SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-97869; File No. SR-NYSEAMER-2023-34)

July 10, 2023

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate
Effectiveness of Proposed New Rules 900.3NYP, 925.1NYP, 928NYP, 928.1NYP, and 952NYP
and Amendments to Rules 900.3NY, 925NY, 925.1NY, 928NY, 952NY, 953.1NY, 967NY,
967.1NY, and 985NY

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, June 27, 2023, NYSE American LLC ("NYSE

American" or the "Exchange") filed with the Securities and Exchange Commission (the

"Commission") the proposed rule change as described in Items I and II below, which Items have

been prepared by the self-regulatory organization. The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to [sic] new Rules 900.3NYP (Orders and Modifiers), 925.1NYP

(Market Maker Quotations), 928NYP (Pre-Trade and Activity-Based Risk Controls), 928.1NYP

(Price Reasonability Checks - Orders and Quotes), and 952NYP (Auction Process) and proposes

amendments to Rules 900.3NY (Orders Defined), 925NY (Obligations of Market Makers),

925.1NY (Market Maker Quotes), 928NY (Risk Limitation Mechanism), 952NY (Opening

Process), 953.1NY (Limit-Up and Limit-Down During Extraordinary Market Volatility), 967NY

(Price Protection - Orders), 967.1NY (Price Protection - Quotes), and 985NY (Qualified

Contingent Cross Trade) to reflect the implementation of the Exchange's Pillar trading

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[1]   15 U.S.C. 78s(b)(1).

[2]   15 U.S.C. 78a.

[3]   17 CFR 240.19b-4.

technology on its options market. The proposed rule change is available on the Exchange's

website at www.nyse.com, at the principal office of the Exchange, and at the Commission's

Public Reference Room.

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

In its filing with the Commission, the 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 affiliated options exchange, NYSE Arca, Inc. ("NYSE Arca" or

"Arca Options") is currently operating on Pillar, as are the Exchange's cash equity market and

those of its national securities exchange affiliates' cash equity markets.[4] For this transition, the

Exchange proposes to use the same Pillar technology already in operation on Arca Options.[5] In

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[4]   The Exchange's national securities exchange affiliates' cash equity markets include: the New York Stock
       Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc., and NYSE Chicago, Inc.

[5]   See Securities Exchange Act Release No. 94072 (January 26, 2022), 87 FR 5592 (February 1, 2022) (SR-
       NYSEArca-2021-47) (the "Arca Options Approval Order"). See also, e.g., Arca Options Rules 6.76P-O
       (Order Ranking and Display) and 6.76AP-O (Order Execution and Routing) (together, the "Arca Options
       Priority Rules"); Arca Options Rules 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), and 6.64P-O (Auction Process) (collectively, the "Arca Options non-Priority
       Rules"). See also NYSE Arca Rule 1.1 (Definitions) (which includes definitions that describe terms

doing so, the Exchange will be able to offer not only common specifications for connecting to both of its equity and options markets, but also common trading functions across the Exchange and its affiliated options exchange, NYSE Arca Options. In this regard, the Exchange recently adopted new rules to reflect the priority, ranking, and allocation of single-leg interest on Pillar.[6]

The Exchange plans to roll out the new technology platform over a period of time based on a range of underlying symbols beginning on October 23, 2023.[7] As was the case for Arca Options when it transitioned to Pillar, the Exchange will announce by Trader Update[8] when underlying symbols will be transitioning to the Pillar trading platform. With this transition, certain rules would continue to be applicable to options overlying symbols trading on the current trading platform - the "Exchange System,"[9] but would not be applicable to options overlying symbols that have transitioned to trading on Pillar.

applicable to options trading on Pillar).

[6]   See Rules 964NYP (Order Ranking, Display, and Allocation), 964.1NYP (Directed Orders and DOMM Quoting Obligations) and 964.2NYP (Participation Entitlement of Specialists and e-Specialists) (collectively, the "American Pillar Priority Rules"). See also Securities Exchange Act Release No. 97297 (April 13, 2023), 88 FR 24225 (April 19, 2023) (SR-NYSEAmer-2023-16) (adopting new the American Pillar Priority Rules on an immediately effective basis, which rules utilize the Pillar concepts introduced in the Priority Arca rules and incorporate the Exchange's current Customer priority and pro rata allocation model) (the "American Pillar Priority Filing"). The American Pillar Priority Rules (like the rules proposed herein) will not be implemented until all other Pillar-related rule filings are either effective or approved, as applicable. See id.

[7]   See Trader Update, January 30, 2023 (announcing Pillar Migration Launch date of October 23, 2023, for the Exchange), available here: https://www.nyse.com/trader-update/history#110000530919. The Exchange would not begin to migrate underlying symbols to the Pillar platform until all Pillar-related rule filings (i.e., proposed rules with a "P" modifier) are either approved or operative, as applicable.

[8]   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.

[9]   As noted in the American Pillar Priority Filing, on Pillar, the Exchange will no longer use the terms "Exchange System" or "System," which are defined in Rule 900.2NY as referring 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," and will file a subsequent proposed rule change to delete these defined terms and any references thereto after the migration to Pillar is completed.

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 identical to Pillar terminology governing options trading on NYSE Arca, except as otherwise noted; and (2) provide for common functionality on both its options markets.[10]

Proposed use of "P" modifier

As proposed, and consistent with the American Pillar Priority Filing, 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. 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 Exchange System and Pillar. Once options overlying all 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 Exchange System.[11] As further proposed, and consistent with the handling of the transition to Pillar by Arca Options, if a symbol (and the option overlying such 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.[12]

The Exchange will not implement the "P" rules proposed herein until all other Pillar-

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[10]   The current proposal seeks to adopt rules based on the Arca Options non-Priority Rules, as well as certain definitions that describe terms applicable to options trading on Pillar set forth in NYSE Arca Rule 1.1. See supra note 5.

[11]   See American Pillar Priority Filing (adopting, among other rules, new Rule 964NYP, which would be operative instead of current Rule 964NY). See id.

[12]   The Exchange believes that this explanation regarding the "P" modifier in Exchange rules provides transparency regarding which rules would be operative during the symbol migration to Pillar. See id. NYSE Arca used the same "P" modifier when it transitioned its options platform to Pillar. See Arca Options Approval Order.

related rule filings (i.e., with a "P" modifier) are either approved or operative, as applicable, and the Exchange announces the rollout of underlying symbols to Pillar by Trader Update.

Summary of Proposed Rule changes

In this filing, the Exchange proposes the following new Pillar rules: Rules 900.3NYP (Orders and Modifiers), 925.1NYP (Market Maker Quotations), 928NY (Pre-Trade and Activity-Based Risk Controls), 928.1NYP (Price Reasonability Checks - Orders and Quotes), and 952NYP (Auction Process). 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): orders and modifiers, market maker quotations, pre-trade and activity-based risk controls, price reasonability checks, and auctions.

These proposed rules would describe the Exchange's options trading model on Pillar and, among other things, would use existing Pillar terminology and functionality currently in effect on Arca Options. However, because the Exchange has (and will continue to have) a priority and allocation scheme that differs from the price-time model on Arca Options, certain of the proposed rules differ from Arca Options insofar as they reflect the Exchange's existing (Customer priority and pro rata allocation) model.[13] As discussed in greater detail below, except as noted herein, the Exchange is not proposing fundamentally different functionality applicable to options trading on Pillar than on the Exchange 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, which functionality is (unless otherwise specified) identical to -- or nearly identical to --functionality and rules already in place on Arca

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[13]   See, e.g., Rule 964NYP. See also the American Pillar Priority Filing.

Options.[14]

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: 900.3NY (Orders Defined), 925.1NY (Market Maker Quotes), 928NY (Risk Limitation Mechanism), 952NY (Opening Process), 967NY (Price Protection - Orders), 967.1NY (Price Protection - Quotes), and 985NY (Qualified Contingent Crosses). In addition, the Exchange also proposes conforming changes to current Rules 925NY (Obligations of Market Makers), 953.1NY (Limit-Up and Limit-Down During Extraordinary Market Volatility), and 994NY (Broadcast Order Liquidity Delivery Mechanism) (the "BOLD Mechanism") to add cross-references to certain of the new Pillar rules, including those proposed in this filing.[15]

Proposed Rule Changes

Proposed Rule 900.3NYP: Orders and Modifiers

Current Rule 900.3NY (Orders Defined) defines the order types that are currently available for options trading both on the Exchange System and for open outcry trading on the

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[14]   The Exchange notes that certain differences between the two options markets will permeate the proposed rules, including that each exchange uses different terms to describes their permit holders -- the Exchange refers to American Trading Permit ("ATP") Holders, whereas Arca Options refers to Options Trading Permit ("OTP") Holders or OTP Firms. See, e.g., Rule 900.2NY and NYSE Arca Rule 1.1, respectively. In addition, the Exchange utilizes Market Makers that act as Specialists whereas Arca Options has Market Makers that act as Lead Market Makers or LMMs. See, e.g., Rule 927NY and Arca Options Rule 6.37-O, respectively. Also, because the rule numbering differs on each options exchange, there will be differences in the Exchange's proposed rule as compared to its analogous Arca Options Rule to the extent that a proposed Exchange rule includes a cross-reference to another Exchange rule. The Exchange has not identified every such instance where these specified differences occur as it believes the differences are immaterial because they do not relate to the functionality proposed herein.

[15]   The proposed conforming changes to Rule 994NY regarding the BOLD mechanism would include adding cross-references to new Rule 964NYP (in addition to existing references to current Rule 964NY) and to paragraph (k) of this Rule, which latter reference would state, in relevant part, that "[f]ollowing the exposure period, consistent with Rule 964NYP(k), the Exchange will route the remaining portion of the exposed order to other exchanges" and that "[a]ny portion of a routed order that returns unfilled will trade against the Exchange's best bid/offer unless another exchange is quoting at a better price in which case new orders will be generated and routed to trade against such better prices, consistent with Rule 964NYP(k)." See proposed Rule 994NY(c)(1) and (c)(4), respectively.

Exchange. The Exchange proposes that new Rule 900.3NYP 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 900.3NY would not be applicable to trading on Pillar.

Because the Exchange would have the same orders and modifiers as Arca Options, the Exchange proposes to structure proposed Rule 900.3NYP to be identical to Arca Options Rule 6.62P-O and use the same terminology. The Exchange also proposes to title proposed Rule 900.3NYP as "Orders and Modifiers," which title is identical to Arca Options Rule 6.62P-O. In addition, as was done on Arca Options, the Exchange proposes to include in the description of each order type the "Pillar Priority Category" within which such order would be ranked for priority, display, and allocation purposes. However, on the Exchange, the Pillar Priority Categories assigned to each order type would be handled in accordance with the Exchange's Customer priority/pro rata allocation model, per Rule 964NYP.[16]

Primary Order Types. Proposed Rule 900.3NYP(a) is identical Arca Options Rule 6.62P-O(a) and would specify the Exchange's primary order types, which would be Market Orders and Limit Orders. Proposed Rule 900.3NYP(a) would also set forth the Exchange's proposed Limit Order Price Protection functionality and Trading Collars, which proposed functionality would likewise be identical to Arca Options Rule 6.62P-O(a).

Market Orders. Proposed Rule 900.3NYP(a)(1) is identical to Arca Options Rule 6.62P-O(a)(1) and would define a Market Order. As proposed, a Market Order would be an unpriced

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[16]   See Rule 964NYP(e) (which provides that "[a]t each price, all orders and quotes are assigned a priority category, and, within each priority category, Customer orders are ranked ahead of non-Customer. If, at a price, there are no remaining orders or quotes in a priority category, then same-priced interest in the next priority category has priority.").

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, and that

unexecuted Market Orders would be ranked Priority 1 - Market Orders.[17] . Similarly, the

Exchange proposes to reference that trading of a Market Order would be subject to the Trading

Collar assigned to the order, which is similar to the third paragraph of the current definition of

Market Order in Rule 900.3NY(a). As described in greater detail below, the Exchange proposes

changes to its Trading Collar functionality on Pillar.

Proposed Rule 900.3NYP(a)(1) would further provide that for purposes of processing

Market Orders, the Exchange would not use an adjusted NBBO.[18] The Exchange proposes to not

use an adjusted NBBO when processing Market Orders, which processing is identical to Arca

Options Rule 6.62P-O(a)(1). The Exchange believes that because Market Orders trade

immediately on arrival, using an unadjusted NBBO would provide a price protection mechanism

by using a more conservative view of the NBBO.

Proposed Rule 900.3NYP(a)(1)(A) is identical to Arca Options Rule 6.62P-O(a)(1)(A)

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[17]   Market Orders are currently defined in Rule 900.3NY(a) as follows: "A Market Order is an order to buy or sell a stated number of option contracts and is to be executed at the best price obtainable when the order reaches the Exchange. Market Orders entered before the opening of trading will be eligible for trading during the Opening Auction Process. The system will reject a Market Order entered during Core Trading Hours if at the time the order is received there is not an NBB and an NBO ("collectively NBBO") for that series as disseminated by OPRA. If the Exchange receives a Market Order to buy (sell) and there is an NBB (NBO) but no NBO (NBB) as disseminated by OPRA at the time the order is received, the order will be processed pursuant to Rule 967NY(a) -Trade Collar Protection."

[18]   See American Pillar Priority Filing (amplifying the definition of "NBBO" per Rule 900.2NY to provide that when using an unadjusted NBBO, the NBBO would not be adjusted based on information about orders the Exchange sends to Away Markets, execution reports received from those Away Markets, and certain orders received by the Exchange). As noted in the American Pillar Filing, the Exchange believes that the unadjusted NBBO is a more conservative view of the NBBO because the Exchange waits for an update from OPRA rather than updating it based on its view of the NBBO, which is identical to NYSE Arca Rule 1.1, as relates to options trading.

and 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 Rules 900.3NYP(a)(1)(A)(i) - (iv). This proposed

rule is based in part on Rule 900.3NY(a), which specifies that a Market Order will be rejected

during Core Trading Hours if, when received, there is no NBBO for the applicable option series

as disseminated by OPRA, with differences to use Pillar terminology and to expand the

circumstances when a Market Order would be rejected beyond the absence of an NBBO. As

proposed, and identical to Arca Options Rule 6.62P-O(a)(1)(A)(i)-(iv), a Market Order would be

rejected (or cancelled if routed first) if:[19]

- There is no NBO (proposed Rule 900.3NYP(a)(1)(A)(i)). This criterion is similar

  to the current rule, which provides that a Market Order will be rejected if there is

  no NBO and is identical to Arca Options Rule 6.62P-O(a)(1)(A)(i). The

  Exchange believes that in the absence of an NBO, Market Orders should not trade

  as there is no market for the option.

- 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

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[19] 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 953.1NY(a)(1). The Exchange
proposes a non-substantive amendment to Rule 953.1NY(a)(1) to add a cross reference to proposed Rule
900.3NYP(a). The Exchange also proposes to amend the second sentence of Rule 953.1NY(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 ATP
Holders of the reason for such cancellation. This proposed change is identical to Arca Options Rule 6.65A-
O(a)(1) and would describe both how Market Orders function today on the Exchange System and how they
would be processed on Pillar.

Trading Collar (proposed Rule 900.3NYP(a)(1)(A)(ii)).[20] The Exchange believes

that if there is no NBB, but an NBO $0.50 or below, the Exchange would be able

to price that Market Order to sell at one MPV above zero. The functionality

described in this proposed rule is identical to Arca Options Rule 6.62P-

O(a)(1)(A)(ii) and is designed to provide an opportunity for an arriving sell

Market Order to trade when the NBO is below $0.50. 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 is no NBB and there is 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

  ABBO, provided that a Market Order to sell would be accepted as provided for in

  proposed Rule 900.3NYP(a)(1)(A)(ii) (proposed Rule 900.3NYP(a)(1)(A)(iii)).

  This functionality is identical to Arca Options Rule 6.62P-O(a)(1)(A)(iii) and is

  designed to prevent a Market Order from trading at prices that may not be current

  for that series in the absence of Market Maker quotations or an ABBO.

- 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

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[20]   See Rules 964NYP(a)(3) (defining "working price" as 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 the order) and (a)(1) (defining "display price" as 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).

900.3NYP(a)(1)(A)(iv), which is identical to Arca Options Rule 6.62P-O

(a)(1)(A)(iv)). The proposed "wide-spread" parameter for purposes of

determining whether to reject a Market Order is similar to the wide-spread

parameter applied when determining whether a trade is a Catastrophic Error, as

set forth in Rule 975NY(d)(3), with two differences. First, as shown below, the

lowest bucket would be $0.00 up to and including $2.00, instead of $0.00 to

$1.99, which means the $2.00 price point would be included in this bucket.

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

The Exchange notes that this proposed protection for Market Orders is identical to the

protection afforded Market Orders per Arca Options Rule 6.62P-O(a)(1)(A)(iv) and would

provide a new risk control for options trading on the Exchange that is designed to protect against

erroneous executions using the midpoint of the NBBO as a basis for a price protection

mechanism.[21]

Proposed Rule 900.3NYP(a)(1)(B) is identical to Arca Options Rule 6.62P-O(a)(1)(B) and 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.[22] Proposed Rule 900.3NYP(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 900.3NYP(a)(1)(C) (described immediately below), which is consistent with current functionality that each Market Order is displayed at a Trading Collar, per Rule 967NY(a)(5).

Proposed Rule 900.3NYP(a)(1)(C) is identical to Arca Options Rule 6.62P-O(a)(1)(C) and 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 ABBO. Proposed Rule 900.3NYP(a)(1)(D) is identical to Arca Options Rule 6.62P-O(a)(1)(D) and 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 similar to functionality described in current Rule 967NY(a)(4)(E), which provides that "[t]he Exchange will cancel a Market Order, or the balance thereof, that has been collared pursuant to paragraph (a)(1)(A) or (B) [of that Rule] above, if after exhausting trading opportunities within the Collar Range, the Exchange determines there are no quotes on the Exchange and/or no interest on another market

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[21]   The Exchange notes that using the midpoint of the NBBO as a basis for a price protection mechanism is also consistent with similar functionality on other options markets. See, e.g., Cboe Rule 5.34(a)(2) (setting forth the "Market Order NBBO Width Protection" wherein Cboe cancels or rejects market orders submitted "when the NBBO width is greater than x% of the midpoint of the NBBO," subject to minimum and maximum dollar values determined by Cboe).

[22]   See Rule 964NYP(a)(5) (adopting the definition of an Aggressing Order). For purposes of this proposed rule, an Aggressing Market Order is a Market Order that is an Aggressing Order.

in the affected option series." As proposed, in Pillar, the Exchange would cancel a Market Order in similar circumstances, with proposed modifications that a Market Order would be cancelled only if there are no remaining contra-side Market Maker quotes on the Exchange or if there is no contra-side ABBO. The Exchange believes that, as is the case on Arca Options, the proposal to cancel a Market Order either before or after it is displayed in these circumstances would help to prevent such order from being displayed when there is no real market in a series.

Finally, proposed Rule 900.3NYP(a)(1)(E) is identical to Arca Options Rule 6.62P-O(a)(1)(E) and 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 trade at the best price obtainable, the Exchange proposes to route displayed Market Orders if they are locked or crossed by an Away Market.[23] This proposed Rule is based on current functionality, which is not described in the current rule. Therefore, the proposed rule is designed to promote clarity and transparency in Exchange rules.

Limit Orders. Proposed Rule 900.3NYP(a)(2) is identical to Arca Options Rule 6.62P-O(a)(2) and 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 under the proposed category of "Priority 2 - Display Orders."[24] The ability for a Limit

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[23]   Per Rule 964NYP(b)(2), 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.

[24]   See Rule 964NYP(a)(2) (defining "limit price" as the highest (lowest) specified price at which a Limit

Order to be designated IOC, Day, or GTC is also based on current Rules 900.3NY(k), (m) and (n), respectively, and is consistent with current options trading functionality. In addition, consistent with current options trading functionality, Limit Orders would be subject to trading collars, and, as described in more detail below, the Exchange proposes trading collar functionality that will operate in the same manner as on Arca Options.

Proposed Rule 900.3NYP(a)(2)(A) is identical to Arca Options Rule 6.62P-O(a)(2)(A) and 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 the ABO (ABB) 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 Book. This proposed rule text is based on Rule 900.3NY(b), which provides that a "'marketable' limit order is a Limit Order to buy (sell) at or above (below) the NBBO."

Limit Order Price Protection. The Exchange proposes to describe its proposed Limit Order Price Protection functionality in proposed Rule 900.3NYP(a)(3), which functionality would operate in a manner identical to Arca Options Rule 6.62P-O(a)(3). On the Exchange System, the concept of "Limit Order Price Protection" for orders is set forth in Rule 967NY(b). For quotes, price protection filters are described in Rule 967.1NY. The proposed "Limit Order Price Protection" on Pillar would be applicable to both Limit Orders and quotes and, at a high level, would work similarly to how the current price protection mechanisms function on the Exchange System because a Limit Order or quote would be rejected if it is priced at a specified

Order or quote to buy (sell) is eligible to trade).

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threshold away from the contra-side NBB or NBO.[25] The Exchange proposes to enhance the

functionality for options trading on Pillar by using new thresholds and reference prices (as

discussed further below) that would be applicable to both orders and quotes. The concept of a

"Reference Price" as used in connection with risk controls is identical to the same concept used

in Arca Options Rule 6.62P-O(a)(3)(B) and would be consistent how this term is used on other

options exchanges.[26] Thus, this term is not new or novel.

Proposed Rule 900.3NYP(a)(3)(A) is identical to Arca Options Rule 6.62P-O(a)(3)(A)

and 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), equal to or

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 proposed

rounding down is standard on Pillar for price protection mechanisms and is identical to how

Limit Order Price Protection is calculated on Arca Options if it is not within the MPV for the

security. The proposed text would therefore promote granularity in Exchange rules. The

proposed rule would further provide that Cross Orders and Limit-on-Open ("LOO") Orders

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25   Current Rule 967NY(b) provides that unless otherwise determined by the Exchange, the specified threshold percentage for orders is 100% when the contra-side NBB or NBO is priced at or below $1.00 and 50% when the contra-side NBB or NBO is priced above $1.00. Current Rule 967.1NY(a)(1)(A) provides that unless otherwise determined by the Exchange, the specified threshold for Market Maker bids is $1.00 if the contra-side NBO is priced at or below $1.00 and for Market Maker offers no limit if the NBB is priced at or below $1.00. Current Rule 967.1NY(a)(1)(B) provides that unless otherwise determined by the Exchange, the specified threshold for Market Maker bids (offers) is 50% if the contra-side NBO (NBB) is priced above $1.00.

26   See, e.g., Cboe Rule 5.6(c) (setting forth the "reference price" applicable to orders for which Cboe delta-adjusts the execution price after the market close). As discussed infra, the Exchange likewise proposes to use the term Reference Price in connection with Trading Collars (proposed Rule 900.3NYP(a)(4)).

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(described below), as well as orders represented in open outcry (except CTB Orders), 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, which is consistent with current functionality.

- Proposed Rule 900.3NYP(a)(3)(A)(i) is identical to Arca Options Rule 6.62P-O(a)(3)(A)(i) and 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 900.3NYP(a)(3)(A)(ii) is identical to Arca Options Rule 6.62P-O(a)(3)(A)(ii) and 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.[27]

- Proposed Rule 900.3NYP(a)(3)(A)(iii) is identical to Arca Options 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.

As noted above, these proposed rules are identical to Arca Options Rules 6.62P-O(a)(3)(A)(i)-(iii), and the Exchange believes that these proposed rules would add clarity and transparency to when the Exchange would evaluate a Limit Order or quote for Limit Order Price Protection.

Proposed Rule 900.3NYP(a)(3)(B) is identical to Arca Options Rule 6.62P-O(a)(3)(B) and would specify that the Reference Price for calculating Limit Order Price Protection for an

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[27] See discussion infra, regarding proposed Rule 952NYP(a) and proposed definitions for the terms "Auction," "Auction Price," Auction Collar," "pre-open state," and "Trading Halt Auction."

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 use of an unadjusted NBBO is identical to how Limit Order Price Protection currently functions per Arca Options Rule 6.62P-O(a)(3)(B).[28] The Exchange believes that using an unadjusted NBBO for risk protection mechanisms is consistent with the goal of such mechanisms to prevent erroneous executions by using a more conservative view of the NBBO.

Proposed Rule 900.3NYP(a)(3)(C) is identical to Arca Options Rule 6.62P-O(a)(3)(C) and would specify the Specified Threshold and would provide that unless determined otherwise by the Exchange and announced to American Trading Permit Holders or "ATP Holders"[29] by Trader Update, the Specified Threshold applicable to Limit Order Price Protection would be:

Reference Price	Specified Threshold
$0.00 to $1.00	$0.30
$1.01 to $10.00	50%

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[28] References to the NBBO, NBB, and NBO in proposed Rule 900.3NYP (which are identical to Arca Options Rule 6.62P-O) refer to using a determination of the national best bid and offer that has not been adjusted.

[29] An ATP Holder is a natural person, sole proprietorship, partnership, corporation, limited liability company or other organization, in good standing, which has been issued an ATP, and references to "member", and "member organization" as those terms are used in the Rules of the Exchange should be deemed to be references to ATP Holders. See Rule 900.2NY. An ATP is an American Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange's Trading Facilities. See id.

$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 it would provide a more reasonable and deterministic trading outcome to use a fixed dollar amount (of $0.30) rather than a percentage calculation when the Reference Price is $1.00 or less. The Exchange believes that the balance of the proposed thresholds, which are percentages tied to the amount of the Reference Price that decrease as that Price increases, are more granular than those currently specified in Rules 967NY(b) (for orders) and 967.1NY(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.[30] In addition, consistent with Rules 967NY(b) and 967.1NY(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 not only identical to the flexibility afforded per Arca Options Rule 6.62P-O(a)(3)(C) but is also consistent with the rules of other options exchanges.[31]

Trading Collar. Trading Collars on the Exchange System are currently described in Rule 967NY(a). Under the current rules, incoming Market Orders and marketable Limit Orders are

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[30]   On the Exchange System, the thresholds for price protection on orders and quotes (per Rules 967NY(b) and 967.1NY(a)(1), respectively), depend solely on whether the contra-side NBBO (i.e., the reference price) is more or less than $1.00. The Exchange believes the additional Reference Price levels -- and corresponding Specified Thresholds -- would make the application of the Limit Order Price Protection more precise to the benefit of all market participants.

[31]   See, e.g., Cboe Rule 5.34(a)(4) (describing the "Drill-Through Protection" and that Cboe "determines the buffer amount on a class and premium basis" without specifying the amount of such buffers); 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 not to exceed $1.00 through such contra-side Reference BBO as specified by Nasdaq and announced via an Options Trader Alert).

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 Trading Collar functionality that would be identical to Trading Collar functionality on Arca Options as described below.

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 (unless the series is halted). 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.

More specifically, proposed Rule 900.3NYP(a)(4) is identical to Arca Options Rule 6.62P-O(a)(4) and 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 interest is excluded under current functionality.[32] The proposed rule would also be the same as Arca Options Rule 6.62P-O(a)(4) because it would explicitly add reference to Auction-Only Orders, Cross Orders, ISOs, and Market Maker quotes being excluded from Trading Collars, which new detail would add granularity to the proposed rule and would also address that the proposed Day ISOs, described below, would not be subject to Trading Collars. In addition, Trading Collars would not be applicable during Auctions but (as described below) would be calculated after such

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[32]   See Rule 967NY(a)(3) ("Trade Collar Protection does not apply to quotes, IOC Orders, AON Orders, FOK Orders and NOW Orders.").

Auction concludes.

Proposed Rule 900.3NYP(a)(4)(A) is identical to Arca Options Rule 6.62P-O(a)(4)(A) and would provide that a Trading Collar assigned to an order would be calculated once per trading day and would be updated only if the series is halted. Accordingly, an order designated GTC would receive a new Trading Collar each day, but that Trading Collar would not be updated intraday unless the series is halted. Proposed Rule 900.3NYP(a)(4)(A)(i) is identical to Arca Options Rule 6.62P-O(a)(4)(A)(i) and would provide that an 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 previously assigned to it. Proposed Rule 900.3NYP(a)(4)(A)(ii) is identical to Arca Options Rule 6.62P-O(a)(4)(A)(ii) and would provide that an order received during a pre-open state would be assigned a Trading Collar after an Auction concludes. Finally, proposed Rule 900.3NYP(a)(4)(A)(iii) is identical to Arca Options Rule 6.62P-O(a)(4)(A)(iii) and would provide that the Trading Collar for an order resting on the Consolidated Book before a trading halt would be calculated again after the Trading Halt Auction concludes. The Exchange believes that because Trading Collars are intended as a price protection mechanism, updating the Trading Collar after a series has reopened would allow for the Trading Collar assigned to an order to reflect more updated pricing. As noted above, proposed Rules 900.3NYP(a)(4)(A)(i)-(iii) are identical to Arca Options Rules 6.62P-O(a)(4)(A)(i)-(iii).

Proposed Rule 900.3NYP(a)(4)(B) is identical to Arca Options Rule 6.62P-O(a)(4)(B) and would provide that the Reference Price for calculating the Trading Collar for an order to buy (sell) would be the NBO (NBB), which is consistent with how trading collars are currently determined for Limit Orders, with differences to use this Reference Price for all orders and for

how the Reference Price would be determined after an Auction.[33] As is the case per Arca

Options Rule 6.62P-O(a)(4)(B), the Exchange likewise proposes to use the Pillar term

"Reference Price" to describe what would be used for Trading Collar calculations.[34] The

proposed rule, like the Arca Options Rule, would further provide that for Auction-eligible orders

to buy (sell) that were received during a pre-open state or orders that were re-assigned a Trading

Collar after a trading halt, the Reference Price would be the Auction Price or, if none, the upper

(lower) Auction Collar price or, if none, the NBO (NBB). For reasons similar to those described

above, the Exchange proposes to use a more conservative view of the NBBO for purposes of risk

protection mechanisms. Therefore, the Exchange proposes that for purposes of calculating a

Trading Collar, the Exchange would not use an adjusted NBBO. Proposed Rule

900.3NYP(a)(4)(B)(i) is identical to Arca Options Rule 6.62P-O(a)(4)(B)(i) and 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, which is consistent with current functionality and the proposed

rule would add granularity to Exchange rules.

     Proposed Rule 900.3NYP(a)(4)(C) is identical to Arca Options Rule 6.62P-O(a)(4)(C)

and 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, $0.20; or (2)

for orders with a Reference Price above $1.00, the lesser of an amount specified in the table in

proposed Rule 900.3NYP(a)(4)(C) (ranging from $0.20 for orders with a Reference Price of

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[33]   Under current rules, trading collars are calculated based off of the contra-side NBBO. See Rule 967NY(a)(1)(A)(ii).

[34]   See also discussion regarding Cboe Rule 5.34(a)(4) and Nasdaq Options 3, Section 15(a)(1)(B), supra note 31.

$1.01 to $2.00 to $1.90 for orders with a Reference Price of $100.01 and above) or 25% of the Reference Price. Trading Collars under the current rule are based on a specified dollar amount (set forth in ten tranches).[35] As is the case with Trading Collars on Arca Options, the proposed functionality would tailor the Trading Collar calculations with either a specified dollar amount or percentage, depending on the Reference Price, and would align the specified thresholds with the current parameters for determining whether a trade is an Obvious Error or Catastrophic Error.[36] Proposed Rule 900.3NYP(a)(4)(C)(i) is identical to Arca Options Rule 6.62P-O(a)(4)(C)(i) and 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. Proposed Rule 900.3NYP(a)(4)(C)(ii) is identical to Arca Options Rule 6.62P-O(a)(4)(C)(ii) and 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, which would provide more granularity in Exchange rules and would ensure that there will be a Trading Collar calculated for low-priced orders to sell. As noted above, this proposed rule is identical to Arca Options Rule 6.62P-O(a)(4)(C) and its subparagraphs (i)-(ii).

Proposed Rule 900.3NYP(a)(4)(D) is identical to Arca Options Rule 6.62P-O(a)(4)(D) and 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

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[35]   Under current Rule 967NY(a)(2)(A)(i)-(v), the Trading Collar for buy (sell) orders is as follows: $0.25 for each option contract for which the NBB (NBO) is less than $2.00; $0.40 where the NBB (NBO) is between $2.00 - $5.00; $0.50 where the NBB (NBO) is between $5.01 - $10.00; $0.80 where the NBB (NBO) is more than $10.00 but does not exceed $20.00; and $1.00 when the NBB (NBO) is $20.01 or more.

[36]   See Rules 975NY(c)(1) (thresholds for Obvious Errors) and 975NY(d)(1) (thresholds for Catastrophic Errors).

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 967NY(a)) because it would limit the price at which a marketable order could be traded, routed, or displayed. The proposed differences from the current rule, which are identical to Arca Options Rule 6.62P-O(a)(4), would simplify the functionality by applying a static ceiling price (for a buy order) or floor price (for a sell order) at which such order could be traded or routed, which price would be determined at the time of entry (or after a series opens or reopens) 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 ATP Holder 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 900.3NYP(b) is identical to Arca Options Rule 6.62P-O(b) and would set forth the time-in-force modifiers that would be available for options trading on Pillar. 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 900.3NYP(b), and then specify for each order type which Time in Force

Modifiers would be available for such orders or quotes, which mirrors Arca Options Rule 6.62P-O(b).

Day Modifier. Proposed Rule 900.3NYP(b)(1) would be identical to Arca Options Rule 6.62P-O(b)(1) and 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 functionality would operate no differently than how a "Day Order," as described in Rule 900.3NY(m), currently functions.

Immediate-or-Cancel ("IOC") Modifier. Proposed Rule 900.3NYP(b)(2) is identical to Arca Options Rule 6.62P-O(b)(2) and would provide that a Limit Order may be designated IOC or Routable IOC, as described in proposed Rules 900.3NYP(b)(2)(A) and (B) and that a Limit Order designated IOC would not be eligible to participate in any Auctions.

Proposed Rule 900.3NYP(b)(2)(A) is identical to Arca Options Rule 6.62P-O(b)(2)(A) and 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. The proposed Pillar Limit IOC Order would function the same as an "Immediate-or-Cancel Order (IOC Order)," as currently described in Rule 900.3NY(k), without any differences.

Proposed Rule 900.3NYP(b)(2)(B) is identical to Arca Options Rule 6.62P-O(b)(2)(B) and 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. The proposed Pillar Limit

Routable IOC Order is also based on (and would replace) the "NOW Order," as currently described in Rule 900.3NY(o).

Fill-or-Kill ("FOK") Modifier. Proposed Rule 900.3NYP(b)(3) is identical to Arca Options Rule 6.62P-O(b)(3) and 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. This proposed rule uses Pillar terminology and would offer the same functionality that is currently described in Rule 900.3NY(l) as the "Fill-or-Kill Order (FOK Order)" without any substantive differences.

Good-'Til-Cancelled ("GTC") Modifier. Proposed Rule 900.3NYP(b)(4) is identical to Arca Options Rule 6.62P-O(b)(4) and would provide that a Limit Order 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. This proposed rule uses Pillar terminology and would offer the same functionality that is currently described in 900.3NY(n) as the "Good-Till-Cancelled (GTC Order)," with the substantive difference that the proposed text makes clear (consistent with current functionality) that such orders may be cancelled if the MPV changes overnight. Otherwise, the proposed rule describes the same functionality that is currently described in 900.3NY(n) as the "Good-Till-Cancelled (GTC Order)."

Auction-Only Orders. Proposed Rule 900.3NYP(c) is identical to Arca Options Rule 6.62P-O(c) and 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 952NYP.[37] This proposed rule which uses Pillar

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[37] See discussion infra, regarding proposed Rule 952NYP and definitions relating to Auctions. As proposed,

terminology in lieu of the current description of an "Opening Only Order" set forth in Rule

900.3NY(q), without any functional differences to how such orders trade on Pillar.[38] The

proposed rule would further provide that an Auction-Only Order would not be accepted when a

series is opened for trading (i.e., would be accepted only during a pre-open state, which includes

a trading halt) 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,

which is not described in the current rule, and would provide clarity, transparency, and

consistency to Exchange rules.

Proposed Rule 900.3NYP(c)(1) would be identical to Arca Options Rule 6.62P-O(c)(1)

and 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 describes functionality that would be no different from

current functionality, as described in Rule 900.3NY(q).

Proposed Rule 900.3NYP(c)(2) would be identical to Arca Options Rule 6.62P-O(c)(2)

and 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 describes functionality that would be no different

from current functionality, as described in Rule 900.3NY(q).

Proposed Rule 900.3NYP(c)(3) would be identical to Arca Options Rule 6.62P-O(c)(3)

and would define an "Imbalance Offset Order ('IO Order')" using Pillar terminology. To

provide ATP Holders with greater flexibility for options trading on Pillar based on functionality

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an "Auction" includes the opening or reopening of a series for trading either with or without a trade. See proposed Rule 952NYP(a)(1).

[38]   Rule 900.3NY(q) defines an "Opening Only Order" as "a Market Order or Limit Order which is to be executed in whole or in part during the Opening Auction of an options series or not at all." Per Rule 952NY(e), the Exchange utilizes the same process for orders eligible to participate in the opening or reopening (following a trading halt) of a series.

offered on Arca Options, the Exchange proposes to offer the IO Order for both Core Open

Auctions and Trading Halt Auctions.

As proposed, the IO Order functionality is identical to IO Order functionality on Arca

Options Rule 6.62P-O(c)(3). Accordingly, proposed Rule 900.3NYP(c)(3) would define an IO

Order as a Limit Order that is to be traded only in an Auction.

- Proposed Rule 900.3NYP(c)(3)(A) is identical to Arca Options Rule 6.62P-
  O(c)(3)(A) and 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.

- Proposed Rule 900.3NYP(c)(3)(B) is identical to Arca Options Rule 6.62P-
  O(c)(3)(B) and 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.

Orders with a Conditional or Undisplayed Price and/or Size. Proposed Rule

900.3NYP(d) is identical to Arca Options Rule 6.62P-O(d) and 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

Exchange System and that are currently described in Rule 900.3NY(d) as a "Contingency Order

or Working Order," with changes as described below.[39]

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[39]   See American Pillar Priority Filing (explaining that the term "Working Order File" will not be used on
       Pillar and proposing to include details about ranking of orders and quotes with contingencies in this
       proposed Rule 900.3NYP(d) using the Pillar priority scheme). Also, as discussed in the American Pillar

Reserve Order. The Exchange proposes to introduce Reserve Orders for options traded on Pillar in proposed Rule 900.3NYP(d)(1). On the Exchange, the proposed Reserve Order functionality would be identical to the handling of Reserve Orders per Arca Options Rule 6.62P-O(d)(1). As proposed, a Reserve Order would be defined 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 under the proposed category of "Priority 2 - Display Orders" and the reserve interest is ranked under the proposed category of "Priority 3 - Non-Display Orders." Proposed Rule 900.3NYP(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. Finally, proposed Rule 900.3NYP(d)(1) would further provide that the working price of the reserve interest of a resting Reserve Order to buy (sell) would be adjusted to be the lower (higher) of the limit price or the NBO (NBB), provided that it would never be priced higher (lower) than the working price of the display quantity of the Reserve Order, which text differs from Arca Options Rule 6.62P-O(d)(1) insofar as it does not reference the working price being adjusted in the same manner as a Non-Displayed Limit Order but instead states precisely how such price would be adjusted.[40] Other than this nuance

Priority Filing, the ranking and priority of quotes under Pillar is consistent with handling on the Exchange System unless otherwise noted therein. See id.

[40] Per Arca Options Rule 6.62P-O(d)(1), "[t]he working price of the reserve interest of a resting Reserve Order to buy (sell) will be adjusted in the same manner as a Non-Displayed Limit Order, as provided for in paragraph (d)(2)(A) of this Rule." Per Arca Options Rule 6.62P-O(d)(2)(A), "[t]he working price of a Non-Displayed Limit Order to buy (sell) will be the lower (higher) of the limit price or the NBO (NBB)." Because the Exchange is not proposing to adopt the Non-Displayed Limit Order type, proposed Rule 900.3NYP(d)(1) simply restates the relevant text from Arca Options Rule 6.62P-O(d)(2)(A) regarding how the working price of the reserve interest of a resting Reserve Order would be adjusted. The Exchange believes that this distinction is immaterial because the Reserve Order functionality being proposed would be identical to Reserve Order functionality on Arca Options.

regarding the rule text used to describe how the working price of a resting Reserve Order would be adjusted, the operation of Reserve Orders on the Exchange would be identical to how such orders are handled per Arca Options Rule 6.62P-O(d)(1).

- Proposed Rule 900.3NYP(d)(1)(A) is identical to Arca Options Rule 6.62P-O(d)(1)(A) and 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.

- Proposed Rule 900.3NYP(d)(1)(B) is identical to Arca Options Rule 6.62P-O(d)(1)(B) and 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.

- Proposed Rule 900.3NYP(d)(1)(C) is identical to Arca Options Rule 6.62P-O(d)(1)(C) and 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. The Exchange believes that the proposed rule would promote transparency and granularity in Exchange rules.

- Proposed Rule 900.3NYP(d)(1)(D) is identical to Arca Options Rule 6.62P-O(d)(1)(D) and 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 900.3NYP(d)(1)(D)(i) is identical to Arca Options Rule 6.62P-

O(d)(1)(D)(i) and would provide that if routing is required, the Exchange would route from reserve interest before publishing the display quantity. And proposed Rule 900.3NYP(d)(1)(D)(ii) is identical to Arca Options Rule 6.62P-O(d)(1)(D)(ii) and 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. As noted above, proposed Rules 900.3NYP(d)(1)(D)(i)-(ii) are identical to Arca Options Rule 6.62P-O(d)(1)(D)(i)-(ii) and would promote transparency and granularity in Exchange rules.

- Proposed Rule 900.3NYP(d)(1)(E) is identical to Arca Options Rule 6.62P-O(d)(1)(E) and would provide that a request to reduce the size of a Reserve Order would cancel the reserve interest before cancelling the display quantity. The Exchange believes that the proposed rule would promote transparency and granularity in Exchange rules.

- Proposed Rule 900.3NYP(d)(1)(F) is identical to Arca Options Rule 6.62P-O(d)(1)(F) and would provide that a Reserve Order may be designated Day or GTC, except that the proposed rule does not reference ALO Orders, which order type is not offered by the Exchange today nor will the order type be offered on Pillar. The Exchange believes this difference is immaterial because the omitted text refers to an order modifier (i.e., ALO) that the Exchange does not propose to offer on Pillar and therefore has no bearing on the proposed functionality. The Exchange believes that the proposed rule would promote transparency and granularity in Exchange rules.

All-or-None ("AON") Order. Proposed Rule 900.3NYP(d)(3) would be identical to Arca

Options Rule 6.62P-O(d)(3) and would describe the handling of AON Orders on Pillar.[41] AON

Orders are currently defined in Rule 900.3NY(d)(4) and, consistent with current functionality,

AON Orders on Pillar would only execute if such orders can be satisfied in their entirety.

However, unlike the Exchange 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. In addition, on Pillar, the Exchange would not support Market Orders designated

as AON, which would be a change from current functionality. The Exchange does not believe it

needs to continue offering AON Market Orders because such functionality was not used often on

the Exchange System, indicating a lack of market participant interest in this functionality.

Specifically, proposed Rule 900.3NYP(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 900.3NY(d)(4).

Proposed Rule 900.3NYP(d)(3) uses Pillar terminology and would further provide that an AON

Order that does not trade on arrival would be ranked under the proposed category of "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. As noted above, this proposed new functionality,

including that AON Orders would be ranked on the Consolidated Book, is identical to the

handling of AON Order per Arca Options Rule 6.62P-O(d)(3) and the subsections thereunder.

- Proposed Rule 900.3NYP(d)(3)(A) is identical to Arca Options Rule 6.62P-

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41   The Exchange proposes to hold Rule 900.3NYP(d)(2) as "Reserved" to keep the numbering of this rule
      consistent with Arca Options Rule 6.62P-O(d), to account for the fact that the Exchange does not propose
      to offer Non-Displayed Limit Orders, which are described in Arca Options Rule 6.62P-O(d)(2). See id.

O(d)(3)(A) and 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).

- Proposed Rule 900.3NYP(d)(3)(B) is identical to Arca Options Rule 6.62P-
  O(d)(3)(B) and 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 would promote 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 900.3NYP(d)(3)(C) is identical to Arca Options Rule 6.62P-
  O(d)(3)(C) and 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. The Exchange believes this proposed change
  would provide an AON Order with additional execution opportunities.

- Proposed Rule 900.3NYP(d)(3)(C)(i) is identical to Arca Options Rule 6.62P-
  O(d)(3)(C)(i) and 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 900.3NYP(d)(3)(C)(ii) is identical to Arca Options
  Rule 6.62P-O(d)(3)(C)(ii) and 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 similar to current Rule 900.3NY(d)(4), which provides that a resting AON Order can be ignored if its condition is not met. Similar to current functionality, even though an AON would be ranked in the Consolidated Book, it is still a conditional order type and therefore, by its terms, can be skipped over for an execution. As noted above, this proposed rule text is identical to Arca Options Rules 6.62P-O(d)(3)(C)(i) and (ii).

- Proposed Rule 900.3NYP(d)(3)(D) is identical to Arca Options Rule 6.62P-O(d)(3)(D) and 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.

- Proposed Rule 900.3NYP(d)(3)(E) is identical to Arca Options Rule 6.62P-O(d)(3)(E) and 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 proposed Rule (described above); 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 proposed rule text 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 to

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.

Stop Order. Stop Orders are currently defined in Rule 900.3NY(d)(1). The Exchange

proposes to use Pillar terminology with more granularity to describe Stop Orders in proposed

Rule 900.3NYP(d)(4), as specified below and identical to Arca Options Rule 6.62P-O(d)(4).

Proposed Rule 900.3NYP(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. The proposed functionality is consistent with existing

functionality and provides more granularity of the circumstances when a Stop Order would be

elected.[42] 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 900.3NYP(a)(1)(A)(above) and if not cancelled, it would be assigned a Trading

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[42]   The current rule states that a Stop Order to buy (sell) will be triggered (i.e., elected) when the option
         contract "trades at a price equal to or greater (less) than the specified 'stop' price on the Exchange or
         another Market Center." See Rule 900.3NY(d)(1).

Collar. This is consistent with current functionality, which is not described in the current rule

describing Stop Orders, that once converted to a Market Order, such order is subject to the

checks applicable in the current rule for Market Orders, i.e., cancelling such order if there is no

NBBO. The proposed rule, which as noted above is identical to Arca Options Rule 6.62P-

O(d)(4), references the checks that would be applicable to a Market Order on Pillar and thus adds

greater granularity and transparency to Exchange rules.

Proposed Rule 900.3NYP(d)(4)(A) is identical to Arca Options Rule 6.62P-O(d)(4)(A)

and 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. This is consistent with the current rule,

which provides that a Stop Order is not displayed and has no standing in any Order Process in

the Consolidated Book, unless or until it is triggered. The proposed rule is identical to Arca

Options Rule 6.62P-O(d)(4)(A) and is designed to provide greater granularity and clarity

regarding the treatment of Stop Orders, both when received and when elected.

Proposed Rule 900.3NYP(d)(4)(B) is identical to Arca Options Rule 6.62P-O(d)(4)(B)

and 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 900.3NYP(d)(4)(B)(i) is identical to Arca Options Rule 6.62P-

  O(d)(4)(B)(i) and 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 900.3NYP(d)(4)(B)(ii) is identical to Arca Options Rule 6.62P-O(d)(4)(B)(ii) and would provide that a Stop Order would not be elected if the NBBO is crossed.

- Proposed Rule 900.3NYP(d)(4)(B)(iii) is identical to Arca Options Rule 6.62P-O(d)(4)(B)(iii) and 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).[43]

Stop Limit Order. Stop Limit Orders are currently defined in Rule 900.3NY(d)(2).[44] The Exchange proposes to use Pillar terminology with more granularity to describe Stop Limit Orders in proposed Rule 900.3NYP(d)(5), as specified below and identical to Arca Options Rule 6.62P-O(d)(5).

Proposed Rule 900.3NYP(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.[45] The proposed functionality is consistent with existing

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43 Rule 953.1NY(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 953.1NY(a)(2) to add a cross-reference to proposed Rule 900.3NYP(d)(4). The proposed rule is also identical to how Stop Orders are handled if the underlying NMS stock enters a Limit State or a Straddle State per Arca Options Rule 6.65A-O(a)(2).

44 The current rule states that a Stop Limit Order to buy (sell) will be triggered (i.e., elected) when the option contract "trades at a price equal to or greater (less) than the specified 'stop' price on the Exchange or another Market Center." See Rule 900.3NY(d)(2). Given the contingent nature of Stop Limit Orders, as is the case today, Stop Limit Orders submitted as IOC would be rejected on Pillar.

45 The term "Consolidated Last Sale" is defined in proposed Rule 900.3NYP(d)(4).

functionality and provides more granularity of when a Stop Limit Order would be elected than

the current Rule 900.3NY(d)(2) definition of Stop Limit Order. As further proposed, a Stop

Limit Order to buy (sell) would be rejected if the stop price is higher (lower) than its limit price,

which rejection mirrors Arca Options Rule 6.62P-O(d)(5) and would prevent the Exchange from

accepting potentially erroneously-priced orders. 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.[46] This functionality is consistent with current functionality, though

it is not explicitly stated in the current rule describing Stop Limit Orders. Specifically, both in

the current Exchange System and as proposed on Pillar, once converted to a Limit Order, such

order is subject to the checks applicable in the current rule for Limit Orders, i.e., Limit Order

Filter on the Exchange System. The proposed rule, which as noted above is identical to Arca

Options Rule 6.62P-O(d)(5), references the checks that would be applicable to a Limit Order on

Pillar and thus adds greater granularity and transparency to Exchange rules.

Proposed Rule 900.3NYP(d)(5)(A) is identical to Arca Options Rule 6.62P-O(d)(5)(A)

and 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 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

under the proposed category of "Priority 2 - Display Orders." This functionality is consistent

with the current rule, which provides that a Stop Limit Order is not displayed and has no

standing in any Order Process in the Consolidated Book, unless or until it is triggered. The

proposed rule is designed to provide greater granularity and clarity.

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[46]   See discussion infra, regarding proposed Rule 928.1NYP and Price Reasonability Checks.

Proposed Rule 900.3NYP(d)(5)(B) is identical to Arca Options Rule 6.62P-O(d)(5)(B) and 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 900.3NYP(d)(5)(B)(i) is identical to Arca Options Rule 6.62P-O(d)(5)(B)(i) and 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 900.3NYP(d)(5)(B)(ii) is identical to Arca Options Rule 6.62P-O(d)(5)(B)(ii) and 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 900.3NY as a PNP Order (which includes a Repricing PNP Order ("RPNP")) (current Rule 900.3NY(p)) or a PNP-Blind Order (current Rule 900.3NY(x)). The Exchange also defines Intermarket Sweep Orders (current Rule 900.3NY(u)), which are also non-routable.

The Exchange separately defines quotes -- all of which are non-routable[47] -- in Rule 925.1NY and such quotes may be designated as a Market Maker - Light Only Quotation ("MMLO") (current Rule 925.1NY(a)(3)(A)) and a Market Maker - Repricing Quotation ("MMRP") (current Rule 925.1NY(a)(3)(B)). On the Exchange System, Market Maker quotes not designated as MMRP will cancel (rather than reprice) if they would lock or cross the NBBO, per Rule 925.1NY(a)(4)(C)(i).

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[47]   See Rule 925.1NY(a)(2) (providing that "[a] quotation will not route").

On Pillar, proposed Rule 900.3NYP(e) is identical to Arca Options Rule 6.62P-O(e) and would streamline the non-routable order types and quotes that would be available on the Exchange.[48] As described in greater detail below, proposed Rule 925.1NYP governing Market Maker Quotations would no longer define how quotations would function. Instead, that rule would specify that a Market Maker may designate a Non-Routable Limit Order as a Market Maker quote. Because the way in which non-routable orders and quotes would function on Pillar would be virtually identical (with differences described below), and because Market Makers could enter a Non-Routable Limit Order and then choose to designate it either as a quote or an order, the Exchange believes that it would promote transparency in Exchange rules to consolidate the description of the functionality in a single rule and eliminate duplication in Exchange rules. As described below, proposed Rule 925.1NYP would cross reference proposed Rule 900.3NYP(e).

On Pillar, like Arca Options, the Exchange would no longer offer functionality based on the PNP-Blind Order or MMLO because it believes that the proposed orders/quotes with instructions not to route on Pillar (described below) would continue to provide ATP Holders with the core functionality associated with these existing order and quotation types, including that the proposed rules would provide for non-routable functionality and the ability to either reprice or cancel such orders/quotes.

Non-Routable Limit Order. Proposed Rule 900.3NYP(e)(1) is identical to the Arca

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[48] The Exchange proposes to include details about ranking of orders and quotes with contingencies in this proposed Rule 900.3NYP(e) using the Pillar priority scheme. See, e.g., Rule 964NY(g) (providing that "[t]he Exchange will apply ranking restrictions applicable to specific order, quote, or modifier instructions as provided for in [proposed] Rule 900.3NYP."). Also, as discussed infra, see, e.g., note 39, the ranking and priority of quotes under Pillar is consistent with handling on the Exchange System unless otherwise noted herein.

Options Rule 6.62P-O(e)(1) and would define the Non-Routable Limit Order. As explained

further below, this proposed order type incorporates functionality currently available in both the

existing PNP and RPNP order types, as defined in Rule 900.3NY, and the existing MMRP

quotation type, as defined in Rule 925.1NYP(a)(3)(C).[49] As described below, a Market Maker

can designate a Non-Routable Limit Order as either a quote or an order and such interest so

designated would be handled the same except as specified below. Accordingly, references to the

capitalized term "Non-Routable Limit Order" describe functionality for either a quote or an

order, unless otherwise specified.

Proposed Rule 900.3NYP(e)(1) (like Arca Options 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 under the proposed category of

"Priority 3-Non-Display Orders" and a Non-Routable Limit Order with a working price equal to

the display price would be ranked under the proposed category of "Priority 2-Display Orders."

This proposed rule, which as noted above is identical to the Arca Options Rule 6.62P-O(e)(1),

and uses Pillar terminology, including references to the Pillar concepts of "working" and

"display" price as well to Priority rankings as proposed in Rules 964NYP(e)(2) and (3).[50] This

proposed rule also describes functionality similar to that described in the first clause of current

Rule 900.3NY(p) relating to a PNP Order, which states that the portion of such order not

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[49]   Both MMRPs and RPNPs function similarly. Compare current Rule 925.1NY(a)(4)(B) and subparagraphs
         (i) and (ii) with current Rule 900.3NY(p)(1)(A) and subparagraphs (i) and (ii). They are currently defined
         in separate rules only because the former rule addresses quotes and the latter rule addresses orders.

[50]   See supra note 20 (regarding definitions of "display price" and "working price," set forth in Rules
         964NYP(a)(1) and (a)(4), respectively.

executed on arrival is ranked in the Consolidated Book without routing any portion of the order to another Market Center (although the current rule does not include Pillar concepts of "working" and "display" price or Pillar Priority rankings).

Proposed Rule 900.3NYP(e)(1)(A) is identical to the Arca Options Rule 6.62P-O(e)(1)(A) and would provide that a Non-Routable Limit Order would not be displayed at a price that would lock or cross the ABBO 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 ABO (ABB). This proposed text is designed to provide granularity that a Non-Routable Limit Order would never be displayed at a price that would lock or cross the ABBO, which is consistent with current PNP and RPNP Order functionality and with current Market Maker quoting functionality, as described in Rules 900.3NY(p), (p)(1), and 925.1NY(a)(3)-(4), respectively. The Exchange proposes to use the new term "ABBO" (as proposed herein) to provide more granularity in Exchange rules.

Proposed Rule 900.3NYP(e)(1)(A)(i) is identical to the Arca Options Rule 6.62P-O(e)(1)(A)(i) and 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. This would be an optional designation and would provide ATP Holders with functionality similar to how a PNP Order or a Market Maker quote not designated as MMRP currently functions, which cancels if such order or quote locks or crosses the NBBO.[51] The Exchange proposes a substantive difference from the current PNP Order functionality such that if an ATP Holder opts to cancel instead of reprice a

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[51]   A PNP Order cannot route, and any unexecuted portion is ranked in the Consolidated Book except that such order is canceled if it would lock or cross the NBBO. See Rule 900.3NY(p). A Market Maker quote not designated as MMLO or MMRP will cancel (rather than reprice) if such quote would lock or cross the NBBO. See Rule 925.1NY(a)(4)(C).

Non-Routable Limit Order, such order would be cancelled only 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 the ABBO or because it would be repriced due to Trading Collars.[52] Stated otherwise, if a Non-Routable Limit Order with a designation to cancel could be displayed at its original limit price and not lock or cross the ABBO, such order or quote would not be cancelled. The Exchange believes that the proposed rule provides granularity of the operation of a Non-Routable Limit Order and when such order or quote would be cancelled, if so designated, including specifying circumstances when such order could be repriced, such as to avoid locking or crossing the ABBO or because of Trading collars.

Proposed Rule 900.3NYP(e)(1)(A)(ii) is identical to Arca Options Rule 6.62P-O(e)(1)(A)(ii) and 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 the ABO (ABB), it would be repriced to have a working price equal to the ABO (ABB) and a display price one MPV below (above) that ABO (ABB). 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 reprices on arrival per Rules 900.3NY(p)(1)(A) and 925.1NY(a)(4)(B), which both offer similar functionality.

The Exchange also proposes functionality on Pillar for the Non-Routable Limit Order that is consistent with but different in application to the RPNP Order or MMRP on the Exchange System. Specifically, proposed Rule 900.3NYP(e)(1)(B), which is identical to Arca Options

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[52]   Current Rule 900.3NY(p)(1)(B) provides than an incoming RPNP order would cancel if its limit price is more than a configurable number of MPVs outside its initial display price (on arrival). Under Pillar, because Trading Collars would be applicable to Non-Routable Limit Orders (and such orders may be repriced or "collared" on arrival), the Exchange (like Arca Options) does not propose to cancel an incoming Non-Routable Limit Order if its limit price is more than a configurable number of MPVs outside its initial display price. As such, this aspect of RPNP functionality is not incorporated in the proposed Pillar rules and the Exchange instead proposes to incorporate Trading Collar functionality into the Non-Routable Limit Order.

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 (lower) only one additional

time.[53] If after that second 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 designated as a quote cannot

be designated to be cancelled.[54] As compared to the proposal on Pillar to limit the number of

times that Non-Routable Limit Orders may be repriced, the Exchange System restricts repricing

of RPNPs and MMRPs based on the limit price of the interest being a configurable number of

MPVs away from its initial display price.[55] The Exchange therefore believes that the proposed

functionality is consistent with current functionality because in either case, there will be limited

repricing of resting interest, and would increase determinism in order execution based on the

explicit restriction on the number of times resting interest may be repriced.

The Exchange notes that, as is the case per Arca Options Rule 6.62P-O(e)(1)(B), a

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[53]   For example, on arrival, a Non-Routable Limit Order to buy (sell) with a limit price higher (lower) than the ABO (ABB), would have a display price one MPV below (above) the ABO (ABB) and a working price equal to the ABO (ABB). If the ABO (ABB) reprices higher (lower), the resting Non-Routable Limit Order to buy (sell) would similarly be repriced higher (lower). If the ABO (ABB) adjusts higher (lower) again, the resting Non-Routable Limit Order would not be adjusted again.

[54]   As described in the American Pillar Priority Filing, the working time of a Non-Routable Limit Order would be adjusted as described in Rule 964NYP(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 Arca Options, the Exchange does not propose to separately describe how the working time of an order changes in proposed Rule 900.3NYP. See also Arca Options Rule 6.76P-O(f)(2) (describing when the working time of an order or quote may change and not repeating this information in Rule 6.62P-O).

[55]   See, e.g., Rule 900.3NY(p)(1)(B) (providing that "[a]n incoming RPNP will be cancelled if its limit price to buy (sell) is more than a configurable number of MPVs above (below) the initial display price (on arrival), after first trading with eligible interest, if any," which configurable number of MPVs will be determined by the Exchange and be announced by Trader Update) and Rule 925.1NY(a)(4)(C) (providing that, an MMRP to buy (sell) will be canceled after trading with marketable interest in the Consolidated Book up (down) to the NBO (NBB), if its limit price is more than a configurable number of MPVs above (below) the initial display price (on arrival)).

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designation to cancel after an order has been repriced once is separate from the designation to cancel if a Non-Routable Limit Order cannot be displayed at its limit price. When a Non-Routable Limit Order is designated to cancel if it cannot be displayed at its limit price, there is no repricing and therefore the option of a second cancellation designation is moot. 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. This functionality provides ATP Holders with an option to cancel a resting order if market conditions are such that a resting order could be repriced again, e.g., the contra-side ABBO changes. The Exchange proposes that this second cancellation option would not be available for any Non-Routable Limit Orders designated by a Market Maker as a quote. The Exchange believes that this proposed difference would assist Market Makers in maintaining quotes in their assigned series by reducing the potential to interfere with a Market Maker's ability to maintain their continuous quoting obligations.[56] As noted above, this proposed functionality is identical to Arca Options Rule 6.62P-O(e)(1)(B).

Proposed Rule 900.3NYP(e)(1)(B)(i) is identical to Arca Options Rule 6.62P-O(e)(1)(B)(i) and 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 ABO (ABB), it would be assigned a working price and display price equal to its limit price.[57]

Proposed Rule 900.3NYP(e)(1)(B)(ii) is identical to Arca Options Rule 6.62P-

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[56]   Proposed Rules 925.1NYP(b) and (c) set forth the continuous quoting obligations of Specialists and Market Makers, respectively.

[57]   See American Pillar Priority Filing (regarding Rule 964NYP(b)(2), which describes when the Exchange would not change the display price of any Limit Orders or quotes ranked under the proposed category of "Priority 2 - Display Orders").

O(e)(1)(B)(ii) and 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 ABO

(ABB) is equal to or lower (higher) than its display price. This proposed rule is based in part on

how an RPNP or MMRP reprices when the NBO (NBB) updates to lock or cross its display price

(as described in Rules 900.3NY(p)(1)(A)(i) and 925.1NY(a)(4)(B)(i)) and uses Pillar

terminology (i.e., ABBO and concepts of working price and display price).[58] 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.[59]

Finally, proposed Rule 900.3NYP(e)(1)(C) is identical to Arca Options Rule 6.62P-

O(e)(1)(C) and would provide that the designation to cancel a Non-Routable Limit Order

(including those designated as quotations)[60] would not be applicable in an Auction and, per

proposed Rule 952NYP(g)(2) (described below) such order would 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

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[58]   Rule 900.3NY(p)(1)(A)(i) provides that "if the NBO (NBB) updates to lock or cross the RPNP's display
        price, such RPNP will trade at its display price." Rule 925.1NY(a)(4)(B)(i) provides that "if the NBO
        (NBB) updates to lock or cross the MMRP's display price, such MMRP will trade at its display price." On
        Pillar, if the NBO (NBB) updates to lock or cross the display price of a Non-Routable Order, and the
        working price is adjusted to be equal to the display price, the order will not receive a new working time.
        See Rule 964NYP(f)(2)(B).

[59]   For example, if the ABO 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 ABO 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 BO 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.

[60]   See discussion, infra, regarding proposed Rule 952NYP(g)(1), which provides that "all resting Market
        Maker quotations" -- including Non-Routable Limit Orders designated as quotations -- will be canceled in
        the event of a Trading Halt, which functionality is consistent with current Rule 925.1NY(a)(5), which
        likewise provides that "[a]ll resting quotations will be cancelled in the event of a trading halt").

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price for participation in such Auction, which is consistent with current RPNP functionality, as described in the last sentence of Rule 900.3NY(p) and providing that an RPNP would be processed as a Limit Order and would not be repriced for purposes of participating in an opening or reopening auction. This proposal is also consistent with Rule 925.1NY(a)(5), which provides that MMRPs received when a series is not open for trading will be eligible to participate in the opening auction and re-opening auction (as applicable) at the limit price of the MMRP.

Intermarket Sweep Order ("ISO"). ISOs are currently defined in Rule 900.3NY(u) 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.[61] The Exchange proposes to offer identical functionality on Pillar, including that an ISO is a Limit Order that does not route and meets the requirements of Rule 990NY(8), in proposed Rule 900.3NYP(e)(3), which is identical to Arca Options Rule 6.62P-O(e)(3).[62]

On Pillar, the Exchange proposes to add the ability for an ATP Holder to designate an ISO either as IOC or with a Day time-in-force designation. The Exchange proposes to describe the functionality for each type of ISO separately, as follows:

- *IOC ISO.* Proposed Rule 900.3NYP(e)(3)(A) is identical to Arca Options Rule

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[61] The terms "Protected Bid," "Protected Offer," and "Quotation" are defined in Rules 990NY(15) and (16) and the term "Away Market" is defined in Rule 900.2NY. 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 990NY.

[62] The Exchange proposes to hold Rule 900.3NYP(e)(2) as "Reserved" to keep the numbering of this rule consistent with Arca Options Rule 6.62P-O(e), to account for the fact that the Exchange does not propose to offer ALO Orders, which are described in Arca Options Rule 6.62P-O(e)(2). For avoidance of doubt (and if not otherwise specifically noted herein), the Exchange believes that the omission of reference to ALO Orders (or DAY ISO ALOs) in any proposed rule that is said to be "identical" to the analogous Arca Options rule (that does include such reference(s)), is an immaterial difference as it relates to an order type/modifier not being offered on the Exchange. As such, the omission(s) has no bearing on the proposed Pillar functionality.

6.62P-O(e)(3)(A) and 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 would be immediately and automatically cancelled. This proposed rule describes Pillar functionality that would be no different from how ISOs currently function on the Exchange.

- *Day ISO*. Proposed Rule 900.3NYP(e)(3)(B) is identical to Arca Options Rule 6.62P-O(e)(3)(B) and 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. As noted above, this proposed functionality (allowing Day designation for ISOs) would be consistent with functionality offered on Arca Options and would offer ATP Holders additional control over their trading interest.[63] In addition to the proposed functionality being identical to Arca Options Rule 6.62P-O(e)(3)(B), this functionality is also available on other options exchanges.[64] The

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[63]   Unlike on Arca Options, the Exchange will not allow a DAY ISO to be designated with an ALO Modifier (as is available per Arca Options Rule 6.62P-O(e)(3)(C)) because, as noted above, the Exchange does not propose to offer ALO Orders on Pillar. The Exchanges believes that this textual difference is immaterial as it does not impact the proposed Pillar functionality.

[64]   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 March 29, 2023, Section 4.4.7, available here: http://cdn.cboe.com/resources/membership/US_Options_FIX_Specification.pdf,

proposed Day ISO is also consistent with current Rule 992NY(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.[65]

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 be

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

orders.

Complex Orders. Complex Orders are defined in Rule 900.3NY(e). The Exchange

proposes to define Complex Orders for Pillar in proposed Rule 900.3NYP(f), which is identical

to Arca Options Rule 6.62P-O(f). The proposed rule is based on current Rule 900.3NY(e)(1)-(2)

without any substantive differences. However, like Arca Options Rule 6.62P-O(f), the proposed

definition would 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 and would provide that a

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which references how a Day ISO would be processed under specified circumstances.

[65]   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 992NY(b)(3). See also Cboe Rule 5.67(b)(3) and Nasdaq Options 5, Section 3(b)(3).

Complex Order would be any order involving the simultaneous purchase and/or sale of "two or more options series in the same underlying security," without including the superfluous and redundant modifier "different" before the phrase "more option series." In addition, proposed Rule 900.3NYP (f) (like Arca Options Rule 6.62P-O(f)) would not reference mini-options contracts, which no longer trade on the Exchange.

Cross Orders. The Exchange proposes to describe the Cross Orders available on the Exchange in proposed Rule 900.3NYP(g). Proposed Rule 900.3NYP(g)(1) would describe Qualified Contingent Cross Orders, which are defined in Rule 900.3NY(y) and Commentary .01 to Rule 900.3NY. In addition, current Rule 985NY (Qualified Contingent Cross Trade) describes how Qualified Contingent Cross Orders are processed. As proposed, QCC Orders on Pillar would function identically to how Qualified Contingent Cross Orders function on the Exchange 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 900.3NYP(g)(1). Proposed Rule 900.3NYP(g)(1) is identical to Arca Options Rule 6.62P-O(g)(1) and would describe rules applicable to electronically-entered QCC Orders and Complex QCC Orders. In addition, the Exchange proposes to adopt new Rule 900.3NYP(g)(1)(D) to provide for the trading of Complex QCC Orders (described below).[66] In addition, the Exchange proposes to add, as a placeholder, Rule 900.3NYP(g)(2) to describe the new Customer-to-Customer Cross Order type that will be available on Pillar and described in a separate rule filing. Further, for the sake of clarity, the Exchange proposes to adopt Rule 900.3NYP(g)(3) to include orders submitted to the Customer Best Execution ("CUBE") Auction in the proposed definition

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[66]   See also Securities Exchange Act Release No. 97739 (June 15, 2023), 88 FR 40893 (June 22, 2023) (SR-NYSEAMER-2023-17) (order approving new Rule 980NYP (Complex Order Trading)) (the "Pillar Complex Approval Order").

of "Cross Orders" as describe below.

Proposed Rule 900.3NYP(g)(1)(A) is identical to Arca Options Rule 6.62P-O(g)(1)(A) and would provide that 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 900.3NY(y) with a non-substantive difference that the Pillar rule (like Arca Options Rule 6.62P-O(g)(1)(A)) would not reference mini-options contracts, which no longer trade on the Exchange. Proposed Rule 900.3NYP(g)(1)(A) would also specify that if a QCC has more than one option leg (a "Complex QCC Order"), each option leg must have at least 1,000 contracts, which is consistent with existing functionality that is not described in the current rule. Complex QCCs, which are described below, and function in the same manner as on Arca Options, are not novel.[67] The proposed rule would further provide that a QCC Order that is not rejected per proposed Rules 900.3NYP(g)(1)(C) or (D) would immediately trade in full at its price, would not route, and may be entered with an MPV of $0.01 regardless of the MPV of the options series[68] and that QCC Orders may be entered by Floor Brokers from the Trading Floor or routed to the Exchange from off-Floor. This proposed rule is consistent with current Rule 985NY, which provides that QCC Orders are automatically executed upon entry provided that they meet specified criteria. On Pillar, the Exchange proposes to specify those criteria in proposed Rule 900.3NYP(g)(1)(C), described below. In addition, the proposed Rule would

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[67]   In addition to trading on Arca Options, other options exchanges also offer Complex QCCs. See, e.g., Cboe Rule 5.6(c) (setting forth operation of Complex QCC Orders) and MIAX Rule 515(h)(4) (same).

[68]   Allowing QCC Orders to trade in pennies under Pillar is consistent with current functionality. See Rule 985NY(2) (providing that QCC Orders may only be entered in the regular trading increments applicable to the options class under Rule 960NY(b)). Rule 960NY(b) provides that minimum trading increment for option contracts traded on the Exchange will be one cent ($0.01) for all series.

provide that Rule 935NY (related to exposure of orders on the Exchange) does not apply to Cross Orders, which text is substantively identical to Commentary .03 to current Rule 935NY.[69]

Proposed Rule 900.3NYP(g)(1)(B) and subparagraphs (i) - (vi) is identical to Arca Options Rule 6.62P-O(g)(1)(B)(i)-(vi) and would define a "qualified contingent trade" as a transaction consisting of two or more component orders, executed as agent or principal, where specified requirements are also met and uses the same text as currently set forth in Commentary .01 and its sub-paragraphs (a) - (f) to Rule 900.3NY without any differences.

Proposed Rule 900.3NYP(g)(1)(C) is identical to Arca Options Rule 6.62P-O(g)(1)(C) would describe general rules relating to execution of QCC Orders and would provide that a QCC Order with one option leg would be rejected if received when the NBBO is crossed or if it would be traded at a 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 and would provide that the QCC Order would never trade at a price worse than the Exchange BBO. This proposed rule is based on Rule 985NY without any substantive differences but adds detail about pricing of a QCC Order vis a vis the Exchange BBO. The Exchange believes that specifying that a QCC Order would be rejected when the NBBO is crossed, which is new text, provides greater granularity than current 985NY(1), which provides that "Qualified Contingent Cross Orders will be automatically cancelled if they cannot be executed." The other two proposed conditions are identical to the current functionality, as specified in Rule 985NY: that Qualified Contingent Cross Orders are automatically executed "provided that the execution (i) is not at the same price as a Customer Order in the Consolidated Book and (ii) is at or between the NBBO."

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[69]   Commentary .03 to Rule 985NY provides that "Rule 935NY does not apply to Qualified Contingent Cross Orders."

Proposed Rule 900.3NYP(g)(1)(D) is identical to Arca Options Rule 6.62P-O(g)(1)(D) would describe how Complex QCC Orders would be executed on the Exchange. As proposed, as is the case per Arca Options Rules 6.62P-O(g)(1)(D)(i)-(iv) (and described below), a Complex QCC Order must include a limit price, no option leg would trade at a price worse than the Exchange BBO, and would be rejected if:

- any option leg cannot execute in compliance with proposed paragraph (g)(1)(C) of this Rule as described above (proposed Rule 900.3NYP(g)(1)(D)(i)), which mirrors Complex QCC handling on Arca Options and is consistent with other options exchanges;[70]

- the best-priced Complex Order(s) on the Exchange contain(s) displayed Customer interest and the Complex QCC Order price does not improve such displayed Customer interest by $0.01 (proposed Rule 900.3NYP(g)(1)(D)(ii)), which mirrors Complex QCC handling on Arca Options and is consistent with other options exchanges;[71]

- the price of the QCC Order is worse than the best-priced Complex Orders in the Consolidated Book or the prices of the best-priced Complex Orders in the Consolidated Book are crossed (proposed Rule 900.3NYP(g)(1)(D)(iii)), which mirrors Complex QCC handling on Arca Options, provides additional protections

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[70]   See, e.g., MIAX Rule 515(h)(4) (which provides that each Complex QCC or "cQCC" is "automatically executed upon entry provided that, with respect to each option leg of the cQCC Order, the execution (i) is not at the same price as a Priority Customer Order on the Exchange's Book; and (ii) is at or between the NBBO").

[71]   See, e.g., Cboe Rule 5.6(c) (Order Instructions, QCC Orders (requiring for the "Execution of QCC Orders" that the "execution price is better than the price of any complex order resting in the [Cboe Complex Order Book], unless the Complex QCC Order is a Priority Customer Order and the resting complex order is a non-Priority Customer Order, in which case the execution price may be the same as or better than the price of the resting complex order").

against potentially erroneous executions, and adds transparency and granularity to the proposed rule; or

- there is no NBO for a given leg (proposed Rule 900.3NYP(g)(1)(D)(iv)), which mirrors Complex QCC handling on Arca Options, provides additional protections against potentially erroneous executions, and adds transparency and granularity to the proposed rule.

As noted above, this proposed rule text is identical to Arca Options Rules 6.62P-O(g)(1)(D)(i)-(iv) and is designed to promote clarity and transparency in Exchange rules regarding the price requirements for a Complex QCC Order, which requirements to protect priority of resting interest are consistent with the rules of other options exchanges, as described above, and to provide additional safeguards against potentially erroneous executions of Complex QCCs.

Proposed Rule 900.3NYP(g)(1)(E) is identical to Arca Options Rule 6.62P-O(g)(1)(E) and would specify rules governing QCC Orders entered from the Trading Floor, which can be entered only by Floor Brokers,[72] and is based on Commentary .01 to Rule 985NY without any substantive differences.[73] The Exchange proposes textual changes as compared to the current

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[72] An options Floor Broker is "a sole proprietor ATP Holder or a representative of an ATP Holder who is registered with the Exchange for the purpose, while on the Exchange Floor, of accepting and executing option orders." See Rule 930NY(a).

[73] Commentary .01 to Rule 985NY provides: "Qualified Contingent Cross Orders can be entered into the System from on the Floor of the Exchange only by Floor Brokers. Floor Brokers shall not enter such 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'). When executing such orders, Floor Brokers shall not be subject to Rules 934NY, 934.1NY, 934.2NY, and 934.3NY. Floor Brokers must maintain books and records demonstrating that each Qualified Contingent Cross Order entered from the Floor was not entered for a prohibited account. Any Qualified Contingent Cross Order entered from the Floor that does not have a corresponding record required by this Commentary .01 shall be deemed to have been entered for a prohibited account in violation of this Rule."

Rule that are not designed to change the substance of the Rule, but to instead promote clarity and transparency. 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 Rules 934NY, 934.1NY, 934.2NY, and 934.3NYregarding "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 would be deemed to have been entered for a prohibited account in violation of this Rule.

Proposed Rule 900.3NYP(g)(1)(F) is identical to Arca Options Rule 6.62P-O(g)(1)(F) and would specify rules governing QCC Orders entered off-Floor and that ATP Holders must maintain books and records demonstrating that each such order was so routed. This proposed rule is based on Commentary .02 to Rule 985NY without any substantive differences.[74] The Exchange proposes textual differences as compared to the current Rule that are not designed to change the substance of the Rule, but instead promote clarity and transparency.

In connection with adding QCC to proposed Rule 900.3NYP, the Exchange proposes to add the following preamble to Rule 985NY: "This Rule is not applicable to trading on Pillar."

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[74]   Commentary .02 to Rule 985NY provides: "With respect to a Qualified Contingent Cross Order that was routed to the System from off of the Floor, ATP Holders must maintain books and records demonstrating that each such order was routed to the system from off of the Floor. This provision would not apply to a Qualified Contingent Cross Order covered by Commentary .01 to this Rule 985NY (i.e., a Qualified Contingent Cross Order routed to a Floor Broker for entry into the System)." The Exchange does not propose to include the last sentence of this Commentary in the proposed Pillar rule because the Exchange does not believe it is necessary to specify that Floor Brokers that enter orders electronically are subject to rules relating to electronic order entry as opposed to rules governing open outcry.

This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 985NY would not be applicable to trading on Pillar.

The Exchange plans to file a separate rule filing to adopt "Customer-to-Customer Cross Orders." Because this would be a new cross order that does not exist on Arca Options, the Exchange proposes to simply adopt the name of this order type as proposed Rule 900.3NYP(g)(2) and to hold the description of how such order would trade as "Reserved."

The Exchange proposes to include CUBE Orders in the list of Cross Orders. Proposed Rule 900.3NYP(g)(3) would add clarity to Exchange rules that CUBE Orders are Cross Orders governed by separate Exchange rules.[75] Specifically, proposed Rule 900.3NYP(g)(3) would provide that Single-Leg CUBE Orders submitted pursuant to proposed Rule 971.1NYP and Complex CUBE Orders submitted pursuant proposed Rule 971.2NYP would be considered Cross Orders.[76]

Orders Available Only in Open Outcry. The Exchange proposes Rule 900.3NYP(h) to describe orders that are available only in open outcry, most of which are currently defined in Rule 900.3NY.

First, proposed Rule 900.3NYP(h)(1) would codify an existing order type, the Clear-the-Book ("CTB") Order, which is currently described only in a Regulatory Bulletin.[77] This proposed rule is substantially the same as Arca Options Rule 6.62P-O(h)(1), except that

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[75] See, e.g., Rules 971.1NY and 971.2NY describing Single-Leg and Complex CUBE Auctions, respectively.

[76] The Exchange plans to submit separate rule filings to adopt CUBE Auction functionality on Pillar, which will be set forth in proposed Rules 971.1NYP (for the single-leg CUBE Auction) and 971.2NYP (for the Complex CUBE Auction), respectively. See, e.g., NYSEAMER-2023-21P (prefiling to adopt Rule 971.1NYP for single-leg CUBE Auctions on Pillar).

[77] See NYSE Amex Options RB-16-02, dated February 19, 2016 (Rules of Priority and Order Protection in Open Outcry), available here: https://www.nyse.com/publicdocs/nyse/markets/american-options/rule-interpretations/2016/NYSE%20Amex%20Options%2016-02.pdf.

paragraph (h)(1)(B) of the proposed rule accounts for the Exchange's Customer-centric trading

model as described below. Proposed Rule 900.3NYP(h)(1) would describe the CTB Order in the

same manner as it is described in Arca Options Rule 6.62P-O(h)(1), 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, contemporaneous with 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 Rules 900.3NYP(h)(1)(A) - (C) would provide that:

- 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

  900.3NYP(h)(1)(A), which is identical to Arca Options 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) (proposed Rule 900.3NYP(h)(1)(B));[78] 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 900.3NYP(h)(1)(C), which is identical to Arca Options Rule

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[78]   This proposed rule differs from Arca Options Rule 6.62P-O(h)(1)(B) because it does not provide for the
         CTB Order to trade with "any non-Customer interest to sell (buy) with a working time earlier than the
         latest-arriving displayed Customer interest to sell (buy)," because Customer interest has priority of same-
         priced non-Customer interest on the Exchange.

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6.62P-O(h)(1)(C)).

Currently, CTB Orders only trade with displayed Customer interest, but do not trade with better-priced displayed non-Customer interest. In Pillar, as described above, CTB Orders would trade with displayed Customer interest at a price and would also trade with displayed non-Customer interest priced *better* than displayed Customer interest (i.e., a CTB order buying with a $1.00 limit would now trade with displayed interest offered at $0.99, whether on behalf of a Customer or a non-Customer). In addition to being similar to Arca Options Rule 6.62P-O(h)(1), the Exchange believes that codifying CTB Order functionality, and thus automating priority would make it easier for Floor Brokers to comply with their obligation to satisfy better-priced interest on the Consolidated Book. In addition, 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 900.3NYP(h)(1)(D) is identical to Arca Options Rule 6.62P-O(h)(1)(D) and 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 (and thus ineligible to clear Protected Quotations), Floor Brokers would still be obligated to route any other eligible orders (i.e., not the CTB Order) to better-priced interest on Away Markets per Rule 992NY.[79]

The Exchange also proposes to include in Rule 900.3NYP additional open outcry order types that are currently defined in Rule 900.3NY:

- Proposed Rule 900.3NYP(h)(2) would define "Facilitation Order" to be identical

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[79]   See id. at pp. 2-3 (describing regulatory responsibilities related to CTB Orders, including that it is the Floor Broker's responsibility to comply with the terms of the Options Order Protection and Locked/Crossed Market Plan, including by sending ISOs to trade with Protected Quotes).

to the definition of Facilitation Order set forth in Rule 900.3NY(j). The proposed

definition is also identical to Arca Options Rule 6.62P-O(h)(2).

- Proposed Rule 900.3NYP(h)(3) would be designated as Reserved.[80]

- Proposed Rule 900.3NYP(h)(4) would define "Not Held Order" to be identical to

  the definition of Not Held Order set forth in Rule 900.3NY(f). The proposed

  definition is also identical to Arca Options Rule 6.62P-O(h)(4).

- Proposed Rule 900.3NYP(h)(5) would define "Single Stock Future

  ("SSF")/Option Order" to be identical to the definition of Single Stock Future

  ("SSF")/Option Order set forth in Rule 900.3NY(i). The proposed definition is

  also identical to Arca Options Rule 6.62P-O(h)(5).

- Proposed Rule 900.3NYP(h)(6)(A) would define a "Stock/Option Order" to be

  identical to the definition of Stock/Option Order set forth in Rule 900.3NY(h)(1).

  The proposed definition is also identical to Arca Options Rule 6.62P-O(h)(6)(A).

- Proposed Rules 900.3NYP(h)(6)(B)(i)-(ii) would define a "Stock/Complex

  Order" to be identical to the definition of Stock/Complex Order set forth in Rule

  900.3NY(h)(2)(A)-(B). The proposed definition is also identical to Arca Options

  Rule 6.62P-O(h)(6)(B)(i)-(ii).

The Exchange proposes that after the transition to Pillar, the One-cancels-the-other

(OCO) Order, which is currently described in Rule 900.3NY(g) but is not used by Floor Brokers,

would not be added to proposed Rule 900.3NYP governing orders and modifiers.

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[80]   The Exchange proposes to hold Rule 900.3NYP(h)(3) as "Reserved" to keep the numbering of this rule
         consistent with Arca Options Rule 6.62P-O(h), to account for the fact that the Exchange does not propose
         to offer (nor does the Exchange currently offer) Mid-Point Crossing Orders, which are described in Arca
         Options Rule 6.62P-O(h)(3).

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

900.3NYP(i), which are identical to the order instructions and modifiers set forth in Arca

Options Rule 6.62P-O(i).

Proactive if Locked/Crossed Modifier. Proposed Rule 900.3NYP(i)(1) is identical to

Arca Options Rule 6.62P-O(i)(1) and 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. The Exchange believes that offering this as an optional modifier for Limit

Orders would provide ATP Holders with additional flexibility to designate a resting displayed

order to route if it becomes locked or crossed by an Away Market.

Self-Trade Prevention ("STP") Modifier. Self-Trade Prevention ("STP") Modifiers are

currently defined in Commentary .02 to Rule 964NY and are available only for Market Maker

orders and quotes. On Pillar, and identical to STP functionality on Arca Options Rule 6.62P-

O(i)(2), the Exchange proposes to expand the availability of STP to all orders and quotes to offer

this protection to trading interest of all ATP Holders, not just Market Makers. The Exchange

believes this expansion is appropriate because it would facilitate market participants' compliance

and risk management by assisting them in avoiding unintentional wash-sale trading. 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 900.3NYP(i)(2) and would

be available to all market participants.

Proposed Rule 900.3NYP(i)(2) is identical to Arca Options Rule 6.62P-O(i)(2) and

would provide that an Aggressing Order or Aggressing Quote to buy (sell) designated with one of the STP modifiers in proposed Rule 900.3NYP(i)(2) would be prevented from trading with a resting order or quote to sell (buy) also designated with an STP modifier and from the same Client ID; the same MPID, and, if specified, any sub-identifier of that MPID; or an Affiliate (as defined in Rule 900.2NY) identifier, with any such identifier referred to as a "Unique Identifier." Proposed Rule 900.3NYP(i)(2) would also provide 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 .02 to Rule 964NY with non-substantive differences to use Pillar terminology.

Proposed Rule 900.3NYP(i)(2) would further provide that if the condition for a Limit Order designated FOK, an AON Order, or an arriving order with an MTS modifier designated under proposed Rule 900.3NYP(i)(3)(B)(i) (described below) cannot be met because of STP modifiers, such order would either be cancelled or placed on the Consolidated Book, as applicable. This functionality would be the same as on Arca Options Pillar and reflects that for order types that must trade a specified quantity (either in full or a specified minimum quantity) and could trade with multiple contra-side orders to meet that size requirement, such order types would not be compatible with applying STP, which examines a one-on-one relationship between two interacting orders. 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 an order with an MTS modifier), or be added to the Consolidated Book (i.e., an AON Order), and then such resting orders would function as described in Rule 900.3NYP.

The proposed rule would further provide that Aggressing Orders or Aggressing Quotes

would be processed as follows:

- Proposed Rule 900.3NYP(i)(2)(A) is identical to Arca Options Rule 6.62P-O(i)(2)(A) and 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 Unique Identifier; 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 would remain on the Consolidated Book. This proposed rule is based on Commentary .02(a) to Rule 964NY with differences to use Pillar terminology and to extend STP functionality to orders with the same Unique Identifiers.

- Proposed Rule 900.3NYP(i)(2)(B) is identical to Arca Options Rule 6.62P-O(i)(2)(B) and 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 Unique Identifier; 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 .02(b) to Rule 964NY with differences to use Pillar terminology and to extend STP functionality to orders with the same Unique Identifiers.

- Proposed Rule 900.3NYP(i)(2)(C) is identical to Arca Options Rule 6.62P-O(i)(2)(C) and 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 Unique Identifier and that the entire size of both orders

and/or quotes would be cancelled._ This proposed rule is based on Commentary

.02(c) to Rule 964NY with differences to use Pillar terminology and to extend

STP functionality to orders with the same Unique Identifiers.

Minimum Trade Size Modifier. The Exchange proposes to add the Minimum Trade Size

("MTS") Modifier, which is based on the same functionality described in Arca Options Rule

6.62P-O(i)(3), except that the MTS Modifier would only be available for Limit IOC Orders and,

as such, the Exchange would not include rule text describing how the MTS Modifier would

apply to resting orders.[81] The Exchange proposes to provide this modifier for options trading to

provide ATP Holders with more features with respect to order handling. The proposed MTS

Modifier is similar in concept to both FOK and AON, which are currently available for options

trading. With the MTS Modifier, an ATP Holder would have greater flexibility to designate a

size smaller than the entire quantity (which is current FOK and AON functionality) as a

condition for execution. In addition to Arca Options, other options exchanges also offer the use

of an MTS Modifier.[82]

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[81]   On Arca Options, in addition to Limit IOC Orders, the MTS Modifier can apply to Non-Displayed Limit Orders. See Arca Options Rule 6.62P-O(i)(3). However, as discussed infra, the Exchange is not adopting Non-Displayed Limit Orders and therefore has no reason to discuss the application of MTS functionality to such order types. Similarly, because the MTS Modifier may only be applied to IOC Orders, the Exchange is not adopting rule text regarding how MTS functionality is applied to orders not executed immediately as such text would be inapplicable. See e.g., Arca Options Rules 6.62P-O(i)(3)(C), (E) and (F). The Exchange believes this distinction is immaterial because the MTS Modifier operates in the same manner on both exchanges when applied to Limit IOC Orders.

[82]   See, e.g., Nasdaq Options 3, Section 7(a)(3)(B) (describing "Minimum Quantity Order" as "an order that requires that a specified minimum quantity of contracts be obtained, or the order is cancelled").

Proposed Rule 900.3NYP(i)(3)(A) is identical to Arca Options Rule 6.62P-O(3)(A) and 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.

Proposed Rule 900.3NYP(i)(3)(B) is identical to Arca Options Rule 6.62P-O(3)(B) and 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. As noted above, this proposed rule is identical to Arca Options Rule 6.62P-O(i)(3)(B) and sub-paragraphs (i) and (ii).

Proposed Rule 900.3NYP(i)(3)(C) would provide that an order with an MTS Modifier cannot be immediately executed would be cancelled. This proposed rule is based on Arca Options Rule 6.62P-O(i)(3)(D).

Finally, proposed Rule 900.3NYP(i)(4) would define a "Directed Orders" to be the same as the Rule 900.3NY(s) definition of Directed Order, except that the wording of the proposed definition is more streamlined with regard to the requirement that a Directed Order be submitted electronically.

In connection with proposed Rule 900.3NYP, the Exchange proposes to add the following preamble to Rule 900.3NY: "This Rule is not applicable to trading on Pillar." This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule 900.3NY would not be applicable to trading on Pillar.

Proposed Rule 925.1NYP: Market Maker Quotations

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Current Rule 925.1NY describes Market Maker quoting obligations, including defining "quotations," describing the treatment of such quotations, and specifying Market Maker and Specialist quoting obligations. Proposed Rule 925.1NYP is identical to Arca Options Rule 6.37AP-O and would set forth Market Maker quoting obligations under Pillar.

Current Rule 925.1NY(a)(1) provides that "[t]he term 'quote' or 'quotation' means a bid or offer entered by a Market Maker that updates the Market Maker's previous bid or offer, if any." Pursuant to this Rule, a Market Maker's same-side quote would be updated when a Market Maker uses the same ATP for quote entry.[83] Although not specified in the current rule, the Exchange System utilizes a unique identifier for each Specialist to send quotes, and, as a result, a Specialist cannot have more than one same-side quote in an assigned series.[84] Therefore, Specialist quotes are subject to the current Rule 925.1NY(a)(1) requirement that a new same-side quote sent by that Specialist updates the previous bid or offer, if any.

On Pillar, Specialists (like Market Markets not acting as Specialists) would be able to send multiple same-side quotes associated with its ATP by utilizing different order/quote entry ports (i.e., in Pillar, Specialist 1 can send a bid for 1.00 in XYZ over order/quote entry port 1 and another bid for 1.00 in XYZ over order/quote entry port 2 and the bid sent via order/quote entry port 2 would not replace the quote sent over order/quote entry port 1).[85]

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[83]   See NYSE American Options Fee Schedule, Section V.A. Port Fees (setting forth fees for order/quote entry ports, which fees are currently $450 per port per month for the first forty such ports and $150 per port per month for each port in excess of forty (i.e., 41 and greater), available here: https://https://www.nyse.com/publicdocs/nyse/markets/american-options/NYSE_American_Options_Fee_Schedule.pdf.

[84]   On the Exchange System, Market Makers not acting as Specialists may opt to utilize multiple ATPs to send more than one same-side quote in the same assigned series.

[85]   See, e.g., Rules 964NYP(h)(1)(A)(ii) and (h)(2)(B) (providing for the handling of multiple same-side quotes in an assigned series submitted by a Directed Order Market Makers or Specialist, respectively). See also Arca Options Rule 6.37AP-O(a)(1)(A) (providing for the handling of multiple same-side quotations

Consistent with current functionality, on Pillar, the Exchange would provide Market Makers with the ability to designate bids and offers as quotations. Currently, the Exchange offers designated "quotation" types to Market Makers, which are described in Rule 925.1NY(a)(3).[86] On Pillar, as described above in connection with proposed Rule 900.3NYP(e)(1), the Exchange is proposing to offer quotation functionality for Market Makers that would be displayed, traded, repriced, or cancelled in the same manner as Non-Routable Limit Orders. As such, Market Makers may designate this "order" type as a quotation and, if designated as a quotation, such bids and offers would be displayed, traded, repriced, or cancelled as described in proposed Rule 900.3NYP(e)(1), as discussed in detail above. In addition, such quotations would be ranked and executed as described in Rule 964NYP.[87] Moreover, if designated as a quotation, such bids or offers would be identifiable to the Exchange as "quotations," subject to the Market Maker and Specialist requirements relating to quotations and the Exchange would be able to monitor a Market Maker's compliance with quoting obligations because its bids or offers would be designated as quotations. If a Market Maker does not choose to designate a bid or offer as a quotation, such bid or offer would be processed as an "order" and would not count towards a Market Maker's quoting obligations.[88]

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submitted via the same quote entry port).

[86] As described in Rule 925.1NY(a)(3)(A) and (B), respectively, a Market Maker may designate a quote as Market Maker-Light Only Quotation ("MMLO") or Market Maker - Repricing Quotation ("MMRP").

[87] See Rule 964NYP.

[88] For example, a Market Maker could choose to designate a Non-Routable Limit Order as either a quote or as an order, which is consistent with current Rule 925.2NY, which provides that a Market Maker may enter all order types permitted to be entered by Users under the Rules to buy or sell options in all classes of options listed on the Exchange. Accordingly, the functionality set forth in proposed Rule 925.1NYP(a)(2) herein is not materially different for Market Makers because, under current functionality, they can choose to send as Market Maker orders any order type described in current Rule 900.3NY, including, for example, RPNP and PNP-Blind Order.

- Rule 925.1NYP(a) is identical to Arca Options Rule 6.37AP-O(a) and would provide that a Market Maker may send quotations only in the issues included in its appointment. This functionality is based on current Rule 925.1NY(a) but differs in that the proposed rule would use the term "send" rather than "enter," which is a stylistic preference that does not alter the functionality.

- Proposed Rule 925.1NYP(a)(1) is identical to Arca Options Rule 6.37AP-O(a)(1) and 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 "[a] quotation sent by a Market Maker will replace a previously displayed same-side quotation that was sent from the same order/quote entry port of that Market Maker" and "[i]f multiple same-side quotations are submitted via the same quote entry port, the Exchange will display the Market Maker's most recent same-side quotation." The proposed Rule reflects that, on Pillar and as described above, Specialists would be able to send multiple same-side quotes associated with its ATP by utilizing different order/quote entry ports.[89] Because Specialists would be Market Makers on Pillar, this functionality would also be available to Specialists.[90]
The NYSE American Options Fee Schedule makes clear that Market Makers can obtain upwards of forty ports for quote entry. Thus, the Exchange believes that establishing when a Market Maker's previously displayed same-side quotation would be replaced (i.e., when sent via the same order/quote entry port) would add

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89   See supra note 85 (regarding Rules 964NYP(h)(1)(A)(ii) and (h)(2)(B)).

90   See Rule 920NY (Market Makers) (providing that for purposes of Exchange rules, the term Market Maker includes Specialists, unless the context otherwise indicates).

clarity and transparency to Exchange rules. This proposed rule text is also

designed to clarify the Exchange's handling of successive Market Maker

quotations (from the same quote entry port in the same side and series) should a

Market Maker's quotations queue during a period of excessive message traffic.

No system, including Pillar, has unlimited capacity. Accordingly, should the

Exchange be in receipt of multiple same-side quotations in the same series from

the same Market Maker, the Exchange proposed that it would display only the

most recent quotation to ensure accurate representation of that Market Maker's

quoting interest. In addition, because the Exchange proposes that a Market Maker

may designate Non-Routable Limit Orders as quotes, the Exchange proposes a

difference from the current Rule to provide that a quote is a bid or offer not

designated as an order.

- Proposed Rule 925.1NYP(a)(2) would provide that a Market Maker may

  designate a Non-Routable Limit Order as a quote and such quotes would be

  processed as described in proposed Rule 900.3NYP(e)(1).[91] Proposed Rule

  925.1NYP(a)(2) is the same as Arca Options Rule 6.37AP-O(a)(2), except that the

  proposed rule does not reference ALO Orders, which order type is not offered by

  the Exchange today nor will the order type be offered on Pillar. The similarities

  and differences between the proposed Non-Routable Limit Orders on Pillar

  compared to the existing quote types (e.g., MMRP) are described in more detail

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[91] See discussion supra regarding proposed Rule 900.3NYP(e)(1), Non-Routable Limit Orders, being available as quote types and how such orders compare to the existing MMRP quotation functionality.

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above.[92] Because proposed Rule 900.3NYP(e)(1)), described above, would set

forth the treatment of a Non-Routable Limit Order designated as a quote, the

Exchange is not proposing to include a (duplicative) section in proposed Rule

925.1NYP regarding the treatment of such quotes.

- Proposed Rules 925.1NYP(b)-(e) would be substantively identical to current

  Rules 925.1NY(b)-(e), with non-substantive differences to change the term

  "shall" to "will," which is a stylistic preference that would add consistency to

  Exchange rules. These proposed rules would also be the same as Arca Options

  Rules 6.37AP-O(b)-(e), except that Arca Options Rule 6.37AP-O(b) describes

  quoting obligations for Lead Market Makers or LMMs, whereas proposed Rule

  925.1NYP(b) would describe quoting obligations for Specialists.

Proposed Commentary .01 to Rule 925.1NYP is identical to Commentary .01 to Arca

Options Rule 6.37AP-O and would also be substantively identical to Commentary .01 to Rule

925.1NY, with non-substantive differences to streamline the rule text.

The Exchange also proposes a non-substantive change to paragraph (b) of Rule 953.1NY

(Limit-Up and Limit-Down During Extraordinary Market Volatility) to update the cross

reference to Market Maker quoting obligations as set forth in Rules 925.1NYP(b) and (c).

In connection with proposed Rule 925.1NYP, the Exchange proposes to add the

following preamble to Rule 925.1NY: "This Rule is not applicable to trading on Pillar." This

proposed preamble is designed to promote clarity and transparency in Exchange rules that Rule

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[92]   The Exchange notes that it is not proposing the functionality set forth in current Rule 925.1NY(a)(4)(D)
         that provides for the cancellation of a Market Maker's quote on the opposite side of the market whenever
         that Market Maker's same-side quotation is cancelled because such quotation would lock or cross another
         options exchange is not designated to reprice (e.g., as an MMRP). This current functionality is based on a
         system limitation that would not exist under Pillar.

925.1NY would not be applicable to trading on Pillar.

Proposed Rule 928NY: Pre-Trade and Activity-Based Risk Controls

Current Rule 928NY sets forth the activity-based Risk Limitation Mechanisms for orders and quotes, which are designed to help ATP Holders 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 the Exchange's existing activity-based risk controls and on pre-trade risk controls that are available on Arca Options. Specifically, proposed Rule 928NYP is identical to Arca Options Rule 6.40P-O and would describe the activity-based controls with updated functionality under Pillar and would also describe new optional pre-trade risk controls. The Exchange believes that adding pre-trade risk controls (together with the enhanced activity-based controls), as described below, would provide greater flexibility to ATP Holders in establishing risk controls to align with their risk tolerance for both orders and quotes.

Proposed Rule 928NYP(a) is identical to Arca Options Rule 6.40P-O(a) and would set forth the following definitions that would be used for purposes of the Rule:

- The term "Entering Firm" would mean an ATP Holder (including those acting as Market Makers) (proposed Rule 928NYP(a)(1), which is identical to Arca Options Rule 6.40P-O(a)(1)). The Exchange believes that the addition of this term would add clarity to the proposed rule by using a single, defined term to describe which entities, including Market Makers, could avail themselves of the proposed pre-trade risk controls.

- The term "Pre-Trade Risk Controls" would refer to optional limits that an Entering Firm may utilize with respect to its trading activity on the Exchange

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(excluding interest represented in open outcry except CTB Orders (proposed Rule 928NYP(a)(2), which is identical to Arca Options Rule 6.40P-O(a)(2)). Proposed Rules 928NYP(a)(2)(A)(i)-(v) would define the available "Single-Order Risk Controls," which are identical to the checks offered per Arca Options Rules 6.40P-O(a)(2)(A)(i)-(v), as follows:

- controls related to the maximum dollar amount for a single order to be applied one time ("Single Order Maximum Notional Value Risk Limit") and the maximum number of contracts that may be included in a single order before it can be traded ("Single Order Maximum Quantity Risk Limit") and providing that GTC Orders would be subject to these checks only once (proposed Rule 928NYP(a)(2)(A)(i), which is identical to Arca Options Rule 6.40P-O(a)(2)(A)(i)).

- controls related to the price of an order or quote (including percentage-based and dollar-based controls) (proposed Rule 928NYP(a)(2)(A)(ii), which is identical to Arca Options Rule 6.40P-O(a)(2)(A)(ii));

- controls related to the order types or modifiers that can be utilized (proposed Rule 928NYP(a)(2)(A)(iii), which is identical to Arca Options Rule 6.40P-O(a)(2)(A)(iii));

- controls to restrict the options class transacted (proposed Rule 928NYP(a)(2)(A)(iv), which is identical to Arca Options Rule 6.40P-O(a)(2)(A)(iv)); and

o controls to prohibit duplicative orders (proposed Rule

928NYP(a)(2)(A)(v), which is identical to Arca Options Rule

6.40P-O(a)(2)(A)(v)).

Like on Arca Options, use of the pre-trade risk controls proposed would be

optional, but all orders and quotes on the Exchange would pass through these

risk checks.[93] As such, an Entering Firm that does not choose to set limits

pursuant to the new proposed pre-trade risk controls would not achieve any

latency advantage with respect to its trading activity on the Exchange.[94] The

Exchange understands that the risk checks of other exchanges, on which the

proposed functionality is modeled, also apply symmetrically to all orders.[95]

- 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

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[93] The Exchange notes that there is nothing unique about this approach as functionality on the Exchange is often applied uniformly to all orders and quotes, regardless of whether a particular client has opted to use that functionality for a particular order or quote. For example, the Exchange's limit order price protection applies generally to trading on the Exchange and orders or quotes with limit prices are not processed more slowly than those without. Similarly, the Exchange's trading systems check all orders and quotes for a variety of details and modifiers (e.g., duplicative client order check, order capacity check, and self-trade prevention). See, e.g., Securities Exchange Act Release Nos. 97147 (March 21, 2023), 88 FR 17072, at 17073-76 (March 15, 2023) (SR-NYSEArca-2023-24).

[94] See id., 88 FR, at 17073-76 (discussing, among other things, that "because all orders on the Exchange would pass through the pre-trade risk controls, there would be no difference in the latency experienced by [Arca Options] OTP Holders who have opted to use the additional 'Pre-Trade Risk Controls' versus those who have not opted to use them."). To the extent that any latency occurs in connection with the proposed pre-trade risk controls, the Exchange expects that (like on Arca Options) such latency would be significantly less than one microsecond. See id., 88 FR, at 17073.

[95] See, e.g., MEMX Risk FAQ, dated October 13, 2020, available at https://info.memxtrading.com/us-equities-faq/#Bookmark21 ("The risk checks are applied in a consistent manner to all participant orders in order to mitigate risk without incurring latency disadvantage."); MIAX Pearl Equities Exchange User Manual, updated October 2022, available at https://www.miaxequities.com/sites/default/files/website_file-files/MIAX_Pearl_Equities_User_Manual_October_2022.pdf, at 29 (stating that all but two of the exchange's 14 risk checks "are latency equalized i.e. there is no latency penalty for a member when opting into and leveraging a risk protection available on the exchange when entering an order as compared to a member not opting into the risk protection when entering an order").

options class (excluding those represented in open outcry except CTB

Orders) based on specified thresholds measured over the course of an Interval

(to be defined below) (proposed Rule 928NYP(a)(3), which is identical to

Arca Options Rule 6.40P-O(a)(3)). The proposed Activity-Based Risk

Controls are based on the substantially identical risk controls set forth in

current Rules 928NY(b)-(d), except that, on Pillar (and identical to Arca

Options), 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 Exchange

believes that aggregating a Market Maker's quotes and orders for purposes of

calculating activity-based risk controls, which mirrors the application of such

controls on Arca Options, would better reflect the aggregate risk that a

Market Maker has with respect to its quotes and orders. The proposed rule

would also add detail to make clear that orders and quotes represented in

open outcry, except CTB Orders, would not be subject to these controls,

which is consistent with current functionality.

- o 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 928NYP(a)(3)(A), which is identical to Arca Options Rule
    6.40P-O(a)(3)(A)). This risk control is based on the substantially
    identical risk control set forth in current Rule 928NY(b), with the
    difference described above that a Market Maker's orders and quotes

would be aggregated.

o 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 928NYP(a)(3)(B), which is identical to Arca Options Rule 6.40P-O(a)(3)(B)). This risk control is based on the substantially identical risk control set forth in current Rule 928NY(c), with the difference described above that a Market Maker's orders and quotes would be aggregated.

o 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 928NYP(a)(3)(C), which is identical to Arca Options Rule 6.40P-O(a)(3)(C)). The proposed definition, like the Arca Options 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 (and like on Arca Options), this proposed 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 928NY(d), with the

difference described above that a Market Maker's orders and quotes

would be aggregated.

- 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 928NYP(a)(4), which is identical to

   Arca Options Rule 6.40P-O(a)(4)). This proposed definition is also based on

   the substantially similar functionality set forth in current Rule 928NY(f).

   The Exchange believes this proposed definition would add clarity and

   transparency to Exchange rules.

- 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 928NYP(a)(5), which

   is identical to Arca Options Rule 6.40P-O(a)(5)). This proposed definition is

   consistent with current Rule 928NY, 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.

- The term "Auction-Only Orders" would refer to the order types set for in

   proposed Rule 900.3NYP(c), as described in detail above (proposed Rule

   928NYP(a)(6), which is identical to Arca Options Rule 6.40P-O(a)(6)).

Proposed Rules 928NYP(b)(1)-(2) are identical to Arca Options Rules 6.40P-O(b)(1)-(2)

and would set forth how the Pre-Trade, Activity-Based and Global Risk Controls could be set or

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adjusted. Proposed Rule 928NYP(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 928NYP(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, and further provide that Pre-Trade Risk Controls to restrict the options class(es) transacted must be set per option class.

Proposed Rule 928NYP(c) is identical to Arca Options Rule 6.40P-O(c) and would set forth the Automated Breach Actions that the Exchange would take if a designated risk limit is breached. Proposed Rules 928NYP(c)(1)(A)(i)-(iii) are identical to Arca Options Rules 6.40P-O(c)(1)(A)(i)-(iii) and would set forth the automated breach actions for the Pre-Trade Risk Controls as described below.

- Proposed Rule 928NYP(c)(1)(A)(i) would provide that a Limit Order or quote that breaches any Single-Order Risk Control would be rejected.

- Proposed Rule 928NYP(c)(1)(A)(ii) would provide that a Market Order that arrives during a pre-open state will be cancelled if the quantity remaining to trade after an Auction breaches the Single Order Maximum Notional Value Risk Limit, and that at all other times, a Market Order that triggers or breaches any Single-Order Risk Control will be rejected.[96]

- Proposed Rule 928NYP(c)(1)(A)(iii) would provide that a Limit Order or quote that would breach a price control under paragraph (a)(2)(A)(ii) above would be rejected or cancelled as specified in Rule 900.3NYP(a)(3)(A) (Limit Order Price Protection).

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[96]   The term "Auction" is defined in proposed Rule 952NYP(a)(1), described below in the discussion of proposed Rule 952NYP, to mean the opening or reopening of a series for trading either on a trade or quote.

Consistent with Arca Options, the Exchange likewise proposes to process Market Orders differently from Limit Orders because, until a series is opened, the Exchange is not able to calculate the Single Order Notional Value Risk Limit for a Market Order.[97] Accordingly, as is the case on Arca Options, this proposed risk limit would be applied only after a series opens, at which point, a Market Order would be cancelled if it fails the risk limit.

Proposed Rule 928NYP(c)(2) is identical to Arca Options Rule 6.40P-O(c)(2) and would set forth the automated breach actions for the Activity-Based Risk Controls.

- Proposed Rule 928NYP(c)(2)(A) is identical to Arca Options Rule 6.40P-O(c)(2)(A) and 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 928NY, 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 Exchange believes that requiring that both Market Maker quotes and Market Maker orders be subject to one of the Activity-Based Controls would enhance Market Makers' ability to assess their total risk exposure on the Exchange. The proposed optionality of the Activity-Based Risk controls for orders sent

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[97]   Compare Arca Options Rules 6.40P-O(c)(1)(A)(ii) and (iii) with proposed Rules 928NYP(c)(1)(A)(ii) and (iii).

by an Entering Firm not acting as a Market Maker mirrors current Rule 928NY, Commentary .04(b).

- Proposed Rule 928NYP(c)(2)(B) is identical to Arca Options Rule 6.40P-O(c)(2)(B) and 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 928NY(a) and Commentary .07, with a proposed difference to allow an Entering Firm to also exclude orders designated FOK, which, like orders designated IOC, cancel if not executed on arrival and is based on current functionality.[98] The Exchange believes that specifying that orders designated FOK could be excluded from being considered for a Trade Counter would mirror handling of such orders on Arca Options and would add granularity and clarity to Exchange rules. In addition, as noted above, a Market Maker's quotes and orders in a given option class would be aggregated and therefore the Exchange proposes that there would not be separate Trade Counters for a Market Maker's quotes and orders.

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[98] See Securities Exchange Act Release No. 81716 (September 25, 2017), 82 FR 45653 (September 29, 2017) (SR-NYSEAMER-2017-10) (immediately effective filing to exclude IOC Orders from risk settings because such exclusion, among other things, would result in risk settings that may be better calibrated to suit the needs of certain market participants (i.e., those that routinely utilize IOC orders to access liquidity on the Exchange)).

- Proposed Rule 928NYP(c)(2)(C) is identical to Arca Options Rule 6.40P-O(c)(2)(C) and 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.

    o "Notification Only." As set forth in proposed Rule 928NYP(c)(2)(C)(i) (which is identical to Arca Options 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. The Exchange believes that making this Automated Breach Action available to Activity-Based Risk Controls, which are unique to options trading, would provide Entering Firms more control and flexibility over setting risk tolerance and, as such, over how Activity-Based Risk Controls are implemented.

    o "Block Only." As set forth in proposed Rule 928NYP(c)(2)(C)(ii) (which is identical to Arca Options 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

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specified in paragraph (e) of the proposed Rule (and described below).

The Exchange believes that making this Automated Breach Action

available to Activity-Based Risk Controls, which are unique to options

trading, would provide Entering Firms more control and flexibility over

setting risk tolerance and, as such, over how Activity-Based Risk

Controls are implemented.

- o "Cancel and Block." As set forth in proposed Rule 928NYP(c)(2)(C)(iii)

    (which is identical to Arca Options Rule 6.40P-O(c)(2)(C)(i)), if this

    option is selected, in addition to the Block Only 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 928NY(e) and Commentaries .01 and .02

    thereto, except that under the current rules, this is default (not optional)

    functionality. The Exchange believes that making this Automated Breach

    Action available to respond to a breach of Activity-Based Risk Controls,

    which are unique to options trading, would provide Entering Firms more

    control and flexibility over setting risk tolerance and, as such, over how

    Activity-Based Risk Controls are implemented.

- Finally, proposed Rule 928NYP(c)(2)(D) is identical to Arca Options Rules

    6.40P-O(c)(2)(D) and 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 928NY(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 928NYP(c)(2)(E) is identical to Arca Options Rule 6.40P-O(c)(2)(E) and 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 928NYP(c)(2)(E)(i)), which settings are identical to the Exchange-determined settings provided under current Rule 928NY, Commentary .03 and identical to Arca Options 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 928NYP(c)(2)(E)(ii)), which settings are identical to the Exchange-determined settings provided under current Rule 928NY, Commentary .03 and identical to Arca Options 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 928NYP(c)(2)(E)(iii)), which maximum setting is the same as the minimum Exchange-determined setting set forth in current Rule 928NY, Commentary .03 and identical to Arca Options Rule 6.40P-O(c)(2)(E)(iii).

The Exchange proposes to increase the minimum setting from less than one (in current rule) to not be less than 50 to better reflect actual practice, because under current Rules, there are no ATP Holders that have set their Percentage-Based Risk Limits below 50.

Proposed Rule 928NYP(c)(2)(F) is identical to Arca Options Rule 6.40P-O(c)(2)(F) and 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 928NYP(c)(2)(F)(i)), which minimum setting is identical to the Exchange-determined minimum set forth in current Rule 928NY, Commentary .03 and identical to Arca Options Rule 6.40P-O(c)(2)(F)(i). Although the Exchange's current rule does not include a maximum time period, the Exchange proposes to include a maximum allowable Interval to promote clarity in Exchange rules of the longest time an Interval could be.

- For transactions occurring in the Core Open Auction, per proposed Rule 952NYP, 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 928NYP(c)(2)(F)(ii)), which proposed time period is identical to the timing provided under current Rule 928NY, Commentary .03 and also identical to Arca Options Rule 6.40P-O(c)(2)(F)(ii).

Proposed Rule 928NYP(c)(3) is identical to Arca Options Rule 6.40P-O(c)(3) and would set forth the automated breach actions for the Global Risk Controls set by an Entering Firm.

- Proposed Rule 928NYP(c)(3)(A) is identical to Arca Options Rule 6.40P-O(c)(3)(A) and would provide that if the Global Risk Control limit is breached, the Exchange would Cancel and Block, per proposed Rule 928NYP(c)(2)(C)(iii), which proposed functionality is substantively the same as the functionality provided under current Rule 928NY, Commentaries .01 (regarding cancellation of existing orders) and .02 (regarding block/rejection of new orders).

- Proposed Rule 928NYP(c)(3)(B) is identical to Arca Options Rule 6.40P-O(c)(3)(B) and 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, which proposed functionality is substantively the same as the functionality provided (in the last sentence) of current Rule 928NY, Commentary .02 in the event of a breach of current Rule 928NY(f) (i.e., breach of global risk setting).

- Proposed Rule 928NYP(c)(3)(C) is identical to Arca Options Rule 6.40P-O(c)(3)(C) and 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 928NY, Commentary .03, except that the current rule allows for a minimum setting of

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one (1) whereas the proposed rule (like Arca Options) is increasing that minimum to twenty-five (25), which the Exchange believes would better reflect actual practice, because under current Rules, there are no ATP Holders that have set their Global Risk Controls below 25.

- Proposed Rules 928NYP(c)(3)(D)(i)-(ii) are identical to Arca Options Rules 6.40P-O(c)(3)(D)(i)-(ii) and 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 928NYP(c)(3)(D)(i), which minimum setting is identical to the Exchange-determined minimum set forth in current Rule 928NY, Commentary .03. Although the Exchange's current rule does not include a maximum time period, the Exchange proposes to mimic Arca Options Rule 6.40P-O(c)(3)(D)(i) by including a maximum allowable Interval to allow an outside parameter by which the counters would be reset, which would promote transparency in Exchange rules regarding the maximum allowable Interval.
  - For transactions occurring in the Core Open Auction, per proposed Rule 952NYP, 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 928NYP(c)(3)(D)(ii), which proposed time period is identical to the timing provided under current Rule 928NY, Commentary .03 and is also identical to Arca Options Rule 6.40P-

O(c)(3)(D)(ii).

Proposed Rule 928NYP(d) is identical to Arca Options Rules 6.40P-O(d) and would describe 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 928NYP(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 in full (including Auction-Only Orders, and orders designated GTC)) 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 928NY, 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 928NYP(e) is identical to Arca Options Rules 6.40P-O(e) and would set forth new "Kill Switch Action" 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. The Exchange believes that the proposed Kill Switch Action functionality would also provide ATP Holders with greater flexibility to provide bulk instructions to the Exchange with respect to cancelling existing orders and quotes and blocking new orders and quotes.

In particular, proposed Rule 928NYP(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 (excluding those represented in open outcry except CTB Orders), 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 only identical to Arca Options Rule 6.40P-O(e) but are also consistent with the rules of other options exchanges.[99] 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 (as noted above).

Proposed Commentary .01 to Rule 928NYP is identical to Commentary .01 to Arca Options Rule 6.40P-O and would provide that the Pre-Trade, Activity-Based, and Global Risk Controls described in the proposed Rule 98NYP are meant to supplement, and not replace, the ATP Holder'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.[100] Responsibility for compliance with all Exchange and SEC rules remains with the ATP Holder. The Exchange

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[99] See, e.g., Cboe Rule 5.34(c)(6) (describing the optional "Kill Switch" functionality, which allows a Cboe participant to instruct Cboe to simultaneously cancel or reject all orders or quotes (or a subset thereof) as well as to instruct Cboe to block all orders or quotes (or a subset thereof), which block instructions will remain in effect until such participant contacts Cboe's trade desk to remove the block).

[100] 17 CFR 240.15c3-5.

does not guarantee that these controls will be sufficiently comprehensive to meet all of an ATP

Holder's needs, the controls are not designed to be the sole means of risk management, and

using these controls will not necessarily meet an ATP Holder's obligations required by the

Exchange or federal rules including, without limitation, the Rule 15c3-5. Use of the Exchange's

proposed Pre-Trade Risk Controls will not automatically constitute compliance with Exchange

or federal rules, and responsibility for compliance with all Exchange and SEC rules remains

with the ATP Holder. The proposed rule, which is new text, makes clear that (like on Arca

Options) use of the proposed controls alone does not constitute compliance with Exchange rules

or the Exchange Act.

Proposed Commentary .02 to Rule 928NYP is identical to Commentary .02 to Arca

Options Rule 6.40P-O and would provide that an Entering Firm may set price controls under

proposed Rule 928NYP(a)(2)(A)(ii) (described above) that are equal to or more restrictive than

the price level provided per the Exchange's Limit Order Price Protection feature, as set forth in

proposed Rule 900.3NYP(a)(3)(A). This proposed commentary is intended to clarify the

interplay between the Exchange's Limit Order Price Protection functionality and the price

controls that may be set by an Entering Firm pursuant to proposed Rule 928NYP(a)(2)(A)(ii).

In connection with proposed Rule 928NYP, the Exchange proposes to add the following

preamble to Rule 928NY: "This Rule is not applicable to trading on Pillar." This proposed

preamble is designed to promote clarity and transparency in Exchange rules that Rule 928NY

would not be applicable to trading on Pillar.

Proposed Rule 928.1NYP: Price Reasonability Checks - Orders and Quotes

The Exchange proposes to describe its Price Reasonability Checks for orders and quotes

in proposed Rule 928.1NYP. For the Exchange System, the concept of "Price Reasonability

Checks" for Limit Orders is described in Rule 967NY(c) and the concept of price protection

filters for quotes are described in Rule 967.1NY. The proposed "Price Reasonability Checks" on

Pillar are identical to those set forth in Arca Options Rule 6.41P-O. As is the case on Arca

Options, the proposed "Price Reasonability Checks" would be applicable to both orders and

quotes and are designed to provide similar price protections as the current price checks for Limit

Orders and price protection filters for quotes on the Exchange System, with differences from the

current rule described in detail below. The Exchange believes that applying the same Price

Reasonability Checks to both orders and quotes and describing them in a single rule would make

the Exchange's rules easier to navigate, while continuing to provide price protection features for

both orders and quotes. The Exchange proposes to locate the rule text for the proposed Price

Reasonability Checks in proposed Rule 928.1NYP to immediately follow proposed Rule

928NYP 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 Rules 928.1NYP(a)(1)-(3) are identical to Arca Options Rules 6.41P-O(a)(1)-

(3) and would set forth the circumstances under which the proposed Price Reasonability Checks

would apply. Proposed Rule 928.1NY(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 (excluding those represented in open outcry, except CTB Orders), during continuous

trading on each trading day, subject to the following:

- Proposed Rule 928.1NYP(a)(1) is identical to Arca Options Rule 6.41P-O(a)(1)

  and 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 on current Rule 967NY(c), which provides that the Price Reasonability Checks (for orders) are applied when a series opens or reopens for trading and is similar to Rule 967.1NY(a)(1), which provides that Market Maker quote protection will be applied when an NBBO is available. NBBO protection is available when a series is opened for trading. Proposed Rule 928.1NYP(a)(1) includes additional detail and granularity regarding when the proposed Price Reasonability Checks would be applied under Pillar. The proposed Rule also adds new functionality that a put option message to buy would be subject to the Arbitrage Check even if a series is not open for trading. The Exchange believes that it is appropriate to apply this check to put option messages to buy at any time because the check is not dependent on an external reference price.

- Proposed Rule 928.1NYP(a)(2) is identical to Arca Options Rule 6.41P-O(a)(2) and 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 is consistent with current functionality. The Exchange believes this proposed rule would promote clarity and transparency in Exchange rules regarding how the Price Reasonability Check would be calculated.

- Proposed Rule 928.1NYP(a)(3) is identical to Arca Options Rule 6.41P-O(a)(3) and would provide that the proposed Price Reasonability Checks would not apply

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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 928.1NYP(a)(3) is based on current Commentary .01 to Rules 967NY (orders) and 967.1NY (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 928.1NYP(b) is identical to Arca Options Rule 6.41P-O(b) and 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 or quote 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 928.1NYP(b)(1) is identical to Arca Options Rule 6.41P-O(b)(1) and 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 Rules 967NY(c)(1)(A) (for orders) and 967.1NY(a)(3) (for quotes).

- Proposed Rule 928.1NYP(b)(2) is identical to Arca Options Rule 6.41P-O(b)(2) and 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 price of the last trade (of any size) of the underlying security on the Primary Market, plus a specified threshold to be determined by the Exchange and announced by Trader Update. This proposed rule is substantially similar to current Rules 967NY(c)(1)(B) (for orders) and 967.1NY(a)(2)(B) (for quotes), with several differences.

First, because the Exchange is monitoring last sales from the Primary Market, the Exchange proposes that the Exchange-specified threshold for the Checks would be based on the price of the last trade (of any size) on the Primary Market rather than on the Consolidated Last Sale.[101] The Exchange believes that the last trade on the Primary Market would be indicative of the price of the underlying security and that by using the last trade of the Primary Market rather than the Consolidated Last Sale, the Pillar system would need to ingest and process less data, thereby improving efficiency and performance of the system. The Exchange also believes that applying the Checks to trades in underlying securities of any size, i.e., both round lots and odd lots, would enhance the efficacy of the Checks as this proposed functionality would provide a better representation of the trade prices occurring in the underlying market.[102]

Second, current Rules 967.1NY(a)(2)(A) and (C) specify which price would be used for Market Maker bids made before the underlying security is open or during

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[101] Per Rule 900.2NY, the term "Primary Market" with respect to options traded on the Exchange means the principal market in which the underlying security is traded. The Exchange also notes a difference in that proposed Rule 928.1NYP(b)(2) refers to a "specified threshold," whereas current Rule 967NY(c)(1)(B) refers to a "specified dollar amount," which difference is designed to give the Exchange more flexibility in applying the Arbitrage Checks to use a percentage-based threshold.

[102] The Exchange notes that trades in higher-priced underlying securities tend to be odd lots, which highlights the importance of capturing such trades in the Checks.

a trading halt, pause, or suspension of the underlying security. Because on Pillar the proposed Arbitrage Checks for calls (for orders and quotes) would be applied only once a series has opened or reopened for trading, the Exchange no longer needs to specify prices other than the last trade (of any size) on the Primary Market for purposes of calculating the Arbitrage Checks for calls. The Exchange believes the difference in proposed Rule 928.1NYP(b)(2) from current functionality (which is identical to Arca Options Rule 6.41P-O(b)(2)) would not compromise the price protection feature of the proposed Arbitrage Checks.

Proposed Rule 928.1NYP(c) is identical to Arca Options Rule 6.41P-O(c) and 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 Rules 928.1NYP(c)(1)-(2) are identical to Arca Options Rules 6.41P-O(c)(1)-(2) and would set forth how the Intrinsic Value of an option would be determined. Proposed Rule 928.1NYP(c)(1) would provide that the Intrinsic Value for a put option is equal to the strike price minus the price of the last trade (of any size) of the underlying security on the Primary Market. Proposed Rule 928.1NYP(c)(2) would provide that the Intrinsic Value for a call option is equal to the price of the last trade (of any size) of the underlying security on the Primary Market minus the strike price. Proposed Rules 928.1NYP(c)(1)-(2) are based on how the intrinsic value is calculated in current Rule 967NY(c)(2) for orders, with two differences. First, the proposed "Intrinsic Value Checks" would also apply to quotes, which would be new on Pillar (but would mimic Arca Options Rules

6.41P-O(c)(1)-(2)) and would provide Market Makers with additional protection for quotes to sell. Second, the Intrinsic Value of an option would be based on the price of the last trade (of any size) on the Primary Market rather than on the Consolidated Last Sale for the same reasons discussed above, that it would enhance performance without compromising the price protection feature of the Intrinsic Value Checks.

- Proposed Rule 928.1NYP(c)(3) is identical to Arca Options Rule 6.41P-O(c)(3) and would provide that ISOs to sell would not be subject to the Intrinsic Value Check, which carve out is substantively identical to current Rule 967NY(c)(2).

- Proposed Rule 928.1NYP(c)(4) is identical to Arca Options Rule 6.41P-O(c)(4) and would describe the application of the Intrinsic Value Checks to puts and calls to sell.

    o Proposed Rule 928.1NYP(c)(4)(A) is identical to Arca Options Rule 6.41P-O(c)(4)(A) and 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 specified threshold to be determined by the Exchange and announced by Trader Update.

    o Proposed Rule 928.1NYP(c)(4)(B) is identical to Arca Options Rule 6.41P-O(c)(4)(B) and would provide that the Exchange-determined threshold percentage (per proposed 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.[103] This proposed threshold percentage is similar to how

the Reference Price would be determined for Trading Collars, as described

above pursuant to proposed Rule 900.3NYP(a)(4). As further proposed,

Rule 928.1NYP(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 Rules 928.1NYP(c)(4)(A)-(B) are substantially similar to current Rule

967NY(a)(2)(A), which describes the application of the Intrinsic Value check for orders, with the

following differences:

- The proposed rule would extend this price protection to quotes, providing Market
  Makers with additional protection mechanisms;

- The proposed rule would provide additional detail regarding how the specified
  threshold percentage would be determined immediately following an Auction;

- The proposed rule would establish that an unadjusted NBBO (as opposed to an
  adjusted NBBO) would be used to calculate the Intrinsic Value; and

- The proposed rule includes text providing that if the Intrinsic Value cannot be
  calculated, the Check would not be applied.

The Exchange believes that these additions, which mirror Arca Options Rules 6.41P-

O(c)(4)(A)-(B), would both add granularity to the rule and enhance the functionality for

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[103]   See discussion infra, regarding proposed Rule 952NYP(a) and proposed definitions for the terms
         "Auction," "Auction Price," Auction Collar," "pre-open state," and "Trading Halt Auction."

calculating and applying the Intrinsic Value. For the same reasons described above in connection with Limit Order Price Protection and Trading Collars, the Exchange believes that using an unadjusted NBBO (as opposed to using an adjusted NBBO) would serve price protection purposes by using a more conservative view of the NBBO.

Proposed Rule 928.1NYP(d) is identical to Arca Options Rule 6.41P-O(d) and 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 928.1NYP, the Exchange would Cancel and Block orders and quotes in the affected class of options as described in Rule 928NYP(c)(2)(C)(iii) (as described above in section "Proposed Rule 928NYP").

Proposed Rule 928.1NYP(d)(1) is identical to Arca Options Rule 6.41P-O(d)(1) and would provide that a breach of proposed Rule 928.1NYP(d) would count towards a Market Maker's Global Risk Control limit per proposed Rule 928NYP(a)(4) (as described above in section "Proposed Rule 928NYP").

Proposed Rule 928.1NYP(d)(2) is identical to Arca Options Rule 6.41P-O(d)(2) and 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 928.1NYP(d) is substantially similar to current Rule 967.1NY(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 928NYP(c)(3), which functionality would be new under Pillar. The Exchange believes that the proposed new functionality, which mirrors Arca Options Rule 6.41P-O(d), would provide ATP Holders greater control and flexibility over setting risk tolerance and exposure for both orders and quotes. In connection with proposed Rule 928.1NYP, the Exchange proposes to add the following preamble to Rules 967NY and 967.1NY: "This Rule is not applicable to trading on Pillar." This proposed preamble is designed to promote clarity and transparency in Exchange rules that Rules 967NY and 967.1NY would not be applicable to trading on Pillar.

Proposed Rule 952NYP: Auction Process

Current Rule 952NY sets forth the opening process currently used on the Exchange System for opening trading in a series each day and reopening trading in a series following a trading halt. Current Rule 952NY(a) defines the term "Trading Auction" as the 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, and that Trading Auctions will be conducted automatically by the Exchange System. Current Rules 952NY(b) and (c) describe the manner for the automated Trading Auctions and provide that, once the primary market for the underlying security disseminates a quote and a trade that is at or within the quote, the Exchange System then conducts an Auction Process ("current Auction Process") whereby the Exchange System determines a single price at which a series may be opened by looking to the price at which the greatest number of contracts can trade at or between the NBBO disseminated by OPRA.[104]

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[104]   If the same number of contracts can trade at multiple prices, the opening price is the price at which the

As described in Rule 952NY(b)(D), the Exchange will not conduct the current Auction Process to open a series if the bid-ask differential for that series is not within an acceptable range, i.e., is not within the bid-ask differential guidelines established in Rule 925NY(b)(4).[105] If a series does not open for trading, Market and Limit Orders entered in advance of the current Auction Process remain in the Consolidated Book and will not be routed, even if another exchange opens that series for trading and such resting orders become Marketable against the ABBO.[106]

The Exchange proposes that new Rule 952NYP which is identical to Arca Options Rule 6.64P-O would set forth the automated process for both opening and reopening trading in a series on the Exchange on Pillar. The Exchange proposes to specify that current Rule 952NY would not be applicable to trading on Pillar. With the transition to Pillar, the fundamental process of how an option series would be opened (or reopened) on the Exchange would not materially change because the Exchange would continue to assess whether a series can be opened based on whether the bid-ask differential for a series is within a specified range. However, with the availability of Pillar technology, the Exchange proposes differences to the proposed auction process that mirror Arca Options Rule 6.64P-O and are designed to provide additional opportunities for an options series to open or reopen for trading even if the bid-ask differential is

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greatest number of contracts can trade that is at or nearest to the midpoint of the NBBO disseminated by OPRA; unless one such price is equal to the price of any resting Limit Order(s) in which case the opening price is the same price as the Limit Order(s) with the greatest size and, if the same size, the highest price and if there is a tie between price levels and no Limit Orders exist at either of the prices, the Exchange uses the higher price. See Rule 952NY(c).

[105]   Because Rule 952NY(b)(D) cross-references the bid-ask differential requirement of Rule 925NY(b)(4), which relates to the obligations of Market Makers in appointed classes, the Exchange will not open a series for trading if the NBBO disseminated by OPRA in a series is not within such bid-ask differentials.

[106]   The term "Marketable" is defined in Rule 900.2NY to mean, for a Limit Order, an order that can be immediately executed or routed and Market Orders are always considered marketable.

wider than the specified guidelines. The Exchange notes that other options exchanges also

provide additional opportunities for a series to open after a specified period of time in a wide

market.[107] In addition, the Exchange proposes to specify minimum time periods to allow a

Market Maker(s) to quote in an assigned series before the series is opened or reopened. With the

proposed Auction Process, described further below, the Exchange endeavors to attract the

highest quality quote for each series at the open to attract order flow for the auction. While the

Exchange does not require Market Makers assigned to a series to quote before a series can be

opened (or reopened), the Exchange believes that providing time for such Market Makers to do

so would provide both better and more consistent prices on executions to ATP Holders in an

Auction and a smoother transition to continuous trading. In addition, the Exchange believes that

the proposed changes would enhance the opening/reopening process on the Exchange by

providing a transparent and deterministic process for the Exchange to open additional series for

trading.

Further, the Exchange proposes additional enhancements (and details them in the rule)

that mirror Arca Options Rule 6.64P-O relating to how orders and quotes would be processed if

they arrive during the period when the Exchange is processing an Auction and how the Exchange

would process orders and quotes when it transitions to continuous trading following an Auction.

Accordingly, the structure of proposed Rule 952NYP is identical to Arca Options Rule 6.64P-O

and includes a description of how the Exchange would process orders and quotes during a

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[107]   For example, in 2021, Cboe amended its opening process set forth in Cboe Rule 5.31 to provide for a
         "forced opening" process that is used if an option class is unable to open because it does not meet the
         applicable bid-ask differential. In such case, if the "Composite Market" is not crossed and there is no non-
         zero offer, within a specified time period, Cboe will open the series without a trade. See Securities
         Exchange Act Release No. 90967 (January 22, 2021), 86 FR 7249 (January 28, 2021) (SR-Cboe-2021-
         005) (Notice of filing and immediate effectiveness of proposed rule change to amend Cboe's opening
         process for simple orders).

trading halt, which would provide granularity and transparency in Exchange rules.

Definitions. Proposed Rule 952NYP(a) contains proposed definitions for options trading on Pillar that are identical to those set forth in Arca Options Rule 6.64P-O(a) and would provide that the proposed Rule would be applicable to all series that trade on the Exchange other than Flex Options.[108]

- Proposed Rule 952NYP(a)(1) is identical to Arca Options Rule 6.64P-O(a)(1) and would define the term "Auction" to mean the opening or reopening of a series for trading either with or without a trade. This proposed definition is based in part on current Rule 952NY(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.[109] 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 with or without a trade. After an Auction concludes, the series then transitions to continuous trading.

  Proposed Rules 952NYP(a)(1)(A)-(B) are identical to Arca Options Rule 6.64P-O(a)(1)(A)-(B). Proposed Rule 952NYP(a)(1)(A) would provide that a "Core

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[108]   With the transition to Pillar, the Exchange is not making any changes to how Flex Options trade. Rule 901G provides that Flex Options transactions may be effected during normal Exchange options trading hours on any business day and Rule 902G provides that there will be no trading rotations in Flex Options. Rule 904G sets forth the procedures for trading Flex Options. The opening process for Electronic Complex Orders is set forth in Rule 980NY. The opening process for Electronic Complex Orders is set forth in Rule 980NY. In connection with the transition to Pillar, the Exchange has adopted new Rule 980NYP regarding complex trading on Pillar. See the Pillar Complex Approval Order, supra note 66.

[109]   See also Rule 952NY(e) (providing that a Trading Auction to reopen an option class after a trading halt is conducted in the same manner as a Trading Auction to open each option class at the start of each trading day, i.e., as described in Rule 952NY(a)-(d)).

Open Auction" means the Auction that opens trading after the beginning of Core

Trading Hours and proposed Rule 952NYP(a)(1)(B) would provide that a

"Trading Halt Auction" means the Auction that reopens trading following a

trading halt. These are Pillar terms that would be new to options trading on the

Exchange.

- Proposed Rule 952NYP(a)(2) is identical to Arca Options Rule 6.64P-O(a)(2) and

  would define the term "Auction Collar" to mean the price collar thresholds for the

  Indicative Match Price (defined below) 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 (per proposed Rule

  952NYP(a)(2)(A), which is identical to Arca Options Rule 6.62P-O(a)(2)(A)). In

  addition, as proposed, if there is no Legal Width Quote, the Auction Collars

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

  (per proposed Rule 952NYP(a)(2)(B), which is identical to Arca Options Rule

  6.62P-O(a)(2)(B)).

  As proposed, the Auction Collars would be set at the Legal Width Quote

  (described below) and would prevent an Auction trade from occurring at a price

  outside of the Legal Width Quote. The Exchange believes that the concept of

  Auction Collars is similar to the current requirement that the Exchange will not

  open a series if the bid-ask differential is not within the bid-ask differential

guidelines established under Rule 925NY(b)(4).[110] Thus, the proposed Auction

Collars (based on a Legal Width Quote) would use Pillar terminology to prevent

an Auction that results in a trade from being priced outside the bid-ask differential

applicable to Auctions on Pillar.[111]

Proposed Rule 952NYP(a)(3) is identical to Arca Options Rule 6.64P-O(a)(3) and

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 in the same manner that such information is disseminated

on Arca Options. The Exchange currently makes certain auction imbalance

information available on its proprietary data feed and the Exchange believes that

enhancing this information by disseminating the proposed Auction Collars,

Auction Indicator, Book Clearing Price, and Far Clearing Price, which would be

new for the Exchange, would promote transparency. In addition, the Exchange

proposes that the Auction Imbalance Information would reflect the quotes and

orders eligible to participate in an Auction, which contribute to price discovery.

As such, proposed Rule 952NYP(a)(3) (like Arca Options Rule 6.64P-O(a)(3))

would further provide that Auction Imbalance Information would be based on all

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[110]   See Rule 952NY(b)(D) and (E). The Exchange notes that in common parlance bid-ask differentials are
          known as "legal-width quotes."

[111]   See also Cboe Rule 5.31(a) (defining the "Opening Collar" as the price range that establishes limits at or
          inside of which Cboe determines the opening trade price for a series).

quotes and orders (including the non-displayed quantity of Reserve Orders) eligible to participate in an Auction, excluding IO Orders. The Exchange believes that specifying that the non-displayed quantity of Reserve Orders would be included in the Auction Imbalance Information is consistent with current functionality that the full quantity of Reserve Orders are eligible to participate in the current Auction Process.

Proposed Rule 952NYP(a)(3)(A) is identical to Arca Options Rule 6.64P-O(a)(3)(A) and 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 parameters of the Opening MMQ Timer(s) (defined below). This proposed definition would be new for the Exchange and would provide transparency of when an Auction could not be conducted.[112]

Proposed Rule 952NYP(a)(3)(B) is identical to Arca Options Rule 6.64P-O(a)(3)(B) and 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 states 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 would be identical to how it is calculated per Arca Options Rule 6.64P-O(a)(3)(B).

Proposed Rule 952NYP(a)(3)(C) is identical to Arca Options Rule 6.64P-

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[112]   Consistent with the proposed rule, Rule 952NY(b)(D) provides that the Exchange will not conduct the current Auction Process if the bid-ask differential for a series is not within an acceptable range.

O(a)(3)(C) and would define the term "Far Clearing Price" to mean the price at which 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 would be identical to how it is calculated per Arca Options Rule 6.64P-O(a)(3)(C).

Proposed Rule 952NYP(a)(3)(D) is identical to Arca Options Rule 6.64P-O(a)(3)(D) and 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 to calculate the Imbalance in a manner identical to how it is calculated per Arca Options Rule 6.64P-O(a)(3)(D).

Proposed Rule 952NYP(a)(3)(D)(i) is identical to Arca Options Rule 6.64P-O(a)(3)(D)(i) and 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 to calculate the Total Imbalance in a manner identical to how it is calculated per Arca Options Rule 6.64P-O(a)(3)(D)(i).

Proposed Rule 952NYP(a)(3)(D)(ii) is identical to Arca Options Rule 6.64P-O(a)(3)(D)(ii) and 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 to calculate the Market Imbalance in a manner identical to how it is calculated per Arca Options Rule 6.64P-O(a)(3)(D)(ii).

- Proposed Rule 952NYP(a)(4) is identical to Arca Options Rule 6.64P-O(a)(4) and would define the term "Auction Price" to mean the price at which an Auction that results in a trade is conducted. This proposed definition is designed to add clarity and transparency to Exchange rules as this term would be used as a reference price in proposed Rules 900.3NYP(a)(3)(B), 900.3NYP(a)(4)(B), and 928.1NYP(c)(4)(B).[113]

  Proposed Rule 952NYP(a)(5) is identical to Arca Options Rule 6.64P-O(a)(5) and 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 proposed term is designed to add clarity and transparency to Exchange rules and address all steps in the process that culminates in an Auction, as described in proposed Rule 952NYP(d).

  o Proposed Rule 952NYP(a)(5)(i) is identical to Arca Options Rule 6.64P-O(a)(5)(i) and would define the term "initial Auction Process time period" as an Exchange-determined time period after the commencement of the Auction Process as specified by Trader Update. This term describes the period after which the Exchange may transition an option series to continuous trading pursuant to proposed Rule 952NYP(d)(4), as discussed below.

- Proposed Rule 952NYP(a)(6) is identical to Arca Options Rule 6.64P-O(a)(6) and

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[113] See also Cboe Rule 5.31(a) (defining the "Opening Trade Price" as the price at which Cboe executes opening trades in a series). The Exchange notes that the term "Auction Price" is distinguished from the proposed term of "Indicative Match Price," as the latter term is the content included in the Auction Imbalance Information in advance of an Auction, and the Auction Price is the price of an Auction that results in a trade.

would define the term "Auction Processing Period" to mean the period during which the Auction is being processed. The Auction Processing Period is at the end of the Auction Process and is the period when the actual Auction is conducted and the Exchange transitions from a pre-open state (described below) to continuous trading. The end of the Auction Processing Period is the end of the Auction and, depending on the orders and quotes in the Consolidated Book, it concludes either with or without a trade.

- Proposed Rule 952NYP(a)(7) is identical to Arca Options Rule 6.64P-O(a)(7) and 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 proposed 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 per proposed Rule 952NYP(a)(7)(A), which is identical to Arca Options Rule 6.64P-O(a)(7)(A). For a Trading Halt Auction, the proposed 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, per proposed Rule 952NYP(a)(7)(B), which is identical to Arca Options Rule 6.64P-O(a)(7)(B).

This proposed term is also based on how the Exchange currently opens or reopens a series for trading, as set forth in the last sentence of current Rule 952NY(b).[114]

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[114] Rule 952NY(b) provides, in relevant part, that the related option series will be opened automatically "once the primary market for the underlying security disseminates a quote and a trade that is at or within the quote."

The proposed rule adds detail not found in the current rule by referring to a "two-sided quote" rather than a "quote," without any changes to functionality. The Exchange also proposes a difference that an opening trade on the Primary Market may be "of any size," which would make clear that an odd-lot transaction on the Primary Market could be used as an Auction Trigger, which would be new on Pillar. The Exchange believes that because it requires both a quote and a trade from the Primary Market before it can open/reopen trading in the overlying option, and because a Primary Market that has disseminated a quote for an underlying security is open for trading, allowing odd-lot sized trades to be included in the trigger would increase the opportunities to open/reopen trading options that overlay low-volume securities that have opened for trading on the Primary Market and would reduce the circumstances needed to manually trigger an Auction for a series.

- Proposed Rule 952NYP(a)(8) is identical to Arca Options Rule 6.64P-O(a)(8) and would define the term "Calculated NBBO" to mean the highest bid and lowest offer among all Market Maker quotes and the ABBO during the Auction Process. The Exchange proposes to use the term "Calculated NBBO" to specify which bids and offers the Exchange would consider for purposes of determining whether to proceed with an Auction on Pillar, as described in greater detail below. The Exchange believes the proposed term provides more clarity than referencing an "NBBO disseminated by OPRA" and is consistent with the proposed definition of ABBO, which by its terms is disseminated by OPRA.[115]

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[115] The Exchange notes that the information used to calculate the proposed Calculated NBBO is consistent

- Proposed Rule 952NYP(a)(9) is identical to Arca Options Rule 6.64P-O(a)(9) and 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 functionality is consistent with the current process for establishing a single opening price, as described in Rule 952NY(b)(A), but the proposed rule adds more granularity and uses Pillar terminology.[116] In addition, the term "Indicative Match Price" refers to the same functionality as the Exchange System's reference to the term "reference price" in its imbalance information. Proposed Rule 952NYP(a)(9) (like Arca Options Rule 6.64P-O(a)(9)) 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 to options trading on the Exchange 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.[117]

  Proposed Rule 952NYP(a)(9)(A) is identical to Arca Options Rule 6.64P-O(a)(9)(A) and would provide that if there is more than one price level at which

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with the information that the Exchange receives from OPRA in advance of the Exchange opening or reopening trading (i.e., Market Maker rotational quotes from the Exchange and ABBO) and is similar to Cboe's definition of "Composite Market," as described in Cboe Rule 5.31(a), which includes Cboe Market Maker quotes and BBOs of other options exchanges.

[116]   See Rules 952NY(b)(A) and (c) (describing process for determining single opening price).

[117]   Currently, if there is no legal width NBBO, the Exchange does not disseminate imbalance information and does not calculate an indicative match price.

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 would 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 functionality is similar to the current process for

establishing a single opening price, as described in Rule 952NY(c), which

provides that when the same number of contracts can trade at multiple prices, the

opening price is the price at which the greatest number of contracts can trade that

is at or nearest to the midpoint of the NBBO disseminated by OPRA. The

proposed rule text provides more granularity, such as describing that the

Exchange would round to the nearest MPV in the series, which is consistent with

current functionality.

Proposed Rule 952NYP(a)(9)(B) is identical to Arca Options Rule 6.64P-

O(a)(9)(B) and 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 952NYP(a)(9)(B)(i)

is identical to Arca Options Rule 6.64P-O(a)(9)(B)(i) and 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. This proposed rule text provides granularity that, consistent with

current functionality, orders willing to buy (sell) at a higher (lower) price than the Auction Price would participate in an Auction trade, which, by definition, would be required to be at or between the Auction Collars. Proposed Rule 952NYP(a)(9)(B)(ii) is identical to Arca Options Rule 6.64P-O(a)(9)(B)(ii) and 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. This proposed rule text provides granularity that is consistent with current functionality. Proposed Rule 952NYP(a)(9)(C) is identical to Arca Options Rule 6.64P-O(a)(9)(C) and 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, then the locked price. This proposed rule text is designed to provide granularity of how the Indicative Match Price would be calculated if there are only Market Orders.

Proposed Rule 952NYP(a)(9)(D) is identical to Arca Options Rule 6.64P-O(a)(9)(D) and 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 designed to provide granularity regarding how the Indicative Match Price and Total Imbalance for the Auction Imbalance Information would be calculated if there is no Matched Volume.

- Proposed Rule 952NYP(a)(10) is identical to Arca Options Rule 6.64P-O(a)(10)

and would define a "Legal Width Quote" as a Calculated NBBO that: (A) may be

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 a

maximum differential that is determined by the Exchange on a class basis, which

amount may be modified during the Auction Process, and such maximum

differentials (and modifications thereto) would be announced by Trader Update

(as discussed further below, provided that a Trading Official may establish

differences other than the above for one or more series or classes of options).[118]

Requiring that the Legal Width Quote not be crossed is consistent with current

Rule 952NY(b)(E) (and identical to Arca Options Rule 6.64P-O(a)(10)), both of

which require an uncrossed NBBO disseminated by OPRA before a series can be

opened (or reopened).[119] The Exchange believes that the additional detail in

proposed Rules 952NYP(a)(10)(A) and (B) regarding how to determine a Legal

Width Quote provides clarity and granularity as to when a Calculated NBBO

would be eligible to be considered a Legal Width Quote. In addition, requiring

that the Calculated NBBO must not exceed a maximum differential before an

Auction can proceed is based on the current Exchange System Opening Process,

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[118] See Rule 925NY(c) (Unusual Conditions - Opening Auction) (providing that "[i[f the interest of maintaining a fair and orderly market so requires, a Trading Official may declare that unusual market conditions exist in a particular issue and allow Market Makers in that issue to make auction bids and offers with spread differentials of up to two times, or in exceptional circumstances, up to three times, the legal limits permitted under Rule 925NY").

[119] The proposed calculation of a Legal Width Quote is also similar to how Cboe determines whether to perform a "Forced Opening," because Cboe requires a Composite Market that is not crossed with a non-zero offer. See Cboe Rule 5.31(e)(4).

which requires the bid-ask differential for a series to be in an acceptable range.[120]

However, rather than specify maximum bid-ask differentials in proposed Rule 952NYP, the Exchange believes it is appropriate to instead retain flexibility to set the maximum differentials so that the Exchange may consider the different market models and characteristics of different classes, as well as modify amounts in response to then-current market conditions.[121] The proposed Rule would allow the Exchange to modify these bid-ask differentials at any time as it deems necessary and appropriate, which discretion the Exchange has today on the Exchange System.[122] In addition, allowing the Exchange to announce the maximum differentials by Trader Update (as opposed to by Rule) is identical to Options Rule 6.64P-O(a)(10), and consistent with the rules of several options exchanges that likewise may change the amounts of valid opening widths by notice or circular rather than by Rule change.[123]

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[120] See Rule 952NY(b)(D) (providing that "[t]he System will not conduct an Auction Process if the bid-ask differential for that series is not within an acceptable range," which "acceptable range shall mean within the bid-ask differential guidelines established pursuant to Rule 952NY(b)(4)").

[121] See also Cboe Rule 5.31(a) (regarding the definition of "Maximum Composite Width" (i.e., the amount that the "Composite Width" of a series may generally not be greater than for the series to open), which term is used similarly to how the Exchange proposes to use the term "Legal Width Quote," which provides that Cboe may determine such amounts "on a class and Composite bid basis, which amount [Cboe] may modify during the opening auction process" and disseminate "to all subscribers of [Cboe's] data feeds that deliver opening auction updates"). See id.

[122] See supra note 118 (regarding authority conferred on Trading Officials, per Rule 925NY(c), to make auction bids and offers with spread differentials of up to two times, or in exceptional circumstances, up to three times, the legal limits, "[i[f the interest of maintaining a fair and orderly market so requires").

[123] See, e.g., Cboe Rule 5.31(a) (definition of Maximum Composite Width); Cboe EDGX Options Exchange, Inc. ("EDGX") Rule 21.7(a) (same); BZX Rule 21.7(a) (same)); Cboe C2 Exchange Inc. ("C2") Rule 6.11(a) (same); see also Nasdaq Options Market ("NOM") Options 3, Section 8(a)(6) (defining "Valid Width NBBO" as "the combination of all away market quotes and any combination of NOM-registered Market Maker orders and quotes received over the QUO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange" and allowing the Valid Width NBBO to be "configurable by underlying, and tables with valid width differentials will be posted by Nasdaq on its

The Exchange believes that the proposed definition relating to "Legal Width Quote" would promote clarity and transparency in Exchange rules regarding which quotes - both Market Maker quotes on the Exchange and the ABBO, i.e., the Calculated NBBO - that the Exchange would use to determine if there is a Legal Width Quote and provide direction that to be a Legal Width Quote, a Calculated NBBO may not exceed a maximum differential.

The Exchange also proposes to make a conforming change to Rule 925NY(c) to update the title from "Unusual Conditions - Opening Auction" to be "Unusual Conditions - Auctions," which would align with the proposed definition of "Auctions" in proposed Rule 952NYP(a), which includes both opening and reopening auctions, which change mirrors Arca Options Rule 6.37-O(c). This proposed change also promotes clarity, consistent with current functionality that Rule 925NY(c) is also applicable to reopenings. In addition, the Exchange proposes to amend Rule 925NY(c), which authorizes a Trading Official to widen the bid-ask differentials in the event of unusual conditions, to add a cross-reference to extend such authority to proposed Rule 952NYP(a)(10) (regarding the Legal Width Quote spreads). This proposed amendment would ensure that the existing procedures for auctions in the event of unusual conditions, as specified in Rule 925NY(c), would continue to be available for option symbols that have transitioned to Pillar (and subject to new Rule 952NYP(a)(10)).

- Proposed Rule 952NYP(a)(11) is identical to Arca Options Rule 6.64P-O(a)(11)

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website") and MIAX Rule 503(f)(2) (which permits MIAX to determine by circular an acceptable range in which openings are permissible if there is no valid width national best bid or offer ("NBBO")).

and 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. The Exchange believes this proposed definition promotes granularity in Exchange rules.

- Proposed Rule 952NYP(a)(12) is identical to Arca Options Rule 6.64P-O(a)(12) and would define the term "pre-open state" to mean the period before a series is opened or reopened for trading and would provide that during the pre-open state, the Exchange would accept Auction-Only Orders, quotes, and orders designated Day or GTC, including orders ranked under the proposed category of "Priority 3 - Non-Display Orders" that are not eligible to participate in an Auction.[124] This proposed text is consistent with current Rule 952NY(b), which provides that the Exchange will accept market and limit orders for inclusion in the opening auction process and would add further granularity regarding which interest would be accepted by the Exchange (even if not eligible for an Auction) prior to the opening or reopening of each option series and during which time period.

  o 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, which is similar to current functionality, which allows order and quote entry to begin at 5:30 a.m. Eastern Time (per proposed Rule 952NYP(a)(12)(A), which is identical to

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[124]   The Exchange notes that Cboe refers to a similar period as the "Queuing Period." See Cboe Rule 5.31(b). Similar to Cboe's Queuing Period, the proposed term of "pre-open state" means the period when the Exchange accepts orders and quotes but has not yet opened/reopened a series for continuous trading. The proposed "Auction Process," defined above, is part of the pre-open state, but does not begin until the Exchange receives an Auction Trigger, as defined above.

Arca Options Rule 6.64P-O(a)(12)(A)). The Exchange believes that

moving the start time to 6:00 a.m. Eastern Time would not materially

impact the ability of ATP Holders to enter orders or quotes during the pre-

open state. As further proposed (and identical to Arca Options), at the

beginning of the pre-open state before the Core Open Auction, orders

designated GTC that remain from the prior trading day would be included

in the Consolidated Book, which is consistent with current functionality.

- o The proposed rule would also provide that the 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 (per proposed Rule

  952NYP(a)(12)(B), which is identical to Arca Options Rule 6.64P-

  O(a)(12)(B)).

This proposed definition of a pre-open state is identical to Arca Options Rule

6.64P-O(a)(12) and is designed to distinguish the pre-open state (for a Core Open

Auction or a Trading Halt Auction) from both the Auction Processing Period and

the period when a given series opens for trading, thus adding granularity to

Exchange rules. As noted above, this proposed definition of pre-open state would

also be used in proposed Rules 928NYP, 928.1NYP, and 900.3NYP, which use is

identical to how this term is used in the analogous Arca Options Rules 6.40P-O,

6.41P-O, and 6.62P-O.

- Proposed Rule 952NYP(a)(13) is identical to Arca Options Rule 6.64P-O(a)(13)

  and 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 would provide that during the Auction Process, the Exchange would

update the price and size of the Rotational Quote and that such 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, although not specified in the current rule, it

currently disseminates a "rotational quote" to OPRA 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, which would provide

ATP Holders with a more accurate view of whether a Rotational Quote is crossed.

This proposed definition adds granularity to Exchange rules by codifying existing

(albeit slightly modified) functionality.

Auction Ranking and Allocation. Proposed Rule 952NYP(b) is identical to Arca Options

Rule 6.64P-O(b) insofar as it would provide that orders and quotes on the side of the Imbalance

are not guaranteed to participate in the Auction but would differ in that it would address

allocation (discussed below) and would provide that orders and quotes would be ranked pursuant

to Rule 964NYP(c)-(g). Further, with regard to ranking (and identical to Arca Options Rule

6.64P-O(b)), proposed Rule 952NYP(b) would provide 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 under the proposed category of

"Priority 1 - Market Orders"; (3) LOO Orders would be ranked under the proposed category of

"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.[125]

In addition, proposed Rules 952NYP(b)(5)(A)-(B), would specify how eligible orders and quotes would trade in the Auction, which would be based on whether such orders and quotes are priced better than, or equal to, the Auction Price.[126] As proposed, orders and quotes priced better than the Auction Price would trade based on their ranking[127] and orders and quotes priced at the Auction Price would trade in accordance with Rule 964NYP(j),[128] provided that the participation entitlement to a Directed Order Market Maker ("DOMM") or Specialist per Rule 964NYP(j)(4) is not available during the Auction.[129] The distinction between how better-priced and at-priced interest trades is relevant to non-Customer interest because "at-priced" non-Customer interest

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[125] See Rule 964NYP(e) (which provides that "[a]t each price, all orders and quotes are assigned a priority category, and, within each priority category, Customer orders are ranked ahead of non-Customer. If, at a price, there are no remaining orders or quotes in a priority category, then same-priced interest in the next priority category has priority.").

[126] For an Auction that results in a trade, the Auction Price is the price at which such Auction is conducted. See proposed Rule 952NYP(a)(4).

[127] See proposed Rule 952NYP(b)(5)(A). See also Rule 964NYP(c) (providing that "orders and quotes are ranked and maintained in the Consolidated Book according to price-time priority," with the best-priced interest ranked first). See also Rule 964NY(b)(1)(Price Priority) (providing that "[t] he highest bid has priority over all other bids; and the lowest offer has priority over all other offers.").

[128] This proposed allocation of orders and quotes during the Auction Process is consistent with the recently approved allocation of Electronic Complex Orders ("ECOs") during the ECO Opening (or Reopening) Auction Process on Pillar, which occurs after each leg of a complex strategy has opened for trading. Specifically, eligible ECOs are ranked per Rule 964NYP(c)-(g) and ECOs priced better than the ECO Auction Price trade based on ranking and ECOs priced at the ECO Auction Price trade per Rule 964NYP(j)). See Rule 980NYP(d)(3)(B)((iii).

[129] See proposed Rule 952NYP(b)(5)(B). See also Rules 964NYP(j) (Order Execution) (providing how orders and quotes, at each price, will be allocated against contra-side interest for option series that are open for trading) and (j)(4) (providing for fourth priority "to interest ranked Priority 2 - Display Limit Orders that is eligible for the DOMM Guarantee or the Specialist Pool Guarantee, as applicable, pursuant to paragraph (h) of this Rule, provided that the execution price is the NBBO.").

would trade on a size pro rata basis, whereas "better-priced" non-Customer interest would not be subject to a pro rata allocation. The Exchange proposes to make clear that participation entitlements that may be available to a DOMM or a Specialist when the execution price is the NBBO would not be available during the Auction (i.e., *before* an option series is open for trading on the Exchange) even though the execution price could be at the NBBO because such NBBO would not include quotes from the Exchange.[130] The Exchange believes this proposed rule change would add clarity and transparency to Exchange rules and would not interfere with the purpose of participation entitlements -- which is to encourage Market Makers to quote at the NBBO during continuous trading.

This proposed rule is based in part on current Rule 952NY(b)(B), which provides that "[o]rders and quotes in the system will be matched up with one another based on price-time priority, provided, however, that orders will have priority over Market Maker quotes at the same price." The Exchange proposes a difference in Pillar (identical to Arca Options Rule 6.64P-O(b)), that orders in the same priority category as quotes would not have priority over Market Maker quotes at the same price, which distinction is an artifact of the Exchange's existing system limitation. Instead, the Exchange proposes that orders and Market Maker quotes in the same priority category would be ranked pursuant to Rule 964NYP, which rule is described in the American Priority Filing). In addition to mirroring the equal ranking of orders and quotes by Arca Options, this handling is also consistent with how other options markets handle orders and quotes during the opening process.[131]

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[130] Rules 964NYP(h)(1) and (h)(2) describe participation entitlements available to a DOMM or a Specialist when the execution price is the NBBO.

[131] See Cboe Rule 5.31(e)(3)(i) (providing that Cboe "prioritizes orders and quotes in the following order: market orders, limit orders and quotes with prices better than the Opening Trade Price, and orders and

Auction Imbalance Information. Proposed Rule 952NYP(c) is identical to Arca Options

Rule 6.64P-O(c) and would provide that, unless otherwise specified by Trader Update, Auction

Imbalance Information would be updated at least every second until the Auction is conducted,

unless there is no change to the information and would further provide 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.

Auction Process. Proposed Rule 952NYP(d) is identical to Arca Options Rule 6.64P-

O(d) and would set forth the Exchange's proposed Auction Process on Pillar. Similar to current

Exchange System functionality, which requires that the bid-ask differential for a given series be

within an acceptable range before conducting an auction, under Pillar, a series would not be

opened or reopened on a trade if there is no Legal Width Quote, which concept, as described

above, incorporates (almost identical) bid-ask differentials.[132] As described further below, the

Exchange proposes that for Pillar, a series should (ideally) also have Market Maker quotes and,

as such, proposes to provide time for Market Makers assigned to a series to quote within the

specified bid-ask differentials, and if Market Makers do not quote within those time frames,

determine whether to open or reopen a series based on the ABBO. In addition to mirroring the

opening process described in Arca Options Rule 6.64P-O(d), this process is also consistent with

that used on other options exchanges.[133]

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quotes at the Opening Trade Price").

[132]   See supra note 120 (describing Rule 952NY(b)(D), which provides that the Exchange will not conduct its
current Auction Process if the bid-ask differential for a series is not "within an acceptable range").

[133]   See, e.g., Nasdaq PHLX ("PHLX") Section 8(d), Options Opening Process (providing that the Opening
Process begins when (a) a "valid width" (i.e., a bid/ask differential that is compliant with PHLX Rule
1014(c)(i)(A)(1)(a)) specialist quote is submitted, (b) valid width quotes from at least two PHLX market
participants have been submitted within 30 seconds of the opening trade or quote in the underlying security

Proposed Rule 952NYP(d)(1) is identical to Arca Options Rule 6.64P-O(d)(1) and

describes the process for disseminating 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. This proposed rule is

consistent with current functionality and is designed to promote granularity.

Proposed Rule 952NYP(d)(2) is identical to Arca Options Rule 6.64P-O(d)(2) and would

provide that once a Rotational Quote has been sent, the Exchange would conduct an Auction

provided there is both a Legal Width Quote and, if applicable, a Market Maker quote with a non-

zero offer in the series (which would be subject to the proposed requirements relating to Market

Maker quotes, including the proposed new Opening MMQ Timer(s), as discussed further below

per proposed Rule 952NYP(d)(3)). The proposed rule would further provide that the Exchange

would wait a minimum of two milliseconds after disseminating the Rotational Quote before an

Auction could be conducted, which delay would be new and is designed to enhance market

quality by promoting price-forming displayed liquidity to the benefit of all market participants.

Because the Rotational Quote is intended to provide notice that the Exchange will begin

transitioning from a pre-open state, the Exchange believes this short delay will provide market

participants with an opportunity to participate in the Auction Process. This proposed rule text is

designed to provide transparency and determinism in Exchange rules regarding 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 discussed

from the primary exchange, or (c) after 30 seconds of the opening trade or quote in the underlying security
from the primary exchange, one PHLX market participant has submitted a valid width quote).

herein.

Subject to the requirements specified in proposed Rule 952NYP(d)(2), proposed Rule

952NYP(d)(2)(A) (which is identical to Arca Options Rule 6.64P-O(d)(2)(A)) and 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, except as specified in proposed

Rule 952NYP(d)(4) below. Proposed Rule 952NYP(d)(2)(B) is identical to Arca Options Rule

6.64P-O(d)(2)(B) and would provide that if there is no Matched Volume that can trade at or

within the Auction Collars, the Auction would not result in a trade and the Exchange would

transition to continuous trading as described in proposed Rule 952NYP(f) (below) and the

Auction would result in a quote. This proposed rule is designed to provide transparency of when

an Auction would result in a trade.

Proposed Rule 952NYP(d)(3) is identical to Arca Options Rule 6.64P-O(d)(3) and would

specify the parameters of the Opening MMQ Timers, which are designed to encourage (but

would not require) Market Makers to submit Legal-Width Quotes in connection with the

automated opening or reopening of a series. On the Exchange System, the Exchange does not

impose on Market Makers assigned to a series any special obligations in connection with the

opening process. On Pillar, the Exchange will likewise not impose on such Market Makers any

additional obligations at the open.[134] The Exchange believes that, rather than layer additional

requirements on the Market Making community, it would be more beneficial to all market

participants to employ alternative methods to help ensure an orderly transition to continuous

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[134]   Although the Exchange does not require that Market Makers assigned to a series quote at the open, once a
          series is opened for trading, Market Makers are nonetheless required to continuously fulfill their obligations
          to engage in a course of dealings reasonably calculated to contribute to the maintenance of a fair and
          orderly market.

trading. As such, the Exchange believes that the proposed so-called "waterfall" approach to

opening, which is identical to the process utilized on Arca Options, would offer a number of

checks that are intended to provide adequate opportunity for a greater number of Market Makers

to provide their liquidity interest and help ensure increased liquidity at a level commensurate

with which the market is accustomed during continuous trading on the Exchange. In short,

although the Exchange does not require a Market Maker assigned to a series to quote on the

Exchange in order to open or reopen a series for trading, the Exchange believes that providing

Market Makers assigned to a series the opportunity to do so would promote a fair and orderly

Auction process and facilitate a fair and orderly transition to continuous trading.[135] Accordingly,

the Exchange proposes to mirror the auction process set forth in Arca Options Rule 6.64P-O and

provide time for Market Makers assigned to a series to quote within the specified bid-ask

differentials before a series would be opened or reopened for trading.

Overall, the Exchange believes that the proposed waterfall approach of setting minimum

time periods for a Market Maker assigned to a series to quote within the specified bid-ask

differential before opening a series, even if there is a Legal Width Quote, would appropriately

balance the benefits of increasing the opportunities for Market Makers assigned to a series to

enter quotations within the specified bid-ask differential, with a timely series opening or

reopening when there is a Legal Width Quote even when it does not include Market Makers

assigned to the series.

In addition, the Exchange proposes to expand opportunities for its designated liquidity

providers -- i.e., Market Makers -- to enter the market. As described in more detail below (and

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[135]   Currently, neither Market Makers nor Specialists are obligated to provide a quote before a series is opened
or reopened, which is why the proposed Pillar options Auction rule is designed to provide Market Makers
with time to submit their quotes so a series can be opened.

identical to Arca Options Rule 6.64P-O(d)(3)), the Exchange proposes different time lengths

depending on the number of Market Makers assigned to a series. For example, if there are no

Market Makers assigned to a series, there is no need to wait to open or reopen a series if there is

a Legal Width Quote based upon the disseminated ABBO. If there is one Market Maker

assigned to the series, the Exchange will delay opening (even if there is a Legal Width Quote

based upon the ABBO) to give the Market Maker additional opportunity to provide

liquidity. Furthermore, if there is more than one Market Maker assigned to a series, the

Exchange designates longer periods to provide time for multiple Market Makers assigned to the

series the chance to quote within the specified bid-ask differentials. The Exchange believes that

providing additional opportunity for its liquidity providers to enter the market would result in

deeper liquidity -- which market participants have come to expect in options with multiple

assigned Market Makers, and a more stable trading environment.

The Exchange does not believe that the proposed waterfall approach would result in an

undue burden on competition. As is the case per Arca Options Rule 6.64P-O, Market Makers are

encouraged but not required to quote in their assigned series at the open, thus they are not subject

to additional obligations. The Exchange believes that encouraging, rather than requiring,

participation of such Market Makers at the open, may increase the availability of Legal Width

Quotes in more series, thereby allowing more series to open. Improving the validity of the

opening price benefits all market participants and benefits the reputation of the Exchange as

being a venue that provides accurate price discovery.

As part of the Auction Process, which is identical to the process used on Arca Options,

the Exchange proposes to utilize "Opening MMQ Timers," each of which would last for an

Exchange-determined period, the duration of which would be announced by Trader Update. As

proposed, once the Auction Process begins, the Exchange would begin one or more Opening

MMQ Timers for the Market Maker(s) assigned to a series to (opt to) submit a quote with a non-

zero offer.[136] The proposed rules describing Opening MMQ Timers are identical to Arca

Options Rule 6.64P-O(d)(3)(A) - (C) and are designed to provide transparency in Exchange rules

of the circumstances of when the Exchange would wait to open or reopen a series for trading if

the assigned Market Maker(s) has not submitted a quote within the specified time periods, as

follows:

- Proposed Rule 952NYP(d)(3)(A) is identical to Arca Options Rule 6.64P-

  O(d)(3)(A) and would provide that if there are no Market Makers assigned to a

  series, the Exchange would conduct an Auction in that series based solely on a

  Legal Width Quote, without waiting for the Opening MMQ Timer to end. As set

  forth in proposed Rules 952NYP(d)(2)(A) and (B) (which are identical to Arca

  Options Rules 6.64P-O(d)(2)(A) and (B)), if there is Matched Volume, this

  Auction would result in a trade, otherwise, the series would transition to

  continuous trading as described in proposed Rule 952NYP(f) below.

- Proposed Rule 952NYP(d)(3)(B) is identical to Arca Options Rule 6.64P-

  O(d)(3)(B) and would provide that if there is only one Market Maker assigned to

  a series:

  o The Exchange would conduct the Auction, without waiting for the

    Opening MMQ Timer to end, as soon as there is both a Legal Width

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136   A Market Maker may send quotations only in the issues included in its appointment, i.e., in series to which
        such Market Maker is assigned. See proposed Rule 925.1NYP(a). See also proposed Rules 925.1NYP(b)
        and (c) (setting forth continuous quoting obligations of Specialists and Market Makers, respectively, which
        obligations are identical to those set forth in Rule 925NY(b) and (c)).

Quote and the assigned Market Maker has submitted a quote with a non-zero offer (proposed Rule 952NYP(d)(3)(B)(i), which is identical to Arca Options Rule 6.64P-O(d)(3)(B)(i)). As set forth in proposed Rules 952NYP(d)(2)(A) and (B), if there is Matched Volume, this Auction would result in a trade, otherwise, the series would transition to continuous trading as described in proposed Rule 952NYP(f) below.

o If the Market Maker assigned to the series has not submitted a quote with a non-zero offer by the end of the Opening MMQ Timer and there is a Legal Width Quote, the Exchange would conduct the Auction (proposed Rule 952NYP(d)(3)(B)(ii), which is identical to Arca Options Rule 6.64P-O(d)(3)(B)(ii)). As set forth in proposed Rules 952NYP(d)(2)(A) and (B), if there is Matched Volume, this Auction would result in a trade, otherwise, the series would transition to continuous trading as described in proposed Rule 952NYP(f) below.

- Proposed Rule 952NYP(d)(3)(C) is identical to Arca Options Rule 6.64P-O(d)(3)(C) and would provide that if there are two or more Market Makers assigned to a series:

o The Exchange would conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and at least two quotes with a non-zero offer have been submitted by assigned Market Maker(s) (proposed Rule 952NYP(d)(3)(C)(i), which is identical to Arca Options Rule 6.64P-O(d)(3)(C)(i)). As set forth in proposed Rules 952NYP(d)(2)(A) and (B), if there is Matched Volume,

this Auction would result in a trade; otherwise, the series would transition to continuous trading as described in proposed Rule 952NYP(f) below.

o If the Exchange has not received at least two quotes with a non-zero offer from any Market Maker(s) assigned to a series by the end of the Opening MMQ Timer, the Exchange would begin a second Opening MMQ Timer (of the same length) and during the second Opening MMQ Timer, the Exchange would conduct the Auction, without waiting for the second Opening MMQ Timer to end, if there is both a Legal Width Quote and at least one Market Maker assigned to the series has submitted a quote with a non-zero offer (proposed Rule 952NYP(d)(3)(C)(ii), which is identical to Arca Options Rule 6.64P-O(d)(3)(C)(ii)). In such case, the Exchange would not wait for the second Opening MMQ Timer to end. Because the Exchange does not require a Market Maker assigned to a series to quote before conducting an Auction, to reduce the potential delay in opening or reopening a series, the Exchange believes that during the second Opening MMQ Timer, it is appropriate to wait for only one Market Maker to quote. As set forth in proposed Rules 952NYP(d)(2)(A) and (B), if there is Matched Volume, this Auction would result in a trade; otherwise, the series would transition to continuous trading as described in proposed Rule 952NYP(f) below.

o If no Market Maker assigned to a series has submitted a quote with a non-zero offer by the end of the second Opening MMQ Timer and there is a Legal Width Quote, the Exchange would conduct the Auction (proposed

Rule 952NYP(d)(3)(C)(iii), which is identical to Arca Options Rule

6.64P-O(d)(3)(C)(iii). As set forth in proposed Rules 952NYP(d)(2)(A)

and (B), if there is Matched Volume, this Auction would result in a trade,

otherwise, the series would transition to continuous trading as described in

proposed Rule 952NYP(f) below.

As noted above, the proposed Auction Process is designed to attract the highest quality

quote for each series at the open to attract order flow to the Auction. As such, the Exchange

believes it is reasonable to require more than one Opening MMQ Timer (with a maximum run

time of one minute -- 30 seconds x 2) to run when there are at least two Market Makers because

it allows the Exchange time to attract the best quote from these market participants, which in turn

should attract order flow to the Exchange at the open (i.e., the Exchange can leverage the highest

bid and lowest offer from the various Market Makers that submit quotes). The Exchange

believes that if a Legal Width Quote is not obtained in the first 30-second Opening MMQ Timer,

it is to the benefit of all market participants to begin a second Opening MMQ Timer to allow the

bid-ask differential to tighten before a series is opened. The Exchange also believes that the

process described in proposed Rule 952NYP(d)(3) (which is identical to Arca Options Rule

6.64P-O(d)(3)) would continue to encourage Market Makers to participate at the open, which

may increase the availability of Legal Width Quotes in more series, thereby allowing more series

to open in a timely manner. The Exchange believes that expanding the opportunities for each

Market Maker to enter the market -- whether by each Market Maker submitting one quote or a

single Market Maker submitting two quotes -- could result in the depth of liquidity that market

participants have come to expect in options with multiple assigned Market Makers, and a more

stable trading environment. The Exchange also believes the proposed rule would provide more

flexibility in terms of how market depth is achieved (i.e., based on quotes from a single Market Maker as opposed to two) and may result in a more timely and efficient opening process.

Proposed Rule 952NYP(d)(4) is identical to Arca Options Rule 6.64P-O(d)(4) and would provide that, for any option series that has not opened by the end of the initial Auction Process time period because the Calculated NBBO is wider than the Legal Width Quote, if the Calculated NBBO is not crossed and does not contain a zero offer, the Exchange would transition to continuous trading as described in proposed Rule 952NYP(f) below, after it first cancels Market Orders, MOO Orders, and Limit Orders to buy (sell) priced equal to or higher (lower) than the Indicative Match Price. In such case, the Auction Process is not intended to end with a trade, but it may result in a 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.

The Exchange proposes functionality for Pillar that is identical to Arca Options Rule 6.64P-O(d)(4) to allow the Exchange to open a series without a trade, i.e., transition to continuous trading as described in proposed Rule 952NYP(f), when there is a Calculated NBBO that is wider than the Legal Width Quote (a "wide Calculated NBBO"). Specifically, proposed Rule 952NYP(d)(4) would provide that if the Calculated NBBO is not crossed and does not contain a zero offer, the Exchange would transition to continuous trading as described below in paragraph (f) of this Rule (as described below, a trade could occur during the transition to continuous trading, but there would not be a trade resulting from Matched Volume in the Auction), after first cancelling Market Orders, MOO Orders, and Limit Orders to buy (sell) priced equal to or higher (lower) than the Indicative Match Price. The Exchange believes that the cancellation of Market Orders and MOO Orders before opening a series would continue to protect Market Orders and MOO Orders from being executed at unintended prices before

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transitioning to continuous trading, per proposed paragraph (f) of the Pillar Rule when there is a wide Calculated NBBO. The Exchange also believes that cancelling Limit Orders to buy (sell) priced equal to or higher (lower) than the Indicative Match Price when the Calculated NBBO is wider than the Legal Width Quote would allow the Exchange to help ensure that potentially executable Limit Orders would be cancelled rather than execute at potentially extreme prices before the Exchange transitions to continuous trading. As further proposed, in such case, the Auction would not be intended to end with a trade, but it may result in a trade (even if there is no Legal Width Quote) if orders or quotes arrive when the Exchange is evaluating the status of orders and quotes, but before the Auction Processing Period begins.[137] The Exchange believes this proposed rule would facilitate the opening or reopening of a series so that it can begin continuous 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.[138]

Proposed Rule 952NYP(d)(5) is identical to Arca Options Rule 6.64P-O(d)(5) and 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 952NY(b)(F) and,

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[137]   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 that it is evaluating whether it can open a series on a quote based on a wide Calculated NBBO (and before the Auction Processing Period begins) and that, as a result of that race condition, those new orders or quotes are marketable against contra-side interest, i.e., results in Matched Volume for the Auction, at the same time that the Exchange concludes, based on interest that had previously been received, that it can proceed with an Auction in the absence of a Legal Width Quote. In such case, the Auction could result in a trade.

[138]   Such opening is also similar to Cboe's "Forced Opening" process because it allows a series to open without a trade after a specified time period when the market is wider than the specified bid-ask differentials. See Cboe Rule 5.31(e)(4).

consistent with current functionality, is designed to provide the Exchange with flexibility to open

a series even if there is no Legal Width Quote.[139] 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. Proposed Rule 952NYP(e) is

identical to Arca Options Rule 6.64P-O(e) and would set forth how orders and quotes are

processed during the Auction Processing Period. As described above, and identical to Arca

Options, the Auction Processing Period is the abbreviated time period (i.e., generally measured

in less than a second) when the Exchange conducts the Auction and therefore transitions a series

from a pre-open state to continuous trading. 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. As is the case per Arca Options Rule

6.64P-O(e), new orders and quotes received during the Auction Processing Period would not be

eligible to participate in that Auction trade. The proposed rule promotes granularity and

transparency of how orders and quotes that arrive during the Auction Processing Period would be

processed.

As with Arca Options Rule 6.64P-O(e), for purposes of proposed Rules 952NYP(e) and

(f), an "order instruction" would likewise refer to a request to cancel, cancel and replace, or

modify an order or quote. As further proposed, during the Auction Processing Period, the

Exchange will reject new quotes and, if the Exchange receives order instructions for existing

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[139]   See Rule 952NY(b)(F) (providing that "[t]he Exchange may deviate from the standard manner of the
        Auction Process, including adjusting the timing of the Auction Process in any option class, when it believes
        it is necessary in the interests of a fair and orderly market").

quotes, the Exchange will cancel any same-side quotes sent from the same order/quote entry port

of that Market Maker. The Exchange believes that this proposed treatment (which is identical to

the treatment of same-side quotes on Arca Options) would allow for more deterministic handling

of order instructions for quotes and, by cancelling any same-side quotes of a Market Maker, the

Exchange would eliminate potentially unexpected exposure (or executions) for that Market

Maker.

In addition, and identical with Arca Options, during the Auction Processing Period, new

orders will be accepted but will not be processed until after the Auction Processing Period and

order instructions for existing orders [140] 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 that

  was received before the Auction Processing Period. Any subsequent order

  instructions relating to such order would be rejected when a prior order instruction

  is pending (proposed Rule 952NYP(e)(1), which is identical to Arca Options 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 952NYP(e)(2), which is identical to Arca

  Options Rule 6.64P-O(e)(2)).

Transition to Continuous Trading. Proposed Rule 952NYP(f) is identical to Arca

Options Rule 6.64P-O(f) and would describe the transition to continuous trading. After the

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[140]   As noted in proposed Rule 952NYP(e), the Exchange will not accept order instructions related to quotes
         during the Auction Processing Period and therefore proposed paragraphs (e)(1) and (e)(2) to this proposed
         Rule only refers to orders and does not include reference to quotes.

Auction Processing Period concludes, i.e., once the Auction concludes either with or without a

trade, the Exchange transitions to continuous trading. During this transition, the way in which

orders, quotes, and order instructions are processed would differ depending on when such

messages arrived at the Exchange. As with Arca Options, proposed Rule 952NYP(f) would

describe how the Exchange would transition to continuous trading after the Auction Processing

Period concludes. The Exchange believes that the proposed rule provides granularity regarding

how orders and quotes would be processed in connection with the transition to continuous

trading for options trading and is also consistent with the rules of other options exchanges.[141] As

proposed, the transition to continuous trading would proceed as follows.

Proposed Rule 952NYP(f)(1) is identical to Arca Options Rule 6.64P-O(f)(1) and would

provide that orders that are no longer eligible to trade would be cancelled. For options trading,

the only orders that would no longer be eligible to trade after the Auction Processing Period

concludes would be Auction-Only Orders and such orders would cancel at the end of the Auction

Processing Period.

Proposed Rule 952NYP(f)(2) is identical to Arca Options Rule 6.64P-O(f)(2) and would

provide that, during the transition to continuous trading, the Exchange will reject new quotes

and, if the Exchange receives order instructions for existing quotes, the Exchange will cancel any

same-side quotes sent from the same order/quote entry port of that Market Maker (for the same

reasons as described above in connection with proposed Rule 952NYP(e), and order instructions

would be processed as follows:

- An order instruction that relates to an order that was received before the Auction

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[141]   See, e.g., Cboe Rule 5.31(f) (describing Cboe's process for orders and quotes not executed in its opening process).

Processing Period or that has already transitioned to continuous trading and that

arrives during either the transition to continuous trading or the Auction Processing

Period 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. In addition, any

subsequent order instructions relating to such order would be rejected when a

prior order instruction is pending (proposed Rule 952NYP(f)(2)(A)), which is

identical to Arca Options Rule 6.64P-O(f)(2)(A)). This proposed rule text

provides transparency regarding how order instructions that arrived during the

Auction Processing Period would be processed if they relate to orders that were

received before the Auction Processing Period.[142]

- An order instruction that arrives during the transition to continuous trading would

  be processed on arrival if it relates to an order that was entered during either the

  Auction Processing Period or the transition to continuous trading and such order

  has not yet transitioned to continuous trading (proposed Rule 952NYP(f)(2)(B,

  which is identical to Arca Options Rule 6.64P-O(f)(2)(B)).

Proposed Rule 952NYP(f)(3) is identical to Arca Options Rule 6.64P-O(f)(3) and would

set forth how orders and quotes would be processed during the transition to continuous trading

following an Auction. The proposed process for transitioning to continuous trading is consistent

with current functionality (with differences described below) relating to draining the queue of

unexecuted orders and quotes following the current Auction Process. The proposed rule text

provides more granularity regarding this process than is set forth in the current Rule.

Specifically, the Exchange proposes that it would process Auction-eligible orders and quotes that

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[142]   See id. (unexecuted orders and quotes will be entered into the Cboe book in time sequence).

were received before the Auction Processing Period and orders ranked under the proposed

category of "Priority 3- Non-Display Orders" (which interest was not eligible to participate in an

Auction) received before a trading halt as follows (proposed Rule 925NYP(f)(3)(A), which is

identical to Arca Options Rule 6.64P-O(f)(3)(A)):

- Proposed Rule 952NYP(f)(3)(A)(i) is identical to Arca Options Rule 6.64P-O(f)(3)(A)(i) and would provide that Limit Orders and quotes would be subject to the Limit Order Price Protection, Arbitrage Check, and Intrinsic Value Check, as applicable. This proposed rule differs from current functionality, whereby risk checks are applied before an Auction. This proposed rule text is consistent with the proposed rule changes, described above, regarding when the Limit Order Price Check, Arbitrage Check, and Intrinsic Value Check (per proposed Rules 900.3NYP(a)(3) and 928.1NYP, respectively) would be applied to orders and quotes that were received during a pre-open state and is based on Arca Options Rule 6.64P-O(f)(3)(A)(i). The Exchange proposes to apply these checks to orders and quotes before they become eligible for trading or routing during continuous trading.

- Proposed Rule 952NYP(f)(3)(A)(ii) is identical to Arca Options Rule 6.64P-O(f)(3)(A)(ii) and would provide that Limit Orders and Market Orders would be assigned a Trading Collar. This proposed rule is based on Arca Options Rule 6.64P-O(f)(3)(A)(ii) and is consistent with the proposed changes to Trading Collars on Pillar, described above (per Rule 900.3NYP(a)(4)), that an order received during a pre-open state would be assigned a Trading Collar after an Auction concludes, or that an order would be reassigned a Trading Collar after a

halt.

- Proposed Rule 952NYP(f)(3)(A)(iii) is identical to Arca Options Rule 6.64P-O(f)(3)(A)(iii) and 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 964NY(c). This proposed rule is consistent with current functionality and uses Pillar terminology based on Arca Options Rule 6.64P-O(f)(3)(A)(iii).[143] As with current functionality, routable orders would be routed to Away Markets to avoid either trading through or locking or crossing an Away Market Protected Quotation.

- Proposed Rule 952NYP(f)(3)(A)(iv) is identical to Arca Options Rule 6.64P-O(f)(3)(A)(iv) and 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 functionality and proposed rule are based on Arca Options Rule 6.64P-O(f)(3)(A)(iv). By cancelling non-routable orders and quotes marketable against Away Market Protected Quotations, the Exchange would avoid locking or crossing such Away Market Protected Quotations.

- Proposed Rule 952NYP(f)(3)(A)(v) is identical to Arca Options Rule 6.64P-O(f)(3)(A)(v) and 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 Arca Options Rule 6.64P-

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[143] See supra note 61 (citing definitions of "Protected Bid," "Protected Offer," and "Quotation" set forth in Rules 990NY(15) and (16) and of "Away Market" as set forth in Rule 900.2NY).

O(f)(3)(A)(v). The Exchange further notes that the Exchange could transition to continuous trading without the Auction resulting in a trade, but that a trade(s) may occur during the transition to continuous trading, which trade(s) would be published to OPRA before the Exchange publishes a quote to OPRA.[144] The Exchange would not consider a trade that occurs during the transition to continuous trading to be an Auction that results in a trade.[145]

- Proposed Rule 952NYP(f)(3)(A)(vi) is identical to Arca Options Rule 6.64P-O(f)(3)(A)(i) and would provide that Market Orders received during a pre-open state would be subject to the validation specified in proposed Rule 900.3NYP(a)(1)(C). The Exchange notes that because such Market Orders would already have been received by the Exchange, if such orders fail one of those validations, they would be cancelled instead of rejected. This rule text would add transparency and granularity to Exchange rules.

- Proposed Rule 952NYP(f)(3)(A)(vii) is identical to Arca Options Rule 6.64P-O(f)(3)(A)(vii) and would provide that the display quantity of Reserve Orders would be replenished. This proposed rule is based on current functionality and provides granularity in Exchange rules.

- Proposed Rule 952NYP(f)(3)(A)(viii) is identical to Arca Options Rule 6.64P-

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[144] For example, the Exchange may determine that, as described in proposed Rule 952NYP(d)(4)(A), if there is a Calculated NBBO that meets the requirements specified in that Rule, it can conduct an Auction without a trade and transition to continuous trading pursuant to proposed Rule 952NYP(f). In such case, there would not be an Auction that results in a trade, but a trade(s) could occur among orders and quotes that trade during the transition to continuous trading.

[145] OPRA does not distinguish between a trade that results from an opening auction and a trade that occurs during the transition to continuous trading. By contrast, the Exchange's proprietary data feed would distinguish a trade that resulted from an Auction from a trade that occurred during the transition to continuous trading.

O(f)(3)(A)(viii) and would describe the last step in this process regarding

Auction-eligible interest received before the Auction Processing Period.

Specifically, 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 consistent with

current options functionality. The Exchange notes that this quote sent to OPRA

would be different than the Rotational Quote sent at the beginning of the Auction

Process because it could be comprised of both orders and quotes. At a high

level, this represents current functionality because after a series opens, the

Exchange disseminates its best bid and offer of its quotes and orders to OPRA.

Proposed Rule 952NYP(f)(3)(B) is identical to Arca Options Rule 6.64P-O(f)(3)(B) and

would provide that next, orders ranked under the proposed category of "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. 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 any unexecuted Auction-eligible interest transitions

to continuous trading, as described above in proposed Rules 952NYP(f)(3)(A)(i) - (viii), which

as stated above are identical to Arca Options Rules 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

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an NBBO against which such orders could be priced, as described in proposed Rule

900.3NYP(d) (regarding Orders with a Conditional or Undisplayed Price and/or Size) above.

Proposed Rule 952NYP(f)(3)(C) is identical to Arca Options Rule 6.64P-O(f)(3)(B) and

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 Protection, Pre-Trade Risk

Controls, Arbitrage Check, Intrinsic Value Check, and validations specified in proposed Rule

900.3NYP(a)(1)(A), as applicable to certain Market Orders, and if not cancelled would be

processed consistent with the terms of the order. This proposed rule text is designed to reflect

that orders received during the Auction Processing Period would not be subjected to these

price/risk validations until after the Exchange has transitioned to continuous trading, and that if

such interest fails these validations, those orders would be cancelled instead of rejected.

Proposed Rule 952NYP(f)(3)(D) is identical to Arca Options Rule 6.64P-O(f)(3)(D) and

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 ABBO, as provided for in proposed Rule 900.3NYP (proposed Rule

  952NYP(f)(3)(D)(i)), which is the same as Arca Options Rule 6.64P-

  O(f)(3)(D)(i), except that it does not include reference to contra-side interest in

  the Consolidated Book in relation to adjustments to price because, unlike Arca

  Options, the Exchange does not offer ALO Orders, which non-routable order

  types are priced based solely on local interest in the Consolidated Book. The

  Exchange believes this difference is immaterial because the omitted text relates to

  functionality that applies to an order type (i.e., ALO Orders) that the Exchange

does not propose to offer on Pillar and therefore has no bearing on the proposed functionality.

- 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, as provided in proposed Rule 952NYP(f)(3)(D)(ii), which is the same as Arca Options Rule 6.64P-O(f)(3)(D)(ii), except that it does not include reference to Day ISO ALO Orders because the Exchange does not propose to offer this order type on Pillar. The Exchange believes this difference is immaterial because the omitted text relates to an order type (i.e., DAY ISO ALO Orders) that the Exchange does not propose to offer on Pillar and therefore has no bearing on the proposed functionality.

Proposed Rule 952NYP(g) is identical to Arca Options Rule 6.64P-O(g) and would describe order processing during a trading halt. The proposed rule is designed to provide granularity in Exchange rules about how new and existing orders, quotes, and order instructions would be processed during a trading halt. As proposed, the Exchange would process new and existing orders and quotes in a series during a trading halt as follows:

- Cancel any unexecuted quantity of orders for which the 500-millisecond Trading Collar timer has started and all resting Market Maker quotes (proposed Rule 952NYP(g)(1), which is identical to Arca Options Rule 6.64P-O(g)(1)). As is the case on Arca Options, the Exchange proposes to cancel resting Market Maker quotes when a trading halt is triggered, which represents current functionality, and 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. In addition, and identical to functionality on Arca Options, the Exchange also proposes to cancel any unexecuted quantity of orders for which the 500-millisecond Trading Collar has started because such timer would have ended during a trading halt, and therefore such orders were subject to cancellation already.

- Re-price all other resting orders on the Consolidated Book to their limit price (proposed Rule 952NYP(g)(2)), which is identical to Arca Options Rule 6.64P-O(g)(2), except that it does not include reference to ALO Orders or Day ISO ALO Orders, which (as described herein) will not be offered on Pillar. The Exchange believes this difference is immaterial because the omitted text refers to order types/modifiers that the Exchange does not propose to offer on Pillar and therefore has no bearing on the proposed functionality. This proposed repricing of certain resting orders would be new functionality for options trading on the Exchange; currently, during a halt, resting orders do not reprice to their limit price. The proposed repricing of a Non-Routable Limit Order to its limit price during a trading halt would not be counted toward the (limited) 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 (uncounted) repricing event as provided for in proposed Rule 900.3NYP(e)(1)(B). As described above, and also identical to handling of resting orders on Arca Options, once resting, a Non-Routable Limit Order that was repriced on arrival is eligible to be repriced only one additional time. This proposed rule, which mirrors Arca Options, 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 952NYP(g)(3), which is identical to Arca Options Rule 6.64P-O(g)(3)). This proposed rule is consistent with current functionality.

- Reject incoming Limit Orders designated IOC or FOK (proposed Rule 952NYP(g)(4), which is identical to Arca Options Rule 6.64P-O(g)(4)). This proposed rule is consistent with current functionality.

- Accept all other incoming order and quote messages and instructions until the Auction Processing Period for the Trading Halt Auction ends, at which point, paragraph (e) of proposed Rule 952NYP would govern the entry of incoming orders, quotes, and order instructions (proposed Rule 952NYP(g)(5), which is identical to Arca Options Rule 6.64P-O(g)(5)).

- Disseminate a zero bid and zero offer quote to OPRA and proprietary data feeds (proposed Rule 952NYP(g)(6), which is identical to Arca Options Rule 6.64P-O(g)(6)) 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 952NYP(h) is identical to Arca Options Rule 6.64P-O(h) and 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.

In connection with proposed Rule 952NYP, the Exchange proposes to add the following

preamble to Rule 952NY: "This Rule is not applicable to trading on Pillar." This proposed

preamble is designed to promote clarity and transparency in Exchange rules that Rule 952NY

would not be applicable to trading on Pillar.

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As discussed above, because of the technology changes associated with the migration to

the Pillar trading platform, notwithstanding the timing of the effectiveness 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 Exchange System will continue to be available pending the

full migration to Pillar.

<u>Implementation</u>

As noted immediately above, the Exchange will not implement the "P" rules proposed

herein until all other Pillar-related rule filings (i.e., proposed rules with a "P" modifier) are

approved or operative, as applicable, and the Exchange announces the migration of underlying

symbols to Pillar by Trader Update.

    2.   <u>Statutory Basis</u>

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act

of 1934 (the "Act"),[146] in general, and furthers the objectives of Section 6(b)(5),[147] in particular,

because it is designed to prevent fraudulent and manipulative acts and practices, to promote just

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[146]   15 U.S.C. 78f(b).

[147]   15 U.S.C. 78f(b)(5).

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 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 Pillar functionality currently available on Arca Options 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 with its affiliated options market. Accordingly, with the transition to Pillar, the Exchange will be able to offer additional features to its ATP Holders that are currently

available on Arca Options. For similar reasons, the Exchange believes that using the same Pillar terminology for the proposed new rules as used on Arca Options 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 trading rules across the affiliated options exchanges. The Exchange believes this proposed harmonization of functionality and rules across the affiliated options exchanges would foster greater uniformity and less burdensome and more efficient regulatory compliance.

Given that the proposed rules for trading options on Pillar are identical to the Pillar trading rules on Arca Options, unless otherwise specified herein, the Exchange believes that the proposed rules changes are not novel and do not raise issues not previously considered by the Commission.

Orders and Modifiers
The Exchange believes that proposed new Rule 900.3NYP, which is identical to Arca Options Rule 6.62P-O unless otherwise specified herein, 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 based on Arca Options rules 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 Exchange System as described in Rule 900.3NY, or orders and modifiers currently available for options trading on Pillar on Arca Options. The Exchange believes that structuring proposed Rule 900.3NYP to mirror the structure of Arca Options 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 promote transparency and consistency between the Exchange's rulebook and the rules of its affiliated options exchange.

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 Exchange 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 rules, including being subject to Trading Collars. However, the proposed functionality is identical to Pillar functionality on Arca Options and would expand the circumstances under which Market Orders may be rejected (or cancelled), which expansion is designed to ensure that Market Orders do not execute either when there is no prevailing market in a series, which can occur if there is no NBO, no NBB and an NBO is higher than $0.50, or an absence of contra-side Market Maker quotations or the contra-side ABBO. In addition, the proposed functionality would provide that if the displayed prices are too wide to assure a fair and orderly execution of a Market Order, such Market Order would be rejected. The proposed "wide-spread" check for Market Orders is identical to the check offered per Arca Options Rule 6.62P-O, is similar to price protections offered on other options exchanges, and is designed to prevent Market Orders from trading at a price that could be considered a Catastrophic Error.[148] The Exchange believes that the proposed rule describing Market Orders would promote transparency by providing notice of when a Market Order would be

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[148]   See supra note 21 (citing Cboe's Market Order NBBO Width Protection, which similarly looks to the midpoint of the NBBO in applying this protection).

subject to such validations.

- The Exchange is not proposing any new or different behavior for Limit Orders than is currently available on the Exchange, other than the application of Limit Order Price Protection and Trading Collars, which features would differ on Pillar but would be identical to Pillar functionality on Arca Options. The Exchange believes using Pillar terminology to describe Limit Orders would promote consistency and clarity in Exchange rules and align them with the rules of its affiliated options exchange.

- The proposed Limit Order Price Protection functionality, which is identical to functionality on Arca Options Rule 6.62P-O, 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 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 Exchange further believes that the

proposed Specified Thresholds for determining whether to reject a Limit Order or quote would remove impediments to and perfect the mechanism of a free and open market and a national market system because they are designed to be tailored to the applicable Reference Price, and thus more granular than the current thresholds.

The proposed Trading Collar functionality, which is identical to Arca Options Rule 6.62P-O, 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 Exchange believes that the proposed differences for Trading Collars on Pillar (which are based on Trading Collar functionality on Arca Options), including applying the same Trading Collar logic to both Limit Orders and Market Orders, applying them once per trading day (unless there is a trading halt), tailoring the specified thresholds to be within the current parameters for determining whether a trade would be an Obvious Error or Catastrophic Error, and canceling orders that have been displayed at their Trading Collar for 500 milliseconds, would remove impediments to and perfect the mechanism of a free and open market and a national market system because they are designed to provide a deterministic price protection mechanism for orders. In addition, 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 proposal to explicitly add reference to Cross Orders

being excluded from Trading Collars would add granularity to the proposed rule functionality. The Exchange believes that the proposed functionality would provide greater determinism to an ATP Holder 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 identical to terms used on Arca Options Rule 6.62P-O(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 Exchange System. However, rather than refer to Opening-Only Orders, the Exchange proposes to use Pillar terminology that mirrors terms used on Arca Options Rule 6.62P-O(c) terminology. The Exchange further believes that offering its IO Order type for Auctions on the options trading platform -- both for Core Open Auctions and Trading Halt Auctions-- would provide ATP Holders with new, optional functionality to offset an Imbalance in an Auction. The proposed availability of the IO Order would be consistent with the IO Order as offered on Arca Options for Pillar options trading. The Exchange believes this proposed functionality would afford ATP Holders with greater flexibility for all Auctions on Pillar.

- The Exchange would continue to offer AON Orders, Stop Orders, and Stop Limit

Orders, which are currently available on the Exchange System. In addition, on

Pillar, the Exchange would offer Reserve Orders that would function identical to

how this order type functions on Arca Options. The proposal that the reserve

interest of a Reserve Order could never have a working price that is more

aggressive than the working price of the display quantity of the Reserve Order

would remove impediments to and perfect the mechanism of a free and open

market and a national market system because it is 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. 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 Arca Options. The Exchange believes it is

appropriate to opt not to support Market Orders designated as AON on Pillar

because such functionality was not used often on the Exchange System, indicating

a lack of market participant interest in this functionality. 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

rejected on arrival (in the case of Stop Limit Orders) or elected and make clear

that, once elected, such orders are subject to the price protection and risk checks

applicable to Market Orders and Limit Orders, respectively.

- The Exchange believes that the proposed orders (and quotes) with instructions not

to route (i.e., Non-Routable Limit Orders 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 900.3NYP(e),

thereby adding clarity and transparency. The Exchange believes that using Pillar

terminology, including order type names (for orders and quotes), and identical

functionality as is used on Arca Options would promote clarity and consistency

across the Exchange's options trading platform and its affiliated options trading

platform.

The Exchange believes that the proposed Non-Routable Limit Order is not novel

because, in addition to being identical to Non-Routable Limit Orders currently

available on Arca Options, the order type is based on how the PNP, RPNP, and

MMRP orders and quotes currently function on the Exchange System, including

the continued availability of the option to designate a non-routable order either to

cancel or reprice if it is marketable against an ABBO.[149] As such, the Exchange

believes that the proposed non-routable order/quote types would continue to

provide ATP Holders with the core functionality associated with existing non-

routable order/quote types, including that the proposed rules would provide for

the ability to either reprice or cancel such orders/quotes. The Exchange believes

that providing additional options to cancel a resting Non-Routable Limit Order

rather than reprice an additional time would provide an additional choice to

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[149]   As discussed supra, the proposed Non-Routable Limit Order functionality is also consistent with the
        treatment of Market Maker quotes not designated as MMRP (i.e., such quotes cancel if locking or crosses
        the NBBO). See supra note 51.

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market participants. The Exchange also believes that not offering this second

cancellation designation to Market Makers would assist Market Makers in

maintaining quotes in their assigned series by reducing the potential to interfere

with a Market Maker's ability to maintain their continuous quoting obligations.

Finally, the proposed IOC ISO Order is not novel for options trading on the

Exchange because both the proposed Pillar terminology and functionality would

be identical to terms and IOC ISO functionality currently available on Arca

Options rules, which would promote transparency. The proposed Day ISO

functionality would be identical to how such order type functions on Arca

Options. In addition, the proposed Day ISO functionality is consistent with

existing Rule 992NY(b)(3), which currently provides an exception to locking or

crossing an Away Market Protected Quotation if the ATP Holder 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.[150]

- The Exchange believes that the proposed additional detail defining Complex

  Orders to define the "legs" and "components" of such orders would promote

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[150]   See supra note 64 (citing to availability of Day ISO orders on Nasdaq and Cboe).

transparency in Exchange rules and is also identical to how that order type is described on Arca Options.

- On Pillar, the only electronically-entered crossing orders would be QCC Orders, which is consistent with current functionality and identical to functionality on Arca Options . The Exchange believes that the proposed differences to how QCC Orders would function, including using Pillar terminology and consolidating rule text relating to QCC Orders in proposed Rule 900.3NYP, would promote transparency and clarity in Exchange rules. The proposed description of Complex QCC Orders is designed to distinguish such orders from single-leg QCC Orders and to promote clarity and transparency in Exchange rules regarding the price requirements for a Complex QCC Order. Further, Complex QCC Orders are available for trading on Arca Options, per Arca Options Rule 6.62P-O, and on other options exchanges, and therefore are not novel.[151]

- The Exchange believes that moving the descriptions of orders available only in open outcry from Rule 900.3NY to proposed Rule 900.3NYP(h) (which mirrors the placement of analogous text on Arca Options) would ensure that these order types remain in the rulebook after the transition to Pillar is complete. On Pillar, a CTB Order would trade at its limit price provided there is contra-side displayed Customer interest at that price. The CTB Order would also trade with displayed non-Customer interest that is priced better than the CTB Order's limit price. In addition to being similar to Arca Options Rule 6.62P-O(h)(1), the Exchange

[151]   See supra note 67 (citing Complex QCC Order type, as offered on MIAX and Cboe).

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believes that codifying CTB Order functionality, and thus automating priority would make it easier for Floor Brokers to comply with their obligation to satisfy better-priced interest on the Consolidated Book. In addition, 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. 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 identical to modifiers of the same name available on Arca Options. The Exchange believes that offering these existing modifiers for options trading on Pillar would provide ATP Holders with additional, optional functionality that is not novel and is based on existing Arca Options rules. Further, such proposed optional functionality would afford ATP Holders with greater flexibility in specifying how their trading interest should be handled. For example, the proposed MTS Modifier works similarly to the existing (and proposed) AON functionality but provides the ATP Holder with the alternative to designate a portion smaller than the full quantity as the minimum trade size. The Exchange further believes that extending the availability of STP Modifiers to all orders and quotes, and not just those of Market Makers, would provide additional protections for ATP Holders and facilitate their compliance and risk management by assisting them in avoiding unintentional wash-sale trading.

Market Maker Quotations

The Exchange believes that proposed Rule 925.1NYP, which is identical to Arca Options Rule 6.37AP-O unless otherwise specified herein, 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 925.1NY, with such changes as necessary to clarify functionality and to use Pillar terminology consistent with Arca Options. The Exchange believes that the proposed detail (consistent with current functionality) to make clear that same-side quotations sent by a Market Maker over the same order/quote entry port would be replaced would clarify the Exchange's handling of multiple Market Maker quotations should a Market Maker's quotations queue during a period of excessive message traffic, thereby adding clarity and transparency to Exchange rules.[152] No system, including Pillar, has unlimited capacity. The Exchange therefore believes that displaying only the most recent Market Maker quote when it is in receipt of multiple same-side quotations in the same series from such Market Maker, would protect investors and the public interest by ensuring accurate representation of that Market Maker's quoting interest. The Exchange believes that consolidating into one rule functionality for orders and quotes, such that Non-Routable Limit Orders may be designated as quotes per proposed Rule 925.1NYP, would obviate the need to separately describe the same functionality in two rules and therefore streamline the Exchange's rules and promote transparency and consistency. As noted above, the Exchange believes that the quoting functionality available in the proposed Non-Routable Limit Order would continue to provide Market Makers with the core functionality associated with existing quote types, including that the proposed rules would provide for the ability to either reprice or cancel such quotes.

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[152]   See supra note 83 (citing NYSE American Options Fee Schedule, Port Fees, and the ability for Market Makers to pay for upwards of forty order/quote entry ports per month).

Pre-Trade and Activity-Based Risk Controls

The Exchange believes that the proposed Rule 928NYP, which is identical to Arca Options Rule 6.40P-O unless otherwise specified herein, 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 Arca Options. The Exchange believes that the proposed differences from current functionality are designed to provide greater flexibility to ATP Holders in how to set risk controls for both orders and quotes. The Exchange does not believe it is unfairly discriminatory to have all orders on the Exchange pass through the risk checks, even for ATP Holders that opt not to use the Exchange's pre-trade risk controls. As described above, the proposed pre-trade risk checks are a functional enhancement that the Exchange proposes to apply uniformly to all orders and quotes on the Exchange; by applying them uniformly, the Exchange would avoid producing incentives for all firms to opt not to use the risk controls for fear of suffering a competitive disadvantage. Additionally, any latency imposed by the proposed pre-trade risk controls is *de minimis* and would not have a material impact on the order flow of ATP Holders that choose to employ non-exchange providers to provide them with risk control solutions. The Exchange expects that the potential latency added by the proposed pre-trade risk controls would be significantly less than one microsecond.

The Exchange believes that using Pillar terminology based on Arca Options rules, including using the term "Entering Firm" to mean ATP Holders, including Market Makers,

would promote transparency in Exchange rules. In addition, the proposed Single-Order Risk

Controls would provide Entering Firms with additional risk protection mechanisms on an

individual order or quote basis. Moreover, the Exchange believes that aggregating a Market

Maker's quotes and orders for purposes of calculating activity-based risk controls (which is

identical to handling on Arca Options) would better reflect the aggregate risk that a Market

Maker has with respect to its quotes and orders. The Exchange further believes that the proposed

Automated Breach Actions would provide Entering Firms with additional flexibility in how they

could set their risk mechanisms and the automated responses if a risk mechanism is breached.

The proposed Kill Switch Action functionality would also provide ATP Holders with greater

flexibility to provide bulk instructions to the Exchange with respect to cancelling existing orders

and quotes and blocking new orders and quotes. Further, as noted herein, providing "Kill Switch

Action" functionality in Exchange rules is consistent with the rules of other options

exchanges.[153]

Price Reasonability Checks - Orders and Quotes

The Exchange believes that the proposed Rule 928.1NYP, which is identical to Arca

Options Rule 6.41P-O unless otherwise specified herein, 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 based on Arca Options rules and to 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 928.1NYP. Like on Arca Options, the

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[153]   See supra note 99 (citing optional "Kill Switch" functionality available on Cboe).

proposed rule would add an Intrinsic Value Check for quotes under Pillar (in addition to orders) and this check would enhance existing price protection features for quotes and provide Market Makers greater control and flexibility over setting risk tolerance and exposure for their quotes. The proposed rule would also provide specificity regarding when the Price Reasonability Checks would be applied to an order or quote, which would promote transparency and clarity in Exchange rules. The Exchange further believes that applying the Checks based on a broader range of underlying transactions -- both round lots and odd lots -- would enhance the efficacy of the Checks as this proposed functionality would provide a better representation of the trade prices in occurring in the underlying market.

Auction Process

With the proposed Auction Process, the Exchange endeavors to attract the highest quality quote for each series at the open to attract order flow for the auction. While the Exchange does not require Market Makers assigned to a series to quote before a series can be opened (or reopened) -- which is consistent with the current rule -- the Exchange believes that providing time for such Market Makers to do so would promote a fair and orderly market by providing both better and more consistent prices on executions to ATP Holders in an Auction and facilitate a fair and orderly transition to continuous trading.

The Exchange believes that proposed Rule 952NYP, which mirrors Arca Options Rule 6.64P-O unless otherwise specified herein, 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 and enhances the process by incorporating Pillar auction functionality that is currently available on Arca Options. For example, the Exchange proposes to augment the imbalance information that would

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be disseminated in advance of an Auction to include the same fields available on Arca Options. The Exchange believes that the proposed additional 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 the same manner as Arca Options, including how the Exchange would process orders and quotes that are received during an Auction Processing Period and how unexecuted quotes and orders would be transitioned to continuous trading, which the Exchange believes would promote consistency across affiliated options trading platforms. The proposed rule describing how orders and quotes that are received during the Auction Processing Period would be handled would add granularity and transparency to Exchange rules.

The Exchange further believes that the proposed Auction Process would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would maintain the core functionality of the Exchange's current auction process. With regard to Auction Ranking and Allocation, the Exchange proposes to treat Limit Orders, quotes, LOO Orders, MOO Orders, and IO Orders in the same manner as per Arca Options Rule 6.64P-O(b), which would promote consistency across the Exchange's options trading platforms. However, the proposed Rule would differ to address how eligible orders and quotes would trade per the Pillar priority and allocation model established in Rule 964NYP. As proposed, orders and quotes priced better than the Auction Price (i.e., the price at which an Auction will be conducted) would trade based on ranking and orders and quotes priced at (or equal to) the Auction Price would trade per Rule 964NYP(j), except that the Exchange would not apply any participation guarantee during the Auction Process. This proposed Rule would remove impediments to and perfect the mechanism of a free and open market and a national market

system because it would align with the ranking and allocation set forth in Rule 964NYP, which would add clarity, transparency, and internal consistency to Exchange rules. As noted here, the proposed auction ranking and allocation is consistent with how the Exchange ranks and allocates interest in the opening auction for Complex Orders and is also consistent with the handling of opening interest on other exchanges.[154]

As relates to the exclusion of the participation entitlements (per Rule 964NYP(j)(4)) from the auction allocation, the Exchange believes this proposed change would promote equitable principles of trade and would remove impediments to and perfect the mechanism of a free and open market and a national market system because this exclusion (which is consistent with current functionality) would add clarity and transparency to Exchange rules.

The Exchange also proposes to maintain the core functionality of the Auction Process as relates to the requirement that the Exchange would not conduct an Auction 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. Similar to the current rule, the Exchange would require a "Calculated NBBO," which is calculated using information consistent with the information the Exchange receives from OPRA before the Exchange opens a series, to meet specified requirements, including that it not be crossed, not have a zero offer, and that it not exceed a maximum differential that is determined by the Exchange on a class by class basis and announced by Trader Update, i.e., be a "Legal Width Quote" before a series can be opened with a trade.[155] Allowing the Exchange the

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[154] See supra notes 128 (regarding Rule 980NYP) and 131 (regarding Cboe's opening process).

[155] As noted herein, the concept of a Calculated NBBO is also consistent with similar concepts utilized on

flexibility to determine the maximum differential for the Calculated NBBO for a Legal Width

Quote is consistent with functionality and accompanying discretion available on Arca Options

and other options exchanges and allows the Exchange to consider the different market models

and characteristics of different classes, as well as modify amounts in response to then-current

market conditions.[156] In addition, the proposed discretion to modify acceptable bid-ask

differential is also consistent with discretion Exchange has today on the Exchange System.[157] In

addition, the Exchange believes that the proposed Auction Trigger, which would begin the

Auction Process, is consistent with the current trigger for starting an auction. The Exchange

believes that the proposed difference to allow the trade on the Primary Market to be odd-lot sized

(in addition to having a quote from the Primary Market, which means that the underlying

security would be open on the Primary Market), would allow for options series overlying low-

volume securities to open automatically and reduce the need to manually trigger an Auction in a

series.

As with the current rule, on Pillar, Market Makers are not obligated to quote in their

assigned series for an Auction. However, the Exchange believes that providing Market Maker(s)

assigned to a series the opportunity to quote within the bid-ask differential before opening a

series for trading would promote fair and orderly Auctions and facilitate a fair and orderly

transition to continuous trading. In particular, rather than layer additional quoting requirements

on the Market Making community, the Exchange believes it would be more beneficial to all

market participants to employ alternative methods to help ensure an orderly transition to

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other options exchanges. See, e.g., Cboe Rule 5.31(a) (regarding use of "Composite Market" concept).

[156]   See supra note 121 (regarding the concept of a "Maximum Composite Width," per Cboe Rule 5.31(a)).

[157]   See supra note 118 (regarding discretion afforded to the Exchange per Rule 925NY(c)).

continuous trading. As such, the Exchange believes that the proposed so-called "waterfall"

approach to opening, which mirrors Arca Options Rule 6.64P-O, would offer a number of checks

that are intended to provide adequate opportunity for a greater number of Market Makers to

provide their liquidity interest and help ensure increased liquidity at a level commensurate with

which the market is accustomed during continuous trading on the Exchange. In short, although

the Exchange does not require a Market Maker assigned to a series to quote on the Exchange in

order to open or reopen a series for trading, the Exchange believes that providing Market Makers

assigned to a series the opportunity to do so would promote a fair and orderly Auction process

and facilitate a fair and orderly transition to continuous trading.[158]

Accordingly, the Exchange proposes a difference on Pillar, consistent with functionality

on Arca Options, to provide time for Market Maker(s) assigned to a series to enter quotes within

the specified bid-ask differentials before a series could be opened or reopened for trading. The

proposed Opening MMQ Timer(s) would be announced by Trader Update. The proposed rule

provides transparency of how many Market Makers assigned to a series would be required to

quote in a series and when the Exchange would conduct an Auction in a series based on a Legal

Width Quote. As noted above, the proposed Auction Process is designed to attract the highest

quality quote for each series at the open to attract order flow to the Auction. As such, the

Exchange believes it is reasonable to require more than one Opening MMQ Timer to run when

there are at least two Market Makers because it allows the Exchange time to attract the best

quote from these market participants, which in turn should attract order flow to the Exchange at

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[158]   As noted, infra, although the Exchange does not require that Market Makers assigned to a series quote at
the open, once a series is opened for trading, Market Makers are nonetheless required to continuously fulfill
their obligations to engage in a course of dealings reasonably calculated to contribute to the maintenance of
a fair and orderly market

the open (i.e., the Exchange can leverage the highest bid and lowest offer from the various Marker Makers that submit quotes). The Exchange believes that if a Legal Width Quote is not obtained in the first Opening MMQ Timer, it is to the benefit of all market participants to begin a second Opening MMQ Timer to allow the bid-ask differential to tighten before a series is opened. However, if there is a Legal Width Quote based on the ABBO and the required number of quotes with non-zero offers have been submitted by Market Makers, the Exchange would open or reopen that series for trading. The Exchange believes that the proposed waterfall approach (i.e., setting minimum time periods for a Market Maker assigned to a series to quote within the specified bid-ask differential before opening a series, unless there is a Legal Width Quote) would appropriately balance the benefits of increasing the opportunities for Market Makers assigned to a series to enter quotations within the specified bid-ask differential, with a timely series opening or reopening when there is a Legal Width Quote.

The Exchange believes its proposed process for opening option series that have two or more assigned Market Makers would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors because it would continue to provide Market Makers assigned to such series the opportunity to submit a quote while potentially promoting a more timely opening once at least two quotes (even if from a single Market Maker) have been submitted and would add clarity and transparency to Exchange rules. The Exchange believes the proposed rule would provide more flexibility in terms of how market depth in the affected series is achieved (i.e., based on quotes from a single Market Maker as opposed to two) and may result in a more timely and efficient opening process. Further, the proposed change may increase the availability of Legal Width Quotes in more series. Improving the validity of the opening price benefits all

market participants and benefits the reputation of the Exchange as being a venue that provides accurate price discovery. To the extent that this proposed rule results in an option series opening sooner, which, in turn would increase the times during which investors may conduct trading in these options, this proposed rule would benefit investors and the investing public. In addition, the Exchange believes that expanding the opportunities for Market Makers to enter the market would result in deeper liquidity -- which market participants have come to expect in options with multiple assigned Market Makers, and a more stable trading environment.

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 additional opportunities for a series to open or reopen not currently available on the Exchange System, 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. The proposed functionality to provide additional opportunities to open or reopen a series when the market is wider than the specified bid-ask differentials is consistent with functionality on Arca Options, and the Exchange believes that this proposed rule would allow for more automated Auctions on the Exchange for series that may already be opened on another exchange.[159] The Exchange also believes that the proposed rule to permit the Exchange to conduct an Auction on a wide Calculated NBBO once it has cancelled certain trading interest would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors. In particular, the Exchange believes that the proposed change would improve the speed and efficiency of the Exchange's opening process without impairing

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[159]   See, e.g., Cboe Rule 5.31.

price discovery, which should result in better and more consistent prices on Auction executions. The proposed cancellation of Market Orders, MOO Orders, and Limit Orders to buy (sell) priced equal to or higher (lower) than the Indicative Match Price, would allow the Exchange to proceed with a timely opening of each series while preventing extreme executions for series opened based on a wide Calculated NBBO. The proposal to cancel Limit Orders to buy (sell) priced equal to or higher (lower) than the Indicative Match Price when the Calculated NBBO is wider than the Legal Width Quote would similarly allow the Exchange to help ensure that potentially executable Limit Orders would be cancelled rather than execute at potentially extreme prices before the Exchange transitions to continuous trading (in a wide market). As such, the Exchange believes that providing for the cancellation of potentially executable interest (Market Orders, MOOs and Limit Orders alike) would protect investors as it would continue to limit the risk of execution of orders at extreme prices.

Finally, the proposed rule describing how existing and new orders would be processed during a trading halt is designed to provide additional granularity in Exchange rules. Certain of the proposed functionality is based on current processes. The Exchange believes that the proposed differences in order/quote handling would remove impediments to and perfect the mechanism of a free and open market because they align with the proposed differences in behavior for specified orders and quotes on Pillar. For example, the Exchange believes that repricing resting non-routable orders and quotes during a trading halt to their limit price would be consistent with how such orders would be processed in an Auction if they arrived during a pre-open state. In addition, the Exchange believes that canceling orders that are subject to the Trading Collar 500 millisecond timer would be consistent with the intent of such functionality, which is to cancel such collared orders after a specified time period.

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Conforming changes to Rules 925NY, 953.1NY, and 994NY

The Exchange believes that the proposed conforming non-substantive changes to Rules 925NY (Obligations of Market Makers), 953.1NY (Limit-Up and Limit-Down During Extraordinary Market Volatility), and 994NY (Broadcast Order Liquidity Delivery Mechanism) to add cross-references to certain of the new Pillar rules, including Rule 964NYP and those proposed in this filing would remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest because the proposed conforming changes would add clarity, transparency and consistency to the Exchange's rules. The Exchange believes that market participants would benefit from the increased clarity, thereby reducing potential confusion.

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 ATP Holders that is currently available on Arca Options, 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 to support the transition to Pillar. As discussed in detail above, unless otherwise specified herein, the Exchange is not proposing to change its core functionality relating to order types and modifiers, risk controls, Market Maker quotations, or auctions. Rather, the Exchange believes

that the proposed rule changes would promote consistent functionality, rules, and use of terminology for options trading on Pillar across the Exchange and its affiliated options trading platform, Arca Options. The Exchange believes this uniformity would make the Exchange's rules easier to navigate in connection with the transition to Pillar.

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 ATP Holders. In particular, the proposed waterfall approach utilized during the Auction Process, which mirrors Arca Options, would not result in an undue burden on intra-market competition because it would apply equally to all similarly-situated Market Makers regarding their assigned series. Market Makers are encouraged but not required to quote in their assigned series at the open, thus they are not subject to additional obligations. The Exchange believes that encouraging, rather than requiring, participation of such Market Makers at the open, may increase the availability of Legal Width Quotes in more series, thereby allowing more series to open. Improving the validity of the opening price benefits all market participants and benefits the reputation of the Exchange as being a venue that provides accurate price discovery. With respect to inter-market competition, the Exchange notes that most options markets do not require Market Makers to quote during the opening.[160]

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

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[160]   See, e.g., Cboe and its affiliated exchanges.

the Act[161] and Rule 19b-4(f)(6) thereunder.[162] 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.

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)[163] 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
  (https://www.sec.gov/rules/sro.shtml); or

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[161]   15 U.S.C. 78s(b)(3)(A)(iii).

[162]   17 CFR 240.19b-4(f)(6).

[163]   15 U.S.C. 78s(b)(2)(B).

- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEAMER-2023-34 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-NYSEAMER-2023-34. This file number should be included on the subject line if email 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 (https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NYSEAMER-2023-34 and should be submitted on or before [INSERT DATE 21 AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[164]

Sherry R. Haywood,

Assistant Secretary.

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[164]   17 CFR 200.30-3(a)(12).