be ignored for ALO Orders that participate in an Auction. This proposed rule is based on Rule 7.31-E(e)(2)(A), which similarly provides that an ALO Order can participate in an auction and that its ALO designation would be ignored. This is also new functionality for options because currently, the Exchange rejects ALOs if entered outside of Core Trading Hours or during a trading halt and if resting, are cancelled during a trading halt.

Proposed Rule 6.62P-O(e)(2)(G) would provide that an ALO Order cannot be designated with a Non-Display Remove Modifier. Because an ALO Order is a type of Non-Routable Limit Order, this proposed rule promotes clarity that the Non-Display Remove Modifier would not be available for an ALO Order.

Intermarket Sweep Order (“ISO”). ISOs are currently defined in Rule 6.62-O as a Limit Order for an options series that instructs the Exchange to execute the order up to the price of its limit, regardless of the Away Market Protected Quotations<sup>38</sup> and that ISOs may only be entered

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<sup>38</sup> The terms “Protected Bid,” “Protected Offer,” and “Quotation” are defined in Rule 6.92-O(a)(15) and (16) and the term “Away Market” is defined in Rule 1.1. Accordingly, Away Market Protected Quotations refer to Protected Bids and Protected Offers that are disseminated pursuant to the OPRA Plan and are the Best Bid and Best Offer displayed by an Eligible Exchange, as those terms are defined in Rule 6.92-O.

with a time-in-force of IOC, and the entering OTP Holder must comply with the provisions of 6.92-O(a)(8). Proposed Rule 6.62P-O(e)(3) would similarly provide that an ISO is a Limit Order that does not route and meets the requirements of Rule 6.92-O(a)(8).

On Pillar, the Exchange will continue to offer the same type of ISO functionality, and proposes to add the ability for an OTP Holder or OTP Firm to designate an ISO with a Day time-in-force designation and designate a Day ISO as ALO, which functionality is available on the Exchange's cash equity market as described in Rule 7.31-E(e)(3). The Exchange proposes to describe the functionality for each type of ISO separately.

- IOC ISO. Proposed Rule 6.62P-O(e)(3)(A) would define an IOC ISO as an ISO designated IOC to buy (sell) that would be immediately traded with orders and quotes to sell (buy) in the Consolidated Book up to its full size and limit price and may trade through Away Market Protected Quotations and any untraded quantity of an IOC ISO will be immediately and automatically cancelled. This proposed rule is based on Rule 7.31-E(e)(3)(B) and uses Pillar terminology to describe functions that are currently available for options trading.
- Day ISO. Proposed Rule 6.62-O(e)(3)(B) would define a Day ISO as an ISO designated Day to buy (sell) that, if marketable on arrival, would be immediately traded with orders and quotes to sell (buy) in the Consolidated Book up to its full size and limit price and may trade through Away Market Protected Quotations and that any untraded quantity of a Day ISO would be displayed at its limit price and may lock or cross Away Market Protected Quotations at the time the Day ISO is received by the Exchange. This proposed functionality would be new on the Exchange for options trading and is based on the Day ISO functionality available

on the Exchange’s cash equity market, as described in Rule 7.31-E(e)(3)(C).

However, the availability of the Day time-in-force designation for ISOs would not be new for options trading, as such orders are currently available on other options exchanges.<sup>39</sup> The proposed Day ISO is also consistent with current Rule 6.95-O(b)(3), which describes an exception to the prohibition on locking or crossing a Protected Quotation if the Member simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer.<sup>40</sup> Although the Exchange has not previously availed itself of this exception, this exception to locking and crossing Protected Bids and Protected Offers would only be needed if an ISO is designated as Day and therefore would be displayed at a price that would lock or cross a Protected Quotation; an IOC ISO would never

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<sup>39</sup> See Nasdaq Options 3, Section 7(a)(7) (“ISOs may have any time-in-force designation . . .”) and CBOE Rules 5.30(a)(2) and (3). See also Cboe US Options Fix Specifications, dated June 15, 2021, Section 4.4.7, available here: [http://cdn.cboe.com/resources/membership/US\\_Options\\_FIX\\_Specification.pdf](http://cdn.cboe.com/resources/membership/US_Options_FIX_Specification.pdf), which references how a Day ISO would be processed under specified circumstances.

<sup>40</sup> The Commission has previously stated that the requirements in the Options Linkage Plan relating to Locked and Crossed Markets are “virtually identical to those applicable to market centers for NMS stock under Regulation NMS.” See also Securities Exchange Act Release No. 60405 (July 30, 2009), 74 FR 39362, 39368 (August 6, 2009) (Order approving Options Linkage Plan). Accordingly, guidance relating to the ISO exception for locked and crossed markets for NMS stocks that specifically contemplate use of Day ISOs is also applicable to options trading. See Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS, FAQ 5.02 (“The ISO exception to the SRO lock/cross rules, in contrast, requires that ISOs be routed to execute against all protected quotations with a price that is equal to the display price (i.e., those protected quotations that would be locked by the displayed quotation), as well as all protected quotations with prices that are better than the display price (i.e., those protected quotations that would be crossed by the displayed quotation).” Consistent with this guidance, the Exchange implemented Rule 6.95-O(b)(3). See also Cboe Rule 5.67(b)(3), and Nasdaq Options 5, Section 3(b)(3).

be displayed and therefore this existing exception would not be applicable to such orders.

- Day ISO ALO. Proposed Rule 6.62P-O(e)(3)(C) would define a Day ISO ALO as a Day ISO with an ALO modifier. This proposed order type is based in part on the Day ISO ALO currently available on the Exchange's cash equity market, as described in Rule 7.31-E(e)(3)(D), but with differences to reflect how the order type would function on the Exchange's options market, as described above. As proposed, on arrival, a Day ISO ALO to buy (sell) may lock or cross Away Market Protected Quotations at the time of arrival of the Day ISO ALO but would not remove liquidity from the Consolidated Book. A Day ISO ALO to buy (sell) can be designated to be cancelled if it would be displayed at a price other than its limit price. Proposed Rule 6.62P-O(e)(3)(C)(i) would provide that if not designated to cancel, a Day ISO ALO that would lock or cross orders and quotes on the Consolidated Book would be repriced as specified in proposed Rule 6.62P-O(e)(2)(B). Proposed Rule 6.62P-O(e)(3)(C)(ii) would provide that once resting, a DAY ISO ALO would be processed as an ALO Order as specified in proposed Rule 6.62P-O(e)(2)(C) - (G).

Complex Orders. Complex Orders are defined in Rule 6.62-O(e). The Exchange proposes to define Complex Orders for Pillar in proposed Rule 6.62P-O(f) based on Rule 6.62-O(e) and its sub-paragraphs (1) and (2) without any substantive differences. The Exchange proposes to add clarifying text that the different options series in a Complex Order are also referred to as the "legs" or "components" of the Complex Order. The Exchange also proposes that proposed Rule 6.62P-O(f) would provide that a Complex Order would be any order involving the simultaneous

purchase and/or sale of “two or more options series in the same underlying security,” and not use the modifier “different” before the phrase “more option series.” The Exchange believes that the word “different” is redundant and unnecessary in this context. In addition, proposed Rule 6.62P-O(f)(1) and (2) would not reference mini-options contracts, which no longer trade on the Exchange.

Cross Orders. Currently, the only electronically-entered cross orders available on the Exchange are Qualified Contingent Cross Orders, which are defined in Rule 6.62-O(bb) and Commentary .02 to Rule 6.62-O. In addition, Rule 6.90-O describes how Qualified Contingent Cross Orders are processed. The Exchange proposes to define the term “Cross Orders” on Pillar in proposed Rule 6.62P-O(g). At this time, the only Cross Orders that would be available on Pillar for electronic entry would be Qualified Contingent Cross (“QCC”) Orders. As proposed, QCC Orders on Pillar would function identically to how Qualified Contingent Cross Orders function on the OX system, and for purposes of the rules governing trading on Pillar, the Exchange proposes to merge language from two rules relating to QCC Orders into a single rule, proposed Rule 6.62P-O(g), using Pillar terminology. Proposed Rule 6.62P-O(g) and (g)(1) would describe rules generally applicable to electronically-entered Cross Orders, including QCC Orders, and proposed Rule 6.62P-O(g)(2) would address requirements specific to QCC Cross Orders.

Proposed Rule 6.62P-O(g) would provide that “Cross Orders” would be two-sided order messages with instructions to match the identified buy-side with the identified sell-side at a specified price, which could either be designated as a limit price or at the market (“cross price”).<sup>41</sup> The proposed rule would further provide that a Cross Order that is not rejected per

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<sup>41</sup> The Exchange does not currently offer Cross Orders on its cash equity market. This

proposed Rule 6.62P-O(g)(1) would immediately trade in full at its cross price, would not route, and may be entered with an MPV of \$0.01 regardless of the MPV of the options series and that Cross Orders may be entered by Floor Brokers from the Trading Floor or routed to the Exchange from off-Floor.

Proposed Rule 6.62P-O(g)(1) would provide that a Cross Order would be rejected if received when the NBBO is crossed or if it would be traded at a cross price that (i) is at the same price as a displayed Customer order on the Consolidated Book and (ii) is not at or between the NBBO. This proposed rule is based on Rule 6.90-O without any differences.

Proposed Rule 6.62P-O(g)(1) would further set forth how a Cross Order designated to trade at the market would be priced. As proposed, a Cross Order with a cross price at the market would execute at the midpoint of the NBBO; provided that:

- if there is no NBB, a zero bid would be used (proposed Rule 6.62P-O(g)(1)(A));
- if there is displayed Customer interest priced equal to the NBB, NBO or both, the midpoint would be based on the BBO improved by \$0.01 for the side(s) containing displayed Customer interest (proposed Rule 6.62P-O(g)(1)(B));
- if there is no NBO, such order would be rejected (proposed Rule 6.62P-O(g)(1)(C)); or
- if the midpoint of the NBBO is in sub-pennies, the order would trade at the midpoint of the NBBO rounded down to the MPV for the series (proposed Rule 6.62P-O(g)(1)(D)).

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proposed rule text uses Pillar terminology that is based in part on NYSE Chicago Rule 7.31(g).

This proposed rule text is designed to promote clarity and transparency in Exchange rules regarding how a Cross Order “at the market” would execute in circumstances when there is no NBB or NBO or there is displayed Customer interest equal to the NBBO.

Proposed Rule 6.62P-O(g)(2) would define QCC Orders, which would be the only Cross Orders available on Pillar at this time. As proposed, a QCC Order must be comprised of an originating order to buy or sell at least 1,000 contracts that is identified as being part of a qualified contingent trade coupled with a contra-side order or orders totaling an equal number of contracts. This proposed rule text is based on Rule 6.62-O(bb) with a non-substantive difference that the Pillar rule would not reference mini-options contracts, which no longer trade on the Exchange.

Proposed Rule 6.62P-O(g)(2)(A) and subparagraphs (i) - (vi) would define a “qualified contingent trade” and is based on Commentary .02 and sub-paragraphs (a) - (f) to Rule 6.62-O without any substantive differences.

Proposed Rule 6.62P-O(g)(2)(B) would specify rules governing QCC Orders entered from the Trading Floor, which can be entered only by Floor Brokers, and is based on Commentary .01 to Rule 6.90-O. The proposed rule would provide that while on the Trading Floor, only Floor Brokers can enter QCC Orders and that Floor Brokers may not enter QCC Orders for their own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion (each a “prohibited account”). As further proposed, when executing such orders, Floor Brokers would not be subject to Rule 6.47-O regarding “Crossing” orders. Floor Brokers must maintain books and records demonstrating that each QCC Order entered from the Floor was not entered for a prohibited account. Any QCC Order entered from the Floor that does not have a corresponding record

required by this paragraph will be deemed to have been entered for a prohibited account in violation of this Rule.

Proposed Rule 6.62P-O(g)(2)(C) would specify rules governing QCC Orders entered off-Floor and that OTP Holders must maintain books and records demonstrating that each such order was so routed. This proposed rule is based on Commentary .02 to Rule 6.90-O without any substantive differences.

To promote clarity, the Exchange proposes to amend Rule 6.90-O to specify that the rule would not be applicable to trading on Pillar.

Orders Available Only in Open Outcry. The Exchange proposes to add to Rule 6.62P-O(h) orders that are available only in open outcry, most of which are currently defined in Rule 6.62-O.

First, proposed Rule 6.62P-O(h)(1) would codify an existing order type, the Clear-the-Book (“CTB”) Order, which is currently only described in a Regulatory Bulletin.<sup>42</sup> The proposed definition would describe the CTB Order, which would be an order type available in open outcry that would interface with the Consolidated Book, and therefore with Pillar. As proposed, a CTB Order would be a Limit IOC Order that may be entered only by a Floor Broker, subsequent to executing an order in open outcry, that is approved by a Trading Official (the “TO Approval”). The CTB Order would be eligible to trade only with contra-side orders and quotes that were resting in the Consolidated Book prior to the TO Approval. In addition, proposed Rule 6.62P-O(h)(1)(A) - (C) would provide that:

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<sup>42</sup> See NYSE Arca Options RB-16-04, dated February 19, 2016 (Rules of Priority and Order Protection in Open Outcry), available here: <https://www.nyse.com/publicdocs/nyse/markets/arca-options/rule-interpretations/2016/NYSE%20Arca%20Options%20RB%2016-04.pdf>.

- A CTB Order to buy (sell) would trade with contra-side orders and quotes with a display price below (above) the limit price of the CTB Order (proposed Rule 6.62P-O(h)(1)(A));
- A CTB Order to buy (sell) would trade with contra-side orders and quotes that have a display price and working price equal to the limit price of the CTB Order only if there is displayed Customer sell (buy) interest at that price, in which case, the CTB Order to buy (sell) would trade with the displayed Customer interest to sell (buy) and any non-Customer interest to sell (buy) with a working time earlier than the latest-arriving displayed Customer interest to sell (buy) (proposed Rule 6.62P-O(h)(1)(B)); and
- Any unexecuted portion of the CTB Order would cancel after trading with all better-priced interest and eligible same-priced interest on the Consolidated Book (proposed Rule 6.62P-O(h)(1)(C)).

Currently, CTB Orders only trade with displayed Customer interest and any same-priced displayed non-Customer interest ranked ahead of such interest in time priority, but do not trade with better-priced displayed non-Customer interest. In Pillar, per Rule 6.62P-O(h)(1)(B), CTB Orders would trade with displayed non-Customer interest priced better than the latest-arriving displayed Customer interest (i.e., a CTB order buying with a \$1.00 limit would now trade with any displayed interest offered at \$0.99). The Exchange believes that this proposed change would increase execution opportunities and achieve the goal of a CTB Order, which is to clear priority on the Consolidated Book at the time of the TO Approval.

In addition, proposed Rule 6.62P-O(h)(1)(D) would codify existing regulatory responsibilities of Floor Brokers utilizing CTB Orders to submit such orders in a timely manner

after receiving TO Approval and would also provide that because CTB Orders are non-routable, Floor Brokers would be obligated to route orders to better-priced interest to Away Markets per Rule 6.94-O.<sup>43</sup>

The Exchange also proposes to include in Rule 6.62P-O additional open outcry order types that are currently defined in Rule 6.62-O:

- Proposed Rule 6.62P-O(h)(2) would define “Facilitation Order” and is based on the Rule 6.62-O(j) definition of Facilitation Order without any differences.
- Proposed Rule 6.62P-O(h)(3) would define “Mid-Point Crossing Order” and is based on the Rule 6.62-O(q) definition of Mid-Point Crossing Order without any differences.
- Proposed Rule 6.62P-O(h)(4) would define “Not Held Order” and is based on the Rule 6.62-O(f) definition of Not Held Order without any differences.
- Proposed Rule 6.62P-O(h)(5) would define “Single Stock Future (“SSF”)/Option Order” and is based on the Rule 6.62-O(i) definition of Single Stock Future (“SSF”)/Option Order without any differences.
- Proposed Rule 6.62P-O(h)(6)(A) would define a “Stock/Option Order” and is based on the Rule 6.62-O(h)(1) definition of Stock/Option Order without any differences.
- Proposed Rule 6.62P-O(h)(6)(B) and subparagraphs (i) and (ii) would define a “Stock/Complex Order” and is based on the Rule 6.62-O(h)(2) definition of Stock/Complex Order with its sub-paragraphs without any differences.

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<sup>43</sup> See id. at p. 2-3 (describing regulatory responsibilities related to CTB Orders).

The Exchange proposes that after the transition to Pillar, the following open outcry order types, which are currently described in Rule 6.62-O but are not used by Floor Brokers, would not be added to proposed Rule 6.62P-O governing orders and modifiers: One cancels the other (OCO) Order and Stock Contingency Order.

Additional Order Instructions and Modifiers. The Exchange proposes to specify the additional order instructions and modifiers that would be available in Pillar in proposed Rule 6.62P-O(i).

Proactive if Locked/Crossed Modifier. Proposed Rule 6.62P-O(i)(1) would provide that a Limit Order that is displayed and eligible to route and designated with a Proactive if Locked/Crossed Modifier would route to an Away Market if the Away Market locks or crosses the display price of the order and that if any quantity of the routed order is returned unexecuted, the order would be displayed in the Consolidated Book. This would be new functionality for options trading on the Exchange and is based on the Proactive if Locked/Crossed Modifier available on the Exchange's cash equity platform, as described in Rule 7.31-E(i)(1) without any differences.

Self-Trade Prevention ("STP") Modifier. Self-Trade Prevention ("STP") Modifiers are currently defined in Commentary .01 to Rule 6.76A-O and are available only for Market Maker orders and quotes. On Pillar, the Exchange proposes to expand the availability of STP to all orders and quotes. Because STP Modifiers are an instruction that can be added to an order or quote, the Exchange proposes that for Pillar, STP Modifiers would be described in proposed Rule 6.62P-O(i)(2). This is based on the structure of the Exchange's cash equity rules, which also describe the STP Modifier in Rule 7.31-E(i).

Proposed Rule 6.62P-O(i)(2) would provide that an Aggressing Order or Aggressing Quote to buy (sell) designated with one of the STP modifiers in proposed Rule 6.62P-O(i)(2) would be prevented from trading with a resting order or quote to sell (buy) also designated with an STP modifier from the same MPID, and, if specified, any sub-identifier of that MPID and that the STP modifier on the Aggressing Order or Aggressing Quote would control the interaction between two orders and/or quotes marked with STP modifiers. In addition, STP would not be applicable during an auction or to Cross Orders or when a Complex Order legs out. This proposed rule text is based on Commentary .01 to Rule 6.76A with non-substantive differences to use Pillar terminology.

Proposed Rule 6.62P-O(i)(2) would further provide that if the condition for a Limit Order designated FOK, an AON Order, or an order with an MTS modifier cannot be met because of STP modifiers, such order would either be cancelled or placed on the Consolidated Book, as applicable. This proposed rule text provides clarity that if a condition of an order cannot be met because of STP modifiers, the order would either cancel (i.e., a Limit Order designated FOK), or be added to the Consolidated Book (i.e., an AON Order or an order with an MTS modifier), and then such resting orders would function as described in Rule 6.62P-O.

The proposed rule would further provide that Aggressing Orders or Aggressing Quotes would be processed as follows:

- Proposed Rule 6.62P-O(i)(2)(A) would describe STP Cancel Newest (“STPN”) and provide that an Aggressing Order or Aggressing Quote to buy (sell) marked with the STPN modifier would not trade with resting interest to sell (buy) marked with any STP modifier from the same MPID; that the Aggressing Order or Aggressing Quote marked with the STPN modifier would be cancelled; and that

the resting order or quote marked with one of the STP modifiers will remain on the Consolidated Book. This proposed rule is based on Commentary .01(a) to Rule 6.76A-O with non-substantive differences to use Pillar terminology.

- Proposed Rule 6.62P-O(i)(2)(B) would describe STP Cancel Oldest (“STPO”) and provide that an Aggressing Order or Aggressing Quote to buy (sell) marked with the STPO modifier would not trade with resting interest to sell (buy) marked with any STP modifier from the same MPID; that the resting order or quote marked with the STP modifier would be cancelled; and that the Aggressing Order or Aggressing Quote marked with the STPO modifier would be placed on the Consolidated Book. This proposed rule is based on Commentary .01(b) to Rule 6.76A-O with non-substantive differences to use Pillar terminology.
- Proposed Rule 6.62P-O(i)(2)(C) would describe STP Cancel Both (“STPC”) and provide that an Aggressing Order or Aggressing Quote to buy (sell) marked with the STPC modifier would not trade with resting interest to sell (buy) marked with any STP modifier from the same MPID and that the entire size of both orders and/or quotes would be cancelled. This proposed rule is based on Commentary .01(c) to Rule 6.76A-O with non-substantive differences to use Pillar terminology.

Minimum Trade Size Modifier. The Exchange proposes to add the Minimum Trade Size (“MTS”) Modifier, which would be new functionality for options trading on Pillar that is based on the same functionality currently available for cash equity securities trading on Pillar, as described in Rule 7.31-E(i)(3). As with the MTS Modifier for cash equity trading, the proposed MTS Modifier for options traded on Pillar would be available only for non-displayed orders.

Accordingly, proposed Rule 6.62P-O(i)(3) would provide that a Limit IOC Order or Non-Displayed Limit Order may be designated with an MTS Modifier.<sup>44</sup>

Proposed Rule 6.62P-O(i)(3)(A) would provide that the quantity of the MTS Modifier may be less than the order quantity; however, an order would be rejected if it has an MTS Modifier quantity that is larger than the size of the order. This proposed rule is based on Rule 7.31-E(i)(3)(A) with differences only to reflect that the concept of a round lot is not applicable for options trading.

Proposed Rule 6.62P-O(i)(3)(B) would provide that one of the following instructions must be specified with respect to whether an order to buy (sell) with an MTS Modifier would trade on arrival with: (i) orders or quotes to sell (buy) in the Consolidated Book that in the aggregate meet such order's MTS; or (ii) only individual order(s) or quote(s) to sell (buy) in the Consolidated Book that each meets such order's MTS. This proposed rule is based on Rule 7.31-E(i)(3)(B) and sub-paragraphs (i) and (ii) with only non-substantive differences to use options trading terminology (e.g., Consolidated Book instead of NYSE Arca Book and reference to quotes). Otherwise, the functionality would be identical on both the options and cash equity trading platforms.

Proposed Rule 6.62P-O(i)(3)(C) would provide that an order with an MTS Modifier that is designated Day or GTC that cannot be executed immediately on arrival would not trade and would be ranked in the Consolidated Book. In such case, the order to buy (sell) with an MTS Modifier to buy (sell) that is ranked in the Consolidated Book would not be eligible to trade: (i)

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<sup>44</sup> For cash equity trading, the MTS Modifier is also available for an MPL Order or Tracking Order, which are non-displayed order types available on the Exchange's cash equity trading platform that would not be available for options trading on Pillar. See Rule 7.31-E(i)(3).

at a price equal to or above (below) any orders or quotes to sell (buy) that are displayed at a price equal to or below (above) the working price of such order with an MTS Modifier; or (ii) at a price above (below) any orders or quotes to sell (buy) that are not displayed and that have a working price below (above) the working price of such order with an MTS Modifier. This proposed rule is based on Rule 7.31-E(i)(3)(C) and sub-paragraphs (i) and (ii) with only non-substantive differences to use options trading terminology and to reflect the availability of the GTC time-in-force modifier for Non-Displayed Limit Orders. Otherwise, the functionality would be identical on both the options and cash equity trading platforms.

Proposed Rule 6.62P-O(i)(3)(D) would provide that an order with an MTS Modifier that is designated IOC and cannot be immediately executed would be cancelled. This proposed rule is based on Rule 7.31-E(i)(3)(D) without any differences and the functionality would be identical on both the options and cash equity trading platforms.

Proposed Rule 6.62P-O(i)(3)(E) would provide that a resting order to buy (sell) with an MTS Modifier would trade with individual orders and quotes to sell (buy) that each meet the MTS and that (i) if an Aggressing Order or Aggressing Quote to sell (buy) does not meet the MTS of the resting order to buy (sell) with an MTS Modifier, that Aggressing Order or Aggressing Quote would not trade with, and may trade, through such resting order with an MTS Modifier; and (ii) if a resting non-displayed order or quote to sell (buy) did not meet the MTS of a same-priced resting order or quote to buy (sell) with an MTS Modifier, a subsequently arriving order or quote to sell (buy) that meets the MTS would trade before such resting non-displayed order or quote to sell (buy) at that price. This proposed rule is based on Rule 7.31-E(i)(3)(E) and sub-paragraphs (i) and (ii) with only non-substantive differences to use options trading

terminology. Otherwise, the functionality would be identical on both the options and cash equity trading platforms.

Proposed Rule 6.62P-O(i)(3)(F) would provide that a resting order with an MTS Modifier would be cancelled if it is traded in part or reduced in size and the remaining quantity is less than such order's MTS. This proposed rule is based on Rule 7.31-E(i)(3)(F) without any differences and the functionality would be identical on both the options and cash equity trading platforms.

In connection with proposed Rule 6.62P-O, the Exchange proposes to add the following preamble to Rule 6.62-O: "This Rule will not be applicable to trading on Pillar." This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.62-O would not be applicable to trading on Pillar.

#### Proposed Rule 6.37AP-O: Market Maker Quotations

Current Rule 6.37A-O describes Market Maker quoting obligations, including defining "quotations" and describing the treatment to such quotations. Proposed Rule 6.37AP-O would set forth Market Maker quoting obligations under Pillar.

- First, Rule 6.37AP-O(a) would be based on the current rule and would provide that a Market Maker may enter quotations only in the issues included in its appointment. Proposed Rule 6.37AP-O(a)(1) would provide that the term "quote" or "quotation" means "a bid or offer sent by a Market Maker that is not sent as an order" and that "[o]nce received by the Exchange, a subsequent quotation sent by a Market Maker replaces that Market Maker's previously displayed same-side quotation." This proposed text adds clarity to the existing definition that a Market Maker quote is distinct from a Market Maker order and that a subsequent quote will cancel an existing quote.

- Proposed Rule 6.37AP-O(a)(2) would provide that a Market Maker may designate a quote it sends as either a Non-Routable Limit Order or an ALO Order and such quotes would be processed in the same way as those orders are processed under proposed Rule 6.62P-O. The Exchange notes that these two quote types replace the existing quote types (i.e., MMLO, MMALO and MMRP), which will no longer be offered under Pillar. Because proposed Rule 6.62P-O(e)(1) and (2) would describe the treatment of a quote designated as Non-Routable Limit Order or an ALO Order, the Exchange will not include a section in proposed Rule 6.37AP-O regarding the treatment of such quotes.
- Proposed Rule 6.37AP-O(b) - (e) would be substantively identical to current Rule 6.37A-O(b) - (e) with non-substantive differences to change the term “shall” to “will.” Proposed Commentary .01 to Rule 6.37AP-O would be substantively identical to Commentary .01 to Rule 6.37A-O, with non-substantive differences to streamline the rule text.

The Exchange also proposes a non-substantive change to paragraph (b) of Rule 6.65A-O (Limit-Up and Limit-Down During Extraordinary Market Volatility) to correct a cross reference to Market Maker quoting obligations as set forth in Rule 6.37AP-O(b) and (c). Current Rule 6.65A(b) erroneously cross-references Rule 6.37B-O(b) and (c).

In connection with proposed Rule 6.37AP-O, the Exchange proposes to add the following preamble to Rule 6.37A-O: “This Rule will not be applicable to trading on Pillar.” This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.37A-O would not be applicable to trading on Pillar.

### Proposed Rule 6.40P-O: Pre-Trade and Activity-Based Risk Controls

For the OX system, current Rule 6.40-O sets forth the activity-based Risk Limitation Mechanisms for orders and quotes, which are designed to help OTP Holders and OTP Firms effectively manage risk during periods of increased and significant trading activity. With the transition to Pillar, the Exchange proposes to incorporate new risk control functionality that is based on both existing activity-based risk controls for options and pre-trade risk controls that are available on the Exchange's cash equity platform. Proposed Rule 6.40P-O would describe the activity-based controls with updated functionality under Pillar and would also describe new optional pre-trade risk controls that are based on pre-trade risk controls available on the Exchange's cash equity platform, as described in Rule 7.19-E, with proposed differences to reference quotes and proposed new Pillar functionality.

Proposed Rule 6.40P-O(a) would set forth the following definitions that would be used for purposes of the Rule:

- The term "Entering Firm" would mean an OTP Holder or OTP Firm (including those acting as Market Makers) (proposed Rule 6.40P-O(a)(1)). This proposed definition is based in part on the definition of "Entering Firm" in Rule 7.19-E(a)(1) and the Exchange believes that the addition of this term would add clarity to the proposed rule.
- The term "Pre-Trade Risk Controls" would refer to two optional limits that an Entering Firm may utilize with respect to its trading activity on the Exchange (proposed Rule 6.40P-O(a)(2)). These controls would be the "Single Order Maximum Notional Value Risk Limit" and the "Single Order Maximum Quantity Risk Limit." The proposed Pre-Trade Controls are based on the substantially identical risk controls available on the

Exchange's cash equity market, as described in Rules 7.19-E(a)(3) and (4), respectively, but differ in that the proposed rule would also apply to quotes and specifies the treatment of orders designated GTC.

- The term "Single Order Maximum Notional Value Risk Limit" would refer to a pre-established maximum dollar amount for a single order or quote to be applied one time (proposed Rule 6.40P-O(a)(2)(A)). This definition would also provide that orders designated GTC would be subject to this pre-trade risk control only once.
- The term "Single Order Maximum Quantity Risk Limit" would refer to a pre-established maximum number of contracts that may be included in a single order or quote before it can be traded (proposed Rule 6.40P-O(a)(2)(B)). This definition would also provide that orders designated GTC would be subject to this pre-trade risk control only once.
- The term "Activity-Based Risk Controls" would refer to three activity-based risk limits that an Entering Firm may apply to its orders and quotes in an options class based on specified thresholds measured over the course of an Interval (to be defined below) (proposed Rule 6.40P-O(a)(3)). The proposed Activity-Based Risk Controls are based on the substantially identical risk controls set forth in current Rule 6.40-O(b)-(d), except that on Pillar, a Market Maker's orders and quotes would be aggregated and applied towards each risk limit (as opposed to current functionality, where a Market Maker's orders and quotes are counted separately).
  - The term "Transaction-Based Risk Limit" would refer to a pre-established limit on the number of an Entering Firm's orders and quotes executed in a

specified class of options per Interval (proposed Rule 6.40P-O(a)(3)(A)).

This risk control is based on the substantially identical risk control set forth in current Rule 6.40-O(b), except as noted above.

- The term “Volume-Based Risk Limit” would refer to a pre-established limit on the number of contracts of an Entering Firm’s orders and quotes that could be executed in a specified class of options per Interval (proposed Rule 6.40P-O(a)(3)(B)). This risk control is based on the substantially identical risk control set forth in current Rule 6.40-O(c), except as noted above.
- The term “Percentage-Based Risk Limit” would refer to a pre-established limit on the percentage of contracts executed in a specified class of options as measured against the full size of such Entering Firm’s orders and quotes executed per Interval (proposed Rule 6.40P-O(a)(3)(C)). The proposed definition would also provide that to determine whether an Entering Firm has breached the specified percentage limit, the Exchange would calculate the percent of each order or quote in a specified class of option that is executed during an Interval (each, a “percentage”), and sum up those percentages. As further proposed this definition would state that this risk limit would be breached if the sum of the percentages exceeds the pre-established limit. This risk control is based on the substantially identical risk control set forth in current Rule 6.40-O(d), except as noted above.
- The term “Global Risk Control” would refer to a pre-established limit on the number of times an Entering Firm may breach its Activity-Based Risk Controls per Interval

(proposed Rule 6.40P-O(a)(4)). This proposed definition is based on the substantially identical functionality set forth in current Rule 6.40-O(f).

- The term “Interval” would refer to the configurable time period during which the Exchange would determine if an Activity-Based Risk Control or the Global Risk Control has been breached (proposed Rule 6.40P-O(a)(5)). This proposed definition is consistent with current Rule 6.40-O, which contains references throughout to a “time period” during which the Exchange will determine whether a breach has occurred. The Exchange believes this proposed definition would add clarity and transparency to Exchange rules.

Proposed Rule 6.40P-O(b) would set forth how the Pre-Trade, Activity-Based and Global Risk Controls could be set or adjusted. Proposed Rule 6.40P-O(b)(1) would provide that these risk controls may be set before the beginning of a trading day and may be adjusted during the trading day. Proposed Rule 6.40P-O(b)(2) would provide that Entering Firms may set these risk controls at the MPID level or at one or more sub-IDs associated with that MPID, or both. Proposed Rule 6.40P-O(b) is based on Rule 7.19-E(b)(3)(A)-(B) but differs in that the proposed rule includes Activity-Based and Global Risk Controls in addition to Pre-Trade Risk Controls.

Proposed Rule 6.40P-O(c) would set forth the Automated Breach Actions that the Exchange would take if a designated risk limit is breached. Proposed Rule 6.40P-O(c)(1)(A)(i)-(ii) would set forth the automated breach actions for the Pre-Trade Risk Controls.

- Proposed Rule 6.40P-O(c)(1)(A)(i) would provide that a Limit Order or quote that breaches the designated limit of either a Single Order Maximum Notional Value Risk Limit or Single Order Maximum Quantity Risk Limit would be rejected.

- Proposed Rule 6.40P-O(c)(1)(A)(ii) would provide that a Market Order that breaches the designated limit of a Single Order Maximum Quantity Risk Limit would be rejected. The proposed rule would also provide that a Market Order that breaches the designated limit of a Single Order Notional Value Risk Limit would be rejected if the order arrived during continuous trading or canceled if the order was received during a pre-open state and the quantity remaining to trade after an Auction concludes breaches the designated limit.

Proposed Rule 6.40P-O(c)(1)(A)(i)-(ii) is based on Rule 7.19-E(c)(2) but differs in that it specifies the treatment of Limit Orders and Market Orders (the latter having different treatment based on when such orders arrive at the Exchange) and expands application of the check to include quotes.

Proposed Rule 6.40P-O(c)(2) would set forth the automated breach actions for the Activity-Based Risk Controls.

- Proposed Rule 6.40P-O(c)(2)(A) would first specify that an Entering Firm acting as a Market Maker would be required to apply one of the Activity-Based Risk Controls to all of its orders and quotes; whereas an Entering Firm that is not acting as a Market Maker would have the option, but would not be required, to apply one of the Activity-Based Risk Controls to its orders. The requirement that Market Makers utilize Activity-Based Risk Controls for all quotes mirrors the requirements set forth in Rule 6.40-O, Commentary .04(a); however, the proposed rule differs in that it likewise requires Market Makers to apply one of the Activity-Based Risk Controls to all of its orders. The proposed optionality of the Activity-Based Risk controls for orders sent by

Entering Firms not acting as Market Maker mirrors current Rule 6.40-O, Commentary .04(b)).

- Proposed Rule 6.40P-O(c)(2)(B) would provide that to determine when an Activity-Based Risk Control has been breached, the Exchange would maintain Trade Counters that would be incremented every time an order or quote trades, including any leg of a Complex Order, and would aggregate the number of contracts traded during each such execution. As further proposed, an Entering Firm may opt to exclude any orders designated IOC or FOK from being considered by a Trade Counter. This is consistent with existing functionality set forth in Rule 6.40-O(a) and Commentary .07, except, as noted above, there would not be separate Trade Counters for a Market Maker's quotes and orders. Instead, a Market Maker's quotes and orders in a given option class would be aggregated (i.e., counted together).
- Proposed Rule 6.40P-O(c)(2)(C) would provide that each Entering Firm must select one of three Automated Breach Actions for the Exchange to take should the Entering Firm breach an Activity-Based Risk Control.
  - "Notification Only." As set forth in proposed Rule 6.40P-O(c)(2)(C)(i), if this option is selected, the Exchange would continue to accept new order and quote messages and related instructions and would not cancel any unexecuted orders or quotes in the Consolidated Book. With the "Notification Only" action, the Exchange would provide such notifications, but would not take any other automated actions with respect to new or unexecuted orders. This proposed functionality is not currently

available in the event of a breach of current Rule 6.40-O, but is substantially identical to the Notification Only option set forth in Rule 7.19-E(c)(3)(A)(i) for breach of the Gross Credit Risk Limit on the Exchange's cash equity platform. The Exchange believes this proposed option would provide Entering Firms more control over how Activity-Based Risk Controls are implemented and would add consistency to the risk controls already offered under Pillar on the Exchange's cash equity platform.

- "Block Only." As set forth in proposed Rule 6.40P-O(c)(2)(C)(ii), if this option is selected, the Exchange would reject new order and quote messages and related instructions, provided that the Exchange would continue to process instructions from the Entering Firm to cancel one or more orders or quotes (including Auction-Only Orders) in full. The proposed rule would also provide that the Exchange would follow any instructions specified in paragraph (e) of the proposed Rule (and described below). This proposed functionality is not currently available under current Rule 6.40-O, but is substantially identical to the Block Only option set forth in Rule 7.19-E(c)(3)(A)(ii) for breach of the Gross Credit Risk Limit on the Exchange's cash equity platform. The Exchange believes this proposed option would provide Entering Firms more control over how Activity-Based Risk Controls are implemented and would add consistency to the risk controls already offered under Pillar on the Exchange's cash equity platform.

- “Cancel and Block.” As set forth in proposed Rule 6.40P-O(c)(2)(C)(iii), if this option is selected, in addition to the Block actions described above, the Exchange would also cancel all unexecuted orders and quotes in the Consolidated Book other than Auction-Only Orders and orders designated GTC. This proposed Cancel and Block functionality is substantially similar to the automated breach action taken by the Exchange per current Rule 6.40-O(e) and Commentaries .01 and .02 thereto, except that under the current rules, this is default (not optional) functionality. Additionally, this proposed rule is substantially identical to the Cancel and Block option set forth in Rule 7.19-E(c)(3)(A)(iii) for breach of the Gross Credit Risk Limit on the Exchange’s cash equity platform. The Exchange believes this proposed option would provide Entering Firms more control over how Activity-Based Risk Controls are implemented and would add consistency to the risk controls already offered under Pillar on the Exchange’s cash equity platform.
- Finally, proposed Rule 6.40P-O(c)(2)(D) would provide that if an Entering Firm breaches an Activity-Based Risk Control, the Automated Breach Action selected would be applied to its orders and quotes in the affected class of options. This proposed action is consistent with current Rule 6.40-O(e) and Commentaries .01 and .02 thereto which provide that, upon a breach, the Exchange will cancel existing and suspend new orders and quotes trading in the affected class.

Proposed Rule 6.40P-O(c)(2)(E) would provide that the Exchange would specify by Trader Update any applicable minimum, maximum and/or default settings for the Activity-Based Risk Controls, subject to the following:

- For the Transaction-Based Risk Limit, the minimum setting would not be less than one and the maximum setting would not be more than 2,000 (proposed Rule 6.40P-O(c)(2)(E)(i)).
- For the Volume-Based Risk Limit, the minimum setting would not be less than one and the maximum setting would not be more than 500,000 (proposed Rule 6.40P-O(c)(2)(E)(ii)).
- For the Percentage-Based Risk Limit, the minimum setting would not be less than 50 and the maximum setting would not be more than 200,000 (proposed Rule 6.40P-O(c)(2)(E)(iii)).

These proposed settings are identical to the Exchange-determined settings provided under current Rule 6.40-O, Commentary .03.

Proposed Rule 6.40P-O(c)(2)(F) would provide that the Exchange would specify by Trader Update the Interval for the Activity-Based Risk Controls, subject to the following:

- The Interval would not be less than 100 milliseconds and would not be greater than 300,000 milliseconds, inclusive of the duration of any trading halt occurring within that time (proposed Rule 6.40P-O(c)(2)(F)(i)).
- For transactions occurring in the Core Open Auction, per Rule 6.64P-O, the applicable time period would be the lesser of (i) the time between the Core Open Auction of a series and the initial transaction or (ii) the Interval (proposed Rule 6.40P-O(c)(2)(F)(ii)).

These proposed settings are identical to the Exchange-specified time periods provided under current Rule 6.40-O, Commentary .03, except that the Exchange has included a maximum allowable time period for the Interval, which adds clarity to the rule.

Proposed Rule 6.40P-O(c)(3) would set forth the automated breach actions for the Global Risk Controls set by an Entering Firm.

- Proposed Rule 6.40P-O(c)(3)(A) would provide that if the Global Risk Control limit is breached, the Exchange would Cancel and Block, per proposed Rule 6.40P(c)(2)(C)(iii).
- Proposed Rule 6.40P-O(c)(3)(B) would provide that if an Entering Firm breaches the Global Risk Control, the Automated Breach Action would be applied to all orders and quotes of the Entering Firm in all classes of options regardless of which class(es) of options caused the underlying breach of Activity-Based Risk Controls. This proposed functionality is consistent with the automated breach action taken in the event of a breach of current Rule 6.40-O(f), per current Rule 6.40-O, Commentaries .01 and .02.
- Proposed Rule 6.40P-O(c)(3)(C) would provide that the Exchange would specify by Trader Update any applicable minimum, maximum and/or default settings for the Global Risk Controls, provided that the minimum setting would not be less than 25 and the maximum setting would not be more than 100. These proposed settings are based on the Exchange-determined setting provided under current rule 6.40-O, Commentary .03, except that the current rule allows for a minimum setting of one (1) whereas the proposed rule is increasing that minimum to twenty-five (25), which the Exchange believes is a more appropriate minimum.

- Proposed Rule 6.40P-O(c)(3)(D) would provide that the Exchange would specify by Trader Update the Interval for the Global Risk Controls, subject to the following:
  - The Interval would not be less than 100 milliseconds and would not be greater than 300,000 milliseconds, inclusive of the duration of any trading halt occurring within that time, per proposed Rule 6.40P-O(c)(3)(D)(i).
  - For transactions occurring in the Core Open Auction, per Rule 6.64P-O, the applicable time period is the lesser of (i) the time between the Core Open Auction of a series and the initial transaction or (ii) the Interval, per proposed Rule 6.40P-O(c)(3)(D)(ii).

Proposed Rule 6.40P-O(d) describes how an Entering Firm's ability to enter orders, quotes, and related instructions would be reinstated after a "Block Only" or "Cancel and Block" Automated Breach Action has been triggered. In such case, proposed Rule 6.40P-O(d) provides that the Exchange would not reinstate the Entering Firm's ability to enter orders and quotes and related instructions on the Exchange (other than instructions to cancel one or more orders or quotes (including Auction-Only Orders and orders designated GTC) in full) without the consent of the Entering Firm, which may be provided via automated contact if it was a breach of an Activity-Based Risk Control. As further proposed, an Entering Firm that breaches the Global Risk Control would not be reinstated unless the Entering Firm provides consent via non-automated contact with the Exchange. This proposed functionality is consistent with current Rule 6.40-O, Commentary .02 regarding the need for an Entering Firm to make automated or non-automated contact with the Exchange, as applicable, prior to being reinstated. Proposed

Rule 6.40P-O(d) is also consistent with the more granular level of risk control under Pillar functionality available for cash equity trading per Rule 7.19-E(d).

Proposed Rule 6.40P-O(e) would set forth new “kill switch” functionality, which would allow an Entering Firm to direct the Exchange to take certain bulk cancel or block actions with respect to orders and quotes. In contrast to the Automated Breach Actions described above, which the Exchange would take automatically after the breach of a risk limit, the Exchange would not take any of the Kill Switch Actions without express direction from an Entering Firm.

Proposed Rule 6.40P-O(e) would specify that an Entering Firm could direct the Exchange to take one or more of the following actions with respect to orders and quotes at either an MPID, or if designated, sub-ID Level: (1) Cancel all Auction-Only Orders; (2) Cancel all orders designated GTC; (3) Cancel all unexecuted orders and quotes in the Consolidated Book other than Auction-Only Orders and orders designated GTC; or (4) Block the entry of any new order and quote messages and related instructions, provided that the Exchange would continue to accept instructions from Entering Firms to cancel one or more orders or quotes (including Auction-Only Orders and orders designated GTC) in full, and later, reverse that block. The proposed post-trade Kill Switch Actions are not currently available per Rule 6.40-O and are substantially identical to the Kill Switch Action available on the Exchange’s cash equity platform pursuant to Rule 7.19-E(e), with a difference to address the handling of orders designated GTC, which are not available on the cash equity platform. The Exchange believes that offering this functionality for options trading under Pillar would give Entering Firms more flexibility in setting risk controls for options trading and add consistency with the Exchange’s risk control functionality available for cash equity trading.

Proposed Commentary .01 to Rule 6.40P-O would provide that the Pre-Trade, Activity-Based, and Global Risk Controls described in the proposed Rule 6.40P-O are meant to supplement, and not replace, the OTP Holder's or OTP Firm's own internal systems, monitoring, and procedures related to risk management and are not designed for compliance with Rule 15c3-5 under the Exchange Act.<sup>45</sup> Responsibility for compliance with all Exchange and SEC rules remains with the OTP Holder or OTP Firm. This proposed language is not included in existing Rule 6.40-O, and is based on Commentary .01 to Rule 7.19-E. The proposed rule makes clear that use of the proposed controls alone does not constitute compliance with Exchange rules or the Exchange Act.

In connection with proposed Rule 6.40P-O, the Exchange proposes to add the following preamble to Rule 6.40-O: "This Rule will not be applicable to trading on Pillar." This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.40-O would not be applicable to trading on Pillar.

#### Proposed Rule 6.41P-O: Price Reasonability Checks - Orders and Quotes

The Exchange proposes to describe its Price Reasonability Checks for orders and quotes in proposed Rule 6.41P-O.<sup>46</sup> For the OX system, the concept of "Price Reasonability Checks" for Limit Orders are described in Rule 6.60-O(c) and the concept of price protection filters for quotes are described in Rule 6.61-O. The proposed "Price Reasonability Checks" on Pillar would be applicable to both orders and quotes and would work similarly to how the current price checks for Limit Orders function on the OX system, with updates to functionality consistent with Pillar. The Exchange proposes to locate the rule text for the proposed Price Reasonability Checks in

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<sup>45</sup> 17 CFR 240.15c3-5.

<sup>46</sup> Current Rule 6.41-O is held as Reserved. The Exchange proposes to renumber the proposed rule with the "P" modifier and remove reference to "Reserved."

Rule 6.41P-O to immediately follow Rule 6.40P-O regarding the Pre-Trade and Activity-Based Controls, as this placement would group the risk controls together and make Exchange rules easier to navigate.

Proposed Rule 6.41P-O(a)(1)-(3) would set forth the circumstances under which the proposed Price Reasonability Checks would apply. Proposed Rule 6.41P-O(a) would provide that the Exchange would apply the Price Reasonability Checks, as defined in proposed paragraphs (b) and (c), to all Limit Orders and quotes during continuous trading on each trading day, subject to the following:

- Proposed Rule 6.41P-O(a)(1) would provide that a Limit Order or quote received during a pre-open state would be subject to the proposed Price Reasonability Checks after an Auction concludes; that a Limit Order or quote that was resting on the Consolidated Book before a trading halt would be subject to the proposed Price Reasonability Checks again after the Trading Halt Auction; and that a put option message to buy would be subject to the Arbitrage Check regardless of when it arrives. This proposed rule is based in part on current Rule 6.60-O(a), which provides that the Price Reasonability Checks (for orders) are applied when a series opens or reopens for trading. Proposed Rule 6.41P-O(a)(1) adds additional detail and granularity regarding when the proposed Price Reasonability Checks would be applied under Pillar.
- Proposed Rule 6.41P-O(a)(2) would provide that if the calculation of the Price Reasonability Check is not consistent with the MPV for the series, it would be rounded down to the nearest price within the applicable MPV, which text adds new details regarding Pillar rounding functionality.

- Proposed Rule 6.41P-O(a)(3) would provide that the proposed Price Reasonability Checks would not apply to (i) any options series for which the underlying security has a non-standard cash or stock deliverable as part of a corporate action; (ii) any options series for which the underlying security is identified as over-the-counter (“OTC”); (iii) any option series on an index; and (iv) any option series for which the Exchange determines it is necessary to exclude underlying securities in the interests of maintaining a fair and orderly market, which the Exchange would announce by Trader Update. Proposed Rule 6.41P-O(a)(3) is based on current Commentary .01 to Rule 6.60-O (orders) and 6.61-O (quotes), with a non-substantive difference that the proposed rule no longer references Binary Return Derivatives (“ByRDs”) because ByRDs are no longer traded on the Exchange.

Proposed Rule 6.41P-O(b) would set forth the “Arbitrage Checks” for buy orders or quotes, which subset of Price Reasonability Checks are based on the principle that an option order is in error and should be rejected (or canceled) when the same result can be achieved on the market for the underlying equity security at a lesser cost.

- Proposed Rule 6.41P-O(b)(1) relates to “puts” and would provide that order or quote messages to buy for put options would be rejected if the price of the order or quote is equal to or greater than the strike price of the option, which is substantively identical to current Rule 6.60-O(c)(1)(A) for orders, with a proposed difference that proposed “Arbitrage Check” would also apply to quotes.
- Proposed Rule 6.41P-O(b)(2) relates to “calls” and would provide that order or quote messages to buy for call options would be rejected or canceled (if resting) if the price of the order or quote is equal to or greater than the last sale price of the

underlying security on the Primary Market, plus a specified dollar amount to be determined by the Exchange and announced by Trader Update. This proposed rule is substantially similar to current Rule 6.60-O(c)(1)(B) for orders, with two differences. First, the proposed “Arbitrage Checks” would also apply to quotes. Second, because the Exchange is monitoring last sales from the Primary Market, the Exchange proposes that the Exchange-specified dollar amount for the Checks would be based on the last sale on the Primary Market rather than on the Consolidated Last Sale.

Proposed Rule 6.41P-O(c) would set forth the “Intrinsic Value Checks” for orders or quotes to sell, which are designed to protect sellers of calls and puts from presumptively erroneous executions based on the “Intrinsic Value” of an option.

- Proposed Rule 6.41P-O(c)(1)-(2) would set forth how the Intrinsic Value of an option would be determined. Proposed Rule 6.41P-O(c)(1) would provide that the Intrinsic Value for a put option is equal to the strike price minus the last sale price of the underlying security on the Primary Market. Proposed Rule 6.41P-O(c)(2) would provide that the Intrinsic Value for a call option is equal to the last sale price of the underlying security on the Primary Market minus the strike price. Proposed Rule 6.41P-O(c)(1)-(2) is based on how the intrinsic value is calculated in current Rule 6.60-O(c)(2) for orders, with two differences. First, the proposed “Intrinsic Value Checks” would also apply to quotes. Second, the Intrinsic Value of an option would be based on the last sale on the Primary Market rather than on the Consolidated Last Sale.

- Proposed Rule 6.41P-O(c)(3) would provide that ISOs to sell would not be subject to the Intrinsic Value Check, which carve out is substantively identical to current Rule 6.60-O(c)(2).
- Proposed Rule 6.41P-O(c)(4) would describe the application of the Intrinsic Value Checks to puts and calls to sell.
  - Proposed Rule 6.41P-O(c)(4)(A) would provide that orders or quotes to sell for both puts and calls would be rejected or canceled (if resting) if the price of the order or quote is equal to or lower than its Intrinsic Value, minus a threshold percentage to be determined by the Exchange and announced by Trader Update.
  - Proposed Rule 6.41P-O(c)(4)(B) would provide that the Exchange-determined threshold percentage (per paragraph (c)(4)(A)) would be based on the NBB, provided that, immediately following an Auction, it would be based on the Auction Price, or, if none, the lower Auction Collar price, or, if none, the NBB. This proposed threshold percentage is similar to how the Reference Price would be determined for Trading Collars, as described above pursuant to proposed Rule 6.62P-O(a)(3). As further proposed, Rule 6.41P-O(c)(4)(B) would provide that for purposes of determining the Intrinsic Value, the Exchange would not use an adjusted NBBO. The Exchange further proposes that the Intrinsic Value Check for sell orders and quotes would not be applied if the Intrinsic Value cannot be calculated.

Proposed Rule 6.41P-O(c)(4)(A)-(B) is substantially similar to current Rule 6.60-O(a)(2)(A), which sets forth the Intrinsic Value for orders, except that the proposed rule would also apply to quotes and provides additional detail regarding how the threshold percentage for determining the Intrinsic Value would be applied depending on when such sell order or quote arrives and the potential reference price(s) available to calculate this Price Reasonability Check.

Proposed Rule 6.41P-O(d) would provide the Automated Breach Action to be applied when a Market Maker's order or quote fails one of the Price Reasonability Checks. As proposed, if a Market Maker's order or quote message is rejected or cancelled (if resting) pursuant to proposed paragraph (b) (Arbitrage Checks) or (c) (Intrinsic Value Checks) of proposed Rule 6.41P-O, the Exchange would Cancel and Block orders and quotes in the affected class of options as described in Rule 6.40P-O(c)(2)(C)(iii) (as described above in section "Proposed Rule 6.40P-O").

Proposed Rule 6.41P-O(d)(1) would provide that a breach of proposed Rule 6.41P-O(d) would count towards a Market Maker's Global Risk Control limit per Rule 6.40P-O(a)(4) (as described above in section "Proposed Rule 6.40P-O").

Proposed Rule 6.41P-O(d)(2) concerns how a Market Maker would be reinstated following an automated breach action. As proposed, the Exchange would not reinstate the Market Maker's ability to enter orders and quotes and related instructions on the Exchange in that class of options (other than instructions to cancel one or more orders/quotes (including Auction-Only Orders and orders designated GTC) in full) without the consent of the Market Maker, which may be provided via automated contact.

Rule 6.41P-O(d) is substantially similar to current Rule 6.61-O(b), except that the proposed rule applies to both the orders and quotes of a Market Maker (not just quotes) and

provides the additional functionality that a breach of the Price Reasonability Checks would count towards a Market Maker's Global Risk Control limit under proposed Rule 6.40P-O(c)(3), which functionality would be new under Pillar.

In connection with proposed Rule 6.41P-O, the Exchange proposes to add the following preamble to Rules 6.60-O and 6.61-O: "This Rule will not be applicable to trading on Pillar." This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rules 6.60-O and 6.61-O would not be applicable to trading on Pillar.

#### Proposed Rule 6.64P-O: Auction Process

Current Rule 6.64-O, OX Opening Process, sets forth the opening process currently used on the Exchange's OX system for opening trading in a series each day and reopening trading in a series following a trading halt. The Exchange proposes that new Rule 6.64P-O would set forth the auction process for both opening and reopening trading in a series on the Exchange. The Exchange proposes to specify that Rule 6.64-O would not be applicable to trading on Pillar.

With the transition to Pillar, the Exchange proposes new functionality regarding the auction process on the Exchange. In addition, certain functionality available on the Exchange's cash equity platform will now be available for options trading. Accordingly, the Exchange proposes that proposed Rule 6.64P-O would use Pillar terminology relating to auctions that is based on Pillar terminology set forth in Rule 7.35-E for cash equity trading.

Definitions. Proposed Rule 6.64P-O(a) would provide that the Rule would be applicable to all series that trade on the Exchange other than Flex Options.<sup>47</sup> Proposed Rule 6.64P-O(a)

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<sup>47</sup> With the transition to Pillar, the Exchange is not making any changes to how Flex Options trade. Rule 5.31-O provides that Flex Options transactions may be effected during normal Exchange options trading hours on any business day and there will be no trading rotations in Flex Options. Rule 5.33-O sets forth the procedures for trading Flex Options. The opening process for Electronic Complex Orders is set forth in Rule 6.91-O.

would further set forth the definitions that would be used for purposes of Rule 6-O Options Trading that would be applicable to trading on Pillar.

- Proposed Rule 6.64P-O(a)(1) would define the term “Auction” to mean the opening or reopening of a series for trading either on a trade or a quote. This proposed definition is based in part on current Rule 6.64-O(a), which defines the term “Trading Auction” to be a process by which trading is initiated in a specified options class that may be employed at the opening of the Exchange each business day or to re-open trading after a trading halt. On Pillar, the Exchange proposes that the term “Auction” would refer to the point in the process where the Exchange determines that a series can be opened or reopened either on a trade or a quote.

Proposed Rule 6.64P-O(a)(1)(A) would provide that a “Core Open Auction” means the Auction that opens trading after the beginning of Core Trading Hours and proposed Rule 6.64P-O(a)(1)(B) would provide that a “Trading Halt Auction” means the Auction that reopens trading following a trading halt. These are Pillar terms currently used in Rule 7.35-E for the same purposes.

- Proposed Rule 6.64P-O(a)(2) would define the term “Auction Collar” to mean the price collar thresholds for the Indicative Match Price for an Auction. As further proposed, the upper Auction Collar would be the offer of the Legal Width Quote (defined below) and the lower Auction Collar would be the bid of the Legal Width Quote, provided that if the bid of the Legal Width Quote is zero, the lower Auction Collar would be one MPV above zero for the series. The proposed rule would further provide that if there is no Legal Width Quote, the Auction Collars

would be published in the Auction Imbalance Information (defined below) as zero.

The proposed terminology of “Auction Collars” would be new for options trading and is based on the same term used in Rule 7.35-E for trading cash equity securities. However, the concept would not be novel because currently, the Exchange will not open a series if the bid-ask differential is not within the bid-ask differential guidelines established under Rule 6.37-O(b)(4).<sup>48</sup> Auction Collars would function similarly to prevent an Auction that results in a trade from being priced outside the Legal Width Quote.

- Proposed Rule 6.64P-O(a)(3) would define the term “Auction Imbalance Information” to mean the information that the Exchange disseminates about an Auction via its proprietary data feeds and includes the Auction Collars, Auction Indicator, Book Clearing Price, Far Clearing Price, Indicative Match Price, Matched Volume, Market Imbalance, and Total Imbalance. With Pillar, the Exchange proposes to disseminate Auction Imbalance Information for its options market in the same manner that such information is disseminated for its cash equity market. Accordingly, this proposed definition is based on Rule 7.35-E, with differences to reflect the content that would be included in Auction Imbalance Information for options trading. In addition, the Exchange proposes that the Auction Imbalance Information would reflect the orders and quotes eligible to participate in an Auction and that contribute to price discovery. Accordingly, proposed Rule 6.64P-O(a)(3) would further provide that Auction

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<sup>48</sup> See Rule 6.64-O(b)(D) and (E).

Imbalance Information would be based on all orders and quotes (including the non-displayed quantity of Reserve Orders) eligible to participate in an Auction, excluding IO Orders.<sup>49</sup>

Proposed Rule 6.64P-O(a)(3)(A) would define the term “Auction Indicator” to mean the indicator that provides a status update of whether an Auction cannot be conducted because either (i) there is no Legal Width Quote, or (ii) a Market Maker quote has not been received during the Opening MMQ Time Parameter (defined below). The Exchange currently disseminates an Auction Indicator on its cash equity market and proposes similar functionality for options trading on the Exchange.<sup>50</sup>

Proposed Rule 6.64P-O(a)(3)(B) would define the term “Book Clearing Price” to mean the price at which all contracts could be traded in an Auction if not subject to the Auction Collar and that the Book Clearing Price would be zero if a sell (buy) Imbalance cannot be filled by any buy (sell) interest. The Exchange proposes that the manner that the Book Clearing Price would be calculated for options trading would be the same as how it is calculated for cash equity trading. Accordingly, this proposed definition is based in part on the definition of “Book Clearing Price” set forth in Rule 7.35-E(a)(11), with differences to reflect options trading terminology.

Proposed Rule 6.64P-O(a)(3)(C) would define the term “Far Clearing Price” to

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<sup>49</sup> This is consistent with the order information included in Auction Imbalance Information for cash equity trading. See Rule 7.35-E(a)(7) and 7.35-E(a)(8). The Exchange proposes to exclude IO Orders because they are conditional offsetting orders that would not contribute to price discovery in the Auction Process.

<sup>50</sup> See Rule 7.35-E(a)(13).

mean the price at which all Auction-Only Orders could be traded in an Auction within the Auction Collar. The Exchange proposes that the manner that the Far Clearing Price would be calculated for options trading would be the same as how it is calculated for cash equity trading. Accordingly, this proposed definition is based on the definition of “Far Clearing Price” set forth in Rule 7.35-E(a)(12), without any differences.

Proposed Rule 6.64P-O(a)(3)(D) would define the term “Imbalance” to mean the number of buy (sell) contracts that cannot be matched with sell (buy) contracts at the Indicative Match Price at any given time. The Exchange proposes that the manner that the Imbalance would be calculated for options trading would be the same as how it is calculated for cash equity trading. Accordingly, this proposed definition is based in part on the definition of “Imbalance” set forth in Rule 7.35-E(a)(7), with differences to reflect options trading terminology.

Proposed Rule 6.64P-O(a)(3)(D)(i) would define the term “Total Imbalance” to mean the Imbalance of all buy (sell) contracts at the Indicative Match Price for all orders and quotes eligible to trade in an Auction. The Exchange proposes that the manner that the Total Imbalance would be calculated for options trading would be the same as how it is calculated for cash equity trading. Accordingly, this proposed definition is based in part on the definition of “Total Imbalance” set forth in Rule 7.35-E(a)(7)(A), with differences to reflect options trading terminology.

Proposed Rule 6.64P-O(a)(3)(D)(ii) would define the term “Market Imbalance” to mean the Imbalance of any remaining buy (sell) Market Orders and MOO Orders

that are not matched for trading in the Auction. The Exchange proposes that the manner that the Market Imbalance would be calculated for options trading would be the same as how it is calculated for cash equity trading. Accordingly, this proposed definition is based in part on the definition of “Market Imbalance” set forth in Rule 7.35-E(a)(7)(B), with differences to reflect options trading terminology.

- Proposed Rule 6.64P-O(a)(4) would define the term “Auction Process” to mean the process that begins when the Exchange receives an Auction Trigger (defined below) for a series and ends when the Auction is conducted. This would be a new term and is designed to address all steps in the process that culminates in an Auction, as described in proposed Rule 6.64P-O(d).
- Proposed Rule 6.64P-O(a)(5) would define the term “Auction Processing Period” to mean the period during which the Auction is being processed. The Exchange proposes that this term would have the same meaning as the same term on its cash equity market. Accordingly, this proposed definition is based in part on the definition of “Auction Processing Period” set forth in Rule 7.35-E(a)(2), without any differences.
- Proposed Rule 6.64P-O(a)(6) would define the term “Auction Trigger” to mean the information disseminated by the Primary Market in the underlying security that triggers the Auction Process for a series to begin. For a Core Open Auction, the Auction Trigger would be when the Primary Market first disseminates at or after 9:30 a.m. Eastern Time both a two-sided quote and a trade of any size that is at or within the quote. For a Trading Halt Auction, the Auction Trigger would be

when the Primary Market disseminates at the end of a trading halt or pause a resume message, a two-sided quote, and a trade of any size that is at or within the quote. This proposed functionality is not new and is based on how the Exchange currently opens or reopens a series for trading, as set forth in the last sentence of current Rule 6.64-O(b). The Exchange proposes to use Pillar terminology, including to specify that an odd-lot transaction on the Primary Market could be used as an Auction Trigger, which would be new on Pillar.

- Proposed Rule 6.64P-O(a)(7) would define the term “Indicative Match Price” to mean the price at which the maximum number of contracts can be traded in an Auction, including the non-displayed quantity of Reserve Orders and excluding IO Orders, subject to the Auction Collars. This proposed definition is based on Rule 7.35-E(a)(8) with non-substantive differences to reflect options trading terminology (i.e., contracts instead of shares). Proposed Rule 6.64P-O(a)(7) would further provide that if there is no Legal Width Quote, the Indicative Match Price included in the Auction Imbalance Information would be calculated without Auction Collars. This would be a new feature applicable only to options trading and an Indicative Match Price without Auction Collars would be accompanied with an Auction Indicator that the Auction cannot be conducted because there is no Legal Width Quote.

Proposed Rule 6.64P-O(a)(7)(A) would provide that if there is more than one price level at which the maximum number of contracts can be traded within the Auction Collars, the Indicative Match Price would be the price closest to the midpoint of the Legal Width Quote, rounded to the nearest MPV for the series,

provided that the Indicative Match Price will not be lower (higher) than the highest (lowest) price of a Limit Order to buy (sell) ranked Priority 2 - Display Orders that is eligible to participate in the Auction. This proposed rule text is based on Rule 7.31-E(a)(8)(A) with a substantive difference only to reflect that in such circumstances, the Indicative Match Price would be the price closest to the midpoint of the Legal Width Quote rather than the price closest to an auction reference price.

Proposed Rule 6.64P-O(a)(7)(B) would provide that an Indicative Match Price that is higher (lower) than the upper (lower) Auction Collar would be adjusted to the upper (lower) Auction Collar and orders eligible to participate in the Auction would trade at the collared Indicative Match Price. Proposed Rule 6.64P-O(a)(7)(B)(i) would provide that Limit Orders to buy (sell) with a limit price above (below) the upper (lower) Auction Collar would be included in the Auction Imbalance Information at the collared Indicative Match Price and would be eligible to trade at the Indicative Match Price. Proposed Rule 6.64P-O(a)(7)(B)(ii) would provide that Limit Orders and quotes to buy (sell) with a limit price below (above) the lower (upper) Auction Collar would not be included in the Auction Imbalance Information and would not participate in an Auction. The Exchange proposes that the manner that orders and quotes priced outside of the Auction Collar would be included in the Indicative Match Price would be the same as how it is determined for cash equity trading. Accordingly, this proposed rule text is based on Rules 7.31-E(a)(10)(A), (B), and (C) with a difference only to reflect when the proposed rule would be applicable to quotes.

Proposed Rule 6.64P-O(a)(7)(C) would provide that if the Matched Volume (defined below) for an Auction consists of only buy and sell Market Orders, the Indicative Match Price would be the midpoint of the Legal Width Quote, rounded to the MPV for the series, or, if the Legal Width Quote is locked, the locked price. This proposed rule text is based in part on Rule 7.31-E(a)(8)(C), with differences to reflect that options trading is based on a Legal Width Quote.

Proposed Rule 6.64P-O(a)(7)(D) would provide that if there is no Matched Volume, including if there are Market Orders on only one side of the Market, the Indicative Match Price and Total Imbalance for the Auction Imbalance Information would be zero. This proposed rule text is based on Rule 7.31-E(a)(8)(D) and (E) with differences to reflect that on options, the Indicative Match Price would be zero in both circumstances.

- Proposed Rule 6.64P-O(a)(8) would define the term “Legal Width Quote” to mean the highest bid and lowest offer among all Market Maker quotes and the Away Market NBBO (together, “Calculated NBBO”) during the Auction Process. The proposed rule would further provide that the Calculated NBBO can be a Legal Width Quote if it: (A) it is locked, but not crossed; (B) does not contain a zero offer; and (C) has a spread between the Calculated NBBO for each option contract that does not exceed the following differentials, which can be widened as provided for in Rule 6.37-O(c): (i) no more than .25 where the bid not does exceed \$2; (ii) no more than .40 where the bid is more than \$2 but does not exceed \$5; (iii) no more than .50 where the bid is more than \$5 but does not exceed \$10; (iv) no more than .80 where the bid is more than \$10 but does not

exceed \$20; and (v) no more than \$1 where the bid is more than \$20, provided that a Trading Official may establish differences other than the above for one or more series or classes of options.

Requiring that a bid-ask spread meet specified differentials before an Auction can proceed is based on the current OX Opening Process, which requires the bid-ask differential for a series to be in an acceptable range. The proposed differential spread for the Pillar Auction Process is based on the bid-ask differentials currently set forth in Rule 6.37-O(b)(4) with a difference that for Auctions on Pillar, for option contracts with a bid of \$2, the differential will be .25 instead of .40. The Exchange believes that including the proposed bid-ask differential in the rule governing the Auction Process would promote clarity and transparency in Exchange rules regarding which quotes - both Market Maker quotes on the Exchange and the Away Market NBBO - that the Exchange would use to determine if there is a Legal Width Quote. The Exchange also proposes to make a conforming change to Rule 6.37-O(c) to add a cross-reference to proposed Rule 6.64P-O(a)(8). This proposed amendment would ensure that the existing procedures for auctions specified in Rule 6.37-O(c) would continue to be available for option symbols that have transitioned to Pillar.

- Proposed Rule 6.64P-O(a)(9) would define the term “Matched Volume” to mean the number of buy and sell contracts that can be matched at the Indicative Match Price, excluding IO Orders. This proposed rule text is based on the definition of “Matched Volume” set forth in Rule 7.31-E(a)(9) with a non-substantive

difference to reference contracts instead of shares and to be clear that the Matched Volume would not include IO Orders.

- Proposed Rule 6.64P-O(a)(10) would define the term “pre-open state” to mean the period before a series is opened or reopened and that during the pre-open state, the Exchange would accept Auction-Only Orders, quotes, and orders designated Day or GTC, including orders ranked Priority 3 - Non-Display Orders that are not eligible to participate in an Auction. The proposed rule would further provide that the pre-open state for the Core Open Auction would begin at 6:00 a.m. Eastern Time and would end when the Auction Processing Period begins and that during the pre-open state before the Core Open Auction, the Exchange would re-enter orders designated GTC. The proposed rule would also provide that pre-open state for a Trading Halt Auction would begin at the beginning of the trading halt and would end when the Auction Processing Period begins. This proposed definition would be new for Pillar and is designed to distinguish from both the Auction Processing Period and the period when a series is opened for trading. As noted above, this proposed definition would also be used in proposed Rules 6.40P-O, 6.41P-O, and 6.62P-O.
- Proposed Rule 6.64P-O(a)(11) would define the term “Rotational Quote” to mean the highest Market Maker bid and lowest Market Maker offer on the Exchange when the Auction Process begins and that during the Auction Process, the Exchange would update the price and size of the Rotational Quote and a Rotational Quote can be locked or crossed. The Exchange further proposes that if there are no Market Maker quotes, the Rotational Quote would be published with

a zero price and size. The Exchange notes that it currently publishes a “rotational quote” when it is in the process of opening or reopening a series, i.e., a quote that is comprised only of Market Maker quotes and does not include orders. The Exchange proposes a difference on Pillar because currently, if the Market Maker Quotes are crossed, the Exchange flips the bid and offer prices. In Pillar, the Exchange would publish a Rotational Quote with the actual bid and offer prices, even if crossed.

Auction Ranking. Proposed Rule 6.64P-O(b) would describe the ranking for Auctions and would provide that orders and quotes on the side of the Imbalance are not guaranteed to participate in the Auction and would be ranked in price-time priority under proposed Rule 6.76P-O consistent with the priority ranking associated with each order or quote, provided that: (1) Limit Orders, quotes, and LOO Orders would be ranked based on their limit price and not the price at which they would participate in the Auction; (2) MOO Orders would be ranked Priority 1 - Market Orders; (3) LOO Orders would be ranked Priority 2 - Display Orders; and (4) IO Orders would be ranked based on time among IO Orders, subject to eligibility to participate at the Indicative Match Price based on their limit price.

This proposed rule is based on current Rule 6.62-O(b)(B), which provides that orders and quotes in the system will be matched up with one another based on price-time priority. The Exchange proposes a difference in Pillar that orders in the same priority category as quotes would not have priority over Market Maker quotes at the same price, which is current functionality.<sup>51</sup> Instead, orders and Market Maker quotes in the same priority category would be

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<sup>51</sup> Current Rule 6.64-O(b)(B) provides that “orders will have priority over Market Maker quotes at the same price.”

ranked based on time, consistent with proposed Rule 6.76P-O. Because the Exchange proposes that orders and quotes in an options Auction would be processed in the same manner as on its cash equity platform, including that orders on the side of the Imbalance would not be guaranteed to participate in an Auction, the remaining rule text is based in part on Rule 7.35-E(a)(6)(A) - (D), with differences to reflect options trading and to be clear that IO Orders would be ranked on working time among IO Orders, subject to such orders' eligibility to participate at the Indicative Match Price based on their limit price.<sup>52</sup>

Auction Imbalance Information. Proposed Rule 6.64P-O(c) would provide that Auction Imbalance Information would be updated at least every second until the Auction is conducted, unless there is no change to the information and that the Exchange would begin disseminating Auction Imbalance Information at the following times: (1) Core Open Auction Imbalance Information would begin at 8:00 a.m. Eastern Time; and (2) Trading Halt Auction Imbalance Information would begin at the beginning of the trading halt. Because the Exchange proposes to disseminate Auction Imbalance Information for its options market in the same manner that such information is disseminated for its cash equity market, this proposed rule text is based in part on Rule 7.35-E(a)(4)(A) and (C).

Auction Process. Proposed Rule 6.64P-O(d) would set forth the Exchange's proposed Auction Process on Pillar. Similar to current functionality, a series would not be opened or reopened for trading if there is no Legal Width Quote. The Exchange proposes to add on Pillar that a series should also have Market Maker quotes and the Exchange proposes to provide time

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<sup>52</sup> See discussion supra, regarding proposed Rule 6.62P-O(c)(3) and how IO Orders would function.

for this requirement to be established, and if not established within those time frames, providing for a mechanism to open or reopen a series even if there are no Market Maker quotes.

Proposed Rule 6.64P-O(d)(1) would concern the Rotational Quote and would provide that when the Exchange receives the Auction Trigger for a series, the Exchange would send a Rotational Quote to both OPRA and proprietary data feeds indicating that the Exchange is in the process of transitioning from a pre-open state to continuous trading for that series.

Proposed Rule 6.64P-O(d)(2) would provide that once a Rotational Quote has been sent, the Exchange would conduct an Auction when there is both a Legal Width Quote and, if applicable, Market Maker quote with a non-zero offer in the series (subject to the Opening MMQ Time Parameter requirements specified in proposed Rule 6.64P-O(d)(3)). The proposed rule would further provide that the Exchange would wait a minimum of two milliseconds after the Rotational Quote has been sent before an Auction can be conducted. This proposed rule text is designed to provide transparency and determinism in Exchange rules of the earliest potential time that a series could be opened after the Exchange receives an Auction Trigger, and subject to the series meeting all other requirements for opening or reopening.

Proposed Rule 6.64P-O(d)(2)(A) would provide that if there is Matched Volume that can trade at or within the Auction Collars, the Auction would result in a trade at the Indicative Match Price. Proposed Rule 6.64P-O(d)(2)(B) would provide that if there is no Matched Volume that can trade at or within the Auction Collars, the Exchange would transition to continuous trading as described in proposed Rule 6.64P-O(f) below and the Auction would result in a quote. This proposed rule text is designed to provide transparency of when an Auction would result in a trade or a quote.

Proposed Rule 6.64P-O(d)(3) would specify the Opening MMQ Time Parameter. As proposed, once the Auction Process begins, the Exchange would begin a one-minute timer for the Market Maker(s) assigned to a series to submit a quote with a non-zero offer. This one-minute timer would be the Opening MMQ Time Parameter. The Opening MMQ Time Parameter is designed to provide the Market Makers assigned to a series an opportunity to submit a quote, and provide transparency in Exchange rules of the circumstances of when the Exchange would open a series for trading if the assigned Market Maker(s) does not submit a quote within the specified time periods, as follows:

- Proposed Rule 6.64P-O(d)(3)(A) would provide that if there are no Market Makers assigned to a series, the Exchange would conduct an Auction in that series based on only a Legal Width Quote, without waiting for the Opening MMQ Time Parameter to end.
- Proposed Rule 6.64P-O(d)(3)(B) would provide that if there is only one Market Maker assigned to a series:
  - The Exchange would conduct the Auction, without waiting for the Opening MMQ Time Parameter to end, as soon as there is both a Legal Width Quote and the assigned Market Maker has submitted a quote with a non-zero offer (proposed Rule 6.64P-O(d)(3)(B)(i)).
  - If the Market Maker has not submitted a quote with a non-zero offer by the end of the Opening MMQ Time Parameter and there is a Legal Width Quote, the Exchange would conduct the Auction (proposed Rule 6.64P-O(d)(3)(B)(ii)).

- Proposed Rule 6.64P-O(d)(3)(C) would provide that if there are two or more Market Makers assigned to a series:
  - The Exchange would conduct the Auction, without waiting for the Opening MMQ Time Parameter to end, as soon as there is both a Legal Width Quote and at least two assigned Market Makers have submitted a quote with a non-zero offer (proposed Rule 6.64P-O(d)(3)(C)(i)).
  - If at least two Market Makers have not submitted a quote with a non-zero offer by the end of the Opening MMQ Time Parameter, the Exchange would begin a second Opening MMQ Time Parameter and that during the second Opening MMQ Time Parameter, the Exchange would conduct the Auction, without waiting for the second Opening MMQ Time Parameter to end, if there is both a Legal Width Quote and at least one Market Maker has submitted a quote with a non-zero offer (proposed Rule 6.64P-O(d)(3)(C)(ii)).
  - If no Market Maker has submitted a quote with a non-zero offer by the end of the second Opening MMQ Time Parameter and there is a Legal Width Quote, the Exchange would conduct the Auction (proposed Rule 6.64P-O(d)(3)(C)(iii)).

Proposed Rule 6.64P-O(d)(4) would provide that for the first five minutes of the Auction Process, if there is no Legal Width Quote, the Exchange would not conduct an Auction, even if there is Matched Volume. This proposed rule text provides transparency that when there is Matched Volume, the Exchange would not open a series if there is no Legal Width Quote.

The Exchange proposes new functionality for Pillar to allow the Exchange to open a series when there is a Calculated NBBO wider than the Legal Width Quote, provided that there is also no Matched Volume. As proposed, five minutes after the Auction Process begins:

- Proposed Rule 6.64P-O(d)(4)(A) would provide that if there is no Matched Volume and the Calculated NBBO is wider than the Legal Width Quote, is not crossed, and does not contain a zero offer, the Exchange would transition to continuous trading as described in paragraph (f) of this Rule. As further proposed, in such case, the Auction would result in a quote, provided that there may be an Auction trade even if there is no Legal Width Quote if orders or quotes arrive during the period when the Exchange is evaluating the status of orders and quotes.<sup>53</sup> The Exchange believes this proposed rule would provide an opportunity for more series to open for trading when there is a Calculated NBBO in a series that is wider than the Legal Width Quote and is not crossed and does not contain a zero offer.
- Proposed Rule 6.64P-O(d)(4)(A)(i) would provide that any time a series is opened or reopened when there is no Legal Width Quote, Market Orders and MOO Orders would not participate in the Auction and would be cancelled before the Exchange transitions to continuous trading.

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<sup>53</sup> The Exchange expects this to be a rare race condition that would result when the Exchange receives orders and quotes at virtually the same time it is evaluating whether it can open a series based on a wide Calculated NBBO and that as a result of that race condition, those new orders or quotes are marketable against contra-side interest at the same time that the Exchange concludes, based on interest that had previously been received, that it can open on a quote.

- Proposed Rule 6.64P-O(d)(4)(B) would provide that if the Exchange still cannot conduct an Auction, the Exchange would continue to evaluate both the Calculated NBBO and interest on the Consolidated Book until the earlier of: (i) a Legal Width Quote is established and an Auction can be conducted; (ii) the series can be opened as provided for in proposed Rule 6.64P-O(d)(4)(A); (iii) the series is halted; or (iv) the end of Core Trading Hours. The proposed rule provides transparency that the Exchange would continue to look for an opportunity to open a series based on changes to the Calculated NBBO or orders and quotes on the Consolidated Book.

Proposed Rule 6.64P-O(d)(5) would provide that the Exchange may deviate from the standard manner of the Auction Process, including adjusting the timing of the Auction Process in any option series or opening or reopening a series when there is no Legal Width Quote, when it believes it is necessary in the interests of a fair and orderly market. This proposed rule is based on Rule 6.64-O(b)(F) and is designed to provide the Exchange with flexibility to open a series even if there is no Legal Width Quote. For example, a Floor Broker may have a two-sided open outcry order. If the series is not opened, that trade could not be consummated. Accordingly, this proposed rule would allow the Exchange to open a series for trading to facilitate open outcry trading.

Order Processing during an Auction Processing Period. As described above, the Auction Processing Period is the abbreviated time period (i.e., generally measured in less than a second) when the Exchange conducts the Auction. For example, if there is a Legal Width Quote, Market Maker quotes, and Matched Volume, the Auction Processing Period is when that Matched Volume will trade at the Indicative Match Price. New orders and quotes received during the

Auction Processing Period would not be eligible to participate in an Auction. Because the Exchange will be using the same Pillar auction functionality for options trading that is used for its cash equity market, the Exchange proposes that proposed Rule 6.64P-O(e) would be based on Rule 7.35-E(g) and sub-paragraphs (1) and (2) with differences only to references quotes in addition to orders.

Accordingly, as proposed, during an Auction Processing Period, new order and quote messages received during the Auction Processing Period would be accepted but would not be processed until after the Auction Processing Period. As with Rule 7.35-E(g), for purposes of proposed Rule 6.64P-O(e) and (f), an "order instruction" would refer to a request to cancel, cancel and replace, or modify an order or quote.

As proposed, during the Auction Processing Period, order instructions would be processed as follows:

- An order instruction that arrives during the Auction Processing Period would not be processed until after the Auction Processing Period if it relates to an order or quote that was received before the Auction Processing Period. Any subsequent order instructions relating to such order would be rejected (proposed Rule 6.64P-O(e)(1)).
- An order instruction that arrives during the Auction Processing Period would be processed on arrival if it relates to an order that was received during the Auction Processing Period (proposed Rule 6.64P-O(e)(2)).

Transition to Continuous Trading. After the Auction Processing Period concludes, i.e., once the Auction is done, the Exchange transitions to continuous trading. During this transition, the way orders, quotes, and order instructions are processed differs depending on when such

messages arrived at the Exchange. Proposed Rule 6.64P-O(f) would describe how the Exchange would transition to continuous trading after the Auction Processing Period concludes, and is based on how the Exchange transitions to continuous trading on its cash equity market following a Trading Halt Auction, as described in Rule 7.35-E(h). The transition to continuous trading would proceed as follows.

Proposed Rule 6.64P-O(f)(1) would provide that orders that are no longer eligible to trade would be cancelled. This proposed rule text is based in part on Pillar terminology used in Rule 7.35-E(h)(1). For options trading, the only orders that would no longer be eligible to trade would be Auction-Only Orders.

Proposed Rule 6.64P-O(f)(2) would provide that order instructions would be processed as follows:

- An order instruction that arrives during the transition to continuous trading or the Auction Processing Period under paragraph (e)(1) of this Rule would be processed in time sequence with the processing of orders and quotes as specified in paragraphs (f)(3)(A) or (B) of this Rule if it relates to an order or quote that was received before the Auction Processing Period or that has already transitioned to continuous trading and any subsequent order instructions relating to such order or quote would be rejected (proposed Rule 6.64P-O(f)(2)(A)). This proposed rule text is based on Rule 7.35-E(h)(2)(A) without any substantive differences. This proposed rule text provides transparency regarding how order instructions that arrived during the Auction Processing Period would be processed if they relate to order or quotes that were received before the Auction Processing Period.

- An order instruction that arrives during the transition to continuous trading would be processed on arrival if it relates to an order or quote that was entered during either the Auction Processing Period or the transition to continuous trading and such order or quote has not yet transitioned to continuous trading (proposed Rule 6.64P-O(f)(2)(B)). This proposed rule text is based on Rule 7.35-E(h)(2)(B) without any substantive differences.

Proposed Rule 6.64P-O(f)(3) would set forth how orders and quotes would be processed during the transition to continuous trading following an Auction. The Exchange proposes that it would process Auction-eligible orders and quotes that were received before the Auction Processing Period and orders ranked Priority 3- Non-Display Orders received before a trading halt as follows:

- Proposed Rule 6.64P-O(f)(3)(A)(i) would provide that Limit Orders and quotes would be subject to the Limit Order Price Check, Arbitrage Check, and Intrinsic Value Check, as applicable. This proposed rule is new for Pillar, and is consistent with the proposed rule changes, described above, regarding when the Limit Order Price Check, Arbitrage Check, and Intrinsic Value Check would be applied against orders and quotes that were received during a pre-open state. The Exchange proposes to apply these checks to orders and quotes before they become eligible for trading or routing during continuous trading.
- Proposed Rule 6.64P-O(f)(3)(A)(ii) would provide that Limit Orders that are not cancelled and Market Orders would be subject to the Trading Collar assigned to it. This proposed rule is also consistent with the proposed changes to Trading

Collars, described above, that an order received during a pre-open state would be assigned a Trading Collar after an Auction concludes.

- Proposed Rule 6.64P-O(f)(3)(A)(iii) would provide that orders eligible to route that are marketable against Away Market Protected Quotations would route based on the ranking of such orders as set forth in Rule 6.76P-O(c). This proposed rule is based on Rule 7.35-E(h)(3)(A)(ii)(b) with non-substantive differences to use the term “Away Market Protected Quotations” instead of “protected quotations on Away Markets.”
- Proposed Rule 6.64P-O(f)(3)(A)(iv) would provide that after routing eligible orders, orders and quotes not eligible to route that are marketable against Away Market Protected Quotations would cancel. This proposed rule is based on Rule 7.35-E(h)(3)(A)(ii)(b) with non-substantive differences to use the term “Away Market Protected Quotations” instead of “protected quotations on Away Markets.”
- Proposed Rule 6.64P-O(f)(3)(A)(v) would provide that once there are no more unexecuted orders marketable against Away Market Protected Quotations, orders and quotes that are marketable against other orders and quotes in the Consolidated Book would trade or be repriced. This proposed rule is based on Rule 7.35-E(h)(3)(A)(ii)(c) with a clarifying, non-substantive difference to be clear that an order could be repriced based on this assessment. For example, an ALO Order that would be marketable against a contra-side order or quote on the Consolidated Book would be repriced as provided for in proposed Rule 6.62P-O(e)(2). The Exchange further notes that, similar to the Exchange’s cash equity

market, the Exchange could transition to continuous trading without any Matched Volume that trades at the Indicative Match Price, and yet still report a trade to OPRA before its first quote.<sup>54</sup> The Exchange would not consider a trade that occurs during the transition to continuous trading to be an Auction trade.

- Proposed Rule 6.64P-O(f)(3)(A)(vi) would provide that Market Orders received during a pre-open state would be subject to the validation specified in proposed Rule 6.62P-O(a)(1)(C). The Exchange notes that because such Market Orders would have been already received by the Exchange, if they fail one of those validations, they would be cancelled instead of rejected. This would be new rule text as compared to the Exchange's cash equity rules to reflect the validations that would be applicable to Market Orders for options trading on Pillar.
- Proposed Rule 6.64P-O(f)(3)(A)(vii) would provide that the display quantity of Reserve Orders would be replenished. This proposed rule is based on Rule 7.35-E(h)(3)(A)(ii)(d).
- Proposed Rule 6.64P-O(f)(3)(A)(viii) would describe the last step in this process, which is that the Exchange would send a quote to OPRA and proprietary data feeds representing the highest-priced bid and lowest-priced offer of any remaining unexecuted Auction-eligible orders and quotes that were received before the Auction Processing Period. This proposed rule is based on current cash equity functionality, as set forth in Rule 7.35-E(h)(3)(a)(ii).

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<sup>54</sup> For example, as described in proposed Rule 6.62P-O(d)(4)(A), if there is no Legal Width Quote, after five minutes, the Exchange could open a series for trading if there is no Matched Volume and would transition to continuous trading as described in proposed Rule 6.62P-O(f).

Although the functionality would be the same for both markets, for options traded on the Exchange, the Exchange proposes to describe this aspect of the process in sequence, and reference both orders and quotes. The Exchange notes that this quote would be different than the Rotational Quote sent at the beginning of the Auction Process as it could be comprised of both orders and quotes.

Proposed Rule 6.64P-O(f)(3)(B) would provide that next, orders ranked Priority 3 - Non-Display Orders that were received during a pre-open state would be assigned a new working time in time sequence relative to one another based on original entry time and would be subject to the Limit Order Price Check, Arbitrage Check, and Intrinsic Value Check, as applicable, and if not cancelled, would be traded or repriced. This proposed functionality would be new for Pillar and applicable only for options traded on the Exchange. Even though orders ranked Priority 3 - Non-Display Orders would not be eligible to trade in an Auction (other than the reserve interest of Reserve Orders), the Exchange proposes to accept such orders during a pre-open state. These orders would transition to continuous trading after orders and quotes that were eligible to trade in an Auction would have transitioned to continuous trading, as described above in proposed Rule 6.64P-O(f)(3)(A)(i) - (viii). The Exchange believes that waiting to process non-displayed orders in this sequence would ensure that there is an NBBO against which such orders could be priced, as described in proposed Rule 6.62P-O(d) above.

Proposed Rule 6.64P-O(f)(3)(C) would provide that next, orders and quotes that were received during the Auction Processing Period would be assigned a new working time in time sequence relative to one another based on original entry time and would be subject to the Limit Order Price Check, Pre-Trade Risk Controls, Arbitrage Check, Intrinsic Value Check, and validations specified in proposed Rule 6.62P-O(a)(1)(A), as applicable, and if not cancelled

would be processed consistent with the terms of the order or quote. This proposed rule text is designed to reflect that even though orders and quotes were received during the Auction Processing Period, they would not be subjected to these validations until after the Exchange has transitioned to continuous trading, and that if they fail these validations, such orders or quotes would be cancelled instead of rejected. This proposed rule text is based in part on Rule 7.35-E(h)(3)(B) with differences to reflect the validations that would be applicable to orders and quotes for options trading.

Proposed Rule 6.64P-O(f)(3)(D) would further provide that when transitioning to continuous trading:

- The display price and working price of orders and quotes would be adjusted based on the contra-side interest in the Consolidated Book or Away Market NBBO, as provided for in Rule 6.62P-O (proposed Rule 6.64P-O(f)(3)(D)(i)). This proposed rule is based in part on Rule 7.35-E(h)(3)(C) with differences to reflect that for options trading, the display price or working price of an order may be adjusted based either on contra-side interest on the Consolidated Book or the Away Market NBBO.
- The display price and working price of a Day ISO would be adjusted in the same manner as a Non-Routable Limit Order until the Day ISO is either traded in full or displayed at its limit price and the display price and working price of a Day ISO ALO would be adjusted in the same manner as an ALO Order until the Day ISO ALO is either traded in full or displayed at its limit price (proposed Rule 6.64P-O(f)(3)(D)(ii)). This proposed rule is based in part on Rule 7.35-E(h)(3)(D) with differences to reflect how a Day ISO ALO would be processed.

Proposed Rule 6.64P-O(g) would describe order processing during a trading halt. The proposed rule is based in part on Rule 7.18-E(c) with differences to reflect how options would trade on Pillar. As proposed, the Exchange would process new and existing orders and quotes in a series during a trading halt as follows:

- Maintain any unexecuted portion of orders ranked Priority 3 - Non-Display Orders (proposed Rule 6.64P-O(g)(1)). This proposed rule would be unique to options traded on the Exchange because the Exchange cancels non-displayed orders on its cash equity market during a trading halt (see, e.g., Rule 7.18-E(c)(1)).
- Cancel any unexecuted quantity of orders displayed at a Trading Collar and Market Maker quotes (proposed Rule 6.64P-O(g)(2)). This proposed rule would be unique for options traded on the Exchange. The Exchange proposes to cancel resting Market Maker quotes during a trading halt, but as noted below, would accept new Market Maker quotes during a trading halt, which would be the basis for the Rotational Quote that would be published for a Trading Halt Auction. The Exchange also proposes to cancel any unexecuted quantity of orders displayed at a Trading Collar because such orders would have already been subject to a 500-millisecond timer, which would have ended during a trading halt.
- Re-price all other resting orders on the Consolidated Book to their limit price. The repricing of a Non-Routable Limit Order, ALO Order, or Day ISO ALO to its limit price during a trading halt would not be counted toward the number of times such order may be repriced and any subsequent repricing of such order during the transition to continuous trading would be permitted as the additional repricing

event as provided for in Rule 6.62P-O(e)(1)(B) and (e)(2)(C) (proposed Rule 6.64P-O(g)(3)). As described above, once resting, a Non-Routable Limit Order, ALO Order, or Day ISO ALO that was repriced on arrival is eligible to be repriced only one additional time. This proposed rule provides transparency that the repricing of such orders to their limit price during a trading halt would not count towards that “one” additional repricing, but that any subsequent repricing after the Auction concludes would count.

- Accept and process all cancellations (proposed Rule 6.64P-O(g)(4)). This proposed rule is based on Rule 7.18-E(c)(4) without any differences.
- Reject Incoming Limit Orders designated IOC or FOK (proposed Rule 6.64P-O(g)(5)). This proposed rule is based in part on Rule 7.18-E(c)(5) with a difference to add orders designated FOK and not include non-displayed orders.
- Accept all other incoming order and quote messages and instructions until the Auction Processing Period for the Trading Halt Auction, at which point, paragraph (e) of proposed Rule 6.64P-O would govern the entry of incoming orders, quotes, and order instructions (proposed Rule 6.64P-O(g)(6)). This proposed rule is based on Rule 7.18-E(c)(6) with non-substantive differences to cross reference the options rule relating to the transition to continuous trading.
- Disseminate a zero bid and zero offer quote to OPRA and proprietary data feeds (proposed Rule 6.64P-O(g)(7)). This proposed rule is based on current functionality and is designed to promote clarity and transparency in Exchange rules that when a trading halt begins, the Exchange will “zero” out the Exchange’s BBO.

Finally, proposed Rule 6.64P-O(h) would provide that whenever in the judgment of the Exchange the interests of a fair and orderly market so require, the Exchange may adjust the timing of or suspend the Auctions set forth in this Rule with prior notice to ATP Holders. This proposed rule is based on Rule 7.35-E(i) without any differences.

In connection with proposed Rule 6.64P-O, the Exchange proposes to add the following preamble to Rule 6.64-O: “This Rule will not be applicable to trading on Pillar.” This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 6.64-O would not be applicable to trading on Pillar.

As discussed above, because of the technology changes associated with the migration to the Pillar trading platform, subject to approval of this proposed rule change, the Exchange will announce by Trader Update when rules with a “P” modifier will become operative and for which symbols. The Exchange believes that keeping existing rules on the rulebook pending the full migration of Pillar will reduce confusion because it will ensure that the rules governing trading on the OX system will continue to be available pending the full migration to Pillar.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>55</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>56</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the

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<sup>55</sup> 15 U.S.C. 78f(b).

<sup>56</sup> 15 U.S.C. 78f(b)(5).

public interest. The Exchange believes that the proposed rules to support Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rules would promote transparency in Exchange rules by using consistent terminology governing trading on both the Exchange's cash equity and options trading platforms, thereby ensuring that members, regulators, and the public can more easily navigate the Exchange's rulebook and better understand how options trading is conducted on the Exchange.

Generally, the Exchange believes that adding new rules with the modifier "P" to denote those rules that would be operative for the Pillar trading platform would remove impediments to and perfect the mechanism of a free and open market and a national market system by providing transparency of which rules would govern trading once a symbol has been migrated to the Pillar platform. The Exchange similarly believes that adding a preamble to those current rules that would not be applicable to trading on Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency regarding which rules would govern trading on the Exchange during and after the transition to Pillar.

In addition, the Exchange believes that incorporating functionality currently available on the Exchange's cash equity market for options trading would remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange would be able to offer consistent functionality across both its options and cash equity trading platforms, adapted as applicable for options trading. Accordingly, with the transition to Pillar, the Exchange will be able to offer additional features to its OTP Holders and OTP Firms that are currently available only on the Exchange's cash equity platform. For similar reasons, the Exchange believes that using Pillar terminology for the proposed new rules would remove

impediments to and perfect the mechanism of a free and open market and a national market system because it would promote consistency in the Exchange's rules across both its options and cash equity platforms.

#### Definitions and Applicability

The Exchange believes that the proposed amendments to Rule 1.1, including moving definitions from Rule 6.1-O and Rule 6.1A-O to Rule 1.1, 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 promote clarity and transparency in Exchange rules by consolidating into Rule 1.1 definitions relating to both cash equity and options trading. The Exchange believes that the proposed changes to eliminate obsolete definitions and make non-substantive edits to existing definitions would further remove impediments to and perfect the mechanism of a free and open market and a national market system because it would ensure that the definitions used in Exchange rules are updated and consistent. Finally, the Exchange believes that organizing Rule 1.1 alphabetically and eliminating sub-paragraph numbering would make the proposed rules easier to navigate.

The Exchange further believes that proposed new Rule 6.1P-O relating to applicability would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule would include those elements of current Rule 6.1-O that would remain applicable and eliminates duplicative text that would no longer be necessary after the transition to Pillar. The Exchange further notes that proposed Rule 6.1P-O is similar to NYSE American Rule 900.1NY.

### Order Ranking and Display

The Exchange believes that proposed new Rule 6.76P-O would remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange is not proposing substantive changes to how the Exchange would rank and display orders and quotes on Pillar as compared to the OX system. Rather, the proposed revisions to the Exchange's options trading rules 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 simplify the structure of the Exchange's options rules and use consistent Pillar terminology for both cash equity and options trading, without changing the underlying functionality. For example, the Exchange believes the proposed definitions set forth in Rule 6.76P-O, i.e., display price, limit price, working price, working time, and Aggressing Order/Aggressing Quote, would promote transparency in Exchange rules and make them easier to navigate because these proposed definitions would be used in other proposed Pillar options trading rules. The Exchange notes that these proposed definitions are consistent with the definitions set forth in Rule 7.36-E for cash equity trading with differences only as necessary to address functionality associated with options trading that are not applicable to cash equity trading, e.g., reference to quotes.

The Exchange further believes that moving descriptions of order type behavior, which are currently set forth in Rule 6.76-O, to proposed Rule 6.62P-O, and therefore not include such detail in proposed Rule 6.76P-O, would make Exchange rules easier to navigate because information regarding how a specific order type would operate would be in a single location in the Exchange's rulebook. The Exchange notes that this proposed structure is consistent with the Exchange's cash equity rules, which similarly set forth information relating to an order type's

ranking in Rule 7.31-E. Moreover, the Exchange is not proposing any functional changes to how it would rank and display orders and quotes on Pillar as compared to the OX system.

#### Order Execution and Routing

The Exchange believes that proposed new Rule 6.76AP-O would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule would set forth a price-time priority model for Pillar that is substantively the same as the Exchange's current price-time priority model as set forth in Rule 6.76A-O. The proposed differences as compared to Rule 6.76A-O are designed to use Pillar terminology that is based in part on Rule 7.37-E, if applicable, without changing the functionality that is currently available for options trading.

The Exchange believes that the proposed modifications to the LMM Guarantee would remove impediments to and perfect the mechanism of a free and open market and a national market system because it provides clarity of how multiple quotes from an LMM would be allocated. The Exchange similarly believes that eliminating Directed Order Market Makers and Directed Orders would remove impediments to and perfect the mechanism of a free and open market and a national market system because these features are not currently used on the Exchange, and therefore eliminating Directed Orders and Directed Order Market Makers would streamline the Exchange's rules. The Exchange notes that the remaining differences in proposed Rule 6.76AP-O relating to the LMM Guarantee are designed to promote clarity and transparency in Exchange rules and would not introduce new functionality.

The Exchange believes that the structure and content of the rule text in proposed Rule 6.76AP-O promotes transparency by using consistent Pillar terminology. The Exchange also believes that adding more detail regarding current functionality in new Rule 6.76AP-O, as

described above, would promote transparency by providing notice of when orders would be executed or routed by the Exchange.

### Orders and Modifiers

The Exchange believes that proposed new Rule 6.62P-O would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would use existing Pillar terminology to describe the order types and modifiers that would be available on the Exchange's options Pillar trading system. As noted above, the Exchange proposes to offer order types and modifiers that are either based on existing order types available on the OX system as described in Rule 6.62-O, or orders and modifiers available on the Exchange's cash equity trading platform, as described in Rule 7.31-E. The Exchange believes that structuring proposed Rule 6.62P-O based on the structure of Rule 7.31-E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency and consistency in the Exchange's rulebook.

In addition to the terminology changes to describe the order types and modifiers that are currently available on the Exchange, the Exchange further believes that the order types and modifiers proposed for options trading on Pillar that either differ from order types and modifiers available on the OX system or that would be new would remove impediments to and perfect the mechanism of a free and open market and national market system because:

- Market Orders on Pillar would function similarly to how Market Orders function under current options trading rules, including being subject to Trading Collars, with additional proposed functionality that is designed to ensure that Market Orders do not execute either when there is no prevailing market in a series, or if the displayed prices are too wide to assure a fair and orderly execution of a

Market Order. The Exchange believes that the proposed rule describing Market Orders would promote transparency by providing notice of when a Market Order would be subject to such validations.

- The Exchange is not proposing any new or different behavior for Limit Orders than is currently available for options trading on the Exchange, other than the application of Limit Order Price Protection and Trading Collars, which would differ on Pillar. The Exchange believes using Pillar terminology based on Rule 7.31-E(a)(2) to describe Limit Orders would promote consistency and clarity in Exchange rules.
- The proposed Limit Order Price Protection functionality is based in part on the existing “Limit Order Filter” for orders and price protection filters for quotes because an order or quote would be rejected if it is priced a specified percentage away from the contra-side NBB or NBO. The proposed Limit Order Price Protection functionality is also based in part on the functionality available on the Exchange’s cash equity trading platform, and therefore is not novel. The Exchange believes that using the same mechanism for both orders and quotes would simplify the operation of the Exchange and achieve similar results as the current rules, which is to reject an order or quote that is priced too far away from the prevailing market. The Exchange believes that re-applying Limit Order Price Protection after an Auction concludes would ensure that Limit Orders and quotes continue to be priced consistent with the prevailing market, and that using an Auction Price (if available, and if not available, Auction Collars, and if not available, the NBBO) to assess Limit Orders and quotes after an Auction

concludes would ensure that the Exchange would be applying the most recent price in a series in assessing whether such orders or quotes should be cancelled.

- The proposed Trading Collar functionality is based in part on how trading collars currently function on the Exchange because the proposed functionality would create a ceiling or floor price at which an order could be traded or routed. The proposed Pillar Trading Collar functionality is designed to simplify the process by applying a static ceiling price (for buy orders) or floor price (for sell orders) at which such order could be traded or routed that would be applicable to the order until it is traded or cancelled. The Exchange believes that the proposed functionality would provide greater determinism to an OTP Holder or OTP Firm of the Trading Collar that would be applicable to its orders and when such orders may be cancelled if it reaches its Trading Collar.
- The Exchange is not proposing any new or different Time-in-Force modifiers than are currently available for options trading on the Exchange. The Exchange believes using Pillar terminology based on Rule 7.31-E(b) to describe the time-in-force modifiers would promote consistency and clarity in Exchange rules.
- Auction-Only Orders, and specifically, the proposed MOO and LOO Orders, would operate no differently than how “Opening-Only Orders” currently function on the OX system. The Exchange proposes non-substantive differences to use Pillar terminology that is based on Rule 7.31-E(c) terminology. The Exchange further believes that offering its IO Order type, which is currently available for Trading Halt Auctions on the Exchange’s cash equity platform, for Auctions on

the options trading platform would provide OTP Holders and OTP Firms with new, optional functionality to offset an Imbalance in an Auction.

- The Exchange would continue to offer Reserve Orders, AON Orders, Stop Orders, and Stop Limit Orders, which are currently available on the OX system. The proposed differences to Reserve Orders for options trading would harmonize with how Reserve Orders function on the Exchange's cash equity market, with changes as applicable to address options trading (e.g., no round lot/odd lot concept for options trading). The proposed changes to AON Orders would provide greater execution opportunities for such orders by allowing them to be integrated in the Consolidated Book and once resting, trade with incoming orders and quotes. The changes are also based on how orders with an MTS Modifier, which are also conditional orders, function on the Exchange's cash equity market. The proposed differences for Stop Orders and Stop Limit Orders are designed to promote transparency by providing clarity of circumstances when either order may be elected. Finally, the Exchange believes that offering Non-Displayed Limit Orders for options trading on Pillar, which are available on the Exchange's cash equity platform, would provide additional, optional trading functionality for OTP Holders and OTP Firms. The Exchange notes that the proposed Non-Displayed Limit Order would function similarly to how a PNP Blind Order that locks or crosses the contra-side NBBO would be processed because in such circumstances, a PNP Blind Order is not displayed. A Non-Displayed Limit Order would differ from a PNP Blind Order only because it would never be displayed, even if its limit price doesn't lock or cross the contra-side NBBO.

- The Exchange believes that the proposed orders (and quotes) with instructions not to route (i.e., Non-Routable Limit Order, ALO Order, and ISOs) would streamline the offerings available for options trading on the Exchange by making the functionality the same for both orders and quotes and consolidating the description of non-routable orders and quotes in proposed Rule 6.62P-O(e). The Exchange believes that using Pillar terminology, including order type names, that is based on the terminology used for cash equity trading will promote clarity and consistency across the Exchange's cash equity and options trading platforms. The Exchange believes that the proposed Non-Routable Limit Order is not novel because it is based on how the PNP, RPNP, and MMRP orders and quotes currently function on the OX system. The Exchange believes that the proposed differences would provide OTP Holders and OTP Firms with greater determinism of when such orders or quotes may be repriced or be cancelled, including providing additional opportunities to cancel such orders. Similarly, the proposed ALO Order is not novel because it is based in part on how the RALO and MMLO orders and quotes currently function on the OX system. Finally, the proposed IOC ISO is not novel for options trading on the Exchange. The proposed DAY ISO and DAY ISO ALO functionality would be new for options trading and are based in part on how such order types function in the Exchange's cash equity market. In addition, the proposed DAY ISO functionality is consistent with existing Rule 6.95-O(b)(3), which currently provides an exception to locking or crossing an Away Market Protected Quotation if the OTP Holder or OTP Firm simultaneously routed an ISO to execute against the full displayed size of any

locked or crossed Protected Bid or Protected Offer. The Exchange notes that this exception is not necessary for IOC ISOs because such orders would never be displayed at a price that would lock or cross a Protected Quotation; they cancel if they cannot trade. Accordingly, this existing exception in the Exchange's rules contemplates an ISO that would be displayed, which would mean it would need a time-in-force modifier of "Day." In addition, Day ISOs are available for options trading on other options exchanges, and therefore are not novel.<sup>57</sup>

- The Exchange believes that the proposed additional detail defining Complex Orders to define the "legs" and "components" of such orders would promote transparency in Exchange rules.
- On Pillar, the only electronically-entered crossing orders would be QCC Orders, which is consistent with current functionality. The Exchange believes that the proposed non-substantive differences, including using Pillar terminology and consolidating rule text relating to QCC Orders in proposed Rule 6.62P-O, would promote transparency and clarity in Exchange rules. In addition, the Exchange believes that the proposed descriptions of how a QCC Order priced at the market would be traded would provide transparency regarding at which price such orders would trade.
- The Exchange believes that moving the descriptions of orders available only in open outcry from Rule 6.62-O to proposed Rule 6.62P-O(h) would ensure that these order types remain in the rulebook after the transition to Pillar is complete. For CTB Orders, the Exchange believes that the proposed substantive difference

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<sup>57</sup> See supra notes 39, 40.

on Pillar to allow a CTB Order to satisfy any displayed interest (including non-Customer interest) at better prices than the latest-arriving displayed Customer interest would increase execution opportunities and achieve the goal of a CTB Order, which is to clear priority on the Consolidated Book for orders executed in open outcry. The Exchange also believes that codifying this order type and the associated regulatory obligations would add clarity and transparency in Exchange rules.

- The proposed Proactive if Locked/Crossed Modifier, STP Modifier, and MTS Modifier are not novel and are based on the Exchange's current cash equity modifiers of the same name. The Exchange believes that extending the availability of these existing modifiers to options trading would provide OTP Holders and OTP Firms with additional, optional functionality that is not novel and is based on existing Exchange rules. The Exchange further believes that extending the availability of STP Modifiers to all orders, and not just Market Maker orders and quotes, would provide additional protections for OTP Holders and OTP Firms.

#### Market Maker Quotations

The Exchange believes that proposed Rule 6.37AP-O would remove impediments to and perfect the mechanism of a free and open market and a national market system because it is based on current Rule 6.37A-O, with such changes as necessary to use Pillar terminology. The Exchange believes that consolidating functionality for orders and quotes, and cross referencing Non-Routable Limit Orders and ALO Orders in proposed Rule 6.37AP-O, rather than restating

how quotations would be processed in proposed Rule 6.37AP-O, would streamline the Exchange's rules and promote transparency and consistency.

#### Pre-Trade and Activity-Based Risk Controls

The Exchange believes that the proposed Rule 6.40P-O, setting forth pre-trade and activity-based risk controls, would remove impediments to and perfect the mechanism of a free and open market and a national market system and promote just and equitable principles of trade because the proposed functionality would incorporate existing activity-based risk controls, without any substantive differences, and augment them with additional pre-trade risk controls and related functionality that are based on the pre-trade risk controls currently available on the Exchange's cash equity trading platform. The Exchange believes that the proposed differences are designed to provide greater flexibility to OTP Holders and OTP Firms in how to set risk controls for both orders and quotes. In addition, the Exchange believes that aggregating a Market Maker's quotes and orders for purposes of calculating activity-based risk controls would better reflect the aggregate risk that a Market Maker has with respect to its quotes and orders. The proposed kill switch functionality would also provide OTP Holders and OTP Firms with greater flexibility to provide bulk instructions to the Exchange with respect to cancelling existing orders and quotes and blocking new orders and quotes.

#### Price Reasonability Checks - Orders and Quotes

The Exchange believes that the proposed Rule 6.41P-O, setting forth Price Reasonability Checks, would remove impediments to and perfect the mechanism of a free and open market and a national market system because they are based on existing functionality, with differences designed to use Pillar terminology and promote consistency and transparency in Exchange rules. Specifically, on Pillar, the Exchange proposes to apply the same types of Price Reasonability

Checks to both orders and quotes, and therefore proposes to describe those checks in a single rule - proposed Rule 6.41P-O. The proposed rule also provides specificity regarding when the Price Reasonability Checks would be applied to an order or quote, which would promote transparency and clarity in Exchange rules.

### Auction Process

The Exchange believes that proposed Rule 6.64P-O would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule maintains the fundamentals of an auction process that is tailored for options trading while at the same time enhancing the process by incorporating Pillar auction functionality that is currently available on the Exchange's cash equity platform, as described in Rule 7.35-E. For example, the Exchange proposes to augment the imbalance information that would be disseminated in advance of an Auction to include fields available on the Exchange's cash equity market (e.g., Book Clearing Price and Far Clearing Price) as well as information specific to options trading (e.g., Auction Collars based on a Legal Width Quote and Auction Indicator). The Exchange believes that the proposed Auction Imbalance Information would promote transparency to market participants in advance of an Auction. The Exchange also proposes to transition to continuous trading following an Auction in a manner similar to how the Exchange's cash equity market transitions to continuous trading following a cash equity Trading Halt Auction, including how orders and quotes that are received during an Auction Processing Period would be processed, which the Exchange believes would promote consistency across the Exchange's options and cash equity trading platforms. Because the Exchange would be harnessing Pillar technology to support Auctions for options trading, the Exchange believes that

structuring proposed Rule 6.64P-O based on Rule 7.35-E would promote transparency in the Exchange's trading rules.

The Exchange further believes that the proposed Auction Process for options trading on Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed process is based on the current options auction process, including that orders are matched based on price-time priority and that an Auction would not be conducted if the bid-ask differential is not within an acceptable range. As proposed, the Auction Process on Pillar would begin with the proposed Rotational Quote, which would provide notice not only of when the process would begin, but also whether Market Makers on the Exchange have quoted in a series. The Exchange believes that the proposed Opening MMQ Time Parameter would promote transparency in Exchange rules of when the Exchange could open a series, including circumstances of when the Exchange would wait to provide Market Makers time to submit a two-sided quotation in a series and when the Exchange would proceed with opening or reopening a series based on a Legal Width Quote even if there are no Market Maker quotes in that series. The proposed rule would also provide transparency of when the Exchange would open or reopen a series for trading when the Calculated NBBO is wider than the Legal Width Quote for the series. The Exchange believes that the proposed process is designed to provide opportunities for a series to open or reopen, while at the same time preserving the existing requirement that a series would not open on a trade if there is no Legal Width Quote.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a competitive market and regularly competes with other options exchanges

for order flow. The Exchange believes that the transition to Pillar would promote competition among options exchanges by offering a low-latency, deterministic trading platform. The proposed rule changes would support that inter-market competition by allowing the Exchange to offer additional functionality to its OTP Holders and OTP Firms, thereby potentially attracting additional order flow to the Exchange. Otherwise, the proposed changes are not designed to address any competitive issues, but rather to amend the Exchange's rules relating to options trading to support the transition to Pillar. As discussed in detail above, with this rule filing, the Exchange is not proposing to change its core functionality regarding its price-time priority model, and in particular, how it would rank, display, execute or route orders and quotes. Rather, the Exchange believes that the proposed rule changes would promote consistent use of terminology to support both options and cash equity trading on the Exchange, making the Exchange's rules easier to navigate. The Exchange does not believe that the proposed rule changes would raise any intra-market competition as the proposed rule changes would be applicable to all OTP Holders and OTP Firms, and reflects the Exchange's existing price-time priority model, including existing LMM Guarantee, without proposing any substantive changes.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

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

- (A) by order approve or disapprove the proposed rule change, or

- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2021-47 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-2021-47. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2021-47 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>58</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>58</sup> 17 CFR 200.30-3(a)(12).