Pursuant to Section 19(b)(1)\(^1\) of the Securities Exchange Act of 1934 ("Act")\(^2\) and Rule 19b-4 thereunder,\(^3\) notice is hereby given that on August 9, 2018, NYSE National, Inc. ("Exchange" or "NYSE National") filed with the Securities and Exchange Commission ("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 to amend Rule 7.31 relating to Reserve Orders and re-name two order types. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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


\(^3\) 17 CFR 240.19b-4.
C below, of the most significant parts of such statements.

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

1. **Purpose**

The Exchange proposes to amend Rule 7.31 relating to Reserve Orders and re-name two order types.

**Background**

Rule 7.31(d)(1) defines a Reserve Order as a Limit or Inside Limit Order with a quantity of the size displayed and with a reserve quantity of the size (“reserve interest”) that is not displayed. The displayed quantity of a Reserve Order is ranked Priority 2 - Display Orders and the reserve interest is ranked Priority 3 - Non-Display Orders. Rule 7.31(d)(1)(A) provides that on entry, the display quantity of a Reserve Order must be entered in round lots and the displayed portion of a Reserve Order will be replenished following any execution. That rule further provides that the Exchange will display the full size of the Reserve Order when the unfilled quantity is less than the minimum display size for the order. Rule 7.31(d)(1)(B) provides that each time a Reserve Order is replenished from reserve interest, a new working time is assigned to the replenished quantity of the Reserve Order, while the reserve interest retains the working time of original order entry. Pursuant to Rule 7.31(d)(1)(C), a Reserve Order must be designated Day and may be combined with a Limit Non-Routable Order or a Primary Pegged Order.

Rule 7.31(d)(2) defines a “Limit Non-Displayed Order,” which is a Limit Order that is not displayed and does not route. Rule 7.31(e)(1) defines a “Limit Non-Routable Order,” which is a Limit Order that does not route.

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4 The terms “Priority 2 - Display Orders” and “Priority 3 - Non-Display Orders” are defined in Rule 7.36(e).
Proposed Rule Change Relating to Order Type Names

The Exchange proposes non-substantive amendments to Rules 7.31 and 7.46 to re-name the “Limit Non-Routable Order” as the “Non-Routable Limit Order.” This proposed rule change is based on the term used by the Exchange’s affiliate, NYSE American LLC (“NYSE American”) for the same order type.

The Exchange also proposes non-substantive amendments to Rules 7.31 and 7.46 to re-name the “Limit Non-Displayed Order” as the “Non-Displayed Limit Order.” In both cases, the Exchange believes that it promotes clarity and consistency in its rules to move the respective modifier for each of these rules before the term “Limit Order.”

Proposed Rule Change Relating to Reserve Orders

The Exchange proposes to amend Rule 7.31(d)(1) to change the manner by which the display portion of a Reserve Order would be replenished. As proposed, rather than replenishing the display quantity following any execution, the Exchange proposes to replenish the Reserve Order when the display quantity is decremented to below a round lot. The changes that the Exchange is proposing to Rule 7.31 relating to Reserve Orders (and Primary Pegged Orders) are identical to changes that were recently approved for the Exchange’s affiliate, New York Stock Exchange LLC (“NYSE”). In addition, the proposed changes to how Reserve Orders would be replenished are consistent with how Reserve Orders are replenished on other equity exchanges.

As is currently the case, the replenish quantity would be the minimum display size of the order or the remaining quantity of reserve interest if it is less than the minimum display quantity.

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6 See Cboe BZX Exchange, Inc. (“BZX”) Rule 11.9(c)(1); Nasdaq Stock Market LLC (“Nasdaq”) Rule 7503(h).
To reflect this functionality, the Exchange proposes that Rule 7.31(d)(1)(A) would be amended as follows (deleted text bracketed; new text underlined):

(A) On entry, the display quantity of a Reserve Order must be entered in round lots. The displayed portion of a Reserve Order will be replenished when the display quantity is decremented to below a round lot. The replenish quantity will be the minimum display quantity of the order or the remaining quantity of the reserve interest if it is less than the minimum display quantity following any execution. The Exchange will display the full size of the Reserve Order when the unfilled quantity is less than the minimum display size for the order].

Under current functionality, because the replenished quantity is assigned a new working time, it is feasible for a single Reserve Order to have multiple replenished quantities with separate working times, each, a “child” order. The proposed change to limit when a Reserve Order would be replenished to when the display quantity is decremented to below a round lot only would reduce the number of child orders for a Reserve Order. The Exchange believes that minimizing the number of child orders for a Reserve Order would reduce the potential for market participants to detect that a child order displayed on the Exchange’s proprietary market data feeds is associated with a Reserve Order.

In most cases, the maximum number of child orders for a Reserve Order would be two. For example, assume a Reserve Order to buy has a display quantity of 100 shares and an additional 200 shares of reserve interest. A sell order of 50 shares would trade with the display quantity of such Reserve Order, which would decrement the display quantity to 50 shares. As proposed, the Exchange would then replenish the Reserve Order with 100 shares from the reserve interest, i.e., the minimum display size for the order. After this second replenishment,
the Reserve Order would have two child orders, one for 50 shares, the other for 100 shares, each with different working times.

Generally, when there are two child orders, the older child order of less than a round lot will be executed before the second child order. However, there are limited circumstances when a Reserve Order could have two child orders that equal less than a round lot, which, as proposed, would trigger a replenishment. For such circumstance, the Exchange proposes that when a Reserve Order is replenished from reserve interest and already has two child orders that equal less than a round lot, the child order with the later working time would be reassigned the new working time assigned to the next replenished quantity.

For example, taking the same Reserve Order as above:

- If 100 shares of such order (“A”) are routed on arrival, it would have a display quantity of 100 shares (“B”) and 100 shares in reserve interest.
- While “A” is routed, a sell order of 50 shares would trade with “B,” decrementing “B” to 50 shares and the Reserve Order would be replenished from reserve interest, creating a second child order “C” of 100 shares.
- Next, the Exchange receives a request to reduce the size of the Reserve Order from 300 shares to 230 shares. Because “A” is still routed away and there is no reserve interest, and as described in more detail below, this 70 share reduction in size would be applied against the most recent child order of “C,” which would be reduced to 30 shares. Together with “B,” which would still be 50 shares, the two displayed child orders would equal less than a round lot, but with no quantity in reserve interest.
- Next, “A” is returned unexecuted, and as described below, becomes reserve
interest and is evaluated for replenishment. Because the total display quantity
(“B” + “C”) is less than a round lot, this Reserve Order would be replenished.
But because the Reserve Order already has two child orders, the child order with
the later working time, “C,” would be returned to the reserve interest, which
would now have a quantity of 130 shares (“C” + “A”), and the Reserve Order
would be replenished with 100 shares from the reserve interest with a new
working time, which would be a new child order “D.”

- After this replenishment, this Reserve Order would have two child orders of “B”
  for 50 shares and “D” for 100 shares, and a reserve interest of 30 shares.

To effect these changes, the Exchange proposes to amend current Rule 7.31(d)(1)(B) to
specify that each display quantity of a Reserve Order with a different working time would be
referred to as a child order. The Exchange further proposes new Rule 7.31(d)(1)(B)(i) that
would provide that when a Reserve Order is replenished from reserve interest and already has
two child orders that equal less than a round lot, the child order with the later working time
would rejoin the reserve interest and be assigned the new working time assigned to the next
replenished quantity.

The Exchange also proposes new Rule 7.31(d)(1)(B)(ii) to provide that if a Reserve
Order is not routable (i.e., is combined with either a Non-Routable Limit Order or a Primary
Pegged Order), the replenish quantity would be assigned a display and working price consistent
with the instructions for the order, which represents current functionality. For example, for a
Non-Routable Limit Reserve Order, if the display price would lock or cross the contra-side
PBBO, the replenished quantity would be assigned a display price one MPV worse than the
PBBO and a working price equal to the contra-side PBBO, as provided for in Rule
The Exchange believes that this proposed rule text would provide transparency and clarity to Exchange rules.

For a Primary Pegged Reserve Order, the Exchange proposes that the replenished quantity would follow Rule 7.31(h)(2)(B), which provides that a Primary Pegged Order would be rejected if the PBBO is locked or crossed. Because a Primary Pegged Reserve Order would have resting reserve interest, the Exchange proposes to amend Rule 7.31(h)(2)(B) to provide that if the PBBO is locked or crossed when the display quantity of a Primary Pegged Reserve Order is replenished, the entire order would be cancelled. The Exchange believes that cancelling the entire order is consistent with the current rule that provides that the entire order would be rejected on arrival if the display quantity would lock or cross the PBBO.

The Exchange further proposes to add new subsection (D) to Rule 7.31(d)(1) to describe when a Reserve Order would be routed. As proposed, a routable Reserve Order would be evaluated for routing both on arrival and each time the display quantity is replenished.

Proposed Rule 7.31(d)(1)(D)(i) would provide that if routing is required, the Exchange would route from reserve interest before publishing the display quantity. In addition, if after routing, there is less than a round lot available to display, the Exchange would wait until the routed quantity returns (executed or unexecuted) before publishing the display quantity. In the example described above, the Exchange would have published the display quantity before the routed quantity returned because the display quantity was at least a round lot. If, however, 250 shares of a Reserve Order of 300 shares had been routed on arrival, because the unrouted quantity was less than a round lot (50 shares), the Exchange would wait for the routed quantity to return, either executed or unexecuted, before publishing the display quantity.

The term “PBBO” is defined in Rule 1.1. The term “MPV” is defined in Rule 7.6.
The Exchange proposes this functionality to reduce the possibility for a Reserve Order to have more than one child order. If the Exchange did not wait, and instead displayed the 50 shares when the balance of the Reserve Order has routed, if the 250 shares returns unexecuted, such Reserve Order would be replenished and would have two child orders - one for the 50 shares that was displayed when the order was entered and a second for the 100 shares that replenished the Reserve Order from the quantity that returned unexecuted. By contrast, by waiting for a report on the routed quantity, if the routed quantity was not executed, the Exchange would display the minimum display quantity as a single child order. If the routed quantity was executed, the Exchange would display the 50 shares, but only because that would be the full remaining quantity of the Reserve Order.

Proposed Rule 7.31(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, which is current functionality. If there is no quantity of reserve interest to join, the returned quantity would be assigned a new working time as reserve interest. As further proposed, in either case, such reserve interest would replenish the display quantity as provided for in Rules 7.31(d)(1)(A) and (B). The Exchange believes that this proposed rule text would promote transparency and clarity in Exchange rules. The Exchange further believes it is appropriate for a returned quantity of a Reserve Order to join the reserve interest first because the order may not be eligible for a replenishment to the display quantity.

Proposed Rule 7.31(d)(1)(E) would provide that a request to reduce in size a Reserve Order would cancel the reserve interest before canceling the display quantity and if there is more than one child order, the child order with the later working time would be cancelled first. This represents current functionality and the example set forth above demonstrates how this would
function. The Exchange believes that canceling reserve interest before a child order would promote the display of liquidity on an exchange. The Exchange further believes that canceling a later-timed child order would respect the time priority of the first child order, and any priority such child order may have for allocations.

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Because of the technology changes associated with the proposed rule changes relating to Reserve Orders, the Exchange will announce by Trader Update when these changes will be implemented, which the Exchange anticipates will be in the third quarter of 2018.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),\(^8\) in general, and furthers the objectives of Section 6(b)(5),\(^9\) in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change to replenish a Reserve Order only if the display quantity is decremented to below a round lot would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would reduce the number of child orders associated with a single Reserve Order. By reducing the number of child orders, the Exchange believes it would reduce the potential for market


participants to detect that a child order is associated with a Reserve Order. The proposed changes to Reserve Orders and Primary Pegged Orders are identical to recently approved changes to the rules of its affiliated exchange, NYSE, and how a Reserve Order would be replenished is also consistent with how Reserve Orders function on BZX and Nasdaq.\textsuperscript{10}

For similar reasons, the Exchange believes that if a Reserve Order has two child orders that equal less than a round lot, it would remove impediments to and perfect the mechanism of a free and open market and a national market system to assign a new working time to the later child order so that when such Reserve Order is replenished, it would have a maximum of only two child orders. The Exchange believes that this proposed change would streamline the operation of Reserve Orders and meet the objective to reduce the potential for market participants to be able to identify that a child order is associated with a Reserve Order.

The Exchange further believes that the proposed rule change to evaluate a Reserve Order for routing both on arrival and when replenishing would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would reduce the potential for the display quantity of a Reserve Order to lock or cross the PBBO of an away market. The Exchange further believes that routing from reserve interest would promote the display of liquidity on the Exchange, because if there is at least a round lot remaining of a Reserve Order that is not routed, the Exchange would display that quantity. The Exchange also believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to wait to display a Reserve Order if there is less than a round lot remaining after routing because it would reduce the potential for such Reserve Order to have more than one child order. Finally, the Exchange believes that joining any quantity of a

\textsuperscript{10} See supra notes 5 and 6.
Reserve Order that is returned unexecuted with reserve interest first would be consistent with the proposed replenishment logic that a Reserve Order would be replenished only if the display quantity is decremented to below a round lot.

The Exchange believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to apply a request to reduce in size a Reserve Order to the reserve interest first, and then next to the child order with the later working time, because such functionality would promote the display of liquidity on the Exchange and honor the priority of the first child order with the earlier working time. The Exchange believes that including this existing functionality in Rule 7.31 would promote transparency and clarity in Exchange rules.

The Exchange believes that the proposed change to Primary Pegged Reserve Orders would remove impediments to and perfect the mechanism of a free and open market and a national market system because similar to how a Primary Pegged Order would function on arrival, if the replenish quantity of a Primary Pegged Reserve Order would lock or cross the PBBO, the entire Reserve Order would be cancelled. The Exchange believes that by cancelling the entire order, the Exchange would reduce the potential for such order to be displayed at a price that would lock or cross the PBBO.

The Exchange believes that the proposed non-substantive amendments to rename the “Limit Non-Displayed Order” as the “Non-Displayed Limit Order” and to rename the “Limit Non-Routable Order” as the “Non-Routable Limit Order” 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 consistency in Exchange rules by moving the modifier describing the function of the order type before the term “Limit Order.”
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 proposed rule change is not designed to address any competitive issues. Rather, the proposed rule change to Reserve Orders is designed to reduce the potential for market participants to identify that a child order is related to a Reserve Order. The additional proposed rule changes are non-substantive and are designed to promote clarity and consistency in Exchange rules.

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**

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act\(^{11}\) and Rule 19b-4(f)(6) thereunder.\(^{12}\) Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)\(^{13}\) normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule


\(^{13}\) 17 CFR 240.19b-4(f)(6).
19b4(f)(6)(iii), the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSENAT-2018-19 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-NYSENAT-2018-19. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

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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-
NYSENAT-2018-19 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.16

Eduardo A. Aleman
Assistant Secretary