necessary or appropriate in furtherance of the purposes of the Act. The Procedures are being adopted to document the Clearing House's practices and actions in the event of an Event of Default in relation to a Clearing Member. The Procedures do not change the rights or obligations of Clearing Members or the Clearing House under the Rules or Procedures. The Procedures set out certain requirements for Clearing Members to participate in annual default testing, but these requirements reflect current practices and Clearing House does not believe this requirement would impose a material burden on Clearing Members. (In any event such participation is required of all Clearing Members under Commission regulations as set out above.) Accordingly, ICE Clear Europe does not believe that adoption of the Procedures would adversely affect competition among Clearing Members, materially affect the costs of clearing, adversely affect the ability of market participants to access clearing or the market for clearing services generally, or otherwise adversely affect competition in clearing services. Therefore, ICE Clear Europe does not believe the proposed rule change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments relating to the proposed amendment has not been solicited or received by ICE Clear Europe. ICE Clear Europe will notify the Commission of any comments received with respect to the proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act [16] and paragraph (f) of Rule 19b–4 [17] thereunder. 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–ICEEU–2023–014 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–ICEEU–2023–014. 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 such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's website at *https://www.theice.com/clear-europe/regulation.*

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–ICEEU–2023–014 and should be submitted on or before July 13, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[18]

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2023–13211 Filed 6–21–23; 8:45 am]

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16 15 U.S.C. 78s(b)(3)(A).

17 17 CFR 240.19b–4(f).

18 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–97739; File No. SR–NYSEAMER–2023–17]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Adopt New Exchange Rule 980NYP and Amend Exchange Rule 935NY

June 15, 2023.

I. Introduction

On February 28, 2023, NYSE American LLC (''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to adopt Exchange Rule 980NYP (Electronic Complex Order Trading) to reflect the implementation of the Exchange's Pillar trading technology on its options market and to make conforming amendments to Exchange Rule 935NY (Order Exposure Requirements). The proposed rule change was published for comment in the **Federal Register** on March 17, 2023.[3] The Commission received no comments regarding the proposal. On April 27, 2023, pursuant to section 19(b)(2) of the Exchange Act,[4] the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.[5] On June 14, 2023, the Exchange filed Amendment No. 1 to the proposed rule change (''Amendment No. 1''), which supersedes and replaces the original

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

2 17 CFR 240.19b–4.

3 *See* Securities Exchange Act Release No. 97125 (March 13, 2023), 88 FR 16467.

4 15 U.S.C. 78s(b)(2).

5 *See* Securities Exchange Act Release No. 97394, 88 FR 27937 (April 5, 2023). The Commission designated June 15, 2023, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to approve or disapprove, the proposed rule change.

filing in its entirety.[6] The Commission is publishing notice of filing of Amendment No. 1 to solicit comment from interested persons, and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

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 in the form prepared by the Exchange, 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

The Exchange proposes to adopt new Rule 980NYP to reflect how Electronic Complex Orders will trade on Pillar. As described in detail below, proposed Rule 980NYP includes functionality already in place on the Exchange (*i.e.,* per current Rule 980NY) or adopts new functionality that has been approved and is in place on the Exchange's affiliated options exchange NYSE Arca, Inc. (''NYSE Arca'' or ''Arca Options'').[7] Thus, proposed Rule 980NYP does not raise any new or novel issues. The Exchange also proposes to modify Rule 980NY and Rule 935NY to reflect the adoption of proposed Rule 980NYP.

Background

The Exchange plans to transition its options trading platform to its Pillar technology platform. The Exchange's affiliated options exchange, Arca Options is currently operating on Pillar, as are the Exchange's national securities exchange affiliates' cash equity markets.[8] For this transition, the Exchange proposes to use the same Pillar technology already in operation on Arca Options.[9] In 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, Arca Options. The Exchange plans to roll out the new technology platform over a period of time based on a range of symbols beginning on October 23, 2023.[10]

In this regard, the Exchange recently adopted new rules to reflect the priority and allocation of options on the Exchange once Pillar is implemented, including Rule 964NYP (''Pillar Rule 964NYP'').[11] The Exchange has filed to adopt new rules for the operation of order types, Market Maker quotations, opening auctions, and risk controls on the Pillar platform.[12] The current proposal sets forth how Electronic Complex Orders [13] would trade on the Exchange once Pillar is implemented. As noted in the American Pillar Priority Filing, as the Exchange transitions to Pillar, certain rules would continue to be applicable to symbols trading on the current trading platform but would not be applicable to symbols that have transitioned to trading on Pillar.[14] Consistent with the American Pillar Priority Filing, proposed Rule 980NYP would have the same number as the current Electronic Complex Order Trading rule, but with the modifier ''P'' appended to the rule number.

Current Rule 980NY, governing Electronic Complex Order Trading, would remain unchanged and continue to apply to any trading in symbols on the Exchange's current system. Proposed Rule 980NYP would govern Electronic Complex Orders for trading in options symbols migrated to the Pillar platform. Thus, when an option symbol begins trading on Pillar, that symbol will be subject to Rule 980NYP and Rule 980NY will no longer apply to that symbol. For example, when an

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[6] Amendment No. 1 revises the proposal to eliminate the proposed defined term ''Complex BBO,'' which is not used subsequently in the rule text; corrects a cross-reference in the proposed definition of Electronic Complex Order (''ECO''); clarifies the proposed definition of Derived Best Bid or Best Offer (''DBBO''); revise proposed Exchange Rule 980NYP(c)(4) to provide that ECOs may be quoted and traded in $0.01 increments; revises proposed Exchange Rule 980NYP(d)(3)(B)(iii) to clarify the allocation of ECOs eligible to participate in an ECO opening or reopening auction; revises proposed Exchange Rule 980NYP(f) to eliminate a reference to the Complex CUBE Auction, clarify the manner in which RFR Responses trade, and clarify how a Complex Order Auction (''COA'') Order executes at the conclusion of a COA; revises proposed Exchange Rule 980NYP; and revises proposed Exchange Rule 980NYP(g)(2)(iv) to indicate that Cross Orders, rather than QCC Orders, will not be subject to the ECO Price Protection; to the permissible Minimum Price Variation (''MPV'') for Electronic Complex Orders (''ECOs''); to the priority of interest in the ECO Opening Process and the allocation of orders submitted to the Complex Order Auction (''COA Orders''), and removes reference to Complex Cube Orders and the definition of Complex BBO, which term is not used in proposed Rule 980NYP. In addition, Amendment No. 1 revises the proposal to more clearly identify aspects of the proposal that are identical to NYSE Arca Rule 6.91P–O or existing Exchange processes and to provide additional information regarding the calculation of the DBBO. Amendment No. 1 will be available on the Commission's website.

[7] *See* Arca Options Rule 6.91P–O (Electronic Complex Order Trading). *See also* Securities Exchange Act Release No. 92563 (August 4, 2021), 86 FR 43704 (August 10, 2021) (SR–NYSEArca–2021–68) (the ''Arca Options ECO Approval Order''). As described herein, proposed Rule 980NYP is identical to Arca Options Rule 6.91P–O except as it relates to order allocation pursuant to the Exchange's Customer priority and pro rata allocation which differs from Arca Options price time model. *Compare* proposed Rule 980NYP(f)(4)(A)(i) (as discussed *infra*) *with* Rule 980NY(e)(7)(A) (regarding allocation of COA Orders and COA-eligible orders, respectively).

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

[9] *See* Arca Options Rule 6.91P–O. *See also* Securities Exchange Act Release No. 94072 (January 26, 2022), 87 FR 5592 (February 1, 2022) (SR–NYSEArca–2021–47) (approving, among other changes, new 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).

[10] *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.,* with a ''P'' modifier) are either approved or operative, as applicable.

[11] *See* Rules 964NYP (Order Ranking, Display, and Allocation), 964.1NYP (Directed Orders and DOMM Quoting Obligations), and 964.2NYP (Participation Entitlement of Specialists, e-Specialists, and Primary Specialist) (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 the American Pillar Priority Rules on an immediately effective basis, which rules utilize Pillar concepts and incorporate the Exchange's current Customer priority and pro rata allocation model) (referred to herein as the ''American Pillar Priority Filing''). The American Pillar Priority Rules (like proposed Rule 980NYP) will not be implemented until all other Pillar-related rule filings are either effective or approved, as applicable. *See id.* For avoidance of doubt, references to ''Pillar Rule 964NYP'' refer to the Exchange's proposed new priority and allocation rule for trading on Pillar, as described in the American Pillar Priority Filing.

[12] *See* SR–NYSEAmer–2023–34 (proposing, on an immediately effective basis, 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) (referred to herein as the ''American Pillar Omnibus Filing'').

[13] The term ''Electronic Complex Order'' is currently defined in the preamble to Rule 980NY to mean any Complex Order, as defined in Rule 900.3NY(e) that is entered into the System.

[14] *See* the American Pillar Priority Filing (adopting, among other rules, new Pillar Rule 964NYP, which would apply to trading on Pillar instead of current Rule 964NY and providing that, once a symbol is trading on the Pillar trading platform, a rule with the same number as a rule with a ''P'' modifier would no longer be operative for that symbol and the Exchange would announce by Trader Update when symbols are trading on the Pillar trading platform); *see also supra* note 5, Arca Options ECO Approval Order (same).

options symbol is migrated to Pillar, a Complex Order Auction (or COA) will be allocated pursuant to proposed Rule 980NYP(f)(4)(A)(i) (as discussed infra) and the corresponding provision regarding COA allocation—existing Rule 980NY(e)(7)(A)—will not apply.

Proposed Rule 980NYP would (1) use Pillar terminology; and (2) introduce new functionality for Electronic Complex Order trading (*e.g.,* adopting a DBBO and Away Market Deviation price check as well as enhancing the opening process for ECOs as described below), each of which proposed changes would align the Exchange with both the terminology used, and the functionality described, in Arca Options Rule 6.91P–O.

Finally, as discussed in the American Pillar Priority Filing, the Exchange will announce by Trader Update when symbols are trading on the Pillar trading platform. The Exchange intends to transition Electronic Complex Order trading on Pillar at the same time that single-leg trading is transitioned to Pillar. The Exchange will not implement the proposed Rule 980NYP until all other Pillar-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.

Proposed Rule 980NYP: Electronic Complex Order Trading

Current Rule 980NY (Electronic Complex Order Trading) specifies how the Exchange processes Electronic Complex Orders submitted to the Exchange. The Exchange proposes new Rule 980NYP, which is identical to Arca Options Rule 6.91P–O except as noted herein to establish how such orders would be processed after the transition to Pillar.[15]

To promote clarity and transparency, the Exchange proposes to add a preamble to current Rule 980NY specifying that it would not be applicable to trading on Pillar.[16]

As discussed in greater detail below and unless otherwise specified herein, the Exchange is not proposing fundamentally different functionality regarding how Electronic Complex Orders would trade on Pillar than is currently available on the Exchange. However, like Arca Options Rule 6.91P–O, the Exchange would use Pillar terminology to describe functionality that is not changing and would introduce certain new or updated functionality for Electronic Complex Orders (*e.g.,* enhancing the opening auction process, including introducing the ''ECO Auction Collars'') that will also be available for outright options trading on the Pillar platform.

Definitions. Proposed Rule 980NYP(a) is identical to Arca Options Rule 6.91P–O(a) except as specified below and would set forth the definitions applicable to trading on Pillar under the new rule.

- Proposed Rule 980NYP(a)(1) is identical to Arca Options Rule 6.91P–O(a)(1) and would define the term ''Away Market Deviation'' as the difference between the Exchange BB (BO) for a series and the ABB (ABO) for that same series when the Exchange BB (BO) is lower (higher) than the ABB (ABO).[17] The maximum allowable Away Market Deviation is the greater of $0.05 or 5% below (above) the ABB (ABO) (rounded down to the nearest whole penny). As further proposed, no ECO on the Exchange would execute at a price that would exceed the maximum allowable Away Market Deviation on any component of the complex strategy. The maximum allowable Away Market Deviation is designed to protect market participants from having their complex strategies execute at prices that are significantly outside of (and inferior to) the market for the individual legs. The proposed functionality provides the Exchange with flexibility in determining the acceptable execution range by allowing that it be calculated using either a percentage amount or a dollar amount. In addition to being identical to Arca Options Rule 6.91P–O(a)(1), this proposed risk protection feature is also available on other options exchanges and therefore is not new or novel.[18]

As discussed further below, like Arca Options Rule 6.91P–O(a)(5), the Exchange proposes that its calculation of the DBBO (for each leg of a complex strategy) as well as trading of ECOs with the leg markets would be bound by the maximum allowable Away Market Deviation as an additional protection against ECOs being executed on the Exchange at prices too far away from the current market.

- Proposed Rule 980NYP(a)(2) is identical to Arca Options Rule 6.91P–O(a)(2) and would define the term ''Complex NBBO'' to mean the derived national best net bid and derived national best net offer for a complex strategy calculated using the NBB and NBO for each component leg of a complex strategy. In addition to being identical to Arca Options Rule 6.91P–O(a)(2), this proposed definition is based on current Rule 900.2NY, without any substantive differences.[19]
- Proposed Rule 980NYP(a)(3) is identical to Arca Options Rule 6.91P–O(a)(3) and would define ''Complex Order Auction'' or ''COA'' to mean an auction of an ECO as set forth in proposed Rule 980NYP(f) (discussed below). This definition is mirrors paragraph (e) of current Rule 980NY, which sets forth the COA Process for ECOs without any substantive differences. Proposed Rule 980NYP(a)(3) would also state that the terms defined in paragraphs (a)(3)(A)–(D) would be applicable to COAs on Pillar.

Proposed Rule 980NYP(a)(3)(A) is identical to Arca Options Rule 6.91P–O(a)(3)(A) and would define a ''COA Order'' to mean an ECO that is designated by the ATP Holder as eligible to initiate a COA. This definition is based on the definition of a ''COA-eligible order'' as set forth in current Rule 980NY(e)(1) and (e)(1)(i), with a difference that the proposed definition would not require that an option class be designated as COA-eligible because, on Pillar, all option classes would be COA-eligible.

Proposed Rule 980NYP(a)(3)(B) is identical to Arca Options Rule 6.91P–

[15] The proposed Rule will differ from Arca Options Rule 6.91P–O insofar as Exchange members are referred to as ATP Holders, whereas members of Arca Options are referred to as OTP Holders or OTP Firms. In addition, because the rule numbering differs on each options exchange, there will be differences between the proposed Rule and Arca Options Rule 6.91P–O to the extent that the proposed 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.

[16] *See* proposed Rule 980NY (preamble regarding the current rule being inapplicable to trading on Pillar).

[17] The ''Away Market BBO ('ABBO')'' refers to the best bid(s) or offer(s) disseminated by Away Markets and calculated by the Exchange based on market information the Exchange receives from OPRA and the terms ''ABB'' and ''ABO'' refer to the best Away Market bid and best Away Market offer, respectively. *See* Rule 900.2NY.

[18] *See, e.g.,* BOX Options Exchange LLC (''BOX'') Rule 7240(b)(3)(iii)(A) (providing that each leg of a complex strategy trade equal to or better than the ''Extended cNBBO,'' which has a default setting (per Rule 7240(a)(5)) of 5% of the cNBB or cNBO (per Rule 7240(a)(2) and (4), respectively) as applicable, or $0.05); Nasdaq ISE, LLC (''Nasdaq ISE''), Options 3, Section 16 (a) (providing that, in regard to ''Price limits for Complex Orders, ''[n]otwithstanding, the System will not permit any leg of a complex strategy to trade through the NBBO for the series or any stock component by a configurable amount calculated as the lesser of (i) an absolute amount not to exceed $0.10, and (ii) a percentage of the NBBO not to exceed 500%, as determined by the [ISE] Exchange on a class, series or underlying basis'').

[19] *See* Rule 900.2NY (defining Complex NBBO as referring to ''the NBBO for a given complex order strategy as derived from the national best bid and national best offer for each individual component series of a Complex Order'').

O(a)(3)(B) and would define the term ''Request for Response'' or ''RFR'' to refer to the message disseminated to the Exchange's proprietary complex data feed announcing that the Exchange has received a COA Order and that a COA has begun. As further proposed, the definition would provide that each RFR message would identify the component series, the price, the size and side of the market of the COA Order. This definition is based on the description of RFR in current Rule 980NY(e)(3) without any substantive differences. The Exchange proposes a clarifying difference to make clear that RFR messages would be sent over the Exchange's proprietary complex data feed, which is based on current functionality.

Proposed Rule 980NYP(a)(3)(C) is identical to Arca Options Rule 6.91P–O(a)(3)(C) and would define the term ''RFR Response'' to mean any ECO received during the Response Time Interval (defined below) that is in the same complex strategy, on the opposite side of the market of the COA Order that initiated the COA, and marketable against the COA Order.[20] This definition is based in part on the existing description of RFR Responses in Rule 980NY(e)(5). However, unlike the current definition, an RFR Response would not have a time-in-force contingency for the duration of the COA. Instead, the Exchange would consider any ECOs received during the Response Time Interval (defined below) that are marketable against the COA Order as an RFR Response. As described below, the Exchange proposes to define separately the term ''COA GTX Order,'' which would be more akin to the current definition of RFR Response. In addition, the proposed definition omits the current rule description that an RFR Response may be entered in $0.01 increments or that such responses may be modified or cancelled because these features are applicable to all ECOs and therefore is not necessary to separately state in connection with RFR Responses.

Proposed Rule 980NYP(a)(3)(D) is identical to Arca Options Rule 6.91P–O(a)(3)(D) and would define the term ''Response Time Interval'' to mean the period of time during which RFR Responses for a COA may be entered and would provide that the Exchange would determine and announce by Trader Update the length of the Response Time Interval; provided, however, that the duration of the Response Time Interval would not be less than 100 milliseconds and would not exceed one (1) second. This definition is based in part on the description of Response Time Interval in current Rule 980NY(e)(4), with a difference that the Exchange proposes to reduce the minimum time from 500 milliseconds to 100 milliseconds. In addition to being identical to Arca Options Rule 6.91P–O(a)(3)(D), the proposed minimum duration for a COA is the same as the minimum duration for the Exchange's electronic-paired auctions (*i.e.,* the CUBE Auction) as well as for auctions on other markets.[21] Given the fact that the Exchange has (for years) offered the CUBE Auction with a Response Time Interval of at least 100 milliseconds and the same time interval is applicable to COAs on Arca Options (per Rule 6.91P–O(a)(3)(D)), the Exchange believes that the proposed Response Time Interval of at least this length would provide ATP Holders adequate time to respond to a COA.[22]

- Proposed Rule 980NYP(a)(4) is identical to Arca Options Rule 6.91P–O(a)(4) and would define the term ''Complex strategy'' to mean a particular combination of leg components and their ratios to one another. The proposed definition would further provide that new complex strategies can be created when the Exchange receives either a request to create a new complex strategy or an ECO with a new complex strategy. Furthermore, this proposed definition is consistent with how this concept is defined on other options exchanges and would promote clarity and transparency.[23]

- Proposed Rule 980NYP(a)(5) is identical to Arca Options Rule 6.91P–O(a)(5) and would define the term ''DBBO'' to address situations where it is necessary to derive a (theoretical) bid or offer for a particular complex strategy. This proposed definition of the DBBO is based, in part, on the current definition of Derived BBO as set forth in Rule 900.2NY.[24] As proposed, ''DBBO'' would mean the derived best net bid (''DBB'') and derived best net offer (''DBO'') for a complex strategy. The bid (offer) price used to calculate the DBBO on each leg would be the Exchange BB (BO)[25] (if available), bound by the maximum allowable Away Market Deviation (as defined above). If a leg of a complex strategy does not have an Exchange BB (BO), the bid (offer) price used to calculate the DBBO would be the ABB (ABO) for that leg. Thus, the ''bid (offer)'' prices used to calculate the DBBO would be based on the Exchange BB (BO) for each leg when available, and, absent an Exchange BB (BO) for a given leg, the ABB (ABO). The proposed definition would also provide that the DBBO would be updated as the Exchange BBO or ABBO, as applicable, is updated.

Proposed Rule 980NYP(a)(5)(A) would provide further detail about how the DBBO would be derived when, for a leg, there is no Exchange BB (BO) and no ABB (ABO). As proposed, in such circumstances, the bid (offer) price used to calculate the DBBO would be the offer (bid) price for that leg (*i.e.,* Exchange BO (BB), bound by the maximum allowable Away Market Deviation (or the ABO (ABB) for that leg if no Exchange BO (BB) is available)), minus (plus) the collar amounts specified in proposed Rule 900.3NYP(a)(4)(C) (the ''collar value'');[26] or $0.01, if the result of subtracting one collar value from the

[20] The term ''marketable'' is defined in Rule 900.2NY as ''for a Limit Order, the price matches or crosses the NBBO on the other side of the market. Market Orders are always considered marketable.''

[21] *See, e.g.,* Rules 971.1NY(c)(2)(B) (providing that for a Customer Best Execution ''(CUBE'') Auction ''[t]he minimum/maximum parameters for the Response Time Interval will be no less than 100 milliseconds and no more than one (1) second'') and 971.2NY(c)(1)(B) (same); Cboe Exchange Inc. (''Cboe'') Rule 5.33(d)(3) (providing that Cboe ''determines the duration of the Response Time Interval on a class-by-class basis, which may not exceed 3000 milliseconds''). The Exchange will file to adopt new rules for Single-Leg and Complex CUBE Auctions on Pillar (*e.g.,* Rules 971.1NYP and 971.2NYP) but represents that the minimum duration for all CUBE Auctions will remain unchanged (*i.e.,* at least 100 milliseconds).

[22] *See, e.g.,* Securities Exchange Act Release Nos. 82498 (January 12, 2018), 83 FR 2823 (January 19, 2018) (SR–NYSEAmer–2017–26) (Notice of filing and immediate effectiveness of proposed rule change to reduce the response time interval for a CUBE Auction to no less than 100 milliseconds); 83384 (June 5, 2018), 83 FR 27061 (June 11, 2018) (SR–NYSEAmer–2018–05) (Order approving Complex CUBE functionality, including Rule 971.2NY(c)(1)(B), providing that ''[t]he minimum/maximum parameters for the Response Time Interval will be no less than 100 milliseconds and no more than one (1) second'').

[23] *See, e.g.,* Cboe Rule 5.33(a) (defining ''complex strategy'' as ''a particular combination of components and their ratios to one another'' and further providing that ''[n]ew complex strategies can be created as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System''); MIAX Options Exchange (''MIAX'') Rule 518(a)(6) (same).

[24] *See* Rule 900.2NY (defining Derived BBO as being ''calculated using the BBO from the Consolidated Book for each of the options series comprising a given complex order strategy'').

[25] The term BBO when used with respect to options traded on the Exchange means ''the best displayed bid or best displayed offer on the Exchange.'' *See* Rule 900.2NY.

[26] Proposed Rule 900.3NYP(a)(4)(C) describes how Trading Collars would be calculated on Pillar. *See* the American Pillar Omnibus Filing. The Exchange represents that the Trading Collar functionality would operate the same way it currently operates per Arca Options Rule 6.62P–O(a)(4)(C) (providing that ''[u]nless announced otherwise via Trader Update, the Trading Collar for an order to buy (sell) will be a specified amount above (below) the Reference Price, as follows''). *See id.*

offer would be equal to or less than zero.[27] This proposed rule is substantively identical to Arca Options Rule 6.91P–O(a)(5)(A), which includes the numerical ''collar'' values used to generate a DBBO in the absence of local or Away Market interest.[28] However, since the adoption of the Arca Options Rule, both Arca Options [29] and the Exchange [30] have modified the collar values enumerated in the Arca Options Rule.[31] In its filing to modify the Trading Collar values, Arca Options stated that such change was made in part to better align collar values with the parameters for determining whether a trade is an Obvious Error or Catastrophic Error.[32] In light of the change to the trading collar values since the adoption of the Arca Options Rule, taken together with the Exchange's proposed ability to (continue) to modify Trading Collar values by Trader Update, proposed Rule 980NYP(a)(5)(A) would include a cross-reference to proposed Rule 900.3NYP(a)(4)(C). The Exchange believes this proposed change would add clarity, transparency, and internal consistency to Exchange rules.

In addition to being substantively the same as Arca Options Rule 6.91P–O(a)(5)(A) (except as immediately noted above), the proposed DBBO definition is also consistent with how this concept is defined on other options exchanges.[33]

The Exchange believes that providing an alternative means of calculating the DBBO (*i.e.,* by looking to the contra-side best bid (offer) in the absence of same-side interest) would benefit market participants as it should increase opportunities for trading. For example, absent this proposed functionality, the Exchange would not be able to trade complex strategies when, for at least one leg of such strategy, the Exchange has no displayed interest on one or both sides of such component leg. Allowing the Exchange to look to the ABBO to calculate the DBBO in such circumstances would increase trading opportunities for ECOs to the benefit of all market participants. As noted above and herein, the Exchange believes that binding the DBBO (when calculated using the Exchange BBO) to the maximum allowable Away Market Deviation would help prevent ECOs from executing on the Exchange at prices too far away from the current market.

Proposed Rule 980NYP(a)(5)(B) is identical to Arca Options Rule 6.91P–O(a)(5)(B) and would provide that, if for a leg of a complex strategy, there is neither an Exchange BBO nor an ABBO, the Exchange would not allow the complex strategy to trade until, for that leg, there is either an Exchange BB or BO, or an ABB or ABO, on at least one side of the market. The Exchange believes that preventing a complex strategy from trading when, for a leg, there is no reliable pricing indication—either on the Exchange or in Away Markets, would benefit market participants by preventing potentially erroneous executions. Moreover, including this additional detail in the proposed rule about when a complex strategy would not trade would benefit market participants as it would promote clarity and transparency in Exchange rules regarding ECO trading.

Proposed Rule 980NYP(a)(5)(C) is identical to Arca Options Rule 6.91P–O(a)(5)(C) and would provide that if the best bid and offer prices (when not based solely on the Exchange BBO) for a component leg of a complex strategy are locked or crossed, the Exchange would not allow an ECO for that strategy to execute against another ECO until the condition resolves. The Exchange notes that, as described above, the DBBO may be calculated using leg prices derived either exclusively from, or a combination of, the Exchange BBO, the ABBO, or the Exchange BBO as adjusted to be priced within the maximum allowable Away Market Deviation. As such, if the best bid and offer prices (when not based solely on an Exchange BBO) for a component leg of a complex strategy are locked or crossed, a DBBO calculated when using those prices could be erroneous.[34] Accordingly, the Exchange believes that it is appropriate to not permit an ECO to execute against another ECO under these circumstances until the locked or crossed market resolves. The Exchange believes preventing ECO-to-ECO trading in this circumstance would benefit market participants by preventing potentially erroneous ECO executions. Moreover, including this additional detail in the proposed rule about when an ECO would be prevented from trading with another ECO would benefit market participants as it would promote clarity and transparency in Exchange rules regarding ECO trading.

Further, per proposed Rule 980NYP(a)(5)(C), like on Arca Options, if an Away Market quote updates to lock or cross the current Exchange BB (BO) or ABB (ABO) for a component leg of a complex strategy, the Exchange would allow an ECO for that strategy to execute against leg market interest on the Exchange. Allowing an eligible ECO to execute against leg market interest in these circumstances is consistent with the way single-leg orders trade. In this regard, the Exchange notes that, to the extent that leg prices are locked or crossed as a result of updates to the ABBO, such updates do not prevent resting leg market interest from trading at its resting price with all eligible contra-side interest, which includes incoming ECOs in the same complex strategy.[35] Moreover, to the extent that an ECO trades with leg market interest in a complex strategy when interest in the leg markets is crossed, such executions are not deemed as trade-

[27] For avoidance of doubt, the ''offer (bid) price for a leg,'' as referred to in proposed Rule 980NYP(a)(5)(A), is the value that should be used for the ''Reference Price'' (per Rule 900.3NYP(a)(4)(C))—whether such price is the Exchange BO (BB), bound by the maximum allowable Away Market Deviation (or the ABO (ABB) for that leg if no Exchange BO (BB) is available). *See* proposed Rule 980NYP(a)(5).

[28] *See* Arca Options Rule 6.91P–O(a)(5)(A) (providing, in relevant part, that ''one collar value'' is ''(i) $0.25 where the offer (bid) is priced $1.00 or lower, or the lesser of $2.50 or 25% of the offer (bid) where the offer (bid) is priced above $1.00 (rounded down to the nearest whole penny)).''

[29] *See* Securities Exchange Act Release No. 95687 (September 7, 2022), 87 FR 56097 (September 13, 2022) (SR–NYSEArca–2022–57) (amending on an immediately effective basis Arca Options Rule 6.62P–O(a)(4)(C) to modify the values used to determine Trading Collars and to afford Arca Options discretion to subsequently modify such values by Trader Update) (the ''Arca Options Filing to Modify Trading Collars'').

[30] *See* Rule 967NY(b)(2) (setting forth the applicable trading collar values, which values may be modified by Trader Update).

[31] *See* Trader Update, September 9, 2022, NYSE Arca Options: Changes to Trading Collars Effective September 21st, *available here, https://www.nyse.com/trader-update/history#110000475461.*

[32] *See* Arca Options Filing to Modify Trading Collars, 87 FR at 56097–98, *supra. See also* Rules 975NY(c)(1) (thresholds for Obvious Errors) and 975NY (d)(1) (thresholds for Catastrophic Errors).

[33] *See, e.g.,* Cboe Rule 5.33(a) (defining ''Synthetic Bed Bid or Offer and SBBO'' for complex orders as ''the best bid and offer on the Exchange for a complex strategy calculated using'' the ''BBO for each component (or the NBBO for a component if the BBO for that component is not available) of a complex strategy from the [Cboe] Simple Book'').

[34] The reliability of the Exchange's calculated DBBO is essential to ECO trading on the Exchange as this concept permeates all aspects of complex trading, including to determine price parameters at the opening of each series and in determining when, and at what price, a COA Order may initiate a COA as well as market events impacting the DBBO that would result in an early end to a COA. *See, e.g.,* proposed Rule 980NYP(d)(3) (relying on the DBBO to determine ECO Auction Collars for the ECO Opening Auction Process) and 980NYP(f)(2)(A) and (f)(3) (relying on the DBBO to both initiate and price a COA Order as well as to terminate a COA early under certain market conditions).

[35] *See* Pillar Rule 964NYP(b)(2) (providing that ''[i]f an Away Market locks or crosses the Exchange BBO, the Exchange will not change the display price of any Limit Orders or quotes ranked Priority 2—Display Orders and any such orders will be eligible to be displayed as the Exchange's BBO''). *See also* Arca Options Rule 6.76P–O(b)(3) (same).

throughs.[36] As such, the Exchange believes that allowing an ECO to trade with leg market interest in this circumstance would maximize the execution opportunities of such ECO while respecting the priority of the leg markets.

- Proposed Rule 980NYP(a)(6) is identical to Arca Options Rule 6.91P–O(a)(6) and would define the term ''ECO Order Instruction'' to mean a request to cancel, cancel and replace, or modify an ECO.'' As described further below, this concept relates to order processing when a series opens or reopens for trading.
- Proposed Rule 980NYP(a)(7) is identical to Arca Options Rule 6.91P–O(a)(7) and would define the term ''Electronic Complex Order'' or ''ECO'' to mean a Complex Order as defined in Rule 900.3NYP(f) that would be submitted electronically to the Exchange.[37] This proposed definition is based on the preamble to Rule 980NY, and the Exchange proposes to replace reference to the ''System'' with the term ''Exchange'' and to update the cross-reference to the proposed definition of a Complex Order set forth in the American Pillar Omnibus Filing.
- Proposed Rule 980NYP(a)(8) is identical to Arca Options Rule 6.91P–O(a)(8) and would define the term ''leg'' or ''leg market'' to mean each of the component option series that comprise an ECO. This definition is consistent with the concept of leg markets as used in current Rule 980NY(a), which defines legs as individual orders and quotes in the Consolidated Book. The Exchange believes the proposed definition would add clarity regarding how the terms ''leg'' and ''leg market'' would be used in connection with ECO trading on Pillar.
- Proposed Rule 980NYP(a)(9) is identical to Arca Options Rule 6.91P–O(a)(9) and would define ''Ratio'' or ''leg ratio'' to mean the quantity of each leg of an ECO broken down to the least common denominator such that the ''smallest leg ratio'' is the portion of the ratio represented by the leg with the fewest contracts. The Exchange believes the proposed definition would add clarity regarding how the terms ''ratio'' and ''leg ratio'' would be used in connection with ECOs trading on Pillar. In addition to being identical to Arca Options, this proposed definition is also consistent with how this concept is described on other options exchanges.[38]

Types of ECOs. Proposed Rule 980NYP(b) would set forth the types of ECOs that would trade on Pillar. Proposed Rule 980NYP(b)(1) is identical to Arca Options Rule 6.91P–O(b)(1) and would provide that ECOs may be entered as Limit Orders, Limit Orders designated as Complex Only Orders, or as Complex QCCs.[39] This proposed text is based on current Rule 980NY(d)(1), with a difference to provide that the Exchange would offer Complex Only Orders and Complex QCCs on Pillar. Allowing ECOs to be designated as Complex QCCs[40] is consistent with current functionality not described in the rule, is identical to Arca Options Rule 6.91P–O(b)(1), and the Exchange believes that this additional specificity to the proposed rule would add clarity and transparency.

Complex Only Orders (as described below) would be updated functionality available on Pillar.[41]

- Proposed Rule 980NYP(b)(2) is identical to Arca Options Rule 6.91P–O(b)(2) and would set forth the time-in-force contingencies available to ECOs, which would be Day, IOC, FOK, or GTC, as those terms will be defined in the subsequent Pillar Order Type Filing in proposed Rule 900.3NYP(b), and GTX (per proposed Rule 980NYP(b)(2)(C) as described below).[42] The proposed text is based on current Rules 980NY(d)(2) and (3), except that it adds GTX (as described below). The proposed text also omits AON because the Exchange would not offer AONs for ECO trading on Pillar.
- Proposed Rule 980NYP(b)(2)(A) is identical to Arca Options Rule 6.91P–O(b)(2)(A) and would provide that an ECO designated as IOC or FOK would be rejected if entered during a pre-open state,[43] which is consistent with the time-in-force of the order (because they could not be traded when a complex strategy is not open for trading) as well as with current functionality.
- Proposed Rule 980NYP(b)(2)(B) is identical to Arca Options Rule 6.91P–O(b)(2)(B) and would provide that an ECO designated as FOK must also be designated as a Complex Only Order (per proposed Rule 980NYP(b)(1) and described further below). This proposed rule, which is new under Pillar, would simplify the operation of electronic complex order trading and would add clarity and transparency that ECOs designated as FOK (*i.e.,* that have conditional size-related instructions) would not be eligible to trade with the leg markets.
- Proposed Rule 980NYP(b)(2)(C) would provide that an ECO designated as GTX would be defined as a ''COA GTX Order,'' which functions in a manner identical to an ''ECO GTX Order'' per Arca Options Rule 6.91P–O(b)(2)(C), and would have the following features: it would not be displayed; it may be entered only during the Response Time Interval of a COA; it must be on the opposite side of the market as the COA Order; and it must specify the price, size, and side of the market.[44] As further proposed, COA GTX Orders may be modified or cancelled during the Response Time Interval and any remaining size that does not trade with the COA Order would be cancelled at the end of the COA. This term ''COA GTX Order'' is new but the definition is based on the description of an RFR Response in current Rule 980NY(e)(5)(A)–(C), which responses are likewise not displayed and expire at the end of the COA.

Priority and Pricing of ECOs. Proposed Rule 980NYP(c) would set

[36] *See* Rule 991NY(b)(3) (exempting from trade-through liability transactions that occur ''when there was a Crossed Market''). *See also* the Options Order Protection And Locked/Crossed Market Plan, dated April 14, 2009, *available here, https://www.theocc.com/getmedia/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/options_order_protection_plan.pdf.*

[37] Proposed Rule 900.3NYP defines Complex Orders on Pillar, which proposed definition is substantively the same as this order type is defined in current Rule 900.3NY(e). *See* the American Pillar Omnibus Filing. *See also* Arca Options Rule 6.62P–O(f) (describing Complex Orders in substantively the same manner as current Rule 900.3NY and proposed Rule 900.3NYP).

[38] *See, e.g.,* Cboe, US Options Complex Book Process, Complex Order Basics, Section 2.1, Ratios, *available here: https://cdn.batstrading.com/resources/membership/US-Options-Complex-Book-Process.pdf* (providing that ''[t]he quantity of each leg of a complex order broken down to the lowest terms will determine the ratio of the complex order'').

[39] *See* the American Pillar Omnibus Filing (describing proposed definitions of Limit Orders and Complex QCC Orders, set forth in proposed Rules 900.3NYP(a)(2) and (g)(1)(A), (C) and (D), respectively). The Exchange represents that these proposed order types will function in a manner substantively the same as is described per Arca Options Rule 6.62P–O(a)(2) and (g)(1)(A), (C) and (D), (describing Limit Orders and Complex QCC Orders, respectively). *See id.*

[40] *See* American Omnibus Filing (describing Complex QCC Orders on Pillar, per proposed Rule 900.3NYP(g)(1)(A), (B), and (D), respectively).

[41] *See, infra,* for discussion of proposed Rule 980NYP(e)(1)(C) (discussing Complex Only Order functionality).

[42] The proposed definitions of Day, IOC, FOK, and GTX as set forth in proposed Rule 900.3NYP(b) will function in a manner substantively the same as is described in current Rule 900.3NY. *See* the American Pillar Omnibus Filing. *See also* Arca Options Rule 6.62P–O(b) (describing the Day, IOC, FOK, and GTX order modifiers in an identical manner to proposed Rule 900.3NYP).

[43] The definition of the proposed term ''pre-open state'' is set forth in proposed Rule 952NYP(a)(12) to mean ''the period before a series is opened or reopened,'' which definition is identical to how this concept is described in Arca Options Rule 6.64P–O(a)(12). *See* the American Pillar Omnibus Filing.

[44] The Exchange believes that ''COA'' is a more descriptive modifier (than ''ECO'') for the GTX Order and because this difference from Arca Options does not impact functionality, the Exchange believes this proposed distinction is immaterial.

forth how ECOs would be prioritized and priced under Pillar. Unlike Arca Options Rule 6.91P–O(c), which incorporates that exchange's price-time priority model, proposed Rule 980NYP(c) would incorporate the Exchange's Customer priority and pro rata allocation model as described in Pillar Rule 964NYP. Aside from the divergent priority models, how ECOs trade on each exchange is identical, as described below.[45] The Exchange's proposed priority scheme for ECOs under Pillar is consistent with current functionality, with the differences and clarifications noted below.

As proposed, an ECO received by the Exchange that is not immediately executed (or cancelled), including an ECO that cannot trade due to conditions described in paragraphs (a)(5)(B)–(C) (above)[46] and (c)(1)–(2) of this proposed Rule (below) or does not initiate a COA per paragraph (f)(1) (below), would be ranked in the Consolidated Book based on total net price, per Pillar Rule 964NYP, with Customer orders at a price ranked ahead of same-priced non-Customer orders. This proposed rule adds cross-references, including to new Pillar Rule 964NYP, but is otherwise based on Rule 980NY(b) without any substantive differences.[47] The Exchange proposes a non-substantive difference to refer simply to a ''net price'' rather than a ''net debit or credit price,'' which streamlined terminology is consistent with the use of the term ''net price'' on Arca Options and other options exchanges.[48] The proposed rule also incorporates the first sentence of Rule 980NY(c)(iii)(A), regarding the ranking and priority of ECOs not immediately executed, but adds the possibility that such ECOs may be cancelled if not immediately executed, which adds clarity and transparency to the proposed Rule.[49]

Proposed Rule 980NYP(c) is identical to Arca Options Rule 6.91P–O(c) and would further provide that, unless otherwise specified in this Rule, ECOs would be processed as follows:

- Proposed Rule 980NYP(c)(1) is identical to Arca Options Rule 6.91P–O(c)(1) and would provide that when trading with the leg markets, an ECO would trade at the price(s) of the leg markets provided the leg markets are priced no more than the maximum allowable Away Market Deviation (as defined herein). The proposed rule requiring that when trading with the leg markets, the components of the ECO would trade at the prices of the leg markets is consistent with current functionality, per Rule 980NY(c)(ii); requiring that such prices be bound by the Away Market Deviation for an ECO to trade with the leg markets is new Pillar functionality that is identical to Arca Options as described below.[50]

For example, if there is sell interest in a leg market at $1.00, and a leg of an ECO to buy could trade up to $1.05, the ECO would trade with such leg market at $1.00. This would result in the ECO receiving price improvement and is consistent with the ECO trading as the Aggressing Order.[51] The proposed functionality that an ECO would trade with leg markets only if the prices of the leg markets are within (and do not exceed the maximum allowable) Away Market Deviation would be new under Pillar (and, as noted above, identical to Arca Options Rule 6.91P–O(c)(1)) and is designed to operate as an additional protection against ECOs being executed on the Exchange at prices too far away from the current market.

- Proposed Rule 980NYP(c)(2) is identical to Arca Options Rule 6.91P–O(c)(2) and would provide that when trading with another ECO, each component leg of the ECO must trade at a price at or within the Exchange BBO for that series, and no leg of the ECO may trade at a price of zero.[52] This provision is based in part on current Rule 980NY(c), which provides that no leg of an ECO will be executed outside of the Exchange BBO.[53] This proposed rule, which ensures that ECOs would never trade through interest in the leg markets, is consistent with current functionality and adds clarity and transparency to the proposed Rule. In addition to being identical to Arca Options Rule 6.91P–O(c)(2), the proposed functionality is also consistent with how ECOs are processed on other options exchanges.[54]
- Proposed Rule 980NYP(c)(3) is identical to Arca Options Rule 6.91P–O(c)(3) and would provide that an ECO may trade without consideration of prices of the same complex strategy available on other exchanges, which is based on the same text as contained in current Rule 980NY(c) without any substantive differences.
- Proposed Rule 980NYP(c)(4) is identical to Arca Options Rule 6.91P–O(c)(4) and would provide that bids and offers for complex strategies may be expressed in one cent ($0.01) increments, and the leg(s) of complex strategies may trade in one cent ($0.01) increments regardless of the MPV otherwise applicable to the individual leg(s) of the ECO. This proposed provision is also based on current Rule 980NY, Commentary .01 without any substantive differences.

Execution of ECOs at the Open (or Reopening after a Trading Halt). Current Rule 980NY(c)(i) sets forth how ECOs are executed upon opening or reopening of trading. Proposed Rule 980NYP(d) is identical to Arca Options Rule 6.91P–O(d) and would set forth details about how ECOs would be executed at the open or reopen following a trading halt. With the transition to Pillar, like on Arca Options, the Exchange proposes new functionality regarding the ''ECO Opening Auction Process'' on the Exchange, which would be applicable

[45] *Compare* proposed Rules 980NYP(c)(1)–(4) *with* Arca Options Rules 6.91P–O(c)(1)–(4).

[46] Proposed Rules 980NYP(a)(5)(B)–(C) describe conditions related to the leg markets when complex strategies will not trade. *See also* Arca Options Rules 6.64P–O(a)(5)(B)–(C) (same).

[47] *See* Rule 980NY(b) (pricing that ECOs in the Consolidated Book will ''be ranked according to price/time priority based on the total or net debit or credit and the time of entry of the order, provided that [ECOs] on behalf of Customers shall be ranked ahead of same price [ECOs] for non-Customers.'').

[48] *See, e.g.,* Arca Options Rule 6.91P–O(c); Cboe Rule 5.33(f)(2) (setting forth parameters for the ''net price'' of complex orders traded on Cboe); Nasdaq ISE, Options 3, Section 14 (c) (providing, in relevant part, that ''[c]omplex strategies will not be executed at prices inferior to the best net price achievable from the best ISE bids and offers for the individual legs'').

[49] For example, an ECO designated as IOC that does not immediately execute would cancel rather than be ranked on the Consolidated Book, whereas an ECO designated as Day or GTC that does not immediately execute would be ranked on the Consolidated Book.

[50] *See* Rule 980NY(c)(ii) (providing that ''[i]f, at a price, the leg markets can execute against an incoming [ECO] in full (or in a permissible ratio), the leg markets (Customer and non-Customer interest) will have first priority at that price and will trade with the incoming [ECO] pursuant to Rule 964NY(b) before [ECO] resting in the Consolidated Book can trade at that price'').

[51] The term ''Aggressing Order'' means ''a buy (sell) order or quote that is or becomes marketable against sell (buy) interest on the Consolidated Book.'' *See* Pillar Rule 964NYP(a)(5). *See also* Arca Options Rule 6.76P–O(a)(5) (same).

[52] *See, infra,* for discussion of proposed Rule 980NYP(e)(1) (discussing ''Execution of ECOs During Core Trading Hours,'' including the treatment of ECOs that have executed, at a price, to the extent possible with the leg markets and of ECOs designated as Complex Only).

[53] As noted herein, no ECO on the Exchange would execute at a price that would exceed the maximum allowable Away Market Deviation on any component of the complex strategy. *See* proposed Rule 980NYP(a)(1) (defining Away Market Deviation). *See also* Arca Options Rule 6.91P–O(a)(1) (same).

[54] *See, e.g.,* BOX Rule 7240(b)(3)(ii). *See also* Securities Exchange Act Release Nos. 69027 (March 4, 2013), 78 FR 15093, 15094 (March 8, 2013) (SR–BOX–2013–01) (providing that ''where two Complex Orders trade against each other, the resulting execution prices will be at a price equal to or better than NBBO and BOX best bid or offer (''BBO'') for each of the component Legs,'' per BOX Rule 7240(b)(3)(ii)). *See, e.g.,* Cboe Rule 5.33(f)(2) (providing that complex orders may not execute at a net price that would cause any component of the complex strategy to be executed at a price of zero).

both to openings and reopenings following a trading halt.

- Proposed Rule 980NYP(d)(1) is identical to Arca Options Rule 6.91P–O(d)(1) and would set forth the conditions required for the commencement of an ECO Opening Auction Process. Specifically, as proposed, the Exchange would initiate an ECO Opening Auction Process for a complex strategy only if all legs of the complex strategy have opened or reopened for trading, which text is based on current Rule 980NY(c)(i)(A) without any substantive differences. Proposed Rules 980NYP(d)(1)(A)–(B) are identical to Arca Options Rule 6.91P–O(d)(1)(A)–(B) and would set forth conditions that would prevent the opening of a complex strategy, as follows:
  - Any leg of the complex strategy has neither an Exchange BO nor an ABO; or
  - The complex strategy cannot trade per proposed Rule 980NYP(a)(5)(B)–(C).

The proposal to detail these conditions for opening (and reopening) are consistent with current functionality not set forth in the current rule. The Exchange believes that this added detail would not only add clarity and transparency to Exchange rules but would also protect market participants from potentially erroneous executions when there is a lack of reliable information regarding the price at which a complex strategy should execute, thereby promoting a fair and orderly ECO Opening Auction Process.

- Proposed Rule 980NYP(d)(2) is identical to Arca Options Rule 6.91P–O(d)(2) and would provide that any ECOs in a complex strategy with prices that lock or cross one another would be eligible to trade in the ECO Opening Auction Process. This proposed rule is based on current Rule 980NY(c)(i)(B), which provides than an opening process will be used if there are ECOs that ''are marketable against each other.'' The Exchange proposes a difference from current functionality and would not require that such ECOs be ''priced within the Complex NBBO'' because the proposed ECO Opening Auction Process under Pillar would instead rely on the DBBO (as described below).[55] As such, the Exchange may open a series based on the Exchange BBO, bound by the Away Market Deviation (or, the ABBO if the Exchange BBO is not available), which is consistent with ECO handling during Core Trading (per proposed Rule 980NYP(e) described below). The Exchange believes this proposed change would better align the permissible opening price for a series with the permissible execution price during Core Trading, which adds consistency to ECO order handling to the benefit of investors.
  - Proposed Rule 980NYP(d)(2)(A) is identical to Arca Options Rule 6.91P–O(d)(2)(A) and would provide that an ECO received during a pre-open state would not participate in the Auction Process for the leg markets pursuant to proposed Rule 952NYP, which is based on the same text (in the second sentence) of current Rule 980NY(c)(i)(A) without any substantive differences.[56]
  - Proposed Rule 980NYP(d)(2)(B) is identical to Arca Options Rule 6.91P–O(d)(2)(B) and would provide that a complex strategy created intra-day when all leg markets are open would not be subject to an ECO Opening Auction Process and would instead trade pursuant to paragraph (e) of the proposed Rule (discussed below) regarding the handling of ECOs during Core Trading Hours.
  - Proposed Rule 980NYP(d)(2)(C) is identical to Arca Options Rule 6.91P–O(d)(2)(C) and would provide that the ECO Opening Auction Process would be used to reopen trading in ECOs after a trading halt. This proposed rule makes clear that the ECO Opening Auction Process would be applicable to reopenings, which would add internal consistency to Exchange rules and promote a fair and orderly ECO Opening Auction Process following a trading halt.[57]
- Proposed Rule 980NYP(d)(3) is identical to Arca Options Rule 6.91P–O(d)(3), except as it relates priority and allocation as described below and would describe each aspect of the ECO Opening Auction Process.[58]

First, proposed Rule 980NYP(d)(3)(A) is identical to Arca Options Rule 6.91P–O(d)(3)(A) and would describe the ''ECO Auction Collars.'' As proposed, the upper (lower) price of an ECO Auction Collar for a complex strategy would be the DBO (DBB); provided, however, that if the DBO (DBB) is calculated using the Exchange BBO for all legs of the complex strategy and all such Exchange BBOs have displayed Customer interest, the upper (lower) price of an ECO Auction Collar would be one penny ($0.01) times the smallest leg ratio inside the DBO (DBB). This proposed functionality on Pillar, which is identical to Arca Options, would ensure that if there is displayed Customer interest on the Exchange on all legs of the strategy, the opening price for the complex strategy would price improve the DBBO, which the Exchange believes is consistent with fair and orderly markets and investor protection.

- Next, proposed Rule 980NYP(d)(3)(B) is identical to Arca Options Rule 6.91P–O(d)(3)(B) and would describe the ''ECO Auction Price'' and how such price is determined. As proposed, the ECO Auction Price would be the price at which the maximum volume of ECOs can be traded in an ECO Opening Auction, subject to the proposed ECO Auction Collar. As further proposed, if there is more than one price at which the maximum volume of ECOs can be traded within the ECO Auction Collar, the ECO Auction Price would be the price closest to the midpoint of the ECO Auction Collar, or, if the midpoint falls within such prices, the ECO Auction Price would be the midpoint, provided that the ECO Auction Price would not be lower (higher) than the highest (lowest) price of an ECO to buy (sell) that is eligible to trade in the ECO Opening (or Reopening) Auction Process. The concept of an ECO Auction Price is consistent with the concept of ''single market clearing price'' set forth in current Rule 980NY(c)(i)(B).

Finally, like on Arca Options, if the ECO Auction Price would be a sub-penny price, it would be rounded to the nearest whole penny. This proposed text is based on current Rule 980NY(c)(i)(B), with a difference that the current rule refers to the midpoint of the Complex NBBO (which could be a sub-penny price and if so, is rounded down to the nearest penny) as opposed to referring to the Pillar term ''ECO Auction Price,'' which price, if in sub-pennies, would be rounded (up or down) to the nearest MPV.

Proposed Rule 980NYP(d)(3)(B)(i) is identical to Arca Options Rule 6.91P–O(d)(3)(B)(i) insofar as it would provide that an ECO to buy (sell) with a limit price at or above (below) the upper (lower) ECO Auction Collar would be

[55] *See* Rule 980NY(c)(i)(B) (providing that ''[t]he CME will use an opening auction process if there are Electronic Complex Orders in the Consolidated Book that are marketable against each other and priced within the Complex NBBO''). Per Rule 900.2NY (and proposed Rule 980NYP(a)(2)), the ''Complex NBBO'' for each complex strategy is derived from the national best bid and national best offer for each leg.

[56] Proposed Rule 952NYP (Auction Process), sets forth the opening and reopening auction process for single-leg option trading. *See* the American Pillar Omnibus Filing.

[57] This proposed functionality is also consistent with how the Exchange proposes to handle (and currently handles) opening auctions for single-leg trading. For example, proposed Rule 952NYP(a)(1) provides that an ''Auction'' refers to the opening or reopening of an option series for trading. *See* the American Pillar Omnibus Filing. *See also* Rule 952NYP(e) (providing that ''[a] Trading Auction will be conducted following the procedures described in paragraphs (a) through (d) of this Rule to reopen an option class after a trading halt.'').

[58] *See* proposed Rule 980NYP(d)(3)(b)(iii), discussed below.

included in the ECO Auction Price calculation at the price of the upper (lower) ECO Auction Collar, but differs from Arca Options in that it does not address the ranking and allocation of auction interest, which is described below in proposed Rule 980NYP(d)(3)(B)(ii). This proposed text is based in part on current Rule 980NY(c)(i)(B).

Proposed Rule 980NYP(d)(3)(B)(ii) is identical to Arca Options Rule 6.91P–O(d)(3)(B)(ii) and would provide that locking and crossing ECOs in a complex strategy would trade at the ECO Auction Price. As further proposed, if there are no locking or crossing ECOs in a complex strategy at or within the ECO Auction Collars, the Exchange would open the complex strategy without a trade.

Proposed Rule 980NYP(d)(3)(B)(iii), entitled ''Auction Allocation,'' would describe how auction interest is ranked and allocated on Pillar. As proposed, ECOs that are eligible to participate in the ECO Opening (or Reopening) Auction Process (*i.e.,* are executable against the ECO Auction Price) would be ranked as provided in Rule 964NYP(c)–(g) and would trade with ECOs priced better than the ECO Auction Price based on ranking and would trade with ECOs priced at the ECO Auction Price per Rule 964NYP(j).[59] This proposed text is based in part on current Rule 980NY(c)(i)(B).[60]

• Proposed Rule 980NYP(d)(4) is identical to Arca Options Rule 6.91P–O(d)(4) and would describe the ''ECO Order Processing during ECO Opening Auction Process.'' As proposed, new ECOs and ECO Order Instructions (as defined in proposed Rule 980NYP(a)(6) described above) that are received when the Exchange is conducting the ECO Opening Auction Process for the complex strategy would be accepted but would not be processed until after the conclusion of this process. As further proposed, and identical to Arca Options Rule 6.91P–O(d)(4)(A)–(B), when the Exchange is conducting the ECO Opening Auction Process, ECO Order Instructions would be processed as follows:

○ Proposed Rule 980NYP(d)(4)(A) is identical to Arca Options Rule 6.91P–O(d)(4)(A) and would provide that an ECO Order Instruction received during the ECO Opening Auction Process would not be processed until after this process concludes if it relates to an ECO that was received before the process begins and that any subsequent ECO Order Instruction(s) relating to such ECO would be rejected if received during the ECO Opening Auction Process when a prior ECO Order Instruction is pending.

○ Proposed Rule 980NYP(d)(4)(B) is identical to Arca Options Rule 6.91P–O(d)(4)(B) and would provide that an ECO Order Instruction received during the ECO Opening Auction Process would be processed on arrival if it relates to an order that was received during this process.

Proposed Rule 980NYP(d)(4), like Arca Options Rule 6.91P–O(d)(4), would provide transparency regarding how ECO Order Instructions that arrived during the ECO Opening Auction Process would be processed.

Proposed Rule 980NYP(d)(5) is identical to Arca Options Rule 6.91P–O(d)(5) and would describe the ''Transition to continuous trading'' after the ECO Opening Auction Process. As proposed, after the ECO Opening Auction, ECOs would be subject to ECO Price Protection, per proposed Rule 980NYP(g)(2) (as described below) and, if eligible to trade, would trade as follows:

○ Proposed Rule 980NYP(d)(5)(A) is identical to Arca Options Rule 6.91P–O(d)(5)(A) and would provide that ECOs received before the complex strategy was opened that did not trade in whole in the ECO Opening Auction Process and that lock or cross other ECOs or leg markets in the Consolidated Book would trade pursuant to proposed Rule 980NYP(e) (discussed below) regarding the handling of ECOs during Core Trading Hours; otherwise, such ECOs would be added to the Consolidated Book. This provision is based on the (last sentence) of current Rule 980NY(c)(i)(B) and (C), with non-substantive differences to use Pillar terminology.

○ Proposed Rule 980NYP(d)(5)(B) is identical to Arca Options Rule 6.91P–O(d)(5)(B) and would provide that ECOs received during the ECO Opening Auction Process would be processed in time sequence relative to one another based on original entry time. This proposed rule is consistent with functionality not described in the current rule.

Execution of ECOs During Core Trading Hours. Proposed Rule 980NYP(e) would describe how ECOs would be processed during Core Trading Hours. Proposed Rule 980NYP(e)(1) is identical to Arca Options Rule 6.91P–O(e)(1) and would provide that once a complex strategy is open for trading, an ECO would trade with the best-priced contra-side interest as follows:

• Proposed Rule 980NYP(e)(1)(A) is identical to Arca Options Rule 6.91P–O(e)(1)(A), except that it cross-references American Pillar Priority Rule 964NYP, and relates to the priority of the leg markets over ECOs at a price. As proposed, if, at a price, the leg markets can trade with an eligible ECO,[61] in full or in a permissible ratio, the leg markets would trade first at that price, pursuant to Pillar Rule 964NYP,[62] until the quantities on the leg markets are insufficient to trade with the ECO. Once the leg market interest, at a price, is exhausted, such ECO would trade with same-priced contra-side ECOs resting in the Consolidated Book, pursuant to Rule 964NYP. This functionality is based on Rule 980NY(c)(ii), with the difference that the leg markets always have priority at a price.[63] In addition to being identical to Arca Options, this proposed functionality of affording leg markets priority at a price is consistent with functionality available on other options exchanges.[64]

Like on Arca Options, the Exchange believes that proposed Rule 980NYP(e)(1)(A) would benefit market participants because it is designed to protect the priority of orders on the leg markets by requiring an ECO to execute first against interest on the leg markets at the best price to the extent possible, *i.e.,* in full or in a permissible ratio, and only then permitting an ECO to execute against another ECO at that price. Thus, following the executions against the best-priced interest on the leg markets, an ECO would no longer be executable against interest on the leg markets at the best price because the leg markets

[59] *See* Rule 980NY(c)(i)(B) (providing in relevant part that, ''[i]n determining order priority, the CME gives first priority to [ECOs] whose net debit/credit price is better than the market clearing price, and then to [ECOs] priced at the market clearing price.'').

[60] *See* proposed Rule 980NYP(d)(3)(B)(iii)(a)–(b), respectively.

[61] *See* proposed Rule 980NYP(e)(1)(C) and (D) (for a description of ECOs that are not eligible to trade with the leg markets).

[62] *See* Pillar Rule 964NYP, Order Ranking, Display, and Allocation, which sets forth priority and allocation of trading interest on Pillar and will replace current Rule 964NY).

[63] *See* Rule 980NY(c)(ii) (providing that if, at a price, the leg markets can execute against an incoming ECO in full (or in a permissible ratio), and each leg includes Customer interest, the leg markets will have first priority at that price ahead of same-priced ECOs resting in the Consolidated Book. In contrast to current Rule 980NY(c)(ii), Pillar will afford the leg markets priority without requiring that ''each leg'' of an incoming ECO contain Customer interest. *See, infra,* proposed Rule 980NYP(c) (regarding Priority and Pricing of ECOs).

[64] *See* Arca Options Rule 6.91P–O(e)(1)(A). *See also* supra note 5, Arca Options ECO Approval Order, 86 FR 43704, at 43709 (discussing substantively the same functionality available on BOX Options Exchange wherein certain Complex Orders trade at the same price as the best-priced interest in the BOX Book after such eligible leg interest has been exhausted and providing a trading example of allocation per Rule 6.91P–O(e)(1)(A)).

would lack sufficient quantity to fill the ECO in a permissible ratio at that price. Absent this provision in proposed Rule 980NYP(e)(1)(A), the Exchange believes that otherwise executable ECOs at the leg market price would lose execution opportunities without any benefit to interest on the leg markets, which is unable to trade with the ECO at that price. Because orders are executable against each other only when both the price and the quantity of the orders match, the Exchange believes it is appropriate (and does not deny leg markets priority) to allow ECOs to trade with other ECOs at the leg market price when such eligible leg market interest at that price has been exhausted.

- Proposed Rule 980NYP(e)(1)(B) is identical to Arca Options Rule 6.91P–O(e)(1)(B) and would provide that an ECO would not trade with orders in the leg markets designated as AON, FOK, or with an MTS modifier. This proposed text would be new and is based in part on existing functionality (for AON and FOK) and reflects the Exchange's proposed treatment under Pillar of its new MTS modifier for orders in the leg markets.[65] Consistent with current functionality, orders with an AON, FOK, or (new) MTS modifier are conditional and, by design, will miss certain execution opportunities. The Exchange believes that this proposed rule would simplify the operation of electronic complex order trading and would add clarity and transparency that ECOs would not trade with orders that have conditional size-related instructions.
- Proposed Rule 980NYP(e)(1)(C) is identical to Arca Options Rule 6.91P–O(e)(1)(C) and would provide that an ECO designated as Complex Only would be eligible to trade solely with another ECO and would not trade with the leg markets. In addition to Arca Options, other options exchanges likewise offer Complex Orders that trade only with Complex Orders.[66]

As further proposed, an ECO designated as Complex Only must trade at a price at or within the DBBO; provided that, if the DBB (DBO) is calculated using the Exchange BBO for all legs of the complex strategy and all such Exchange BBOs have displayed Customer interest, the Complex Only Order would not trade below (above) one penny ($0.01) times the smallest leg ratio inside the DBB (DBO), regardless of whether there is sufficient quantity on such leg markets to satisfy the ECO.[67] This proposed requirement is designed to ensure that, if there is displayed Customer interest on all legs of the strategy on the Exchange, a Complex Only Order would price improve at least some portion of such interest making up the DBBO. Thus, like on Arca Options, a Complex Only Order does not get the benefit of the priority treatment set out in proposed Rule 980NYP(e)(1)(A). If a Complex Only Order is unable to trade within the aforementioned price parameters, it would remain on the Consolidated Book until it can trade with another ECO per the requirements of proposed Rule 980NYP(e)(1)(C). The Exchange believes that allowing Complex Only Orders to trade up to the DBBO unless there is displayed Customer interest on all legs of the strategy on the Exchange at the DBBO (as described above), provides market participants additional trading opportunities while still protecting displayed Customer interest on the Exchange.

The proposed operation of the Complex Only Order, insofar as it protects displayed Customer interest in the leg markets when an ECO trades with another ECO, is consistent with current functionality.[68] The proposed order type is identical to and would operate in the exact same manner as Complex Only Orders available per Arca Options Rule 6.91P–O(e)(1)(C) and is therefore not new or novel.

- Proposed Rules 980NYP(e)(1)(D)(i)–(iii) are identical to Arca Options Rules 6.91P–O(e)(1)(D)(i)–(iii) and would provide that ECOs with any one of the following complex strategies would be ineligible to trade with the leg markets and would be processed as a Complex Only Order:
  - a complex strategy with more than five legs;
  - a complex strategy with two legs and both legs are buying or both legs are selling, and both legs are calls or both legs are puts; or
  - a complex strategy with three or more legs and all legs are buying or all legs are selling.

The proposal to restrict ECOs with more than five legs from trading with the leg markets (and being treated as Complex Only Orders), per proposed Rule 980NYP(e)(1)(D)(i), would be new functionality under Pillar and, like on Arca Options, is designed to help Market Makers manage risk. Because the execution of a multi-legged ECO is a single transaction, comprised of discrete legs that must all trade simultaneously, allowing ECOs with more than five legs to trade with the leg markets may allow a multi-legged transaction to occur before a Market Maker's risk settings would be triggered. This proposed limitation is designed to prevent such multi-legged transactions, which would help ensure that Market Makers continue to provide liquidity and do not trade above their established risk tolerance levels. In addition to Arca Options, this restriction is also consistent with similar limits established on other options exchanges.[69]

Proposed Rules 980NYP(e)(1)(D)(ii)–(iii), which treat ECOs with certain complex strategies as Complex Only Orders, is based in part on current Rule 980NY(d)(4)(i)–(ii), with a difference that currently, such so-called ''directional strategies'' are rejected. The proposed handling under Pillar, which is the same as on Arca Options, would be less restrictive than the current rule because such strategies would not be rejected and is consistent with the treatment of such complex strategies on other options exchanges.[70] As with the proposal to restrict ECOs with more than five legs trading with the leg markets, this proposed restriction is also designed to ensure that Market Maker risk settings would not be bypassed. Because ECOs with directional strategies are typically geared towards an aggressive directional capture of volatility, such ECOs can represent significantly more risk than trading any one of the legs in isolation. As such, because Market Maker risk settings are

[65] The Exchange proposes to adopt the Minimum Trade Size or MTS Modifier in proposed Rule 900.3NYP(i)(3). *See* the American Pillar Omnibus Filing. The Exchange represents that these proposed order types will function in a manner substantively the same as is described in current Arca Options Rule 6.62P–O(i)(3). *See id.*

[66] *See* proposed Rule 980NYP(e)(1)(C). *See, e.g.,* Cboe Rule 5.33(a) (defining ''Complex Only'' order as an ECO ''that a [Cboe] Market-Maker may designate to execute only against complex orders in the COB and not Leg into the Simple Book''). The proposed Complex Only Order (like its predecessor PNP Plus Order) would be available to all market participants.

[67] *See* proposed Rule 980NYP(e)(1)(C). Because Complex Only Orders would never trade with the leg markets, whether there is sufficient quantity at the displayed Customer price is irrelevant to the operation of this order type.

[68] *See* Rule 980NY, Commentary .02(i) (providing that, when executing an ECO, if each leg of the contra-side Derived BBO for the components of the ECO includes Customer interest, the price of at least one leg of the order must trade at a price that is at least one cent ($0.01) better than the corresponding price of all customer bids or offers in the Consolidated Book for the same series).

[69] *See, e.g.,* Cboe Rule 5.33(g) (providing that ECOs may be restricted from trading with the leg markets if such ECO has more than a maximum number of legs, which maximum the Exchange determines on a class-by-class basis and may be two, three, or four).

[70] *See, e.g.,* Nasdaq ISE Options 3, Section 14 (d)(3)(A)–(B) (providing that ECOs with these complex strategies may trade only with other ECOs).

only triggered after the entire ECO package has traded, the Exchange believes this proposed rule change would help ensure fair and orderly markets by preventing such orders from trading with the leg markets, which would minimize risk to Market Makers.

Proposed Rule 980NYP(e)(2) is identical to Arca Options Rule 6.91P–O(e)(2) and would provide that the Exchange would evaluate trading opportunities for a resting ECO when the leg markets comprising a complex strategy update, provided that during periods of high message volumes, such evaluation may be done less frequently. The Exchange believes that this proposed rule promotes transparency of the frequency with which the Exchange would be evaluating the leg markets for updates.

The Exchange believes the proposed handling of ECOs during Core Trading, which handling is identical to Arca Options, is reasonably designed to facilitate increased interaction between orders on the leg markets and ECOs, and to do so in such a manner as to ensure a dynamic, real-time trading mechanism that maximizes the opportunity for trade executions for both ECOs and orders on single option series.

Execution of ECOs During a COA. Proposed Rule 980NYP(f) would describe how ECOs would trade during a COA. The COA Process is currently described in Rule 980NY(e). Under Pillar, the Exchange proposes to modify the COA process, including by relying on the DBBO (as described above) for pricing, allowing a COA Order to initiate a COA only on arrival, and streamlining the rule text describing the circumstances that would cause an early end to a COA. The proposed COA Process is the same as is set forth in Arca Options Rule 6.91P–O(f), except (as noted below) regarding the allocation of a COA Order, which follows the Exchange's Customer priority/pro rata scheme (*i.e.,* per Pillar Rule 964NYP).[71]

Proposed Rule 980NYP(f) is identical to Arca Options Rule 6.91P–O(f) and would provide that a COA Order received when a complex strategy is open for trading and that satisfies the requirements of paragraph (f)(1) of the proposed Rule would initiate a COA only on arrival after trading with eligible interest per proposed Rule 980NYP(f)(2)(A) (described below). As further proposed, and like on Arca Options, a COA Order would be rejected if entered during a pre-open state or if entered during Core Trading Hours with a time-in-force of FOK or GTX. This proposed order handling is based in part on current Rule 980NY(e)(1)(ii), which requires that COA Orders be submitted during Core Trading Hours. The proposed rejection of such orders during a pre-open state is identical to handling on Arca Options and is consistent with the Exchange's proposed functionality that a COA Order would initiate a COA only on arrival. In addition, the proposal would clarify that COA Orders designated as FOK or GTX would be rejected, even if submitted during Core Trading Hours, is based on current functionality and this addition would add further detail and clarification to the rule text. Finally, as further proposed and like on Arca Options, only one COA may be conducted at a time in a complex strategy, which is identical to text in current Rule 980NY(e)(3).

- Proposed Rule 980NYP(f)(1), which is identical to Arca Options Rule 6.91P–O(f)(1), would describe the conditions required for the "Initiation of a COA." As proposed, to initiate a COA, the limit price of the COA Order to buy (sell) must be higher (lower) than the best-priced, same-side ECOs resting on the Consolidated Book and equal to or higher (lower) than the midpoint of the DBBO, which is designed to encourage aggressively-priced COA Orders and, in turn, to attract a meaningful number of RFR Responses to potentially provide price improvement of the COA Order's limit price. This proposed text is based in part on current Rule 980NY(e)(3)(i), with a difference to add a new "midpoint of the DBBO" requirement to reflect this new concept under Pillar. As further proposed, and like on Arca Options, a COA Order that does not satisfy these pricing parameters would not initiate a COA and, unless it is cancelled (*i.e.,* if an IOC), such order would be ranked in Consolidated Book and processed as an ECO, per proposed Rule 980NYP(e) (described above). This would be new under Pillar, as current Rule 980NY(e)(3) allows an order designated for COA to reside on the Consolidated Book unless or until such order meets the requisite pricing conditions to initiate a COA. The Exchange believes this proposed change, which mirrors Arca Options, would simplify the COA process and promote the orderly initiation of COAs, which is essential to maintaining a fair and orderly market for ECOs.

Finally, as proposed and like on Arca Options, once a COA is initiated, the Exchange would disseminate a Request for Response message, the Response Time Interval would begin and, during such interval, the Exchange would accept RFR Responses, including COA GTX Orders. This proposed text is based on current functionality set forth in Rule 980NY(e), with non-substantive differences to use Pillar terminology, including using the new Pillar term for COA GTX Orders.

- Proposed Rule 980NYP(f)(2), which is identical to Arca Options Rule 6.91P–O(f)(2), would describe the "Pricing of a COA." As proposed, a COA Order to buy (sell) would initiate a COA at its limit price, unless its limit price locks or crosses the DBO (DBB), in which case it would initiate a COA at a price equal to one penny ($0.01) times the smallest leg ratio inside the DBO (DBB) (the "COA initiation price"). This proposed functionality, which utilizes the new concept of a DBBO, is consistent with current functionality (that relies on the substantively similar concept of Complex BBO (per Rule 900.2NY) and ensures that (consistent with current functionality) interest on the leg markets maintain priority.
  - Proposed Rule 980NYP(f)(2)(A) is identical to Arca Options Rule 6.91P–O(f)(2)(A) and would provide that prior to initiating a COA, a COA Order to buy (sell) would trade with any ECO to sell (buy) resting in the Consolidated Book that is priced equal to or lower (higher) than the DBO (DBB), unless the DBO (DBB) is calculated using the Exchange BBO for all legs of the complex strategy and all such Exchange BBOs have displayed Customer interest, in which case the COA Order would trade up (down) to one penny ($0.01) times the smallest leg ratio inside the DBO (DBB) (*i.e.,* priced better than the leg markets) and any unexecuted portion of such COA Order would initiate a COA. This proposed rule is based on current Rule 980NY(e)(2) with a difference to use the Pillar concept of DBBO rather than refer to the contra-side Complex BBO and to specify that the COA Order must price improve the DBBO when there is displayed Customer interest on the Exchange leg markets, as noted above.
  - Proposed Rule 980NYP(f)(2)(B) is identical to Arca Options Rule 6.91P–O(f)(2)(B) and would provide that a COA Order would not be eligible to trade with the leg markets until after the COA ends, which added detail, while not explicitly stated in the current rule, is consistent with current functionality described in Rules 980NY(e)(7)(A) and (B) that only RFR Responses (*i.e.,* GTX orders) and ECOs will be allocated in a

[71] In particular, proposed Rules 980NYP(f), (f)(1)–(3), and (f)(4)(B)–(C) are identical to Arca Options Rules 6.91P–O(f), (f)(1)(3), and (f)(4)(B)–(C); whereas proposed Rule 980NYP(f)(4)(A) and (f)(A)(i), which sets forth the Allocation of COA Orders, differs from Arca Options Rules 6.91P–O(f)(4)(A) given the distinct priority and allocation models of each options exchange.

COA and that the COA Order would not trade with the leg markets until after the COA allocations.

• Proposed Rule 980NYP(f)(3) is identical to Arca Options Rule 6.91P–O(f)(3) and would set forth the conditions that would result in the ''Early End to a COA'' (*i.e.,* a COA ending prior to the expiration of the Response Time Interval), which conditions are consistent with current Rule 980NY(e)(6) as described below. Currently, as described in Rule 980NY(e)(3), the Exchange takes a snapshot of the Derived BBO at the start of a COA and uses that snapshot as the basis for determining whether to end a COA early.

Under Pillar and like on Arca Options, the Exchange would no longer use a snapshot of the Derived BBO as the basis for determining whether to end a COA early but would instead rely on the DBBO (calculated per proposed Rule 980NYP(a)(5)), which is updated as market conditions change (including during the Response Time Interval).[72] The Exchange believes relying on the DBBO is appropriate and would benefit investors as it would provide real-time trading information that includes an additional layer of price protection for ECO trading as the DBBO is based on Exchange BBOs, when available, or the ABBO. The Exchange proposes a COA would end early under the following conditions:

○ Proposed Rule 980NYP(f)(3)(A) is identical to Arca Options Rule 6.91P–O(f)(3)(A) and would provide that a COA would end early if the Exchange receives an incoming ECO or COA Order to buy (sell) in the same complex strategy that is priced higher (lower) than the initiating COA Order to buy (sell), which proposed text is based on current Rule 980NY(e)(6)(B)(i) without any substantive differences.

○ Proposed Rule 980NYP(f)(3)(B) is identical to Arca Options Rule 6.91P–O(f)(3)(B) and would provide that a COA would end early if the Exchange receives an RFR Response that locks or crosses the DBBO on the same-side as the COA Order, which proposed text is based on current Rule 980NY(e)(6)(A)(i), except (as noted above) it refers to the DBBO rather than the ''initial Derived BBO.''

○ Proposed Rule 980NYP(f)(3)(C) is identical to Arca Options Rule 6.91P–O(f)(3)(C) and would provide that a COA would end early if the leg markets update causing the DBBO on the same-side as the COA Order to lock or cross (i) any RFR Response(s) or (ii) if no RFR Responses have been received, the best-priced, contra-side ECOs. This proposed rule is based in part on current Rule 980NY(e)(6)(C)(i), with differences to use Pillar terminology, including reference to the DBBO.

○ Proposed Rule 980NYP(f)(3)(D) is identical to Arca Options Rule 6.91P–O(f)(3)(D) and would provide that a COA would end early if the leg markets update causing the contra-side DBBO to lock or cross the COA initiation price. This proposed rule is based in part on current Rule 980NY(e)(6)(C)(ii), except that it would refer to the DBBO and the COA initiation price, which would be new concepts under Pillar.

Because the DBBO may be calculated using the ABBO for a given leg, the Exchange notes that it would be new under Pillar to have a COA end early based on (locking or crossing) market conditions outside of the Exchange. The Exchange believes this proposed functionality would benefit market participants by preventing COA Orders from executing at prices too far away from the prevailing market for that complex strategy. In addition, the Exchange believes this proposed functionality would promote internal consistency and benefit market participants because, as proposed, the execution of ECOs on the Exchange, including whether such ECO may initiate a COA as a COA Order, is based on the DBBO. As such, the Exchange believes it is appropriate and to the benefit of market participants that the early termination of a COA likewise be based on the DBBO—regardless of whether the prices used to calculate such DBBO include (or consist entirely of) ABBO prices.

• Proposed Rule 980NYP(f)(4) would set forth the ''Allocation of COA Orders'' after a COA either ends early or after the expiration of the Response Time Interval. Current Rule 980NY(e)(7)(A) sets forth that the COA-eligible orders are allocated against RFR Responses, beginning with the best-priced RFR Responses on a ''size pro rata basis,'' as that concept is defined in Rule 964NY(b)(3), based on the ''Derived BBO''.[73] On Pillar, however, for internal consistency, the DBBO (per proposed Rule 980NYP(a)(5)) establishes the parameters within which a COA Order may trade and RFR Responses would trade with the COA Order in according with Pillar Rule 964NYP—such that, at a price, Customer RFR Responses would trade in time and non-Customer RFR Responses would (continue to) trade size pro rata as described below.[74]

• Proposed Rule 980NYP(f)(4)(A) would provide that RFR Responses to sell (buy) that are priced equal to or lower (higher) than a COA Order to buy (sell) would trade with the COA Order down (up) to the DBB (DBO); provided, however, that if all legs of the DBB (DBO) are calculated using Exchange BBOs and all such Exchange BBOs have displayed Customer interest, RFR Responses to sell (buy) would not trade below (above) one penny ($0.01) times the smallest leg ratio inside the DBB (DBO). This proposed rule would ensure that the COA Order would not trade at a worse price than the leg markets and would price improve the DBBO where there is displayed Customer interest on all legs of the complex strategy on the Exchange, which is consistent with current Commentary .02(ii) to Rule 980NY.[75]

▪ Proposed Rule 980NYP(f)(4)(A)(i) would specify that ''[t]he COA Order will trade with the best priced contra-side interest and, within each priority category, will trade first with Customer RFR Responses in time priority, followed by non-Customer RFR Responses on a size pro rata basis pursuant to Rule 964NYP(i)'' and that ''Non-Customer RFR Responses will be capped at the remaining size of the COA Order for purposes of size pro rata allocation.''[76] The proposed text is based in part on current Rule

[72] As discussed *infra* regarding proposed Rule 980NYP(a)(5) and the definition of the Derived BBO, ''the DBBO will be updated as the Exchange BBO or ABBO, as applicable, is updated''.

[73] *See* Rule 980NY(e)(7)(A) (providing that the COA-Eligible Order will execute against ''RFR Responses and [ECOs] to buy (sell) that are priced higher (lower) than the initial Derived BBO will be eligible to trade first with the COA-eligible order, beginning with the highest (lowest), at each price point, on a Size Pro Rata basis pursuant to Rule 964NY(b)(3), provided that [ECOs] on behalf of Customers will have priority over same priced [ECOs] for non-Customers.''). See Rule 900.2NY (defining Derived BBO as being ''calculated using the BBO from the Consolidated Book for each of the options series comprising a given complex order strategy'').

[74] *See, e.g.,* Pillar Rule 964NYP(i) and (j) (setting for the size pro rata formula and describing how resting orders and quotes are allocated on Pillar, respectively).

[75] *See* Rule 980NY, Commentary .02(ii) (providing that, when executing an ECO in a class that has been designated as eligible for a COA, if each leg of the contra-side Derived BBO—calculated using the BBO from the Consolidated Book for each of the options series comprising a given complex order strategy per Rule 900.2NY— for the components of the ECO includes Customer interest, the price of at least one leg of the order must ''trade at a price that is better than the corresponding price of all customer bids or offers in the Consolidated Book for the same series, by at least one standard trading increment as defined in Rule 960NY,'' which minimum trading increment is one cent ($0.01). *See* Rule 960NY(b).

[76] *See* Pillar Rule 964NYP(i) (which sets forth the size pro rata allocation formula applicable to trading on Pillar, which formula is identical to the formula set forth in current Rule 964NY(b)(3)).

980NY(e)(7)(A) insofar as it ensures that the COA Order would trade with the best-priced RFR Responses received in the COA, beginning with Customer interest at a price followed by same-priced non-Customer interest. The proposed text would also include the additional detail that the COA Order will trade with the best-priced interest within each Pillar priority category per Pillar Rule 964NYP and that non-Customer RFR Responses are capped at the remaining size of the COA Order for purposes of pro rata allocation, which is consistent with current functionality as relates to non-Customer RFR Responses.[77] The Exchange therefore believes this proposed allocation would promote clarity, transparency, and internal consistency to Exchange rules.

○ Proposed Rule 980NYP(f)(4)(B) is identical to Arca Options Rule 6.91P–O(f)(4)(B) and would provide that after COA allocations pursuant to paragraph (f)(4)(A) of this proposed Rule, any unexecuted balance of a COA Order (including COA Orders designated as IOC) would be eligible to trade with any contra-side interest, including the leg markets unless the COA Order is designated or treated as a Complex Only Order. This proposed text is based on existing functionality and makes explicit that a COA Order would trade solely with complex interest (and not the leg markets) during a COA. This proposed rule is designed to provide clarity and transparency that the remaining balance of a COA Order would be eligible to trade with the leg markets after the COA ends.

○ Proposed Rule 980NYP(f)(4)(C) is identical to Arca Options Rule 6.91P–O(f)(4)(C) and would provide that after a COA Order trades pursuant to proposed Rule 980NYP(f)(4)(B), any unexecuted balance of a COA Order that is not cancelled (*i.e.,* if an IOC) would be ranked in the Consolidated Book and processed as an ECO pursuant to paragraph (e) of this Rule. The proposed text is based on current Rule 980NY(e)(7)(B) without any substantive differences.

• Proposed Rule 980NYP(f)(5) is identical to Arca Options Rule 6.91P–O(f)(5) and would set forth ''Prohibited Conduct related to COAs,'' and is based on the first sentence of current Commentary .04 to Rule 980NY with one substantive differences: to add reference to quotes, and would provide that a pattern or practice of submitting ''unrelated *quotes or* orders that cause a COA to conclude early would be deemed conduct inconsistent with just and equitable principles of trade,''[78] which addition would broaden the scope of ''Prohibited Conduct'' to the benefit of market participants and would also add clarity and transparency to Exchange rules.

ECO Risk Checks. Proposed Rule 980NYP(g) would describe the ''ECO Risk Checks,'' which are designed to help ATP Holders to effectively manage risk when trading ECOs. Current Commentaries .03, .05, and .06 of Rule 980NY set forth the existing risk checks for ECOs. The proposed ECO Risk Checks set forth in Rule 980NYP(g)(1)–(3) are identical to and would operate in the same manner as set forth in Arca Options Rule 6.91P–O(g)(1)–(3).

With the transition to Pillar and like on Arca Options, the Exchange proposes to modify and enhance its existing risk checks for ECOs, as follows:

• Proposed Rule 980NYP(g)(1) is identical to Arca Options Rule 6.91P–O(g)(1) and would set forth the ''Complex Strategy Limit.'' As proposed, the Exchange would establish a limit on the maximum number of new complex strategies that may be requested to be created per Market Participant Identifier or MPID, which limit would be announced by Trader Update.[79] As further proposed, when an MPID reaches the limit on the maximum number of new complex strategies, the Exchange would reject all requests to create new complex strategies from that MPID for the rest of the trading day. In addition, and notwithstanding the established Complex Strategy Limit, the Exchange proposes that it may reject a request to create a new complex strategy from any MPID whenever the Exchange determines it is necessary in the interests of a fair and orderly market.

This is proposed functionality is conceptually the same as the Complex Order Table Cap (the ''Cap''), set forth in Commentary .03 to Rule 980NY, which Cap (like the Complex Strategy Limit), would help maintain a fair and orderly market because it would operate as a system protection tool that enables the Exchange to prevent any single MPID from creating more than a limited number of complex strategies during the trading day. This proposed Cap is identical to Arca Options Rule 6.91P–O(g)(1). In addition to being identical to the Complex Strategy Limit on Arca Options, the Exchange also notes that other options exchanges likewise impose a limit on new complex order strategies.[80]

• Proposed Rule 980NYP(g)(2) is identical to Arca Options Rule 6.91P–O(g)(2) and would set forth the ECO Price Protection. The existing ECO ''Price Protection Filter'' is set forth in Commentary .05 to current Rule 980NY (the ''ECO Filter''). The proposed ''ECO Price Protection'' on Pillar would work similarly to how the current ECO price protection mechanism functions on the Exchange because an ECO would be rejected if it is priced a specified percentage away from the contra-side Complex NBB or NBO.[81] However, on Pillar, the Exchange proposes to use new thresholds and reference prices, which would simplify the existing price check, but because this functionality is identical to Arca Options Rule 6.91P–O(g)(2), this change would also add uniformity to Exchange options platforms. Although the mechanics of the ECO Price Protection would vary slightly from the existing Price Protection Filter, the goal of this feature would remain the same: to prevent the execution of ECOs that are priced too far away from the prevailing market for the same strategy and therefore potentially erroneous. Whereas the Away Market Deviation (vis a vis a DBBO based on an Exchange BBO) is designed to make sure that ECOs do not trade too far away from the prevailing market, the ECO

[77] The Exchange notes that the proposal to trade Customer RFR Responses based on time and non-Customer RFR Responses on a size pro rata basis is also consistent with the Exchange's current (pre-Pillar) handling of resting interest that is not traded in a COA. *See* Rules 964NY(b)(2)(A) (regarding priority of displayed Customer interest based on time) and (b)(2)(D) (providing that non-Customer interest is subjected to pro rata allocation). As noted herein, the proposed handling of Customer and non-Customer RFR Responses is also consistent with Pillar Rule 964NYP(h)(3) (regarding non-Customers in ''size pro rata pool'') and (j) (regarding allocation of Customer and non-Customer interest).

[78] *See* proposed Rule 980NYP(f)(5) (emphasis added). In addition, rather than copy into proposed Rule 980NYP the second sentence of current Rule 980NY, Commentary .04, which provides that dissemination of information related to COA Orders to third parties would also be deemed as conduct inconsistent with just and equitable principles of trade, the Exchange proposes to add more expansive language regarding this prohibited conduct to the order exposure rule. *See infra* for discussion of proposed change to Rule 935NY.

[79] Per Rule 900.2NY, an MPID refers to ''the identifier assigned to the orders and quotes of a single ATP Holder for the execution and clearing of trades on the Exchange by that permit holder.'' An ATP Holder may obtain multiple MPIDs and each such MPID may be associated with one or more sub-identifiers of that MPID.'' *See id.*

[80] *See, e.g.,* Cboe Rule 5.33(a) (providing, in its definition of ''complex strategy'' that Cboe ''may limit the number of new complex strategies that may be in the [Cboe] System at a particular time'') and MIAX Rule 518(a)(6) (providing, in its definition of ''complex strategy'' that MIAX ''may limit the number of new complex strategies that may be in the System at a particular time and will communicate this limitation to Members via Regulatory Circular'').

[81] As noted above, the Exchange proposes to define the Complex NBBO as the derived national best bid and derived national best offer for a complex strategy calculated using the NBB and NBO for each component leg of a complex strategy. *See* proposed Rule 980NYP(a)(2).

Order Protection as proposed (and as is the case today) is to prevent the execution of ECOs that were potentially (inadvertently) entered at prices too far away from the prevailing market and, as such, this mechanism protects the order sender from itself.

Proposed Rule 980NYP(g)(2)(A) is identical to Arca Options Rule 6.91P–O(g)(2)(A) and would provide that each trading day, an ECO to buy (sell) would be rejected or cancelled (if resting) if it is priced a Specified Threshold amount or more above (below) the Reference Price (as described below), subject to proposed paragraphs (g)(2)(A)(i)–(v) of the Rule as described below. Because ECO Price Protection would be applied each trading day, an ECO designated GTC would be re-evaluated for ECO Price Protection on each day that it is eligible to trade and would be cancelled if the limit price is equal to or through the Specified Threshold.[82]

◦ Proposed Rule 980NYP(g)(2)(A)(i) is identical to Arca Options Rule 6.91P–O(g)(2)(A)(i) and would provide that an ECO that arrives when a complex strategy is open for trading would be evaluated for ECO Price Protection on arrival.

Proposed Rule 980NYP(g)(2)(A)(ii) is identical to Arca Options Rule 6.91P–O(g)(2)(A)(ii) and would provide that an ECO received during a pre-open state would be evaluated for ECO Price Protection after the ECO Opening Auction Process concludes.[83]

◦ Proposed Rule 980NYP(g)(2)(A)(iii) is identical to Arca Options Rule 6.91P–O(g)(2)(A)(iii) and would provide that an ECO resting on the Consolidated Book before a trading halt would be reevaluated for ECO Price Protection after the ECO Opening Auction Process concludes.

Proposed Rule 980NYP(g)(2)(A)(iv) would provide that Cross Orders (per proposed Rule 900.3NYP(g)(1))[84] would not be subject to ECO Price Protection, as the Exchange subjects such paired orders to distinct price validations. This proposed handling is substantively identical to Arca Options Rule 6.91P–O(g)(2)(A)(iv), which excludes QCC Orders from the ECO Price Protection, except that the proposed Rule is broader in application because (unlike on Arca Options) the Exchange's proposed definition of Cross Orders is not limited solely to QCC Orders.[85]

◦ Proposed Rule 980NYP(g)(2)(A)(v) is identical to Arca Options Rule 6.91P–O(g)(2)(A)(v) and would provide that ECO Price Protection would not be applied if there is no Reference Price for an ECO.

Proposed Rule 980NYP(g)(2)(B) is identical to Arca Options Rule 6.91P–O(g)(2)(B) and would specify the ''Reference Price'' used in connection with the ECO Price Protection. As proposed, the Reference Price for calculating ECO Price Protection for an ECO to buy (sell) would be the Complex NBO (NBB), provided that, immediately following an ECO Opening Auction Process, the Reference Price would be the ECO Auction Price or, if none, the Complex NBO (NBB). The Exchange believes that adjusting the Reference Price for ECO Price Protection immediately following an ECO Opening Auction would ensure that the most up-to-date price would be used to assess whether to cancel an ECO that was received during a pre-open state, including during a Trading Halt.

As further proposed and like on Arca Options, there would be no Reference Price for an ECO if there is no NBBO for any leg of such ECO (*i.e.,* the Exchange would not calculate a Complex NBB (NBO)), which text is based on current Rule 980NY, Commentary .05(c), except that the proposed rule would not reference OPRA because, as further proposed, for purposes of determining a Reference Price, the Exchange would not use an adjusted NBBO (*i.e.,* such NBBO is implicitly reliant on information from OPRA).[86]

Proposed Rule 980NYP(g)(2)(C) is identical to Arca Options Rule 6.91P–O(g)(2)(C) and would set forth the ''Specified Threshold'' used in connection with the ECO Price Protection. As proposed, the Specified Threshold for calculating ECO Price Protection would be $1.00, unless determined otherwise by the Exchange and announced to ATP Holders by Trader Update.

The Exchange believes that the proposed Specified Threshold of $1.00 simplifies how the Reference Price would be calculated as compared to the calculations currently specified in Commentary .05 to Rule 980NY. In addition, consistent with Commentary .05(d), the Exchange proposes that the Specified Threshold could change, subject to announcing the changes by Trader Update. Providing flexibility in Exchange rules regarding how the Specified Threshold would be set is identical functionality available per Arca Options Rule 6.62P–O(a)(3)(C) and is also consistent with the rules of other options exchanges as well as the functionality for the single-leg Limit Order Price Protection feature.[87]

• Proposed Rule 980NYP(g)(3) is identical to Arca Options Rule 6.91P–O(g)(3) and would set forth the ''Complex Strategy Protections.'' The proposed protections are based on current Rule 980NY, Commentary .06, which are referred to as the ''Debit/Credit Reasonability Checks.'' The Exchange believes this name change is appropriate because it more accurately conveys that the check applies solely to certain complex strategies and because (as discussed above), the Exchange proposes to refer simply to a ''net price'' as opposed to the ''total net debit or credit price.'' The proposed Pillar Complex Strategy Protections would function similarly to the current Debit/Credit Reasonability Checks because potentially erroneously priced incoming ECOs would be rejected. However, rather than to refer to specified debit or credit amounts as a way to determine whether a given strategy is erroneously priced, the proposed rule would instead focus on the expectation of the order sender and what would result if the ECO were not rejected. Consistent with current functionality, the proposed Complex Strategy Protections are designed to prevent the execution of ECOs at prices that are inconsistent with/not aligned with their strategies.

As proposed and like on Arca Options, to protect an ATP Holder that sends an ECO (each an ''ECO sender'') with the expectation that it would receive (or pay) a net premium but has priced the ECO such that the ECO

[82] As noted here, the Exchange proposes to offer GTC Orders on Pillar, which order type would operate in the same manner as per current Rule 900.3NY. *See* the American Pillar Omnibus Filing.

[83] *See* discussion *infra* regarding proposed Rule 980NYP(d), which describes the ECO Opening Auction Process (or Reopening after a Trading Halt) as well as the concepts of ECO Auction Collars and ECO Auction Price.

[84] *See* the American Pillar Omnibus Filing (describing available Pillar Cross Orders in Rule 900.3NYP(g)).

[85] *Compare* proposed Rule 900.3NYP(g)(1) (describing Cross Orders on the Exchange as including Customer to-Customer Cross Orders and Single-Leg and Complex CUBE Orders) with Arca Options Rule 6.62P–O(g)(1) (describing Cross Orders on Arca Options as including solely QCC Orders). *See, e.g.,* Rules 971.1NY and 971.2NY (regarding price requirements to initiate a Single-Leg and Complex CUBE Auction, respectively). As noted herein, the Exchange proposes to submit separate rule filings to adopt CUBE Auction functionality on Pillar, which would be set forth in proposed new Rules 971.1NYP and 971.2NYP.

[86] *See* Rule 900.2NY (describing that the ''NBBO'' refers to the national best bid or offer and that ''[u]nless otherwise specified, the Exchange may adjust its calculation of the NBBO based on information about orders it sends to Away Markets, execution reports received from those Away Markets, and certain orders received by the Exchange'').

[87] *See, e.g.,* Cboe Rule 5.34(b)(6) (describing the ''Drill-Through Protection'' and that Cboe ''determines default buffer amount on a class-by-class basis). *See also* the American Pillar Omnibus Filing (describing use of a Trader Update to modify Specified Thresholds in proposed Rule 900.3NYP(a)(3)(C)).

sender would instead pay (or receive) a net premium, the Exchange would reject any ECO that is comprised of the erroneously-priced complex strategies as set forth in proposed Rule 980NYP(g)(3)(A)–(C) and described below.

○ Proposed Rule 980NYP(g)(3)(A) is identical to Arca Options Rule 6.91P–O(g)(3)(A) and would provide that '' 'all buy' or 'all sell' strategies'' would be rejected as erroneously-priced if it is an ECO for a complex strategy where all legs are to buy (sell) and it is entered at a price less than one penny ($0.01) times the sum of the number of options in the ratio of each leg of such strategy (*e.g.,* a complex strategy to buy (sell) 2 calls and buy (sell) 1 put with a price less than $0.03). The proposed text is based on Rule 980NY, Commentary .06(a)(1), with no substantive differences, except that the Exchange has streamlined the text and set forth the minimum price (*i.e.,* $0.03) for any ''all buy'' or ''all sell'' strategies.

○ Proposed Rule 980NYP(g)(3)(B) is identical to Arca Options Rule 6.91P–O(g)(3)(B) and would provide for the rejection of erroneously-priced ''Vertical spreads,'' which are defined as complex strategies that consists of a leg to sell a call (put) option and a leg to buy a call (put) option in the same option class with the same expiration but at different strike prices. As proposed, the Exchange would reject as erroneously-priced: (i) an ECO for a vertical spread to buy a lower (higher) strike call and sell a higher (lower) strike call and the ECO sender would receive (pay) a net premium (proposed Rule 980NYP(g)(3)(B)(i)); and (ii) an ECO for a vertical spread to buy a higher (lower) strike put and sell a lower (higher) strike put and the ECO sender would receive (pay) a net premium (proposed Rule 980NYP(g)(3)(B)(ii)). The proposed strategy protections for vertical spreads are based on current Rule 980NY, Commentary .06(a)(2), except that, as noted above, the proposed Rule is written from the standpoint of the expectation of the ECO sender as opposed to reviewing total net debit or credit price of the strategy.

○ Proposed Rule 980NYP(g)(3)(C) is identical to Arca Options Rule 6.91P–O(g)(3)(C) and would provide for the rejection of erroneously-priced ''Calendar spreads,'' which are defined as consisting of a leg to sell a call (put) option and a leg to buy a call (put) option in the same option class at the same strike price but with different expirations. As proposed, the Exchange would reject as erroneously-priced: (i) an ECO for a calendar spread to buy a call leg with a shorter (longer) expiration while selling a call leg with a longer (shorter) expiration and the ECO sender would pay (receive) a net premium (proposed Rule 980NYP(g)(3)(C)(i)); and (ii) an ECO for a calendar spread to buy a put leg with a shorter (longer) expiration while selling a put leg with a longer (shorter) expiration and the ECO sender would pay (receive) a net premium (proposed Rule 980NYP(g)(3)(C)(ii)). The proposed strategy protections for calendar spreads are based on current Rule 980NY, Commentary .06(a)(3), except that, as noted above, the proposed Rule is written from the standpoint of the expectation of the ECO sender as opposed to reviewing the total net debit or credit price of the strategy. The Exchange has also not retained discretion to disable the strategy protections for calendar spreads (as contained in Commentary .06(a)(3)(i) of the current Rule) because since adopting this provision in 2017, the Exchange has never exercised this discretion and therefore has determined that such discretion is no longer needed.

○ Proposed Rule 980NYP(g)(3)(D) is identical to Arca Options Rule 6.91P–O(g)(3)(D) and would provide that any ECO that is not rejected by the complex strategy protections would still be subject to the ECO Price Protection, per paragraph (g)(2) of this Rule, which proposed text is based on Rule 980NY, Commentary .06(b) without any substantive difference.

Rule 935NY: Order Exposure Requirements

The Exchange also proposes conforming, non-substantive amendments to Rule 935NY, regarding order exposure, to add a cross-reference to new Pillar Rule 980NYP. Current Rule 935NY (iv) exempts orders submitted to the COA Process, (per current Rule 980NY) from its one-second order exposure requirements. This proposed amendment would extend the exemption from the order exposure requirements to orders submitted to a COA on Pillar.[88] The Exchange also proposes to modify the reference to ''Complex Order Auction Process ('COA')'' to simply ''Complex Order Auction ('COA')'' (*i.e.,* removing the word Process) consistent with how this concept is defined in proposed Rule 980NYP(a)(3). As previously stated, the Exchange believes that the proposed Response Time Interval for a COA (with a duration of no less than 100 milliseconds) is of sufficient length to allow ATP Holders time to respond to a COA. As such, the proposal is designed to promote timely execution of the COA Order, while ensuring adequate exposure of such orders. Accordingly, the Exchange proposes to amend Rule 935NY (iv) to extend the exemption from the one-second exposure requirement to COA Orders under Pillar, which exemption is substantively identical to NYSE Arca Rule 6.47A–O. Consistent with Rule 935NY, Commentary .01, ATP Holders would only utilize the COA where there is a genuine intention to execute a bona fide transaction.[89]

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

Implementation

As noted immediately above, the Exchange will not implement proposed Rule 980NYP until all other Pillar-related rule filings (*i.e.,* with a ''P'' modifier) are approved or operative, as applicable, and the Exchange announces the migration of underlying symbols to Pillar by Trader Update.

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 for trading of ECOs on its options trading platform would

[88] *See* proposed Rule 935NY(iv). The Exchange also proposes to replace reference to ''System'' with ''the Exchange.'' *See id.* (preamble). *See* Arca Options Rule 6.47A (''With respect to orders routed to the Exchange, Users may not execute as principal orders they represent as agent'' unless, among other requirements, ''the User utilizes the Complex Order Auction (''COA'') pursuant to Rule 6.91–O(c) or 6.91P–O(f).'').

[89] *See* Rule 935NY, Commentary .01 (''Rule 935NY prevents a User from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the User was already bidding or offering on the book'').

promote competition among options exchanges by offering a low-latency platform that offers more deterministic outcomes for trading interest, which, in turn, facilities ECO trading on a continuous and real-time basis on the Exchange.

The proposed rule changes would support that inter-market competition by allowing the Exchange to offer additional functionality to its ATP Holders, thereby potentially attracting additional order flow to the Exchange. Otherwise, the proposed changes are not designed to address any competitive issues, but rather to amend the Exchange's rules relating to trading of ECOs to support the transition to Pillar. As discussed in detail above, with this rule filing, the Exchange is not proposing to change its core functionality regarding the treatment of ECOs. Rather, the Exchange believes that the proposed rule changes would promote consistent use of terminology to support options trading on the Exchange (and to promote uniformity with its affiliated exchange Arca Options), making the Exchange's rules easier to navigate. The Exchange does not believe that the proposed rule changes would raise any intra-market competition as the proposed rule changes would be applicable to all ATP Holders, and reflects the Exchange's existing treatment of ECOs, without proposing any material substantive changes. As noted herein, proposed Rule 980NYP is substantively the same as Arca Options Rule 6.91P–O except as noted herein (including to account for the Exchange's Customer priority/pro rata allocation model).

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. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.[90] In particular, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with section 6(b)(5) of the Act,[91] which requires, among other things, that the Exchange's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trad 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. This order approves the proposed rule change in its entirety, although only certain more significant aspects of the proposed rules are discussed below.

As described more fully above, the Exchange proposes to amend its rules to enable the transition of options trading to the Exchange's Pillar technology platform. The Exchange states that its affiliated options exchange, NYSE Arca Options, as well as its affiliated equity markets, are currently operating on Pillar, and that, for the transition of the Exchange's options trading platform, the Exchange proposes to use the same Pillar technology already in operation for its affiliated markets. As discussed below, the majority of the proposed rules are substantively identical to rules relating to the trading of ECOs on the Pillar trading platform of NYSE Arca Options, which the Commission approved previously.[92]

A. Definitions

The defined terms in proposed Exchange Rule 980NYP(a), except for the proposed definition of DBBO, are substantively identical to the defined terms in NYSE Arca Rule 6.91P–O(a). These defined terms should help to clearly describe the trading of ECOs on the Exchange's Pillar technology platform. The proposed definition of ECO identifies the Complex Orders that will be eligible to trade electronically on the Exchange.[93] The proposed definitions of ''leg'' or ''leg market'' and ''ratio'' or ''leg ratio'' should help to clarify the terminology used to describe the trading of ECOs.[94] The proposed definitions of ''complex strategy'' and ''ECO Order Instruction'' are identical to defined terms used on NYSE Arca, and the Exchange states that the proposed definition of ECO Order Instruction will incorporate existing Pillar order handling functionality in an auction.[95] The proposed definition of ''Away Market Deviation'' and ''Complex NBBO'' are identical to NYSE Arca's definitions of these terms,[96] and the definition of Complex NBBO also is consistent with defined terms used on other options exchanges.[97] The proposed defined terms relating to the operation of the COA, including the definitions of ''COA Order Auction,'' ''COA Order,'' ''Request for Response,'' ''RFR Response,'' and ''Response Time Interval'' are substantively identical to defined terms in the rules of NYSE Arca.[98]

The proposed definition of DBBO is largely identical to the definition of DBBO in NYSE Arca Rule 6.91P–O(a)(5), except that proposed Exchange Rule 980NYP(a)(5)(A) provides that, when there is no Exchange BB (BO), no ABB (ABO), and no Exchange BO (BB) for a component leg of a complex strategy, the bid (offer) priced used to calculate the DBBO will be the ABO (ABB) for that leg minus (plus) the collar amounts specified in Exchange Rule 900.3NYP(a)(4)(C) (the ''collar value''); or $0.01 if the result of subtracting one collar value from the offer would be equal to or less than zero. As described more fully above, the Exchange states that referencing the collar values in Exchange Rule 900.3NYP(a)(4)(C) will help to align the values used in calculating the DBBO with the collar values used in other Exchange rules, thereby providing internal consistency to the Exchange's rules.

B. ECO Order Types and Times-in-Force

The proposed ECO order types—Limit Orders, Limit Orders, Limit Orders designated as Complex Only Orders, and Complex QCCs—are identical to order types currently available on NYSE Arca.[99] In addition, the proposed times-

[90] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[91] 15 U.S.C. 78f(b)(5).

[92] *See* Arca Options ECO Approval Order, *supra* note 7.

[93] Proposed Exchange Rule 980NYP(a)(7) defines an ECO to mean a Complex Order, as defined in Exchange Rule 900.3NYP(f) that is submitted electronically to the Exchange. Exchange Rule 900.3NYP(f) defines a Complex Order as any order involving the simultaneous purchase and/or sale of two or more option series in the same underlying security (the ''legs'' or ''components'' of the Complex Order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy. *See* American Pillar Omnibus Filing, *supra* note 12.

[94] *See* proposed Exchange Rules 980NYP(a)(8) and (9).

[95] *See* NYSE Arca Rule 6.91P–O(a)(4) and (6).

[96] *See* NYSE Arca Rules 6.91P–O(a)(1) and (2).

[97] *See, e.g.,* BOX Rule 7240(a)(3) (stating that the term ''cNBBO'' means the best net bid and offer price for a Complex Order Strategy based on the NBBO for the individual options components of such Strategy); and MIAX Rule 518(a)(2)) (stating, in part, that the cNBBO is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy).

[98] *See* NYSE Arca Rule 6.91P–O(a)(3).

[99] *See* NYSE Arca Rule 6.91P–O(b)(1). The Exchange states that allowing ECOs to be designated as Complex QCC is consistent with current functionality not described in the Exchange's rules. The Exchange rules addressing

in-force—Day, IOC, FOK, or GTC—are identical to the times-in-force available for ECOs on NYSE Arca.[100] Other options exchanges also offer similar order types and times-in-force for complex orders.[101] As described more fully above, proposed Exchange Rule 980NYP(b)(2)(C) provides that an ECO designated as GTX (a ''COA GTX Order'') will not be displayed, may be entered only during the Response Time Interval of a COA, must be on the opposite side of the COA Order, and must specify the price, size, and side of the market. Any remaining size of a COA GTX Order that does not trade with the COA Order will be cancelled at the end of the COA.[102] The proposed COA GTX Order is substantively identical to the ECO GTX Order provided in NYSE Arca Rule 6.91P–O(b)(2)(C), except for the difference in the names of the orders.

C. Priority and Pricing of ECOs

Proposed paragraph (c) of Exchange Rule 980NYP is substantively identical to paragraph (c) of NYSE Arca Rule 6.91P–O, except that proposed paragraph (c) incorporates the priority provisions in Exchange Rule 964NYP rather than NYSE Arca's price/time priority framework. Proposed Exchange Rules 980NYP(c)(1)–(4) establish pricing requirements for ECOs. Proposed Exchange Rule 980NYP(c)(1), which states that when trading with the leg markets, an ECO will trade at the price(s) of the leg markets unless the leg markets are priced more than the maximum allowable Away Market Deviation, is identical to NYSE Arca Rule 6.91P–O(c)(1).[103] The Commission believes that specifying that an ECO will trade at the price(s) of the leg markets provides clarity regarding the prices at which ECOs will trade when executing against leg market interest. The Commission believes that limiting execution prices to prices within the maximum allowable Away Market Deviation for the component legs of an ECO is designed to protect investors by helping to prevent ECOs from executing at prices that do not reflect the current market.[104] Another options exchange has adopted a similar protection for complex orders.[105]

As described more fully above, proposed Exchange Rules 980NYP(c)(2)–(4) provide that each component leg of an ECO will trade at a price at or within the Exchange BBO for the series, and not at a price of zero; allow ECOs to trade without consideration of prices of the same complex strategy available on other exchanges; and allow complex strategies to be quoted and traded in $0.01 increments. These provisions are identical to NYSE Arca Rules 6.91P–O(c)(2)–(4) and are consistent with rules adopted by other options exchanges.[106]

D. Execution of ECOs at the Open or Reopening After a Trading Halt

The Commission believes that the ECO opening auction process in proposed Exchange Rule 980NYP(d) is designed to provide for the orderly opening, or re-opening after a trading halt, of ECOs on the Exchange. The ECO Auction Collar in proposed Exchange Rule 980NYP(d)(3)(A), which is identical to the ECO Auction Collar in NYSE Arca Rule 6.91P–O(d)(3)(A), protects the priority of resting displayed Customer leg market interest by providing that when the DBO (DBB) used to determine the ECO Auction Collar is calculated using the Exchange BBO for all legs of the complex strategy and all the Exchange BBOs have displayed Customer interest, the upper (lower) price of the ECO Auction Collar will be one penny ($0.01) times the smallest leg ratio inside the DBO (DBB). As described more fully above, proposed Exchange Rule 980NYP(d)(3)(B), which is identical to NYSE Arca Rule 6.91P–O(d)(3)(B), provides that the ECO Auction Price will be the price at which the maximum volume of ECOs can be traded in an ECO Opening Auction and establishes a process for identifying the ECO Auction Price when more than one potential auction price is available. The Commission believes that proposed Exchange Rule 980NYP(d)(3)(B) provides transparency with respect to the process for determining the ECO Auction Price and is designed to allow the maximum volume of ECOs to trade during the opening or reopening. The Exchange states that the processing of ECOs received during an ECO Opening Auction Process, as described in proposed Exchange Rule 980NYP(d)(4), and the transition to continuous trading following an ECO Opening Auction Process, as described in proposed Exchange Rule 980NYP(d)(5), are identical to the processing that occurs under NYSE Arca Rules 6.91P–O(d)(4) and (5) and will promote consistency across the Exchange's options trading platforms. The Commission believes that proposed Exchange Rules 980NYP(d)(4) and (5), which are identical to NYSE Arca Rules 6.91P–O(d)(4) and (5), should help to provide for an orderly opening process.

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the trading of Complex QCC Orders are included in the American Pillar Omnibus Filing.

[100] *See* NYSE Arca Rule 6.91P–O(b)(2). In addition, proposed Exchange Rule 980NYP(b)(2)(A) states that an ECO designated as IOC or FOK will be rejected if entered during a pre-open state, and proposed Exchange Rule 980NYP(b)(2)(B) states that an ECO designated as FOK must also be designated as a Complex Only Order. These provisions are identical to NYSE Arca Rules 6.91P–O(b)(2)(A) and (B), respectively.

[101] *See, e.g.,* BOX Rule 7240(b)(4)(i) (allowing complex orders to be entered as Fill-and-Kill orders, Limit Orders, Market Orders, or Session Orders); ISE Options 3, Section 14(b) (allowing complex orders to be entered as, among others, market orders, limit orders, AON orders, Day orders, FOK orders, IOC orders, and GTC orders; and MIAX Rule 518(b)(1) (permitting the entry of complex orders that are limit orders, market orders, GTC, or day limit orders, among others).

[102] *See* proposed Exchange Rule 980NYP(b)(2)(C).

[103] Proposed Exchange Rule 980NYP(a)(1) provides that the Away Market Deviation means the difference between the Exchange BB (BO) for a series and the ABB (ABO) for that same series when the Exchange BB (BO) is lower (higher) than the ABB (ABO). The maximum allowable Away Market Deviation is the greater of $0.05 or 5% below (above) the ABB (ABO) (rounded down to the nearest whole penny). No ECO on the Exchange will execute at a price that would exceed the maximum allowable Away Market Deviation on any component of the complex strategy. The proposed definition of Away Market Deviation is identical to the definition of that term in NYSE Arca Rule 6.91P–O(a)(1).

[104] Proposed Exchange Rule 980NYP(a)(1) provides that the Away Market Deviation means the difference between the Exchange BB (BO) for a series and the ABB (ABO) for that same series when the Exchange BB (BO) is lower (higher) than the ABB (ABO). The maximum allowable Away Market Deviation is the greater of $0.05 or 5% below (above) the ABB (ABO) (rounded down to the nearest whole penny). No ECO on the Exchange will execute at a price that would exceed the maximum allowable Away Market Deviation on any component of the complex strategy.

[105] *See* BOX Rule 7240(a)(5) (providing that the '' 'Extended cNBBO' means the maximum permissible net bid and offer execution price for a Complex Order Strategy. The Extended cNBBO is calculated by subtracting the Extended cNBBO Limit from the cNBB and adding the Extended cNBBO Limit to the cNBO. In calculating the Extended cNBBO, each side of the Extended cNBBO is rounded to the nearest penny within the Extended cNBBO (*i.e.,* the cNBB is rounded up to the nearest penny and the cNBO is rounded down to the nearest penny'')).

[106] *See, e.g.,* BOX Rule 7240(b)(3)(iii) (stating that the exchange will filter inbound Complex Orders to ensure that each leg of a Complex Order will be executed at a price that is equal to or better than the BOX BBO for each of the component series); and Cboe Rule 5.33(f)(2)(A)(iii) (stating that the System does not execute a complex order at a price that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book). *See also* Cboe Rule 5.33(f)(2)(A)(i) and MIAX Rule 518(c)(1)(iii) (prohibiting any component leg of a complex strategy from executing at a price of zero); BOX Rule 7420(b)(3) (stating that Complex Orders will be executed without consideration of any prices on the same Strategy that might be available on other exchanges); and ISE Options 3, Section 14(c)(1) (stating that bids and offers for Complex Options Strategies may be expressed in one cent ($0.01) increments, and the options leg of Complex Options Strategies may be executed in one cent ($0.01) increments, regardless of the minimum increments otherwise applicable to the individual options legs of the order.

The ECO opening auction process in proposed Exchange Rule 980NYP(d) will operate in the same manner as the ECO opening auction process provided in NYSE Arca Rule 6.91P–O(d), except that proposed Exchange Rule 980NYP(d) will incorporate the Exchange's priority provisions rather than NYSE Arca's price/time priority model. Accordingly, proposed Exchange Rule 980NYP(d)(3)(iii) states that ECOs eligible to participate in the ECO Opening or Reopening Auction Process will be ranked as provided in Exchange Rule 964NYP(c)–(g) and will trade as follows: (a) ECOs priced better than the ECO Auction Price will trade based on ranking; and (b) ECOs priced at the ECO Auction Price will trade per Exchange Rule 964NYP(j). The Commission believes that applying these priority provisions to ECOs that are eligible to participate in the ECO opening or reopening auction process will ensure that ECOs that trade in an ECO opening or reopening auction trade in a manner that is consistent with the Exchange's existing priority rules.

E. Execution of ECOs During Core Trading Hours

Proposed Exchange Rule 980NYP(e), which addresses the trading of ECOs during core trading hours, is substantially identical to NYSE Arca Rule 6.91P–O(e), except that Exchange Rule 980NYP(e)(1)(A) provides for order allocations pursuant to Exchange Rule 964NYP, rather than in price/time priority.[107] Proposed Exchange Rule 980NYP(e)(1)(A) is designed to provide for the execution of complex orders while protecting the priority of established leg market interest. Under proposed Exchange Rule 980NYP(e)(1)(A), after a complex strategy is open for trading, an ECO will trade with the best-priced contra-side interest and if, at a price, the leg markets can trade with an eligible ECO, in full or in a permissible ratio, the leg markets will trade first at that price, pursuant to Exchange Rule 964NYP, until the quantities on the leg markets are insufficient to trade with the ECO, at which time the ECO will trade with contra-side ECOs resting in the Consolidated Book at that price. This process is consistent with the rules of another options exchange.[108]

Proposed Exchange Rule 980NYP(e)(1)(B), which is identical to NYSE Arca Rule 6.91(e)(1)(B), provides that an ECO will not trade with orders in the leg markets designated as AON, FOK, or with an MTS Modifier. The Exchange states that this provision is designed to simplify the operation of ECO trading and to make clear that ECOs will not trade with orders that have conditional size-related instructions. Other options exchanges have adopted similar restrictions with respect to the execution of AON orders.[109]

Proposed Exchange Rule 980NYP(e)(1)(C), which is identical to NYSE Arca Rule 6.91O(e)(1)(C), provides that a Complex Only Order will not be able to trade at a price that is worse than the Exchange BB(BO) when the DBBO is calculated using the Exchange's BB(BO) for the component legs of the order. The proposed rule further provides that if the DBB(DBO) is calculated using the Exchange BBOs for all legs of the strategy and all of the Exchange BBOs have displayed Customer interest, the Complex Only Order will be required to trade at a price that is better than the DBB(DBO).[110] The Commission believes that proposed Exchange Rule 980NYP(e)(1)(C) is designed to provide for the execution of Complex Only Orders while protecting the priority of resting leg market interest, including Customer interest.

Proposed Exchange Rule 980NYP(e)(1)(D), which is identical to NYSE Arca Rule 6.91P–O(e)(1)(D), provides that an ECO will be processed as a Complex Only Order if the ECO has a complex strategy with (i) more than five legs; (ii) two legs and both legs are buying or both legs are selling, and both legs are calls or both legs are puts; or (iii) three or more legs and all legs are buying or all legs are selling. As discussed above, the Exchange states that requiring these ECOs to be processed as Complex Only Orders is designed to help Market Makers manage risk. Other options exchanges have adopted similar rules.[111]

Proposed Exchange Rule 980NYP(e)(2), which is identical to NYSE Arca Rule 6.91P–O(e)(2), provides that the Exchange will evaluate trading opportunities for a resting ECO when the leg markets comprising a complex strategy update, provided that during periods of high message volumes, such evaluation may be done less frequently. The Commission believes that these evaluations could result in additional executions of resting ECOs.

[107] Proposed Exchange Rule 980NYP(e)(1)(A) states that if, at a price, the leg markets can trade with an eligible ECO, in full or in a permissible ratio, the leg markets will trade first at that price, pursuant to Rule 964NYP, until the quantities on the leg markets are insufficient to trade with the ECO, at which time such ECO will trade with contra-side ECOs resting in the Consolidated Book at that price, pursuant to Rule 964NYP.

[108] *See* BOX Rule 7240(b)(2)(ii). *See also* BOX Rules 7240(b)(3)(i) and (ii). BOX Rule 7240(b)(2)(ii) provides that ''A Complex Order for which a leg of such Complex Order's underlying Strategy is not in a one-to-one ratio with each other leg of such Strategy will execute against the bids and offers on the BOX Book for the individual legs of the Strategy for all of the quantity available at the best price in a permissible ratio until the quantities remaining on the BOX Book are insufficient to execute against the Complex Order. Following such execution, a Complex Order may execute against another Complex Order and the component legs of the Complex Orders may trade at prices equal to the corresponding prices on the BOX Book.'' BOX Rule 7240(b)(3)(i) states that ''Complex Orders will be automatically executed against bids and offers on the Complex Order book in price/time priority; provided, however, that Complex Orders will execute against Complex Orders only after bids and offers at the same net price on the BOX Book for the individual legs have been executed.'' BOX Rule 7240(b)(3)(ii) states that ''Complex Orders will be automatically executed against bids and offers on the BOX Book for the individual legs of the Complex Order to the extent that the Complex Order can be executed in full or in a permissible ratio by such bids and offers.''

[109] *See, e.g.,* Cboe Rules 5.33(d)(5) (stating that an AON complex order may only execute against COA Responses and unrelated orders resting in the COB in price-time priority if there is sufficient size to satisfy the AON complex order (and may not execute against orders resting in the Simple Book)); and 5.33(g)(4) (stating that Post Only complex orders and AON complex orders may not Leg into the Simple Book); and EDGX Rules 21.20(d)(5)(A) and 21.20(g)(4) (same).

[110] *See* proposed Exchange Rule 980NYP(e)(1)(C) (stating that a Complex Only Order must trade at a price at or within the DBBO, provided that if the DBB (DBO) is calculated using the Exchange BBOs for all legs of the complex strategy and all such Exchange BBOs have displayed Customer interest, the Complex Only Order will not trade below (above) one penny ($0.01) times the smallest leg ratio inside the DBB (DBO), regardless of whether there is sufficient quantity on such leg markets to satisfy the ECO).

[111] *See, e.g.,* Cboe Rule 5.33(g)(2) (stating that complex orders for any capacity other than customer with two option legs that are both buy or both sell and that are both calls or both puts may not leg into the simple book and may execute against other complex orders in the COB); Cboe Rule 5.33(g)(3) (stating that all complex orders with three or four option legs that are all buy or all sell (regardless of whether the option legs are calls or puts) may not leg into the Simple Book and may execute against other complex orders in the COB); ISE Options 3, Sections 14(d)(3)(A) (stating that Complex Orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other Complex Orders in the Complex Order Book); ISE Options 3, Section 14(d)(3)(B) (stating that complex orders with three or four option legs where all legs are buying or all legs are selling may only trade against other Complex Orders in the Complex Order Book; and MIAX Rule 518(c)(iii) (stating that complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders on the Strategy Book and will not be permitted to leg into the Simple Order Book. Complex orders with three option legs where all legs are buying or all legs are selling may only trade against other complex orders on the Strategy Book, regardless of whether the option leg is a call or a put).

F. Execution of Orders During a COA

The COA auction process in proposed Exchange Rule 980NYP(f) is substantially identical to the COA auction process in NYSE Arca Rule 6.91P–O(f), except that proposed Exchange Rule 980NYP(f) provides for customer priority in the allocation of RFR Responses, rather than applying NYSE Arca's price/time priority framework.[112] In addition, unlike NYSE Arca Rule 6.91P–O(f), proposed Exchange Rule 980NYP(f) refers to ''COA GTX Orders,'' as described above, rather than ''ECO GTX Orders.'' The proposed rule also differs from NYSE Arca Rule 6.91P–O(f) by including a reference to RFR Responses priced equal to the COA Order and by providing that such Responses may trade with the COA Order down to the DBB, as well as up to the DBO.[113] The Commission believes the COA in proposed Exchange Rule 980NYP(f) is designed to provide COA Orders submitted to the auction with execution and price improvement opportunities while preserving the priority of resting interest on the Exchange's limit order book.[114]

To initiate a COA, the limit price of the COA Order to buy (sell) must be higher (lower) than the best-priced, same-side ECOs resting on the Consolidated Book and equal to or higher (lower) than the midpoint of the DBBO.[115] The Commission believes that these requirements could result in more competitive COA auctions, which could make it more likely that COA Orders will receive price improvement. Prior to initiating a COA, a COA Order to buy (sell) will trade with any ECO to sell (buy) resting in the Consolidated Book that is priced equal to or lower (higher) than the DBO (DBB).[116] If the DBO (DBB) is calculated using the Exchange BBO for all legs of the complex strategy and all such Exchange BBOs have displayed Customer interest, the COA Order will trade up (down) to one penny ($0.01) times the smallest leg ratio inside the DBO (DBB) (*i.e.,* priced better than the leg markets) and any unexecuted portion of the COA Order will initiate a COA.[117] At the conclusion of a COA, RFR Responses to sell (buy) that are priced lower (higher) than a COA Order to buy (sell) will trade in price-time priority up (down) to the DBBO, provided that if all legs of the DBB (DBO) are calculated using Exchange BBOs and all such Exchange BBOs have displayed Customer interest, RFR Responses to sell (buy) will not trade below (above) one penny ($0.01) times the smallest leg ratio inside the DBB (DBO) on the Exchange.[118] The Commission believes that these provisions will provide help to preserve the priority of resting leg market interest during a COA auction, including displayed Customer leg market interest.

The Commission believes that proposed Exchange Rule 980NYP(f)(3), which identifies circumstances that would cause the COA to end early, including when interest on the Exchange locks or crosses the DBBO, should help to prevent COA Orders from executing at prices too far away from the prevailing market for the complex strategy. Proposed Exchange Rule 980NY(f)(5), which is identical to NYSE Arca Rule 6.91P–O(f)(5), states that a pattern or practice of submitting unrelated quotes or orders that cause a COA to conclude early would be deemed conduct inconsistent with just and equitable principles of trade. Other options exchanges also have adopted similar rules.[119]

G. ECO Risk Checks

Proposed Exchange Rule 980NYP(g)(1), which is identical to NYSE Arca Rule 6.91P–O(g)(1), limits the maximum number of new complex strategies that may be requested to be created per MPID. The Commission believes that this provision could help the Exchange maintain a fair and orderly market. Other options exchanges have similar strategy limits.[120]

The ECO price and strategy protections in proposed Exchange Rule 980NYP(g)(2) and (3) are designed to protect investors by preventing the entry and execution of ECOs at potentially erroneous prices. Other options exchanges have adopted price protections for complex strategies.[121] Proposed Exchange Rules 980NYP(g)(2) and (3) are substantively identical to NYSE Arca Rule 6.91P–O(g)(2) and (3), except the proposed Exchange Rule 980NYP(g)(2)(iv) states that ''Cross Orders,'' rather than ''QCC Orders,'' will not be subject to the ECO Price Protection. The Exchange states that proposed Exchange Rule 980NYP(g)(2)(iv) refers to Cross Orders because Cross Orders on the Exchange include but are not limited to QCC Orders.[122] The Exchange further states that Cross Orders are not be subject to the ECO Price Protection because the Exchange applies distinct price validations to these paired orders.

H. Additional Changes

As described more fully above, the Exchange proposes to add a preamble to Exchange Rule 900NY indicating that rules with a ''P'' modifier are operative for symbols that are trading on the Pillar trading platform, and that rules with the same number as a rule with a ''P'' modifier will no longer be operative for a symbol after the symbol begins trading on Pillar. The proposed preamble further states that the Exchange will announce by Trader Update when symbols are trading on the Pillar trading platform. In addition, the Exchange proposes to add a preamble to Exchange Rule 980NY, which describes how ECOs currently trade on the Exchange, to state that Exchange Rule 980NY is not applicable to trading on Pillar. The Commission believes that these provisions will help to clarify the applicability of the Exchange's rules

[112] *See* proposed Exchange Rule 980NYP(f)(4)(A)(i) (stating that the COA Order will trade with the best priced contra-side interest and, within each priority category, will trade first with Customer RFR Responses in time priority, followed by non-Customer RFR Responses on a size pro rata basis pursuant to Rule 964NYP(i). Non-Customer RFR Responses will be capped at the remaining size of the COA Order for purposes of size pro rata allocation).

[113] Proposed Exchange Rule 980NYP(f)(4)(A) states that RFR Responses to sell (buy) that are priced equal to or lower (higher) than a COA Order to buy (sell) will trade with the COA Order down (up) to the DBB (DBO), but if all legs of the DBB (DBO) are calculated using Exchange BBOs and all such Exchange BBOs have displayed Customer interest, RFR Responses to sell (buy) will not trade below (above) one penny ($0.01) times the smallest leg ratio inside the DBB (DBO).

[114] A COA Order is an ECO that is designated by the ATP Holder as eligible to initiate a COA. *See* proposed Exchange Rule 980NYP(a)(2)(A).

[115] *See* proposed Exchange Rule 980NYP(f)(1).

[116] *See* proposed Exchange Rule 980NYP(f)(2)(A).

[117] *See id.*

[118] *See id.*

[119] *See, e.g.,* Cboe Rule 5.33, Interpretation and Policy .03 (stating that a pattern or practice of submitting orders that cause a COA to conclude early will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 8.1); and ISE Options 3, Section 13, Supplementary Material .01 (stating, in part, that it shall be considered conduct inconsistent with just and equitable principles of trade for any Member to enter orders, quotes, Agency Orders, Counter-Side Orders or Improvement Orders for the purpose of disrupting or manipulating the Price Improvement Mechanism).

[120] *See, e.g.,* Cboe Rule 5.33(a) (stating, in the definition of Complex Strategy, that Cboe may limit the number of new complex strategies that may be in [Cboe's] System or entered for any EFID (which EFID limit would be the same for all Users) at a particular time; and MIAX Rule 518(a)(6) (stating that MIAX may limit the number of new complex strategies that may be in [MIAX's] System at a particular time and will communicate this limitation to Members via Regulatory Circular).

[121] *See, e.g.,* Cboe Rule 5.34(b)(3); ISE Options 3, Section 16(b); and MIAX Rule 532(b)(2), (3), and (4).

[122] Exchange Rule 900.3NYP(g)(1), which is included in the American Pillar Omnibus Filing, describes Cross Orders as including QCC Orders, Customer-to-Customer Cross Orders, and Single-Leg and Complex CUBE Orders. The Exchange proposes to submit separate rule proposals to adopt CUBE Auction functionality on Pillar.

during the Exchange's transition to the Pillar trading platform.

Exchange Rule 935NY provides that orders submitted to the COA Process in Exchange Rule 980NY(e) satisfy the order exposure requirements in Exchange Rule 935NY. The Exchange proposes to amend Exchange Rule 935NY to provide that orders submitted to the Pillar COA in proposed Exchange Rule 980NYP(f) also satisfy the order exposure requirements of Exchange Rule 935NY. The Commission believes that the proposed change to Exchange Rule 935NY is consistent with the Act because, as discussed above, the COA Auction in proposed Exchange Rule 980NYP(f) is substantially identical to the COA in Exchange Rule 980NY(e).

IV. Solicitation of Comments on Amendment No. 1

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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–NYSEAMER–2023–17 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–2023–17. 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–2023–17 and should be submitted on or before July 13, 2023.

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of the notice of Amendment No. 1 in the **Federal Register**. Amendment No. 1 revises the Exchange's original proposal to make the changes discussed in detail above. Notably, Amendment No. 1 revises the definition of DBBO in proposed Exchange Rule 980NYP(a)(5)(A) to clarify collar value used to determine the DBBO, clarifies a cross-reference in the definition of ''Electronic Complex Order,'' and eliminates the proposed definition of ''Complex BBO,'' which is unnecessary because the term is not used in the proposed rules. Amendment No. 1 also revises proposed Exchange Rule 980NYP(c)(4) to indicate that ECOs may be quoted, as well as traded in $0.01 increments, revises proposed Exchange Rule 980NYP(d)(3)(B)(iii) to more clearly describe the execution of ECOs eligible to participate in an opening or reopening auction, and revises proposed Exchange Rule 980NYP(f)(4) to describe the execution of RFR Responses in a COA. Amendment No. 1 also provides additional analysis of several aspects of the proposal, including identifying provisions in the proposal that are identical to NYSE Arca Rule 6.91P–O and more fully explaining the process for determining the DBBO, thereby facilitating the Commission's ability to make the findings set forth above to approve the proposal. The Commission believes that Amendment No. 1 does not raise any novel regulatory issues. Accordingly, the Commission finds good cause for approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

VI. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[123] that the proposed rule change (SR–NYSEAMER–2023–17), as modified by Amendment No. 1, is approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[124]

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2023–13221 Filed 6–21–23; 8:45 am]

BILLING CODE 8011–01–P

[123] 15 U.S.C. 78s(b)(2).

[124] 17 CFR 200.30–3(a)(12).

DEPARTMENT OF STATE

[Public Notice: 12092]

30-Day Notice of Proposed Information Collection: Two (2) Passport Services Information Collections: Application for Consular Report of Birth Abroad of a Citizen of the United States of America and Affidavit of Physical Presence or Residence, Parentage, and Support

ACTION: Notice of request for public comment.

SUMMARY: The Department of State is seeking Office of Management and Budget (OMB) approval for the information collection described below. In accordance with the Paperwork Reduction Act of 1995, we are requesting comments on this collection from all interested individuals and organizations. The purpose of this notice is to allow 30 days for public comment preceding submission of the collection to OMB.

DATES: The Department will accept comments from the public up to July 24, 2023.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to: *www.reginfo.gov/public/do/PRAMain.* Find this information collection by selecting ''Currently under 30-day Review—Open for Public Comments'' or by using the search function. You must include the DS form number, information collection title, and the OMB control number in any correspondence (if applicable). You may send requests for additional information regarding the collection listed in this notice, including requests for copies of the proposed collection instrument and supporting documents, to the following