

On September 26, 2018, the Exchange filed a petition for review of Order Instituting Proceedings I (“BOX 1 Petition”).⁸ On November 16, 2018, the Commission granted the BOX 1 Petition.⁹ On January 25, 2019, pursuant to Section 19(b)(2) of the Act,¹⁰ the Commission designated a longer period within which to approve or disapprove BOX 1.¹¹ On February 25, 2019, the Commission issued an order affirming the staff’s action by delegated authority temporarily suspending the rule filing and instituting proceedings.¹²

On November 30, 2018, the Exchange filed with the Commission a second proposed rule change (SR–BOX–2018–37) (“BOX 2”) to amend the BOX fee schedule to establish the same fees established by BOX 1.¹³ BOX 2 was immediately effective upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act.¹⁴ On December 14, 2018, the Division, acting on behalf of the Commission by delegated authority, issued a notice of BOX 2 and order temporarily suspending BOX 2 pursuant to Section 19(b)(3)(C) of the Act¹⁵ and simultaneously instituting proceedings under Section 19(b)(2)(B) of the Act¹⁶ to determine whether to approve or disapprove BOX 2.¹⁷

On February 13, 2019, the Exchange filed with the Commission a third proposed rule change (SR–BOX–2019–04) (“BOX 3” and, together with BOX 1 and BOX 2, “proposed rule changes”) to amend the BOX fee schedule to establish the same fees proposed by BOX 1 and BOX 2.¹⁸ BOX 3 was

immediately effective upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act.¹⁹ On February 26, 2019, the Division, acting on behalf of the Commission by delegated authority, issued a notice of BOX 3 and order temporarily suspending BOX 3 pursuant to Section 19(b)(3)(C) of the Act²⁰ and simultaneously instituting proceedings under Section 19(b)(2)(B) of the Act²¹ to determine whether to approve or disapprove BOX 3 (“Order Instituting Proceedings III”).²² On March 5, 2019, the Exchange filed a petition for review of Order Instituting Proceedings III (“BOX 3 Petition”).²³ On March 22, 2019, the Commission granted the BOX 3 Petition and issued an order affirming the action by delegated authority.²⁴

After consideration of the record in the proposed rule changes, the Division, pursuant to delegated authority,²⁵ issued an order disapproving the proposed rule changes on March 29, 2019.²⁶ On April 8, 2019, pursuant to Rule 430 of the Commission’s Rules of Practice,²⁷ the Exchange filed a petition for review of the Disapproval Order.

Pursuant to Rule 431 of the Commission’s Rules of Practice,²⁸ the Exchange’s petition for review of the Disapproval Order is granted. Further, the Commission hereby establishes that any party to the action or other person may file a written statement in support of or in opposition to the Disapproval Order on or before June 20, 2019.

For the reasons stated above, it is hereby:

Ordered that the Exchange’s petition for review of the Division’s action to disapprove the proposed rule changes by delegated authority is *granted*; and

It is further *ordered* that any party or other person may file a statement in support of or in opposition to the action made pursuant to delegated authority on or before June 20, 2019.

The order disapproving the proposed rule changes shall remain in effect.

By the Commission.

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85922; File No. SR–NYSEArca–2019–35]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 6.60–O

May 23, 2019.

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 May 10, 2019, NYSE Arca, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“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 amend Rule 6.60–O (Price Protection—Orders) to enhance its current price protection mechanisms and adopt certain new price protection functionality for orders. 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.

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

⁸ See Petition for Review of Order Temporarily Suspending BOX Exchange LLC’s Proposal to Amend the Fee Schedule on BOX Market LLC, dated September 26, 2018.

⁹ See Securities Exchange Act Release No. 84614 (November 16, 2018), 83 FR 59432 (November 23, 2018).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ See Securities Exchange Act Release No. 84989, 84 FR 858 (January 31, 2019). The Commission designated March 29, 2019, as the date by which the Commission would approve or disapprove BOX 1.

¹² See Securities Exchange Act Release No. 85184, 84 FR 6842 (February 28, 2019).

¹³ The proposed fees in BOX 2 were identical to those proposed in BOX 1 and the Form 19b–4 for the two filings were substantively identical, except BOX 2 also identified the categories of the Exchange’s costs to offer connectivity services and stated that the proposed fees would “offset” the Exchange’s costs. See Securities Exchange Act Release No. 85459 (March 29, 2019), 84 FR 13363, 13364, n.22 (April 4, 2019) (“Disapproval Order”).

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 15 U.S.C. 78s(b)(3)(C).

¹⁶ 15 U.S.C. 78s(b)(2)(B).

¹⁷ See Securities Exchange Act Release No. 84823 (December 14, 2018), 83 FR 65381 (December 20, 2018).

¹⁸ The proposed fees in BOX 3 were identical to those proposed in BOX 2 and the Form 19b–4 for the two filings were substantively identical. See Disapproval Order, *supra* note 13, at 13364, n.28.

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 15 U.S.C. 78s(b)(3)(C).

²¹ 15 U.S.C. 78s(b)(2)(B).

²² See Securities Exchange Act Release No. 85201, 84 FR 7146 (March 1, 2019).

²³ See Petition for Review of Order Temporarily Suspending BOX Exchange LLC’s Proposal to Amend the Fee Schedule on BOX Market LLC, dated March 5, 2019.

²⁴ See Securities Exchange Act Release No. 85399, 84 FR 11850 (March 28, 2019).

²⁵ 17 CFR 200.300–3(a)(12).

²⁶ See Disapproval Order, *supra* note 13.

²⁷ 17 CFR 201.430.

²⁸ 17 CFR 201.431.

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

1. Purpose

The Exchange proposes to amend Rule 6.60–O (Price Protection—Orders) to enhance its current price protection mechanisms and adopt certain new price protection functionality for Limit Orders, specifically, Price Reasonability Checks.

The Exchange has in place various price check mechanisms that are designed to prevent incoming orders from automatically executing at potentially erroneous prices.⁴ These mechanisms are designed to help maintain a fair and orderly market by mitigating potential risks associated with orders trading at prices that are extreme and potentially erroneous. The Exchange proposes to adopt Rule 6.60–O(c) to add new price protection mechanisms for orders to help further prevent potentially erroneous executions.

Price Reasonability Checks

Proposed Rule 6.60–O(c) would provide Price Reasonability Checks (the “Price Checks” or “Checks”) for Limit Orders based on the principle that an option order is in error and should be rejected (or canceled) when the same result can be achieved on the market for the underlying equity security at a lesser cost.⁵ The proposed Checks are based on the consolidated last sale price of the security underlying the option, once the security opens for trading (or reopens following a Trading Halt).⁶ The Exchange notes that it currently has price checks in place for Market Maker quotes that are similar to the checks for options orders proposed herein (the “MM Quote Price Checks”).⁷

Buy Orders Arbitrage Checks

Proposed Rule 6.60–O(c)(1) would protect buyers of puts and calls from

⁴ See, e.g., Rules 6.60–O(a) (trading collars) and (b) (limit order price filter), 6.61–O (price protection for Market Maker quotes).

⁵ A Limit Order is an order to buy or sell a stated number of option contracts at a specified price, or better. See Rule 6.62–O(b). The proposed Price Checks apply solely to single-leg Limit Orders and are not available for Complex Orders. The Exchange notes that Complex Orders are subject to separate price protections. See Rule 6.91–O, Commentary .05 (price protection filter) and .06 (debit/credit reasonability checks).

⁶ See proposed Rule 6.60–O(c).

⁷ See Rule 6.61–O (providing two layers of price protection for quotes. The first layer assesses incoming sell quotes against the NBB and incoming buy quotes against the NBO; the second layer assesses the price of call or put bids against a specified (price) benchmark).

presumptively erroneous executions. A buy order in a put series provides the right to sell the underlying security at the strike price, which strike price represents the option's maximum value. Proposed Rule 6.60–O(c)(1)(A) would provide that an order to buy a put would be rejected or canceled if the price of the order is equal to or greater than the strike price of the option. For example, assume that SeriesA is a put series based on Underlying ABC, which has a strike price of \$50.00. FIRM1 submits a new buy order on SeriesA for \$50.00, which would be rejected because it is priced equal to the \$50.00 strike price. Because the Exchange presumes such orders with a price that equals or exceeds the strike price of the option to be erroneous, the Exchange believes it would be appropriate to reject or cancel such orders. In addition to being similar to the MM Quote Check, this functionality is also available on at least one other options exchange.⁸

A buy order in a call series provides the right to buy the underlying security at the strike price. Proposed Rule 6.60–O(c)(1)(B) would provide that an order to buy a call option would be canceled or rejected if the price of the order is equal to or greater than the consolidated last sale price of the underlying security (the “last sale price”), plus a dollar amount to be determined by the Exchange (the “specified dollar amount”) and announced by Trader Update.⁹ In general, a derivative product that conveys the right to buy the underlying should not be priced higher than the prevailing value of the underlying itself. In that case, a market participant could just purchase the underlying at the prevailing value rather than pay a larger amount for the call by incurring the option premium. However, the Exchange believes a specified dollar amount is reasonable because in certain situations, market participants opt to execute certain trades (which may be part of a strategy) even if such trades occur for a price more than the last sale price.¹⁰

⁸ See Rule 6.61–O(a)(3) (providing in relevant part that “[a] Market Maker bid for Put options will be rejected if the price of the bid is equal to or greater than the strike price of the option”). See also Chicago Board Options Exchange, Inc. (“CBOE”) Rule 6.14(a)(i)(A) (providing, in relevant part, that quote or buy limit orders for a put will be rejected if the price of the quote bid or order is equal to or greater than the strike price of the option).

⁹ The Exchange anticipates that it would initially set the specified dollar amount to \$0.50 and whether and when that amount changes would depend upon the interest and/or behavior of market participants.

¹⁰ A small incremental allowance outside of the last sale price allows for a small premium to offset commissions associated with trading and may incentivize participants to take the other side of

However, absent the cap provided by the specified dollar, such trades could occur at prices that are too far away from the last sale price and would be deemed potentially erroneous. The Exchange also believes that allowing for the specified dollar amount above the last sale price for buy orders in call options would help address certain market scenarios, including during periods of extreme price volatility. In addition to being similar to the MM Quote Check, this functionality is also available on at least one other options exchange.¹¹

The following examples illustrate this proposed functionality. For each example SeriesA is a call series based on Underlying ABC, which has a last sale price of \$50.00.

Example 1: The Exchange-determined specified dollar amount is \$0.00, which means orders equal to or greater than \$50.00 will be rejected (*i.e.*, \$50.00 (last sale) + \$0.00 (specified dollar amount)). FIRM1 submits an order to buy a call in SeriesA for \$51.00, which would be rejected because it is greater than \$50.00. Similarly, if FIRM1 submits an order to buy a call in SeriesA for \$50.00 during pre-open, the order would be accepted and held until series opens. When SeriesA opens, the order would be rejected because it is equal to \$50.00.

Example 2: The Exchange-determined specified dollar amount is \$5.00, which means orders equal to or greater than \$55.00 will be rejected (*i.e.*, \$50.00 (last sale) + \$5.00 (specified dollar amount)). FIRM1 submits an order to buy a call in SeriesA for \$55.00, which would be rejected because it is equal to \$55.00. However, if the FIRM1 were to submit an order to buy a call in SeriesA for \$50.00, this would be accepted because \$50.00 is less than \$55.00.

Sell Orders Intrinsic Value Checks

Proposed Rule 6.60–O(c)(2) would protect sellers of calls and puts based on the “Intrinsic Value” of an option, which is measured as the difference

trades at or slightly outside of the last sale price. For the participant looking to close out their position, it may be financially beneficial to pay a small premium and close out the position rather than carry such position to expiration and take delivery. The purpose of this rule change is not to impede current order handling but to ensure execution prices are within a reasonable range of the last sale price.

¹¹ See Rule 6.61–O(a)(2) (providing in relevant part that “Market Maker bids for Call options will be rejected if the price of the bid is equal to or greater than the price of the underlying security”). See CBOE Rule 6.14(a)(i)(B) (providing, in relevant part, that quote or buy limit orders for a call will be rejected if “the quote bid or order is equal to or greater than the consolidated last sale price of the underlying security” for equity and ETF options). CBOE also applies this check to index options based on the last disseminated value of the underlying index, which check the Exchange is not proposing in this filing. Unlike the current proposal, CBOE does not retain discretion to cancel/reject orders that are a specified dollar amount greater than the strike price.

between the strike price and the last sale price. A sell order in a call series creates an obligation to *sell* the underlying security at the strike price and a sell order in a put series creates an obligation to *buy* the underlying security at the strike price. Thus, the Intrinsic Value for a call option is equal to the last sale price minus the strike price; whereas the Intrinsic Value for a put option is equal to the strike price minus the last sale price.¹²

Proposed Rule 6.60–O(c)(2)(A) would provide that orders to sell for both calls and puts would be canceled or rejected as presumptively erroneous if the price of the order is equal to or lower than its Intrinsic Value, minus a threshold percentage (the “threshold percentage”) to be determined by the Exchange and announced by Trader Update.¹³ The Exchange believes having a threshold percentage is reasonable because in certain situations market participants willingly want to execute certain trading strategies even if such trades occur for a price less than the Intrinsic Value.¹⁴ However, absent the cap provided by the threshold percentage, such trades could occur at prices that are too far away from the Intrinsic Value and would be deemed potentially erroneous. In addition, the threshold percentage would allow the Exchange to account for market scenarios, including during periods of extreme price volatility.

The following examples illustrate this proposed functionality.

Example 1: SeriesA is a call series based on Underlying ABC, which has a last sale price of \$220.00 and a strike price of \$210.00. The Exchange-determined threshold percentage is 0%, which means the Intrinsic Value is \$10.00. FIRM1 submits a new sell order on SeriesA for \$9.90, which would be rejected because it is below the threshold of \$10.00 $(\$220.00 - \$210.00) * (100 - 0\%) / 100$.

Example 2: SeriesA is a put series based on Underlying ABC, which has a last sale price of \$210.00 and a strike price of \$220.00. The Exchange-determined threshold percentage is 0%, which means the Intrinsic

Value is \$10.00. FIRM1 submits a sell order on SeriesA for \$10.00, which would be rejected because it is equal to the threshold of \$10.00 $(\$220.00 - \$210.00) * (100 - 0\%) / 100$.

Example 3: SeriesA is a call series based on Underlying ABC, which has a last sale price of \$220.00 and a strike price of \$210.00. The Exchange-determined threshold percentage is 10%, which means the Intrinsic Value is \$9.00. FIRM1 submits a sell order on SeriesA for \$9.90, which would be accepted because it is above the threshold of \$9.00 $(\$220.00 - \$210.00) * (100 - 10\%) / 100$.

Excluded From Price Checks

Consistent with the operation of the MM Quote Price Checks,¹⁵ proposed Commentary .01 to the Rule would provide that the Price Checks would not apply to “(i) any options series for which the underlying security has a non-standard cash or stock deliverable as part of a corporate action; (ii) any options series for which the underlying security is identified as over-the-counter (‘OTC’ or ‘Pink Sheets’); (iii) any option series on an index; and (iv) Binary Return Derivatives (‘ByRDs’)” (the “Excluded Options”).¹⁶

The proposed change would enable the Exchange to implement the Price Checks and apply the Checks to securities for which there is reliable price data for the underlying security to perform the Check. Specifically, like the MM Quote Checks, the Exchange would exclude any options series for which the underlying security has a non-standard cash or stock deliverable as part of a corporate action because the last sale information would not have been adjusted for the non-standard deliverable, and would therefore be unreliable. Also, like the MM Quote Checks, options whose underlying security is traded OTC or Pink Sheets would be considered Excluded Options because the last sale information for such underlying securities is not available on an active market data feed. The Exchange would also exclude any options series overlying a stock index because Exchange does not subscribe to receive last sale information for such indices. Moreover, like the MM Quote Checks, the Exchange would exclude options on ByRDs because ByRDs track a value weighted average price (“VWAP”) and not the last sale of the underlying security.¹⁷

¹⁵ See Rule 6.61–O, Commentary .01.

¹⁶ See proposed Rule 6.60–O, Commentary .01. See also proposed Rule 6.60–O(c) (providing that the Price Checks would apply, “except as provided in Commentary .01 to this Rule”).

¹⁷ See generally Section 8, Binary Return Derivatives, Rules 5.82–O—5.95–O. ByRDs are European-style option contracts on individual stocks, exchange-traded funds and Index-Linked

Consistent with the MM Quote Checks, the Exchange also proposes to exempt from the Price Check 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.¹⁸ The Exchange believes this proposed change would enable the Exchange to exclude option series, other than Excluded Options, from the Price Checks if the Exchange determines that the price protection feature would not function for the purpose of preventing erroneous orders.¹⁹ For example, if the last sale is zero, for whatever reason, the Exchange would have the discretion to forego the price check for a particular order. Similarly, if there was some other event or change that impacted the underlying security (for example if there was a change to the ticker symbol for the underlying security), the Exchange would retain discretion to exclude the affected options series from the Price Checks. The Exchange has retained discretion to maintain a fair and orderly market for the MM Quote Checks and notes that another options exchange likewise has retained discretion for similar checks as relates to orders.²⁰

Technical Change To Limit Order Filter

Rule 6.60–O(b) describes the Limit Order Filter, which is another price protection that rejects limit orders that are priced a specified percentage away from the contra-side NBB or NBO feature offered by Exchange. The current Rule provides that limit orders received prior to the open “will be rejected immediately before the Exchange conducts a Trading Auction of Rule 6.64–O.” The Exchange proposes to clarify that such orders are not “rejected immediately,” but are instead accepted and then “canceled” before the Exchange conducts the Trading Auction “per Rule 6.64–O”—as “of Rule 6.64–O” is not grammatically correct.²¹ These proposed textual changes would more accurately reflect the treatment of such orders.

Securities that have a fixed return in cash based on a set strike price.

¹⁸ See proposed Rule 6.60–O, Commentary .01(v).

¹⁹ The Exchange would document, retain, and periodically review any Exchange decision to not apply the Price Checks, including the reason for the decision.

²⁰ See Rule 6.61–O, Commentary .01. CBOE Rule 6.14(a)(ii) (providing that CBOE “may determine not to apply to a class either the put check in subparagraph (i)(A) or the call check in subparagraph (i)(B) above if a senior official at the Exchange’s Help Desk determines the applicable check should not apply in the interest of maintaining a fair and orderly market”).

²¹ See proposed Rule 6.60–O(b).

¹² See proposed Rule 6.60–O(c)(2).

¹³ The Exchange anticipates that it would initially set the threshold percentage to ten percent (10%) and whether and when that amount changes would depend upon the interest and/or behavior of market participants.

¹⁴ A small incremental allowance outside of the Intrinsic Value allows for a small premium to offset commissions associated with trading and may incentivize participants to take the other side of trades at or slightly outside of the Intrinsic Value. For the participant looking to close out their position, it may be financially beneficial to pay a small premium and close out the position rather than carry such position to expiration and take delivery. The purpose of this rule change is not to impede current order handling but to ensure execution prices are within a reasonable range of the Intrinsic Value of the option.

Implementation

The Exchange will announce by Trader Update the implementation date of the proposed rule change.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,²² in general, and furthers the objectives of Section 6(b)(5) of the Act,²³ in particular, in that 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 regulating, clearing, settling, processing information with respect to, and 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.

In particular, the Exchange believes the proposed Price Checks would protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders at unintended prices and orders trading at prices that are potentially erroneous, which may likely have resulted from human or operational error. The proposed Price Checks of the reasonability of Limit Order prices would assist in the maintenance of a fair and orderly market and protect investors by rejecting (or canceling) orders that exceed the corresponding benchmark. With regard to the proposed use of the specified dollar amount (as relates to buy orders for call options) and the threshold percentage (as relates to sell orders for puts and calls), the Exchange notes that in certain situations, market participants may opt to execute certain trades (that may be part of a strategy) even if such trades occur outside/away from the last sale price of the underlying or intrinsic value at seemingly erroneous prices. The Exchange believes it is appropriate to provide market participants flexibility to allow them to execute these trading strategies and therefore to adopt a buffer to permit the execution of such trades.²⁴

Similarly, the Exchange believes it is appropriate to have this flexibility to determine times when the check should not apply to respond to market events,

such as times of extreme price volatility. This assists the Exchange's maintenance of a fair and orderly market, which ultimately removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest.

With regard to the Excluded Options, the Exchange believes that where no reliable pricing data is available, it is appropriate to exclude such options from the Price Checks. Without such pricing information, there is risk that the Exchange may cancel or reject appropriately priced Limit Orders, which could negatively impact market participants. Further, the Exchange believes it is appropriate to have the flexibility to disable the Price Checks in response to a market event (for example, if dissemination of data was delayed and resulting in unreliable underlying values) to maintain a fair and orderly market. This will promote just and equitable principles of trade and ultimately protect investors.

The Exchange believes that the proposed Price Checks, which are substantially similar to the MM Quote Checks, would further mitigate the risk to market participants that orders are executed at erroneous prices. Specifically, the Exchange believes that the Price Checks, which are responsive to member input, will facilitate transactions in securities and perfect the mechanism of a free and open market by providing OTP Holders and OTP Firms ("OTPs") with additional functionality that will assist them with managing their risk. Thus, the Exchange is proposing the Price Checks for the benefit of, and in consultation with, OTPs. The Exchange believes the proposed rule change will help the Exchange to maintain a fair and orderly market, and provide a valuable service to investors.

Technical Changes

The Exchange notes that the proposed change to Rule 6.60-O(b) regarding the treatment of certain orders subject to the Limit Order Filter would provide clarity and transparency to Exchange rules and 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. The proposed rule amendments would also provide internal consistency within Exchange rules and operate to protect investors and the investing public by making the Exchange rules easier to navigate and comprehend.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change adds price protection mechanisms for option orders of all OTPs submitted to the Exchange to help further prevent potentially erroneous executions, which benefits all market participants. The Price Checks apply in same manner to all OTPs that submit orders that are subject to the Price Checks. The Exchange believes the proposed rule change would provide market participants with additional protection from anomalous or erroneous executions.

The Exchange does not believe that the proposed enhancement to the existing price protections would impose a burden on competing options exchanges. Rather, it provides OTPs with the opportunity to avail themselves of similar protections that are currently available on the Exchange for Market Maker quotes and on another exchange for orders.²⁵

Finally, the Exchange does not believe that the proposed clarifications to Limit Order Filter would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act as these changes are not intended to address any competitive issues and would instead add more specificity, clarity and transparency regarding this functionality.

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

Because the foregoing 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 for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁶ and Rule 19b-4(f)(6) thereunder.²⁷

²⁵ See *supra* nn. 8, 11, 15, 19–20, 24.

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f)(6).

²² 15 U.S.C. 78f(b).

²³ 15 U.S.C. 78f(b)(5).

²⁴ Nasdaq ISE, LLC has adopted a buffer when determining the calculation of the minimum/maximum values for certain complex order strategies. See Securities Exchange Act Release No. 83464 (June 19, 2018), 83 FR 29583 (June 25, 2018) (SR-ISE-2018-55).

At any time within 60 days of the filing of the 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.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-NYSEArca-2019-35 on the subject line.

Paper Comments

- Send paper comments in triplicate to: Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2019-35. 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 (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal

office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2019-35 and should be submitted on or before June 20, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Eduardo A. Aleman,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85923; File No. SR-ISE-2019-15]

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange's Market Maker Plus Program Under Options 7, Section 3

May 23, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 10, 2019, Nasdaq ISE, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the Exchange's Market Maker Plus program under Options 7, Section 3.

The text of the proposed rule change is available on the Exchange's website at

²⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

<http://ise.cchwallstreet.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 Exchange 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 these 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 aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend the qualifications for Market Makers to achieving Market Maker Plus status.

The Exchange initially filed the proposed pricing changes on May 1, 2019 (SR-ISE-2019-13). On May 10, 2019, the Exchange withdrew that filing and submitted this filing.

As set forth in note 5 under Section 3 of the Pricing Schedule, the Exchange operates a Market Maker Plus program for regular orders in Select Symbols³ that provides the below tiered rebates to Market Makers⁴ based on time spent quoting at the National Best Bid or National Best Offer ("NBBO").⁵ This program is designed to reward Market Makers that contribute to market quality by maintaining tight markets in Select Symbols.

³ "Select Symbols" are options overlying all symbols listed on the Nasdaq ISE that are in the Penny Pilot Program.

⁴ The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See ISE Rule 100(a)(32).

⁵ If a Market Maker would qualify for a different Market Maker Plus tier in each of the two successive 30 calendar day periods, then the lower of the two Market Maker Plus tier rebates shall apply to all contracts. The Market Maker Plus tiered rebate amounts and the specified percentage thresholds outlined in this filing will remain unchanged under this proposal.