Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest as the proposed rule change does not raise new or novel issues. Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.[13]

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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–BOX–2023–08 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–BOX–2023–08. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*http://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–BOX–2023–08, and should be submitted on or before April 7, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2023–05446 Filed 3–16–23; 8:45 am]

BILLING CODE 8011–01–P

[13] For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[14] 17 CFR 200.30–3(a)(12), (59).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–97125; File No. SR–NYSEAMER–2023–17]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing of Proposed New Rule 980NYP and Conforming Amendments to Rule 935NY

March 13, 2023.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on February 28, 2023, NYSE American LLC (''NYSE American'' or the ''Exchange'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes new 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 Rule 935NY (Order Exposure Requirements). The proposed rule change is available on the Exchange's website at *www.nyse.com,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

Background

The Exchange plans to transition its options trading platform to its Pillar technology platform. The Exchange's affiliated options exchange, NYSE Arca, Inc. (''NYSE Arca'' or ''Arca Options'') is currently operating on Pillar, as are the Exchange's national securities exchange affiliates' cash equity markets.[3] For this transition, the Exchange proposes to use the same Pillar technology already in operation on Arca Options.[4] In doing so, the Exchange will be able to offer not only common specifications for connecting to both of its options markets, but also common trading functions. 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.[5]

In this regard, the Exchange recently filed a proposal to add new rules to reflect the priority and allocation of

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

[2] 17 CFR 240.19b–4.

[3] 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. (collectively, the ''NYSE Equities Exchanges'').

[4] *See* Arca Options Rule 6.91P–O. *See also* Securities Exchange Act Release No. 92563 (August 4, 2021), 86 FR 43704 (August 10, 2021) (Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, to Adopt New Exchange Rule 980NYP, regarding complex order trading on Pillar) (''Arca Options Approval Order'').

[5] *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.*

options on the Exchange once Pillar is implemented.[6] The current proposal sets forth how Electronic Complex Orders[7] 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.[8] 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 current system. Proposed Rule 980NYP would govern Electronic Complex Orders for trading in options symbols migrated to the Pillar platform.

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.

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 to establish how such orders would be processed after the transition to Pillar. 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.

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, with Pillar, the Exchange would use Pillar terminology to describe functionality that is not changing and also 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) would set forth the definitions applicable to trading on Pillar under the new rule. The proposed definitions are identical to how these terms are defined in Arca Options Rule 6.91P–O(a), except that the proposed Rule includes a definition for ''Complex BBO,'' as described below.

- Proposed Rule 980NYP(a)(1) 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).[9] 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. This proposed risk protection is not new or novel as it is identical to Arca Options Rule 6.91P–O(a)(1) and is also available on other options exchanges.[10] As discussed further below, 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. This proposed definition is new and would promote clarity and transparency.

- Proposed Rule 980NYP(a)(2) 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. This definition is based on current Rule 900.2NY, without any substantive differences and is also identical to Arca Options Rule 6.91P–O(a)(2).[11]
  - Proposed Rule 980NYP(a)(2)(A) would define the term ''Complex BBO'' to mean the complex order(s) to buy (sell) with the highest (lowest) net working price (per proposed Rule 964NYP(a)(3)) on each side of the Consolidated Book for the same complex order strategy. This definition is based on current Rule 900.2NY(a), without any substantive differences.[12]

[6] *See* SR–NYSEAMER–2023–16, filed on February 27, 2023 (proposal to adopt new 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) as well as to add or modify Rule 900.2NY (Definitions) to address the migration to Pillar) (referred to herein as the ''American Pillar Priority Filing''). For avoidance of doubt, references to 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.

[7] 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)(e) that is entered into the System.

[8] *See* American Pillar Priority Filing (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 Approval Order (same).

[9] In the American Pillar Priority Filing, the Exchange proposes to define the (new) term ''Away Market BBO ('ABBO')'' as referring 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'' as referring to the best Away Market bid and best Away Market offer, respectively. *See id.* (defining Away Market BBO in proposed Rule 900.2NYP).

[10] *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'').

[11] *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'').

[12] *See* Rule 900.2NY(a) (defining Complex BBO as referring to ''the complex orders with the lowest-priced (*i.e.,* the most aggressive) net debit/credit price on each side of the Consolidated Book for the same complex order strategy'').

• Proposed Rule 980NYP(a)(3) 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 based on the title of paragraph (e) of current Rule980NY, 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 used for purposes of a COA.

Proposed Rule 980NYP(a)(3)(A) 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 all option classes that trade on Pillar would be COA-eligible.

Proposed Rule 980NYP(a)(3)(B) 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 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) 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.[13] This definition is based in part on the 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) 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 Rule 980NY(e)(4), with a difference that the Exchange proposes to reduce the minimum time from 500 milliseconds to 100 milliseconds. The proposal to establish a minimum duration for a COA is identical to the minimum time frame allowed for a COA per Arca Options Rule 6.91P–O(a)(4) and is consistent with the minimum auction length for the Exchange's electronic-paired auctions (*i.e.,* the CUBE Auction) as well as for auctions on other markets.[14] 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.[15]

• Proposed Rule 980NYP(a)(4) 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. This proposed definition is new and is identical to how this term is defined in Arca Options Rule 6.91P–O(a)(4). Furthermore, this proposed definition is consistent with how this concept is defined on other options exchanges and would promote clarity and transparency.[16]

• Proposed Rule 980NYP(a)(5) would define the term ''DBBO'' to address situations where it is necessary to derive a (theoretical) bid or offer for a particular complex strategy. 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)[17] (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)),

[13] 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.''

[14] *See, e.g.,* Rules 971.1NY(c)(2)(B) (providing that for a Customer Best Execution 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'').

[15] *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'')).

[16] *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).

[17] 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.

minus (plus) ''one collar value,'' per proposed Rule 900.3NY(a)(4)(C); or (ii) $0.01, if the offer is equal to or less than one collar value.[18] The proposed values used to generate a DBBO in the absence of local or Away Market interest would be consistent with the values that the Exchanges proposes to use in the Trading Collars for single-leg orders.[19] In addition, such values are within the current parameters for determining whether a trade is an Obvious Error or Catastrophic Error.[20] This proposed definition of the DBBO is new and is based, in part, on the current definition of Derived BBO as set forth in Rule 900.2NY.[21] Furthermore, this definition is identical to how this term is defined in Arca Options Rule 6.91P–O(a)(4)(C) and is also consistent with how this concept is defined on other options exchanges.[22] 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. The Exchange believes that the additional detail about how the DBBO would be calculated in the absence of an Exchange BB (BO) and ABB (ABO), including that it would be rounded down to the nearest whole penny, would promote clarity and transparency. 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) 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. This functionality is also identical to Arca Options Rule 6.91P–O (a)(5)(B).

Proposed Rule 980NYP(a)(5)(C) 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 Exchange BBO) for a component leg of a complex strategy are locked or crossed, a DBBO calculated when using those prices could be erroneous.[23] 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. This functionality is also identical to Arca Options Rule 6.91P–O(a)(5)(C).

Further, per proposed Rule 980NYP(a)(5)(C), 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. This functionality is also identical to Arca Options Rule 6.91P–O(a)(5)(C). 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.[24] 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-throughs.[25] 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 price-time priority of the leg markets.

• Proposed Rule 980NYP(a)(6) would define the term ''ECO Order

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[18] Proposed Rule 900.3NYP (Orders and Modifiers) will be described in a separate rule filing regarding the operation of orders and quotes on Pillar (the ''Pillar Order Type'' filing). Proposed Rule 900.3NYP(a)(4)(C) would describe how Trading Collars are calculated on Pillar. The Exchange represents that this 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'').

[19] *See id.; see, e.g.,* 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.*

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

[21] *See* Rule 900.2NY(b) (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).

[22] *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'').

[23] 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)).

[24] *See* Arca Options Rule 6.76P–O(b)(3) 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'').

[25] *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.*

Instruction'' to mean a request to cancel, cancel and replace, or modify an ECO, which definition is identical to how this term is defined in Arca Options Rule 6.91P–O(a)(6). As described further below, this concept relates to order processing when a series opens or reopens for trading and is based on the term ''order instruction'' as used in Arca Options Rules 6.64P–O(e) and (f), which (similarly) would define an ''order instruction'' for options as a request to cancel, cancel and replace, or modify an order or quote.

• Proposed Rule 980NYP(a)(7) 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.[26] 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 cross-reference to the definition of a Complex Order as proposed in the American Pillar Priority Filing.

• Proposed Rule 980NYP(a)(8) 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) 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, which definition is identical to how this term is defined in Arca Options Rule 6.91P–O(a)(9). This proposed definition is likewise consistent with how this concept is described on other options exchanges.[27]

Types of ECOs. Proposed Rule 980NYP(b) would set forth the types of ECOs that would trade on Pillar. Proposed Rule 980NYP(b)(1) would provide that ECOs may be entered as Limit Orders, Limit Orders designated as Complex Only Orders, or as Complex QCCs.[28] This proposed text is based on current Rule 980NY(d)(1), with a difference to include reference to (existing) Complex CUBE Orders and to provide that the Exchange would offer Complex Only Orders and Complex QCCs on Pillar. Allowing ECOs to be designated as Complex QCCs is consistent with current functionality not described in the rule 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.[29] The proposed Types of ECOs are also the same as those offered per Arca Options Rule 6.91P–O(b).

• Proposed Rule 980NYP(b)(2) 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).[30]

• 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) would provide that an ECO designated as IOC or FOK would be rejected if entered during a pre-open state,[31] 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) 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 an ''COA GTX Order'' 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. 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 likewise are not displayed and expire at the end of the COA.

Priority and Pricing of ECOs. Proposed Rule 980NYP(c) would set forth how ECOs would be prioritized and priced under Pillar. The 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)[32] 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 Rule 964NYP(e)–(f), with Customer orders at a price ranked ahead of same-priced non-Customer orders. This proposed rule adds cross-references to new rule text (set forth in the American Pillar Priority Filing) but

[26] The proposed definition of Complex Order under Pillar will be included in proposed Rule 900.3NYP, which will be described in the Pillar Order Type Filing. The Exchange represents that the proposed definition of Complex Orders will be substantively the same as this order type is defined in current Rule 900.3NY(e). *See also* Arca Options Rule 6.62P–O(f) (describing Complex Orders in substantively the same manner as Exchange Rule 900.3NY).

[27] *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'').

[28] The Exchange plans to adopt the proposed definitions of Limit Orders and Complex QCC Orders in the Pillar Order Type Filing (adopting Rule 900.3NYP, Orders and Modifiers)). 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).

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

[30] The Exchange plans to adopt the proposed definitions of Day, IOC, FOK, and GTX in the Pillar Order Type Filing (adopting Rule 900.3NYP, Orders and Modifiers). The Exchange represents that these proposed order types will function in a manner substantively the same as is described in current Rule 900.3NY. *See also* Arca Options Rule 6.62P–O(b).

[31] The term ''pre-open state'' will be defined in Rule 952NYP(a)(12) in a subsequent filing (the ''Pillar Auction Filing''), to mean ''the period before a series is opened or reopened,'' which definition will be identical to how this concept is described in Arca Options Rule 6.64P–O(a)(12).

[32] Proposed Rule 980NYP(a)(5)(B)–(C) describe conditions related to the leg markets when complex strategies will not trade.

is otherwise based on Rule 980NY(b), without any substantive differences.[33] 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 other options exchanges.[34] The proposed rule also incorporates the first sentence of Rule 980NY(c)(iii)(A), regarding the ranking and priority of ECOs not immediately executed, with additional detail regarding the time-in-force modifier of the ECO, which adds clarity and transparency to the proposed Rule.[35]

Proposed Rule 980NYP(c) would further provide that, unless otherwise specified in this Rule, ECOs would be processed as follows:

• Proposed Rule 980NYP(c)(1) 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 under Pillar, as discussed further below).[36]

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.[37] 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 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) 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.[38] 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.[39] 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. This proposed functionality operates in the same manner per Arca Options Rule 6.91P–O(c)(2) and is also consistent with how ECOs are processed on other options exchanges.[40]

• Proposed Rule 980NYP(c)(3) 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) would provide that an ECO may trade in one cent ($0.01) increments regardless of the MPV otherwise applicable to any leg of the complex strategy, which is 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) would set forth details about how ECOs would be executed at the open or reopen following a trading halt. With the transition to Pillar, the Exchange proposes new functionality regarding the ''ECO Opening Auction Process'' on the Exchange, which would be applicable both to openings and reopenings following a trading halt. The proposed ECO Opening Auction Process would operate in a manner identical to the auction process set forth in Arca Options Rule 6.91P–O(d) as described below.[41]

• Proposed Rule 980NYP(d)(1) 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 Rule 980NYP(d)(1)(A)–(B) 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) would provide that any ECOs in a complex strategy with prices that lock or cross

[33] 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.'').

[34] *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'').

[35] 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.

[36] *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'').

[37] The Exchange proposes to define the term ''Aggressing Order'' in the American Pillar Priority Filing to mean ''a buy (sell) order or quote that is or becomes marketable against sell (buy) interest on the Consolidated Book.'' See also Arca Options Rule 6.76P–O(a)(5) (same).

[38] *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).

[39] 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).

[40] *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 proposed 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).

[41] This proposed functionality is also consistent with the opening auction process for single-leg options pursuant to Arca Options Rule 6.64P–O. The Exchange plans to adopt new Rule 952NYP for single-leg opening (and reopening) auctions on Pillar, which rule proposal will be filed separately (the ''Pillar Auction Filing''), which proposed functionality will operate in substantively the same manner as Arca Options Rule 6.64P–O (Auction Process).

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 in Pillar not to 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).[42] 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)). 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) 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.

Proposed Rule 980NYP(d)(2)(B) 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) would provide that the ECO Opening Auction Process would be used to reopen trading in ECOs after a trading halt. This proposed rule is consistent with current Rule 952NY(e) and 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.

- Proposed Rule 980NYP(d)(3) would describe each aspect of the ECO Opening Auction Process. First, proposed Rule 980NYP(d)(3)(A) would describe the ''ECO Auction Collars,'' which terminology would be new for ECO trading and is based on the term ''Auction Collars'' used in Arca Options Rule 6.91P–O.

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 new functionality on Pillar 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) would describe the ''ECO Auction Price.'' 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). For Pillar, the Exchange proposes to determine the ECO Auction Price in the same manner as is used pursuant to Arca Options Rule 6.91P–O.

Finally, as proposed, if the ECO Auction Price would be a sub-penny price, it would be rounded to the nearest whole penny, which 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 ECO Auction Price, which would be a new Pillar term for trading ECOs, which price, if in sub-pennies, would be rounded (up or down) to the nearest MPV.

Proposed Rule 980NYP(d)(3)(B)(i) would provide that an ECO to buy (sell) with a limit price at or above (below) the upper (lower) ECO Auction Collar would be included in the ECO Auction Price calculation at the price of the upper (lower) ECO Auction Collar, but ranked for participation in the ECO Opening (or Reopening) Auction Process in price-time priority based on its limit price. This proposed text is based in part on current Rule 980NY(c)(i)(B). The proposed rule would operate in the same manner as Arca Options Rule 6.91P–O regarding the ECO Auction Price.

Proposed Rule 980NYP(d)(3)(B)(ii) 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. This proposed text would be new and is identical to Arca Options Rule 6.91P–O(d)(3)(B)(ii).

- Proposed Rule 980NYP(d)(4) would describe the ''ECO Order Processing during ECO Opening Auction Process,'' which processing would be identical to Rule 6.91P–O(d)(4). The Exchange proposes to apply existing Pillar auction functionality regarding how to process ECOs that may be received during the period when an ECO Auction Process is ongoing.

Accordingly, 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, when the Exchange is conducting the ECO Opening Auction Process, ECO Order Instructions would be processed as follows:

  - Proposed Rule 980NYP(d)(4)(A) 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) 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.

[42] *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.

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

• Proposed Rule 980NYP(d)(5) 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) 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) 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 based on both current functionality and is identical to how orders in an option series that were received during an Auction Processing Period are processed per Arca Options Rule 6.91P–O(d)(5)(B).

Execution of ECOs During Core Trading Hours. Proposed Rule 980NYP(e) would describe how ECOs would be processed during Core Trading Hours. The proposed handling of ECOs during core trading hours would be identical to how ECOs are handled per Arca Options Rule 6.91P–O(e).

Proposed Rule 980NYP(e)(1) 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) 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,[43] in full or in a permissible ratio, the leg markets would trade first at that price, pursuant to proposed Rule 964NYP,[44] 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(j). This functionality is based on Rule 980NY(c)(ii), with the difference that the leg markets always have priority at a price.[45] This proposed functionality of affording leg markets priority at a price is identical to Arca Options Rule 6.91(e)(1)(A) and is consistent with functionality available on other options exchanges.[46]

The Exchange believes that proposed Rule 980NYP(c)(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 would lack sufficient quantity to fill the ECO in a permissible ratio at that price. Absent this provision in Rule 980NYP(c)(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(c)(1)(B) 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 also reflects the Exchange's proposed treatment under Pillar of its new MTS modifier for orders in the leg markets.[47] 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) 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. The proposed Complex Only Orders would be new functionality and would operate in the same manner as Complex Only Orders per Arca Options Rule 6.91P–O(e)(1)(C).[48]

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.[49] This proposed requirement is designed

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

[44] *See* American Pillar Priority Filing (describing Rule 964NYP, Order Ranking, Display, and Allocation, which is the substantively identical Pillar version of current Rule 964NY, except that the proposed rule includes Pillar ranking and priority terminology that is identical to Arca Options Rule 6.76P–O).

[45] *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).

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

[47] The Exchange plans to adopt the proposed the Minimum Trade Size or MTS Modifier in the Pillar Order Type Filing (adopting Rule 900.3NYP, Orders and Modifiers). 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)(B)).

[48] *See* proposed Rule 980NYP(e)(1)(C). In addition to Arca Options, other options exchanges likewise offer Complex Orders that trade only with Complex Orders. *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.

[49] *See* proposed Rule 980NYP(e)(1)(C). Because Complex Only Orders would never trade with the leg markets, whether or not there is sufficient quantity at the displayed Customer price is irrelevant to the operation of this order type.

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, 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.[50] The proposed order type would also operate in the 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 Rule 980NYP(e)(1)(D) 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 is designed to help Market Makers manage risk. The functionality is identical to functionality available per Arca Options Rule 6.91P–O(e)(1)(D)(i). Because the execution of a multi-legged ECO is a single transaction, comprising 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 Rule 6.91–O(e)(1)(D)(i), this restriction is also consistent with similar limits established on other options exchanges.[51]

Proposed Rule 980NYP(e)(1)(D)(ii)–(iii), which treats 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 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.[52] 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 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) 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 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 substantively identical to Arca Options Rule 6.91P–O(f), except as noted here with regard to the allocation of a COA Order.

As proposed, 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, 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 would be new under Pillar 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, 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-

[50] *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).

[51] *See, e.g.,* Cboe Rule 5.33(g) (providing the 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).

[52] *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).

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, 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 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, 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 utilizes the new concept of a DBBO, is consistent with current functionality (that relies on substantively similar concept of Complex BBO (per Rule 900.2NY(a)), and ensures (consistent with current functionality) that interest on the leg markets maintain priority.

• Proposed Rule 980NYP(f)(2)(A) 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 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 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) 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 COA and that the COA Order would not trade with the leg markets until after the COA allocations.

Proposed Rule 980NYP(f)(3) 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, 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).[53] 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) 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) 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) 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) 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)(3)(E) would provide that a COA would end early if the Exchange receives a Complex CUBE Order in the same

[53] 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'').

complex strategy as the COA Order, which is consistent with current functionality only insofar as certain Complex CUBE Orders may cause a COA to end early based on price (*see, e.g.,* Rule 980NY(e)(6)(A) and (B)). The proposed functionality is different, however, because any Complex CUBE Order in the same series as a COA will cause the COA to end early regardless of the price, side, or size of the CUBE Order. The Exchange proposes to end a COA early upon receipt of a CUBE Order in the same series so that the Exchange can evaluate whether the CUBE Order is eligible to initiate a Complex CUBE Auction, per Rule 971.2NY.

• 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 the best-priced interest received in the COA at each price on a ''size pro rata basis,'' as that concept is defined in Rule 964NY(b)(3).[54] Under Pillar, the allocation of the COA Order would continue to be allocated on a size pro rata basis, with new functionality based on the proposed DBBO (per Rule 980NYP(a)(5)) to ensure that Customer interest at a price continues to be afforded priority.

Specifically, 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 up (down) to the DBBO; 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.[55] Further, proposed Rule 980NYP(f)(4)(A)(i) would specify that ''[a]t each price point, the COA Order 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.''[56] The proposed text is based in part on current Rule 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 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. However, on Pillar, Customer RFR Responses would trade in time and would not be subject to a pro rata allocation, which proposed handling is consistent with the Exchange's Customer priority model.[57]

Proposed Rule 980NYP(f)(4)(B) 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) 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) 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,''[58] 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. The proposed change is identical to Arca Options Rule 6.91P–O(f)(5).

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 are identical to and would operate in the same manner as set forth in Arca Options Rule 6.91P–O(g).

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

• Proposed Rule 980NYP(g)(1) 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 MPID, which limit would be announced by Trader Update.[59] As further

[54] *See* Rule 980NYP(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.'').

[55] *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).

[56] *See* American Pillar Priority Filing (which includes proposed Rule 964NYP(i), which sets forth a size pro rata allocation formula that is identical to the formula set forth in current Rule 964NY(b)(3)).

[57] *See, e.g.,* 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); *see also* proposed Rule 964NYP(h)(3) (regarding non-Customers in ''size pro rata pool'') and (j) (regarding allocation of Customer and non-Customer interest) as described in the American Pillar Priority Filing).

[58] *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.

[59] The Exchange has proposed to add the definition of MPID to proposed Rule 900.2NY, which would refer to ''the identification number(s)

Continued

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 new functionality proposed under Pillar but is conceptually similar to 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). The Exchange also notes that other options exchanges likewise impose a limit on new complex order strategies.[60]

- Proposed Rule 980NYP(g)(2) 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.[61] 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 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) 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.[62] This proposed functionality is identical to Arca Options Rule 6.91P–O(g)(2)(A).

  - Proposed Rule 980NYP(g)(2)(A)(i) would provide that an ECO that arrives when a complex strategy is open for trading would be evaluated for ECO Price Protection on arrival. This functionality is identical to Arca Options Rule 6.91P–O(g)(2)(A)(i).
  - Proposed Rule 980NYP(g)(2)(A)(ii) 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.[63] This functionality is identical to Arca Options Rule 6.91P–O(g)(2)(A)(ii).
  - Proposed Rule 980NYP(g)(2)(A)(iii) 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. This functionality is identical to Arca Options Rule 6.91P–O(g)(2)(A)(iii).
  - Proposed Rule 980NYP(g)(2)(A)(iv) would provide that QCC Orders (per Rule 6.62P–O(g)(1)) would not be subject to ECO Price Protection, as the Exchange subjects such paired orders to distinct price validations.[64] This functionality is identical to Arca Options Rule 6.91P–O(g)(2)(A)(iv).
  - Proposed Rule 980NYP(g)(2)(A)(v) would provide that ECO Price Protection would not be applied if there is no Reference Price for an ECO. This functionality is identical to Arca Options Rule 6.91P–O(g)(2)(A)(v).

Proposed Rule 980NYP(g)(2)(B) 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. The Exchange notes this functionality is identical to how this functionality operations per Arca Options Rule 6.91P(g)(2)(B).

As further proposed, 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).[65] The Exchange notes that using an unadjusted NBBO to calculate the Reference Price is identical to how this

assigned to the orders and quotes of a single ETP Holder, ATP Holder, or OTP Firm for the execution and clearing of trades on the Exchange by that permit holder. An ETP Holder, ATP Holder, or OTP Firm may obtain multiple MPIDs and each such MPID may be associated with one or more sub-identifiers of that MPID.'' *See* American Priority Pillar Filing.

[60] *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'').

[61] 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).

[62] As noted here, the Exchange proposes to add GTC Orders in Pillar Order Type Filing, which order type would operate in the same manner as per current Rule 900.3NY.

[63] *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.

[64] *See, e.g.,* Rules 971.1NY and 971.2NY (regarding price requirements to initiate a CUBE Auction).

[65] *See* American Pillar Priority Filing (discussion regarding the definition of ''NBBO'' in proposed Rule 900.2NY describing that the ''NBBO'' for purposes of options trading as referring 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'').

functionality operations per Arca Options Rule 6.91P(g)(2)(B).

Proposed Rule 980NYP(g)(2)(C) 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.[66]

• Proposed Rule 980NYP(g)(3) would set forth the ''Complex Strategy Protections,'' which are identical to Arca Options Rule 6.91P–O(g)(3). 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, 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 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) 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) 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) 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) 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 6.47A–O(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.[67] 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

[66] *See, e.g.,* Cboe Rule 5.34(b)(6) (describing the ''Drill-Through Protection'' and that Cboe ''determines a default buffer amount on a class-by-class basis). *See* Single-Leg Pillar Filing (describing use of Trader Update to modify Specified Thresholds in Rule 6.62P–O (a)(3)(C)).

[67] *See* proposed Rule 935NY(iv). The Exchange also proposes to replace reference to ''System'' with ''the Exchange.'' *See id.* (preamble).

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.[68]

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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.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the ''Act''),[69] in general, and furthers the objectives of Section 6(b)(5),[70] in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange believes that proposed Rule 980NYP to support electronic complex trading on Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule would promote transparency in Exchange rules by using consistent terminology governing trading on both of the Exchange's options platforms, thereby ensuring that members, regulators, and the public can more easily navigate the Exchange's rulebook and better understand how options trading is conducted on the Exchange.

The Exchange believes that adding new Rule 980NYP with the modifier ''P'' to denote that this rule would be operative for the Pillar trading platform would remove impediments to and perfect the mechanism of a free and open market and a national market system by providing transparency of which rules would govern trading once a symbol has been migrated to the Pillar platform. The Exchange similarly believes that adding a preamble to current Rule 980NY stating that it would not be applicable to trading on Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote transparency regarding which rules would govern trading on the Exchange during and after the transition to Pillar.

The Exchange believes that incorporating Pillar functionality currently available for trading of electronic complex orders on the Exchange's affiliated options exchange (in Arca Options Rule 6.91P–O) would remove impediments to and perfect the mechanism of a free and open market and a national market system because the Exchange would be able to offer consistent functionality across its options trading platforms for trading of electronic complex orders. As discussed herein, and unless otherwise specified herein, the Exchange is not proposing fundamentally different functionality regarding how ECOs would trade on Pillar than is currently available on the Exchange. Accordingly, with the transition to Pillar, the Exchange would use Pillar terminology to describe functionality that is not changing and also introduce certain new or updated functionality for Electronic Complex Orders (*i.e.,* enhancing the opening auction process, including introducing the ''ECO Auction Collars'') that will also be available for outright options trading on the Pillar platform. As such, the Exchange believes that using Pillar terminology and incorporating updated functionality for the proposed new rule would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote consistency in the Exchange's rules across both of its options platforms.

Definitions, Types of ECOs and Priority and Pricing of ECOs

The Exchange believes that the proposed definitions in Rule 980NYP(a) would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed changes are designed to promote clarity and transparency by consolidating existing defined terms related to electronic complex trading into one section of the proposed rule. The Exchange believes that the proposed non-substantive amendments to those terms currently defined in Rule 980NYwould promote clarity and transparency by using Pillar terminology. The Exchange further believes consolidating defined terms in proposed Rule 980NYP(a) (including alphabetizing the proposed terms) would make the proposed rule more transparent and easier to navigate.

The Exchange believes that the proposed new definition of Away Market Deviation would further remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote clarity and transparency to market participants regarding how the Exchange would calculate this additional protection against ECOs being executed on the Exchange at prices too far away from the current market.

The Exchange believes that the proposed new definition of DBBO (and related terms of DBB and DBO) would further remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote clarity and transparency to market participants regarding how the DBBO would be calculated under Pillar. The proposed definition is not novel and is identical to how Arca Options Rule 6.91P–O(a)(5) defines DBBO and is also consistent with similarly defined terms used on Cboe. The Exchange believes that providing an alternative means of calculating the DBBO (*e.g.,* by looking to the contra-side best bid (offer) in the absence of same-side interest) would remove impediments to and perfect the mechanism of a free and open market and a national market system thereby benefitting as it should increase opportunities for trading.

In addition, the Exchange believes that setting forth additional definitions in proposed Rule 980NYP(a), including those that are used on other options exchanges (*e.g.,* ''complex strategy'' and ''ratio'') and clarifying terms (*e.g.,* ''leg'' and ''leg markets''), would remove impediments to and perfect the

[68] *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'').

[69] 15 U.S.C. 78f(b).

[70] 15 U.S.C. 78f(b)(5).

mechanism of a free and open market and a national market system because it would promote clarity and transparency to market participants regarding electronic complex trading under Pillar. Finally, the proposed definition of ''ECO Order Instruction'' would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would incorporate for ECOs existing Pillar order handling functionality in an auction that substantively identical to Arca Options Rule 6.91P–O(a)(6). The Exchange similarly proposes this functionality for the ECO Opening Auction Process, with non-substantive differences only to use an ECO-specific defined term and to refer to the ECO Opening Auction Process.

The Exchange believes that the proposed types of ECOs available per Rule 980NYP(b) would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would describe the ECOs and time-in-force modifiers that would be available on Pillar, as well as specifying additional ECO types. The Exchange believes that the non-substantive differences to use Pillar terminology to describe the available ECO order types would promote transparency and clarity in Exchange rules. The Exchange believes that the proposed Complex Only Order is not novel because it would operate in a manner identical to how such orders function per Arca Options Rule 6.91P–O (*i.e.,* the order type only interact with other ECOs). In addition, the proposed COA GTX Order uses Pillar terminology to describe what is referred to as an ''RFR Response'' in the current rules, and therefore is not novel.

The Exchange believes that proposed new Rule 980NYP(c) would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rules would set forth a Customer priority and size pro rata allocation model for Pillar and pricing requirements for ECO trading that are substantively the same as the Exchange's current Customer priority model and pricing requirements as set forth in Rule 980NY(b) and Commentaries .01 and .02(i) and (ii) to Rule 980NY. The Exchange proposes certain modified functionality, including the Complex Only Order as noted above, and regarding ECO trading vis a vis the DBBO (and binding such DBBO by the maximum allowable Away Market Deviation when the Exchange BBO is used to calculate the DBBO for a leg), which would benefit market participants as the proposed features would provide additional price protection in ECO trading and would add clarity and transparency to the rules. The Exchange believes that proposed Rule 980NYP(c) would remove impediments to and perfect the mechanism of a free and open market and a national market system because they would promote transparency and clarity in Exchange rules regarding how ECOs would trade with the leg markets and with other ECOs.

Execution of ECOs at the Open (or Reopening After a Trading Halt)

The Exchange believes that proposed Rule 980NYP(d) regarding the ECO Opening Auction Process would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed rule maintains the fundamentals of an auction process that the Exchange currently uses for ECOs, as described in Rule 980NY(c)(i)(B), while at the same time enhancing the process by incorporating Pillar auction functionality that is identical to Arca Options Rule 6.91P–O(d). For example, the Exchange proposes to use Pillar functionality to determine how to price an ECO Opening Auction Process, as described in proposed Rule 980NYP(d)(3), including using proposed ''ECO Auction Collars'' and an ''ECO Auction Price,'' which are consistent with the core functionality for opening ECOs, with additional detail that would promote clarity and transparency to market participants regarding this process. The Exchange believes it is appropriate to refrain from opening a series when there is a lack of reliable pricing indication(s) regarding the price at which a complex strategy should execute because doing so would protect market participants from potentially erroneous executions, thereby promoting a fair and orderly ECO Opening Auction Process.

Moreover, the Exchange believes that the proposal to use the DBBO (as opposed to the currently used Complex NBBO) for the ECO Opening Process would allow the Exchange to 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)). 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 (as well as internal consistency to Exchange rules) to the benefit of investors. As such, this proposed change would remove impediments to and perfect the mechanism of a free and open market and a national market system.

In addition, the Exchange believes that requiring that the opening price for a complex strategy must improve the DBBO if there is displayed Customer interest on all legs of the strategy on the Exchange would protect displayed Customer interest, and protect investors in general, while ensuring a fair and orderly ECO Opening Process.

The Exchange also proposes to process ECOs received during an ECO Opening Auction Process, as described in proposed Rule 980NYP(d)(4), and transition to continuous trading following an ECO Opening Auction Process, as described in proposed Rule 980NYP(d)(5), in a manner that is identical to how ECOs are processed at the open per Arca Options Rule 6.91P–O(d)(4) and (d)(5). The Exchange believes that using similar functionality for ECO auctions would promote consistency across the Exchange's options trading platforms. The Exchange believes that the additional detail regarding the ECO Opening Auction Process for electronic complex options trading on Pillar would promote transparency in the Exchange's trading rules.

The Exchange further believes that the proposed Rules 980NYP(d)(1) and (2), which describe when the Exchange would initiate an ECO Opening Auction Process and which ECOs would be eligible to trade in that process, would remove impediments to and perfect the mechanism of a free and open market and a national market system because they would provide clarity and transparency of the conditions required before the Exchange would initiate an ECO Opening Auction Process. The Exchange further believes that those conditions are not novel and are based on existing conditions specified in Rule 980NY(c)(i)(A) and (B), with additional specificity designed to promote clarity and transparency. Accordingly, the Exchange believes that the ECO Opening Auction Process for ECOs trading on Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed process is based on the current opening process, including that orders would be matched based on price-time priority at a price at which the maximum volume can be traded.

Execution of ECOs During Core Trading Hours

The Exchange believes that proposed Rule 980NYP(e), setting forth the execution of ECOs during Core Trading Hours, would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed functionality would incorporate the Exchange's existing Customer priority and size pro rata allocation model for trading ECOs and would provide that the leg markets would have priority at a price. The Exchange believes that the proposed rule change to add text to specify that an ECO may trade with another ECO at the leg market price if the interest in the leg markets is insufficient to trade at that price (*i.e.,* the leg markets cannot trade at that price in full or in a permissible ratio), would continue to respect the priority of the leg markets at a price, but would also ensure that ECO trading opportunities are maximized after eligible interest in the leg markets is exhausted at that price resulting in more efficient executions. The Exchange notes that this proposed functionality—with the exception of the Exchange's distinct priority model—is otherwise identical to Arca Options Rule 6.91P–O(e) and is consistent with the rule of another options exchange and is therefore not new or novel.[71]

In addition, the Exchange believes that allowing Complex Only Orders to trade up to the DBBO unless there is displayed Customer interest on each leg on the Exchange at the DBBO (as described above) would provide market participants additional trading opportunities while still protecting Customer interest on the Exchange, which would, in turn, remove impediments to and perfect the mechanism of a free and open market and national market system.

The Exchange believes that it would remove impediments to and perfect the mechanism of a free and open market and national market system to specify that ECOs will not trade with orders in the leg markets designated AON, FOK or with an MTS modifier (consistent with Arca Options Rule 6.91P–O) because it would add clarity and transparency regarding the handling of ECOs vis a vis these single-leg order types that are conditional based on order size. The Exchange further believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system for ECOs to trade as Complex Only Orders (rather than be rejected as they would under current rules) if they have a complex strategy that could result in a Market Maker breaching their established risk settings.[72] This proposed process is also identical to Arca Options Rule 6.91P–O(e)(1)(D) and is consistent with the treatment of similar ECOs on other options markets.[73] The Exchange further believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to specify the frequency with which the Exchange would evaluate trading opportunities for an ECO when the leg markets update because it would promote clarity and transparency in Exchange rules.

Overall, the Exchange believes the proposal for ECO trading during Core Trading Hours would help maintain a fair and orderly market and would benefit investors by facilitating increased interaction between ECOs (not designated as Complex Only) and leg markets interest. In particular, such ECOs would execute against interest in the leg markets for all of the quantity available at the best price in a permissible ratio until the quantities remaining on such leg markets are insufficient to execute against the ECO while respecting the spread ratio. The Exchange believes that requiring Complex Only Orders to improve at least a portion of the displayed Customer interest on the leg markets when all legs of a complex strategy contain displayed Customer interest would provide market participants with additional trading opportunities while still protecting displayed Customer interest on the Exchange. To the extent that this proposed handling of ECOs on the Exchange during Core Trading Hours results in greater liquidity (because of increased opportunity for order execution) this increased liquidity should, in turn, enhance execution quality.

Execution of ECOs During a COA

The Exchange believes that proposed Rule 980NYP(f), setting forth the execution of ECOs during a COA, would remove impediments to and perfect the mechanism of a free and open market and a national market system and promote just and equitable principles of trade because the proposed functionality would both incorporate existing functionality to provide that COA Orders would trade solely with other ECOs (and not the leg markets) during the auction. The Exchange believes that relying on the proposed DBBO (and binding such DBBO by the maximum allowable Away Market Deviation when the Exchange BBO is used to calculate the DBBO for a leg) would benefit market participants as the proposed operation of the DBBO would provide additional price protection in ECO trading, including during a COA, and would add clarity and transparency to the rules. The Exchange also believes that the proposed text would make clear 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. In addition, the proposed text would also include the additional detail 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. However, on Pillar, Customer RFR Responses would trade in time and would not be subject to a pro rata allocation, which proposed handling is consistent with the Exchange's Customer priority model, which change would add clarity, transparency and internal consistency to Exchange rules.[74]

The Exchange also believes that the proposed change to add reference to quotes (in addition to orders) to Rule 980NYP(f)(5) (Prohibited Conduct) regarding the COA Process, would benefit market participants as it would broaden the scope of such the prohibition. Overall, the Exchange believes the proposed rule, which is substantively identical to Arca Options Rule 6.91P–O(f) except for the difference to account for the Exchange Customer priority/pro rata allocation model, would add clarity and transparency to ATP Holders utilizing the COA process.

In addition, the Exchange further believes that the proposed changes to the COA process on Pillar that either differ from current functionality or that would be new would remove impediments to and perfect the mechanism of a free and open market and national market system because:

[71] *See* BOX Rule 7240(b)(2)(ii).

[72] *See* discussion *infra* regarding rationale for proposed Rule 980NYP(e) to restrict certain ECOs from executing as a package and bypassing Market Maker risk settings.

[73] *See supra* notes 52 and 53 [sic] (citing to Cboe Rule 5.33(g) and Nasdaq ISE Options 3, Section 14 (d)(3)(A)–(B) regarding similar functionality).

[74] *See, e.g.,* 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); *see also* proposed Rule 964NYP(h)(3) (regarding non-Customers in ''size pro rata pool'') and (j) (regarding allocation of Customer and non-Customer interest) as described in the American Pillar Priority Filing).

• Requiring that a COA Order initiate a COA on arrival, or else be treated as a standard ECO, is new under Pillar as, per the current Rule, a COA Order may sit on the Consolidated Book until market conditions change such that it may initiate a COA. The Exchange believes the proposed change would provide ATP Holders with a higher level of transparency and determinism of when a COA Order could initiate a COA and would also encourage market participants to submit aggressively-priced orders in order to qualify for initiation of a COA, which better-priced interest benefits all investors and improves market quality.

• Making explicit that COA Orders may only execute with ECOs (and not the leg markets) until after the COA ends is consistent with current functionality, per Rule 980NY(e)(2), but is designed to make clear that ECOs have priority during a COA.

• Streamlining the rule text that would describe the market events that, under Pillar, would cause an early end to a COA would simplify the COA process and would provide ATP Holders with a higher level of transparency and determinism regarding the handling of COA Orders.

• Allowing a COA to end early based on the DBBO, which may be calculated using ABBO leg prices, would benefit market participants and promote internal consistency because, as proposed, such early termination would prevent COA Orders from executing at prices too far away from the prevailing market for that complex strategy. In addition, the DBBO is used to determine the execution of ECOs on the Exchange, including whether such ECO may initiate a COA as a COA Order. 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.

• Requiring that a COA Order end early upon receipt of a Complex CUBE Order would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would allow the Exchange to simplify technology on Pillar and would allow the Exchange to determine the viability of a CUBE Order (*i.e.,* whether the price of such order meets the pricing requirements to initiate a Complex CUBE Auction per Rule 971.2NY). A COA Order that is subject to the early end of a COA because of the arrival of a Complex CUBE Order would still have the opportunity to trade with the Complex CUBE Order if such COA Order is on the opposite side of the market or with other interest once it is resting on the Consolidated Book.

ECO Risk Checks

The Exchange believes that proposed Rule 980NYP(g), setting forth ECO Risk Checks, which are identical to those set forth per Arca Options Rule 6.91P–O(g), would remove impediments to and perfect the mechanism of a free and open market and a national market system and promote just and equitable principles of trade because the proposed functionality would incorporate existing risk controls, without any substantive differences. The Exchange further believes that the proposed changes to ECO Risk Checks on Pillar that either differ from current functionality or would be new would remove impediments to and perfect the mechanism of a free and open market and national market system because:

• The Exchange believes that the new Complex Strategy Limit (which is conceptually similar to the Complex Order Table Cap under the current Rule) 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. The proposed limits are not novel and are based on limits imposed in Arca Options Rule 6.91P–O(g)(1) as well as by other options exchanges on new complex order strategies.[75]

• 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.[76] The Exchange believes that the proposed differences on Pillar, to use new thresholds and reference prices, would not only simplify the existing price check, but it would also align the proposed functionality with Arca Options Rule 6.91P–O, thus adding uniformity across the Exchange's 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: prevent the execution of ECOs that are priced too far away from the prevailing market for the same strategy and therefore potentially erroneous to be benefit of market participants.

• The proposed Pillar Complex Strategy Protections would function similarly to the current Debit/Credit Reasonability Checks because erroneously priced incoming ECOs would be 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 to the benefit of market participants. The Exchange believes that the non-substantive differences to focus on the expectation of the ECO sender and what would result if the ECO were not rejected rather than refer to specified debit or credit amounts as a way to determine whether a given strategy is erroneously priced would remove impediments to and perfect the mechanism of a free and open market system because it would promote clarity and transparency in Exchange rules.

Rule 935NY

The Exchange believes that the proposed non-substantive change to Rule 935NY to update references to "COA" (versus COA Process) and "the Exchange," to delete reference to "System," and add the reference to Rule 980NYP would remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest because the proposed conforming changes would add clarity, transparency and consistency to the Exchange's rules. The Exchange believes that market participants would benefit from the increased clarity, thereby reducing potential confusion. Similarly, the Exchange believes that adding a cross-reference to proposed Rule 980NYP(f) and extending the exemption from the one-second order exposure requirement of Rule 935NY would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would promote clarity and transparency of which Pillar rules would be eligible for the exception specified in that Rule.

As previously stated, the Exchange believes that the proposed Response Time Interval for a COA (*i.e.,* no less than 100 milliseconds) is of sufficient length so as to permit ATP Holders time to respond to a COA. As such, the Exchange believes the proposed rule change would provide the order sender with a timely execution of its COA

[75] *See supra* note 61 [sic] (citing Cboe Rule 5.33(a) and MIAX Rule 518(a)(6) regarding each exchange's ability to limit the number of new complex strategies in their systems at any particular time).

[76] 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, while ensuring that there is an adequate exposure of such order. Accordingly, the Exchange proposes to amend Rule 935NY(iii) to extend the exemption from the one-second order exposure requirement to COA Orders under Pillar, which exemption is consistent with the treatment of similar orders on other options exchanges.[77] 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.[78]

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For the reasons set forth above, the Exchange believes proposed Rule 980NYP, regarding ECO trading, including the priority and execution of such ECOs vis a vis the leg markets, is consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov*. Please include File Number SR–NYSEAMER–2023–17.

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 (*http://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NYSEAMER–2023–17, and should be submitted on or before April 7, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[79]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2023–05444 Filed 3–16–23; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–97131; File No. SR–MEMX–2023–02]

Self-Regulatory Organizations; MEMX LLC; Notice of Withdrawal of a Proposed Rule Change To Amend the Exchange's Fee Schedule To Adopt Market Data Fees

March 13, 2023.

On January 17, 2023, MEMX LLC (''MEMX'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the

[77] *See supra* note 68 [sic] (regarding Arca Options Rule 6.47A–O (iii)).

[78] *See supra* note 69 [sic] (regarding Rule 935NY, Commentary .01).

[79] 17 CFR 200.30–3(a)(12).