

**SECURITIES AND EXCHANGE COMMISSION**

[SEC File No. 270–802, OMB Control No. 3235–0758]

**Proposed Collection; Comment Request; Extension: Rule 30e–3**

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549–2736

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) (“Paperwork Reduction Act”), the Securities and Exchange Commission (the “Commission”) is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget (“OMB”) for extension and approval.

Section 30(e) of the Investment Company Act of 1940 (15 U.S.C. 80a–1 *et seq.*) (“Investment Company Act”) requires a registered investment company (“fund”) to transmit to its shareholders, at least semi-annually, reports containing financial statements and other financial information as the Commission may prescribe by rules and regulations. Rules 30e–1 (17 CFR 270.30e–1) and 30e–2 (17 CFR 270.30e–2) under the Investment Company Act require most funds to send their shareholders annual and semiannual reports containing financial information on the fund.

Rule 30e–3 (17 CFR 270.30e–3) under the Investment Company Act (15 U.S.C. 80a–1 *et seq.*) provides certain funds and unit investment trusts with an optional method to satisfy shareholder report transmission requirements by making such reports and certain other materials publicly accessible on a website, as long as they satisfy certain other conditions of the rule regarding: (a) Availability of the report and other materials; (b) notice to investors of the website availability of the report; and (c) delivery of paper copies of materials upon request. Reliance on the rule is voluntary. Responses to the disclosure requirements are not kept confidential.

The Commission estimates that 13,079 funds could rely on rule 30e–3. Of these funds, we estimate that 90% (or 11,771 funds) are currently relying on rule 30e–3. With respect to these 11,771 funds, we estimate that 90% (or 10,594 funds) already post shareholder reports on their websites for other purposes. In total, rule 30e 3 will impose an average total annual hour burden of 24,719

hours on applicable funds. Based on the Commission’s estimate of 24,719 hours and an estimated wage rate of about \$362 per hour, the total annual cost to registrants of the hour burden for complying with rule 30 3 is about \$8.9 million.

Estimates of average burden hours are made solely for the purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even representative survey or study of the costs of Commission rules and forms. The collection of information under rule 30e–3 is mandatory. The information provided under rule 30e–3 will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency’s estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, C/O John R. Pezzullo, 100 F Street NE, Washington, DC 20549; or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: February 2, 2022.

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34–94126; File No. SR–NYSEArca–2021–89]

**Self-Regulatory Organizations; NYSE Arca, Inc.; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To List and Trade Shares of the Bitwise Bitcoin ETP Trust Under NYSE Arca Rule 8.201–E**

February 1, 2022.

On October 14, 2021, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares (“Shares”) of the Bitwise Bitcoin ETP Trust (“Trust”) under NYSE Arca Rule 8.201–E (Commodity-Based Trust Shares). The proposed rule change was published for comment in the **Federal Register** on November 3, 2021.<sup>3</sup>

On December 15, 2021, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> This order institutes proceedings under Section 19(b)(2)(B) of the Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change.

**I. Summary of the Proposal**

As described in more detail in the Notice,<sup>7</sup> the Exchange proposes to list and trade the Shares of the Trust under NYSE Arca Rule 8.201–E, which governs the listing and trading of Commodity-Based Trust Shares on the Exchange.

The investment objective of the Trust is to seek to provide exposure to the value of bitcoin held by the Trust, less the expenses of the Trust’s operations.<sup>8</sup>

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> See Securities Exchange Act Release No. 93445 (Oct. 28, 2021), 86 FR 60695 (“Notice”). No comments have been received on the proposed rule change.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 93790, 86 FR 72300 (Dec. 21, 2021). The Commission designated February 1, 2022, as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> See Notice, *supra* note 3.

<sup>8</sup> See *id.* at 60696. Bitwise Investment Advisers, LLC (“Sponsor”) is the sponsor of the Trust, and

Continued

The Shares will represent units of undivided beneficial ownership of the Trust.<sup>9</sup> Under normal circumstances, the Trust's only asset will be bitcoin, and, under limited circumstances, cash.<sup>10</sup> The Trust will not use derivatives that may subject the Trust to counterparty and credit risks.<sup>11</sup>

The Trust's net asset value ("NAV") and NAV per Share will be determined by the Administrator once each Exchange trading day as of 4:00 p.m. E.T., or as soon thereafter as practicable, by reference to the CF Bitcoin-Dollar US Settlement Price ("CME US Reference Rate").<sup>12</sup> The Administrator will calculate the NAV by multiplying the number of bitcoin held by the Trust by the CME US Reference Rate for such day, and subtracting the accrued but unpaid expenses and liabilities of the Trust.<sup>13</sup> The CME US Reference Rate is a daily reference rate of the U.S. dollar price of one bitcoin, calculated at 4:00 p.m. E.T.<sup>14</sup>

The CME US Reference Rate aggregates during a calculation window the trade flow of several spot bitcoin trading platforms into the U.S. dollar price of one bitcoin as of its calculation time. The current constituent bitcoin platforms of the CME US Reference Rate are Bitstamp, Coinbase, Gemini, iBit, and Kraken ("Constituent Platforms"). In calculating the CME US Reference Rate, the methodology creates a joint list of certain trade prices and sizes from the Constituent Platforms. The methodology then divides this list into a number of equally sized time intervals, and it calculates the volume-weighted median trade price for each of those intervals. The CME US Reference Rate is the equally weighted average of the volume-weighted medians of all intervals.<sup>15</sup>

Delaware Trust Company is the trustee. The Trust will engage a third party custodian to maintain custody of the Trust's bitcoin assets. The Trust also will engage a third party service provider to serve as the administrator ("Administrator") and transfer agent of the Trust. *See id.*

<sup>9</sup> *See id.* at 60699.

<sup>10</sup> *See id.* at 60696. The Trust may sell bitcoin and temporarily hold cash as part of a liquidation of the Trust or to pay certain extraordinary expenses not assumed by the Sponsor. According to the Exchange, the Trust also may, from time to time, passively receive, by virtue of holding bitcoin, certain additional digital assets or rights to receive such digital assets through a fork of the Blockchain or an airdrop of assets. *See id.* n.12.

<sup>11</sup> *See id.* at 60696.

<sup>12</sup> *See id.* at 60696, 60699.

<sup>13</sup> *See id.* at 60699.

<sup>14</sup> The Exchange states that the CME US Reference Rate utilizes the same methodology as the CME CF Bitcoin Reference Rate, which is calculated at 4:00 p.m. London time and is used to settle bitcoin futures on the CME. *See id.* at 60696 n.11; 60698–99.

<sup>15</sup> *See id.* at 60699.

The Trust will provide website disclosure of its holdings daily.<sup>16</sup> In addition, each trading day, the Exchange will calculate and disseminate an intraday trust value ("ITV") every 15 seconds during the NYSE Arca Core Trading Session.<sup>17</sup> The ITV will be calculated throughout the trading day by using the prior day's holdings at close of business and the most recently reported price level of the CME Bitcoin Real Time Price<sup>18</sup> as reported by Bloomberg, L.P., or another reporting service, or another price of bitcoin derived from updated bids and offers indicative of the spot price of bitcoin.<sup>19</sup>

The Trust will create and redeem Shares from time to time, but only in one or more Creation Units. A Creation Unit will initially consist of at least 25,000 Shares, but may be subject to change.<sup>20</sup> The Trust will process all creations and redemptions in-kind, and accrue all ordinary fees in bitcoin (rather than cash), as a way of seeking to ensure that the Trust holds the desired amount of bitcoin-per-share. The Trust will not purchase or sell bitcoin, other than if the Trust liquidates or must pay expenses not contractually assumed by the Sponsor. Instead, financial institutions authorized to create and redeem Shares ("Authorized Participants") will deliver, or cause to be delivered, bitcoin to the Trust in exchange for Shares of the Trust, and the Trust will deliver bitcoin to Authorized Participants when those Authorized Participants redeem Shares of the Trust.<sup>21</sup>

## II. Proceedings To Determine Whether To Approve or Disapprove SR–NYSEArca–2021–89 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>22</sup> to determine whether the proposed rule change should be approved or disapproved. Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change, as discussed below. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to

<sup>16</sup> *See id.* at 60715.

<sup>17</sup> *See id.* at 60699. The ITV will also be widely disseminated by one or more major market data vendors during the NYSE Arca Core Trading Session. *See id.*

<sup>18</sup> The CME Bitcoin Real Time Price is a continuous real-time bitcoin price index published by the CME Group and Crypto Facilities Ltd. using data from the Constituent Platforms. *See id.*

<sup>19</sup> *See id.*

<sup>20</sup> *See id.*

<sup>21</sup> *See id.* at 60696.

<sup>22</sup> 15 U.S.C. 78s(b)(2)(B).

any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>23</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be "designed to prevent fraudulent and manipulative acts and practices" and "to protect investors and the public interest."<sup>24</sup>

The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, which are set forth in the Notice,<sup>25</sup> in addition to any other comments they may wish to submit about the proposed rule change. In particular, the Commission seeks comment on the following questions and asks commenters to submit data where appropriate to support their views:

1. What are commenters' views on whether the proposed Trust and Shares would be susceptible to manipulation? What are commenters' views generally on whether the Exchange's proposal is designed to prevent fraudulent and manipulative acts and practices? What are commenters' views generally with respect to the liquidity and transparency of the bitcoin markets, the bitcoin markets' susceptibility to manipulation, and thus the suitability of bitcoin as an underlying asset for an exchange-traded product ("ETP")?

2. The Exchange asserts that "the exclusive use of in-kind creations, redemptions and fee accruals, in all situations except when the Trust is required to liquidate or to pay extraordinary expenses, provides long-term investors in the Trust with redundant but strong protection."<sup>26</sup> The Exchange further asserts that "[t]he in-kind structure ensures that the Trust maintains the appropriate amount of bitcoin-per-Share in all scenarios, regardless of the U.S. dollar calculation of NAV or the CME US Reference Rate."<sup>27</sup> What are commenters' views of these assertions?

3. The Exchange asserts that, "through extensive statistical analysis and careful

<sup>23</sup> *Id.*

<sup>24</sup> 15 U.S.C. 78f(b)(5).

<sup>25</sup> *See* Notice, *supra* note 3.

<sup>26</sup> *See id.* at 60700.

<sup>27</sup> *See id.*

consideration of third-party evaluations of these markets, the Sponsor has demonstrated that the CME [bitcoin futures] Market leads the bitcoin spot market and the unregulated bitcoin futures market, such that it is reasonably likely that a person attempting to manipulate the ETP would also have to trade on the CME [bitcoin futures] Market.”<sup>28</sup> The Exchange further asserts “both existing academic literature and the Sponsor’s own studies show that the CME [bitcoin futures] Market leads price discovery relative to the bitcoin spot market.”<sup>29</sup> Do commenters agree or disagree?

- Specifically, what are commenters’ views of the Sponsor’s methodology used to arrive at this conclusion? The Exchange describes how the Sponsor used data from the CME Group and Coin Metrics, supplemented with data from CoinAPI, to perform pairwise information share/component share (“IS/CS”) price discovery analysis and pairwise time-shift lead-lag (“TSLL”) analysis between the CME bitcoin futures market and 10 bitcoin spot markets and seven unregulated futures markets.<sup>30</sup> What are commenters’ views on, for example, the Sponsor’s choices for, and level of explanation of: The sources for the tick-level trade data; the aggregation (if any) the Sponsor performed on the tick-level trade data; the spot and unregulated futures trading platforms the Sponsor included in its pairwise analyses; the particular IS/CS and TSLL paradigms used to perform its pairwise analyses; the full-period and monthly results of its pairwise analyses; the statistical significance of the results; and the sensitivity of the results to the Sponsor’s methodological choices?

- What are commenters’ views on how the Commission should weigh the Sponsor’s pairwise results compared to the previous academic and industry lead-lag studies that the Sponsor cites?<sup>31</sup> What are commenters’ views on the accuracy of the Sponsor’s summaries of such past studies?

- What are commenters’ views on the robustness of the Sponsor’s two-dimensional, pairwise results? Do commenters believe the Exchange has adequately addressed the extent of any relationship between prices on unregulated bitcoin futures markets and the CME bitcoin futures market, the bitcoin spot markets, and/or the Constituent Platforms, or where price formation occurs when the entirety of

bitcoin futures markets, not just the CME, is considered?

- What are commenters’ views on whether the Sponsor’s lead-lag results sufficiently demonstrate a reasonable likelihood that a would-be manipulator of the proposed ETP would have to trade on the CME bitcoin futures market to successfully manipulate the proposed ETP? Do commenters believe that the Exchange has adequately explained and/or demonstrated how the Sponsor’s market-level, statistical results provide sufficient evidence of the likely trading behavior of a would-be manipulator?

4. The Exchange asserts that “the Sponsor’s analysis shows that trading in the Trust is unlikely to become the predominant influence on prices in the CME [bitcoin futures] Market, even when assuming aggressive estimates of first-year flows of \$4.7 billion and average daily trading volume of \$143 million.”<sup>32</sup> Do commenters agree or disagree?

- Specifically, what are commenters’ views of the Exchange’s estimates of the Trust’s first-year flows? What are commenters’ views of the methodology used to arrive at those estimates?<sup>33</sup> Do commenters agree with the Exchange that “it is unlikely that a bitcoin ETP will experience the highest first-year flows in history,”<sup>34</sup> and that the 2020 inflows to the Grayscale Bitcoin Trust (GBTC) of \$4.7 billion is an “aggressive” working estimate for first-year flows into a new bitcoin ETP?<sup>35</sup>

- The Exchange describes how the Sponsor correlated the daily and weekly flows into GBTC with the corresponding daily or weekly price of bitcoin (calculated using the 4:00 p.m. E.T. bitcoin reference rate from Coin Metrics), and concludes that “there is no meaningful relationship between daily and weekly flows into GBTC and changes in the price of bitcoin.”<sup>36</sup> What are commenters’ views on the data sources used, methodology selected, and results obtained by the Sponsor? The Exchange states that the Sponsor concluded from this analysis that “it is unlikely that the aggressive estimate of first-year flows into a bitcoin ETP (\$4.7 billion) would cause it to become the predominant influence on prices in the CME [bitcoin futures] Market.”<sup>37</sup> What are commenters’ views on how well the Sponsor’s analysis of the historical correlation between GBTC inflows and the spot price of bitcoin predicts the

future impact of inflows into the proposed ETP on prices in the CME bitcoin futures market?

- What are commenters’ views of the Exchange’s estimate of the likely average daily trading volume of the Shares (\$143 million)? What are commenters’ views on the methodology used to arrive at that estimate (which was based on an assessment of GBTC’s and SPDR Gold (GLD)’s ratios of average daily trading volume to assets under management)?<sup>38</sup> Do commenters agree with the Exchange that \$143 million is an “aggressive” working estimate for average daily trading volume of a new bitcoin ETP?<sup>39</sup>

- The Exchange states that “[g]iven that the average daily trading volume of the CME [bitcoin futures] Market in 2020 was 174% higher at \$392 million than the Sponsor’s aggressive estimate of a new bitcoin ETP’s potential trading volume of \$143 million, the Sponsor found that it is unlikely that trading in a new bitcoin ETP will cause such ETP to become the predominant influence on prices in the CME [bitcoin futures] Market.”<sup>40</sup> Do commenters agree or disagree with the Sponsor’s conclusion? Why or why not?

### III. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposal is consistent with Section 6(b)(5) or any other provision of the Act, and the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b–4, any request for an opportunity to make an oral presentation.<sup>41</sup>

<sup>38</sup> See *id.* at 60713–14.

<sup>39</sup> See *id.* at 60714.

<sup>40</sup> See *id.* at 60715.

<sup>41</sup> Section 19(b)(2) of the Act, as amended by the Securities Act Amendments of 1975, Public Law 94–29 (June 4, 1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Act Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

<sup>28</sup> See *id.* at 60704.

<sup>29</sup> See *id.* at 60716.

<sup>30</sup> See *id.* at 60704–11.

<sup>31</sup> See *id.* at 60705–07.

<sup>32</sup> See *id.* at 60711.

<sup>33</sup> See *id.* at 60711–12.

<sup>34</sup> See *id.* at 60711.

<sup>35</sup> See *id.* at 60712.

<sup>36</sup> See *id.* at 60712–13.

<sup>37</sup> See *id.* at 60713.

Interested persons are invited to submit written data, views, and arguments regarding whether the proposal should be approved or disapproved by February 28, 2022. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by March 14, 2022.

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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2021-89 on the subject line.

#### *Paper Comments*

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

All submissions should refer to File Number SR-NYSEArca-2021-89. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2021-89 and should be submitted by February 28, 2022. Rebuttal comments should be submitted by March 14, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>42</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-94117; File No. SR-MRX-2022-02]**

### **Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Proposed Rule Change To Update the Obvious Error Rule**

February 1, 2022.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 26, 2022, Nasdaq MRX, LLC ("MRX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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 to amend Options 3, Section 20 (Nullification and Adjustment of Options Transactions including Obvious Errors).

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/mrx/rules>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

the most significant aspects of such statements.

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

##### **1. Purpose**

The purpose of this proposed rule change is to amend Options 3, Section 20 (Nullification and Adjustment of Options Transactions including Obvious Errors) to improve the operation of the Rule. Following discussions with other exchanges and a cross-section of industry participants and in coordination with the Listed Options Market Structure Working Group ("LOMSWG") (collectively, the "Industry Working Group"), the Exchange proposes: (1) To amend section (b)(3) of the Rule to permit the Exchange to determine the Theoretical Price of a Customer option transaction in a wide market so long as a narrow market exists at any point during the 10-second period after an opening or re-opening; and (2) to amend section (c)(4)(B) of the Rule to adjust, rather than nullify, Customer transactions in Obvious Error situations, provided the adjustment does not violate the limit price. The foregoing changes are based on the recently amended rules of NYSE Arca, Inc. ("Arca").<sup>3</sup> Further, the Exchange proposes to make non-substantive, corrective changes. Each change is discussed in detail below.

##### **Proposed Change to Section (b)(3)**

Options 3, Section 20 has been part of various harmonization efforts by the Industry Working Group.<sup>4</sup> These efforts have often centered around the Theoretical Price for which an options transaction should be compared to determine whether an Obvious Error has occurred. For instance, all options exchanges have adopted language comparable to Supplementary Material .06,<sup>5</sup> which explains how an exchange is to determine Theoretical Price at the open, when there are no valid quotes, and when there is a wide quote. This includes at times the use of a singular

<sup>3</sup> See Arca Rule 6.87-O. See also Securities Exchange Act Release No. 93818 (December 17, 2021), 86 FR 73009 (December 23, 2021) (SR-NYSEArca-2021-91) (Order Approving a Proposed Rule Change to Amend Rule 6.87-O).

<sup>4</sup> The Exchange's application for registration as a national securities exchange, as approved by the Commission, incorporated the changes made previously by the other options exchanges. See Securities Exchange Act Release No. 76998 (January 29, 2016); 81 FR 6066 (Feb. 4, 2016).

<sup>5</sup> See, e.g., Securities Exchange Act Release No. 81353 (August 8, 2017), 82 FR 37926 (August 14, 2017) (SR-MRX-2017-16).

<sup>42</sup> 17 CFR 200.30-3(a)(57).

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

<sup>2</sup> 17 CFR 240.19b-4.