

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-96872; File No. SR-NYSECHX-2023-07)

February 9, 2023

Self-Regulatory Organizations; NYSE Chicago, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Extending the Expiration Date of the Temporary Amendments to Rules 10.9261 and 10.9830

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on January 31, 2023, the NYSE Chicago, Inc. (“NYSE Chicago” 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 extending the expiration date of the temporary amendments to Rules 10.9261 and 10.9830 as set forth in SR-NYSECHX-2022-19 from January 31, 2023 to April 30, 2023, in conformity with recent changes by the Financial Industry Regulatory Authority, Inc. (“FINRA”). The proposed rule change would not make any changes to the text of Rules 10.9261 and 10.9830. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

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

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

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

The Exchange proposes extending the expiration date of the temporary amendments as set forth in NYSECHX-2022-19<sup>4</sup> to Rules 10.9261 (Evidence and Procedure in Hearing) and 10.9830 (Hearing) from January 31, 2023 to April 30, 2023 to harmonize with recent changes by FINRA to extend the expiration of temporary amendments to its Rules 9261 and 9830. NYSECHX-2022-19 temporarily granted to the Chief or Deputy Chief Hearing Officer the authority to order that hearings be conducted by video conference if warranted by the current COVID-19 public health risks posed by in-person hearings. The proposed rule change would not make any changes to the text of Exchange Rules 10.9261 and 10.9830.<sup>5</sup>

Background

In 2022, NYSE Chicago adopted disciplinary rules that are, with certain exceptions,

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<sup>4</sup> See Securities Exchange Act Release No. 95477 (August 11, 2022), 85 FR 50680 (August 17, 2022) (SR-NYSECHX-2022-19) (“SR-NYSECHX-2022-19”).

<sup>5</sup> The Exchange may submit a separate rule filing to extend the expiration date of the proposed temporary amendments if the Exchange requires temporary relief from the rule requirements identified in this proposal beyond April 30, 2023. The amended NYSE Chicago rules will revert back to their original state at the conclusion of the temporary relief period and any extension thereof.

substantially the same as the disciplinary rules of its affiliate NYSE Arca, Inc., which are in turn substantially similar to the FINRA Rule 8000 Series and Rule 9000 Series, and which set forth rules for conducting investigations and enforcement actions.<sup>6</sup>

In adopting disciplinary rules modeled on FINRA’s rules, NYSE Chicago adopted the hearing and evidentiary processes set forth in Rule 10.9261 and in Rule 10.9830 for hearings in matters involving temporary and permanent cease and desist orders under the Rule 9800 Series. As adopted, the text of Rule 10.9261 and Rule 10.9830 are substantially the same as the FINRA rules with certain modifications.<sup>7</sup>

In 2020, in view of the ongoing spread of COVID-19 and its effect on FINRA’s adjudicatory functions nationwide, FINRA filed a temporary rule change to grant FINRA’s Office of Hearing Officers (“OHO”) and the National Adjudicatory Council (“NAC”) the authority to conduct certain hearings by video conference, if warranted by the current COVID-19-related public health risks posed by in-person hearings. Among the rules FINRA amended were Rules 9261 and 9830.<sup>8</sup>

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<sup>6</sup> See Securities Exchange Act Release No. 95020 (June 1, 2022), 87 FR 35034, (June 8, 2022) (SR-NYSECHX-2022-10) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt Investigation, Disciplinary, Sanction, and Other Procedural Rules Modeled on the Rules of the Exchange's Affiliates) (“2022 Notice of Disciplinary Rules”).

<sup>7</sup> See id.

<sup>8</sup> See Securities Exchange Act Release Nos. 83289 (September 2, 2020), 85 FR 55712 (September 9, 2020) (SR-FINRA-2020-027) (“Initial FINRA Filing”). FINRA also proposed to temporarily amend FINRA Rules 1015 and 9524. FINRA Rule 1015 governs the process by which an applicant for new or continuing membership can appeal a decision rendered by FINRA’s Department of Member Supervision under FINRA Rule 1014 or 1017 and request a hearing which would be conducted by a subcommittee of the NAC. See id. at 55714. The Exchange has not adopted FINRA Rule 1015. FINRA Rule 9524 governs the process by which a statutorily disqualified member firm or associated person can appeal the Department’s recommendation to deny a firm or sponsoring firm’s application to the NAC. See id. Under the Exchange’s version of Rule 10.9524, if the CRO rejects the application, the ETP Holder or applicant may request a review by the

FINRA represented in its filing that its protocol for conducting hearings by video conference would ensure that such hearings maintain fair process for the parties by, among other things, FINRA's use of a high quality, secure and user-friendly video conferencing service and provide thorough instructions, training and technical support to all hearing participants.<sup>9</sup> According to FINRA, the proposed changes were a reasonable interim solution to allow FINRA's critical adjudicatory processes to continue to function while protecting the health and safety of hearing participants as FINRA works towards resuming in-person hearings in a manner that is compliant with the current guidance of public health authorities.<sup>10</sup>

Since the Initial FINRA Filing (in 2020), FINRA periodically extended the temporary relief as the COVID-19 pandemic and concerns surrounding its spread persisted, with the most recent extension until January 31, 2023.<sup>11</sup> In August 2022, the Exchange first filed to temporarily grant the Chief or Deputy Chief Hearing Officer the authority to order that hearings be conducted by video conference if warranted by public health risks posed by in-person hearings during the ongoing COVID-19 pandemic, which relief it has likewise extended.<sup>12</sup> Due to the continued presence and uncertainty of COVID-19, FINRA believes that there is a continued need for temporary relief beyond January 31, 2023.<sup>13</sup>

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Exchange Board of Directors. This differs from FINRA's process, which provides for a hearing before the NAC and further consideration by the FINRA Board of Directors.

<sup>9</sup> See Initial FINRA Filing, 85 FR at 55713.

<sup>10</sup> See id.

<sup>11</sup> See, e.g., Securities Exchange Act Release Nos. 94430 (March 16, 2022), 87 FR 16262 (March 22, 2022) (SR-FINRA-2022-018); 96107 (October 19, 2022), 87 FR 64526 (October 25, 2022) (SR-FINRA-2022-029).

<sup>12</sup> See supra note 4, SR-NYSECHX-2022-19; see also Securities Exchange Act Release No. 96260 (November 8, 2022), 87 FR 68529 (November 15, 2022) (SR-NYSECHX-2022-24).

<sup>13</sup> See Securities Exchange Act Release No. 96746 (January 25, 2023) ("SR-FINRA-2023-

According to FINRA, due to the upward trend in the number of COVID-19 cases since October 2022 -- when FINRA last filed to extend the temporary relief, COVID-19 still remains a public health concern.<sup>14</sup> For example, according to the Centers for Disease Control and Prevention (“CDC”), approximately 61.73 percent of counties in the United States have a medium or high COVID-19 Community Level based on the CDC’s most recent calculations.<sup>15</sup> The daily average number of hospital admissions is also on the rise.<sup>16</sup> Much uncertainty also remains as to whether there will be a significant increase in the number of cases of COVID-19 in the future given the emergence of new Omicron variants that the CDC currently is tracking<sup>17</sup> and the dissimilar vaccination rates (completed primary series and a first booster dose) throughout the United States.<sup>18</sup> Due to the continued presence and uncertainty of COVID-19, FINRA believes that there is a continued need for temporary relief beyond January 31, 2023.<sup>19</sup> On

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001”).

<sup>14</sup> See id.

<sup>15</sup> See CDC, COVID Data Tracker – COVID-19 Integrated County View, [https://covid.cdc.gov/covid-data-tracker/#county-view?list\\_select\\_state=all\\_states&list\\_select\\_county=all\\_counties&data-type=CommunityLevels&null=CommunityLevels](https://covid.cdc.gov/covid-data-tracker/#county-view?list_select_state=all_states&list_select_county=all_counties&data-type=CommunityLevels&null=CommunityLevels) (last visited Jan. 9, 2023).

<sup>16</sup> See CDC, COVID Data Tracker Weekly Review — Daily Trend in Number of New COVID-19 Hospital Admissions in the United States, <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/covidview/index.html> (last visited Jan. 9, 2023) (“The current 7-day daily average for December 28, 2022—January 3, 2023, was 6,519. This is a 16.1% increase from the prior 7-day average (5,613) from December 21-27, 2022.”).

<sup>17</sup> These new Omicron variants include BQ.1.1, XBB.1.5 and BQ.1. See CDC, COVID Data Tracker — Variant Proportions, <https://covid.cdc.gov/covid-data-tracker/Nvariant-proportions> (last visited Jan. 9, 2023).

<sup>18</sup> A state-by-state comparison of vaccination rates is available at [https://covid.cdc.gov/covid-data-tracker/#vaccinations\\_vacc-people-additional-dose-totalpop](https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-people-additional-dose-totalpop) (last visited Jan. 9, 2023).

<sup>19</sup> See SR-FINRA-2023-001.

January 18, 2023, FINRA accordingly filed to extend the expiration date of the temporary rule amendments to, among other rules, FINRA Rule 9261 and 9830 from January 31, 2023 to April 30, 2023.<sup>20</sup>

#### Proposed Rule Change

Consistent with FINRA’s recent proposal, the Exchange proposes to extend the expiration date of the temporary rule amendments to NYSE Chicago Rules 10.9261 and 10.9830 as set forth in SR-NYSECHX-2022-19 from January 31, 2023 to April 30, 2023.

As set forth in SR-FINRA-2023-001, due to the upward trend in the number of COVID-19 cases since October 2022 -- when FINRA last filed to extend the temporary relief, COVID-19 still remains a public health concern. For example, according to the Centers for Disease Control and Prevention (“CDC”), approximately 61.73 percent of counties in the United States have a medium or high COVID-19 Community Level based on the CDC’s most recent calculations.<sup>21</sup> The daily average number of hospital admissions is also on the rise.<sup>22</sup> Much uncertainty also remains as to whether there will be a significant increase in the number of cases of COVID-19 in

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<sup>20</sup> See generally SR-FINRA-2023-001. As a further basis for extending the temporary rule relief until April 30, 2023, FINRA noted that its Board has approved the submission of a rule proposal to the Commission to make permanent, with some modifications, the temporary rules to allow hearings to be conducted by video conference originally set forth in the Initial FINRA Filing and SR-FINRA-2020-015. See <https://www.finra.org/about/governance/finra-board-governors/meetings/update-finra-board-governors-meeting-december-2022>. See *id.*, at n 14. FINRA indicated that the extension of the temporary rule amendments until April 30, 2023 would help avoid FINRA’s rules reverting to their original form and allow FINRA time to file for (and the Commission time to approve) the permanent rules. See *id.*

<sup>21</sup> See *supra* note 15 (CDC, COVID Data Tracker – COVID-19 Integrated County View).

<sup>22</sup> See *supra* note 16 (CDC, COVID Data Tracker Weekly Review — Daily Trend in Number of New COVID-19 Hospital Admissions in the United States).

the future given the emergence of new Omicron variants that the CDC currently is tracking<sup>23</sup> and the dissimilar vaccination rates (completed primary series and a first booster dose) throughout the United States.<sup>24</sup> Due to the continued presence and uncertainty of COVID-19, FINRA believes that there is a continued need for temporary relief beyond January 31, 2023.<sup>25</sup> FINRA accordingly proposed to extend the expiration date of the temporary rule amendments from January 31, 2023 to April 30, 2023.

The Exchange proposes to similarly extend the expiration date of the temporary rule amendments to NYSE Chicago Rules 10.9261 and 10.9830 as set forth in SR-NYSECHX-2022-19 from January 31, 2023 to April 30, 2023. The Exchange agrees with FINRA that due to the upward trend in the number of COVID-19 cases since October 2022 -- when FINRA last filed to extend the temporary relief, COVID-19 still remains a public health concern. The Exchange also agrees that due to the continued presence and uncertainty of COVID-19, for the reasons set forth in SR-FINRA-2023-001, there is a continued need for this temporary relief beyond January 31, 2023. The proposed change would permit OHO to continue to assess, based on critical COVID-19 data and criteria and the guidance of health and security consultants, whether an in-person hearing would compromise the health and safety of the hearing participants such that the hearing should proceed by video conference. As noted in SR-FINRA-2023-001, in deciding whether to schedule a hearing by video conference, OHO may consider a variety of other factors in addition to COVID-19 trends. Similarly, as noted in SR-FINRA-2023-001, in the Initial FINRA Filing,

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<sup>23</sup> See supra note 17 (regarding the new Omicron variants described in CDC, COVID Data Tracker – Variant Proportions).

<sup>24</sup> See supra note 18 (regarding state-by-state comparison of COVID-19 vaccination rates).

<sup>25</sup> See SR-FINRA-2023-001.

FINRA provided a non-exhaustive list of other factors OHO may take into consideration, including a hearing participant's individual health concerns and access to the connectivity and technology necessary to participate in a video conference hearing.<sup>26</sup> The Exchange believes that this is a reasonable procedure to continue to follow for hearings under Rules 10.9261 and 10.9830 chaired by a FINRA employee.

As noted below, the Exchange has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so the Exchange can implement the proposed rule change immediately.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>27</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>28</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is designed to provide a fair procedure for the disciplining of members and persons associated with members, consistent with Sections 6(b)(7) and 6(d) of the Act.<sup>29</sup>

The Exchange believes that the proposed rule change supports the objectives of the Act

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<sup>26</sup> See SR-FINRA-2023-001.

<sup>27</sup> 15 U.S.C. 78f(b).

<sup>28</sup> 15 U.S.C. 78f(b)(5).

<sup>29</sup> 15 U.S.C. 78f(b)(7) and 78f(d).



by providing greater harmonization between Exchange rules and FINRA rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

The proposed rule change, which extends the expiration date of the temporary amendments to Exchange rules consistent with FINRA's extension to its Rules 9261 and 9830 as set forth in SR-FINRA-2023-001, will permit the Exchange to continue to effectively conduct hearings given the continued presence and uncertainty of COVID-19. Given that COVID-19 remains a public health concern and the uncertainty around a potential spike in cases of the disease, without this relief allowing OHO to proceed by video conference, some or all hearings may have to be postponed. The ability to conduct hearings by video conference will permit the adjudicatory functions of the Exchange's disciplinary rules to continue unabated, thereby avoiding protracted delays. The Exchange believes that this is especially important in matters where temporary and permanent cease and desist orders are sought because the proposed rule change would enable those hearings to continue to proceed without delay, thereby enabling the Exchange to continue to take immediate action to stop significant, ongoing customer harm, to the benefit of the investing public.

As set forth in detail in NYSECHX-2022-19, the temporary relief to permit hearings to be conducted via video conference maintains fair process and will continue to provide fair process consistent with Sections 6(b)(7) and 6(d) of the Act<sup>30</sup> while striking an appropriate balance between providing fair process and enabling the Exchange to fulfill its statutory

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<sup>30</sup> 15 U.S.C. 78f(b)(7) and 78f(d).

obligations to protect investors and maintain fair and orderly markets while avoiding the COVID-19-related public health risks for hearing participants. The Exchange notes that this proposal, like NYSECHX-2022-19, provides only temporary relief. As proposed, the changes would be in place through April 30, 2023. As noted in NYSECHX-2022-19 and above, the amended rules will revert back to their original state at the conclusion of the temporary relief period and, if applicable, any extension thereof.

Accordingly, the proposed rule change extending this temporary relief is in the public interest and consistent with the Act's purpose.

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

The Exchange does not believe that the proposed temporary rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended to address competitive issues but is rather intended solely to extend temporary relief necessitated by the continued presence and uncertainty of COVID-19 and the related health and safety risks of conducting in-person activities. The Exchange believes that the proposed rule change will prevent unnecessary impediments to critical adjudicatory processes and its ability to fulfill its statutory obligations to protect investors and maintain fair and orderly markets that would otherwise result if the temporary amendments were to expire on January 31, 2023.

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of

the Act<sup>31</sup> and Rule 19b-4(f)(6) thereunder.<sup>32</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>33</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>34</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange has indicated that there is a continued need to extend the temporary relief because the Exchange agrees with FINRA that the COVID-19 related health concerns necessitating this relief will continue beyond January 31, 2023.<sup>35</sup> The Exchange also states that extending the temporary relief provided in SR-NYSECHX-2022-19 immediately upon filing and without a 30-day operative delay will allow the Exchange to continue critical adjudicatory and review processes so that the Exchange may continue to operate effectively and meet its critical investor protection goals, while also protecting the health and safety of hearing participants.<sup>36</sup>

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<sup>31</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>32</sup> 17 CFR 240.19b-4(f)(6).

<sup>33</sup> 17 CFR 240.19b-4(f)(6).

<sup>34</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>35</sup> See supra Item II; see also SR-FINRA-2023-001.

<sup>36</sup> See SR-FINRA-2023-001 (noting the same in granting FINRA's request to waive the 30-day operative delay so that SR-FINRA-2023-001 would become operative immediately

The Commission also notes that this proposal extends without change the temporary relief previously provided by SR-NYSECHX-2022-19.<sup>37</sup> As proposed, the temporary changes would be in place through April 30, 2023 and the amended rules will revert back to their original state at the conclusion of the temporary relief period and, if applicable, any extension thereof.<sup>38</sup> For these reasons, the Commission believes that waiver of the 30-day operative delay for this proposal is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>39</sup>

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)<sup>40</sup> 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

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upon filing).

<sup>37</sup> See supra note 4.

<sup>38</sup> See supra note 5. As noted above, the Exchange states that if it requires temporary relief from the rule requirements identified in this proposal beyond April 30, 2023, it may submit a separate rule filing to extend the effectiveness of the temporary relief under these rules.

<sup>39</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>40</sup> 15 U.S.C. 78s(b)(2)(B).

the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSECHX-2023-07 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-NYSECHX-2023-07. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment

submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSECHX-2023-07 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>41</sup>

Sherry R. Haywood,  
Assistant Secretary.

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<sup>41</sup> 17 CFR 200.30-3(a)(12).