





1. Text of Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NYSE American LLC ("NYSE American" or the "Exchange") proposes to amend its rules to extend trading hours for certain eligible equity options and make related conforming changes.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.

- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange's governing documents. Therefore, the Exchange's internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

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

Purpose

The Exchange proposes to amend its rules to adopt extended hours trading for certain eligible equity<sup>3</sup> options and make related conforming changes. Specifically, the Exchange proposes to adopt a new Rule 901.1NY to establish

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

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

<sup>3</sup> Including Exchange-Traded Funds ("ETF") and commodity-based trust shares.

two additional trading sessions to its Core Trading Session (9:30 a.m. - 4:00 p.m. Eastern Time)<sup>4</sup> and to adopt new Rule 901.2NY to establish and govern the trading of certain eligible equity options during the two newly created trading sessions (i.e., “Extended Hours Trading”). In addition, the Exchange proposes to amend Rule 952NYP to address the auction process during Extended Hours Trading.

### Background

Currently, option transactions may only be made on the Exchange during the Core Trading Session (i.e., 9:30 a.m. through 4:00 p.m. or 4:15 p.m., as applicable).<sup>5</sup> The Core Trading Session is consistent with the regular trading hours of other U.S. options exchanges and U.S. equity exchanges. However, many U.S. equity exchanges and certain other U.S. options exchanges, including Cboe Exchange, Inc. (“Cboe”), presently allow for trading outside of regular trading hours as well.<sup>6</sup>

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<sup>4</sup> Unless noted otherwise, all times in this filing are Eastern Time.

<sup>5</sup> See Rule 900.2NY (Definitions). “The term ‘Core Trading Hours’ shall mean the regular trading hours for business set forth in the rules of the primary markets underlying those option classes listed on the Exchange; provided, however, that transactions may be effected on the Exchange until the regular time set for the normal close of trading in the primary markets with respect to equity option classes and ETF option classes, and 15 minutes after the regular time set for the normal close of trading in the primary markets with respect to index option classes, or such other hours as may be determined by the Exchange from time to time.” Per Rule 901NY, Commentary .02, Options on ETFs and Options on Index-Linked Securities (or ETNs) may be traded on the Exchange until 4:15 p.m. each business day. The Exchange proposes a non-substantive change to Rule 901NY, Commentary .02 to provide a beginning and ending time for options on ETFs and options on Index-Linked Securities to align itself with the practices of other options exchanges. See proposed Rule 901NY, Commentary .02.

<sup>6</sup> For example, NYSE Arca Equities currently allows for an Early Trading Session from 4:00 a.m. to 9:30 a.m., a Core Trading Session from 9:30 a.m. until the conclusion of Core Trading Hours or the Core Closing Auction and a Late Trading Session following the Conclusion of the Core Trading Session and to 8:00 p.m. NYSE has an Early Trading Session of 7 a.m. until the opening of the Core Trading Session (9:30 a.m.) for UTP Securities. The Nasdaq Stock Exchange LLC (“Nasdaq”) currently allows for a Pre-Market Hours session from 4:00 a.m. to 9:30 a.m. and a Post-Market Hours session from 4:00 p.m. until 8:00 p.m. See Nasdaq Equity 1, Section 1(a)(20) and (21). Cboe BZX Exchange, Inc. (“BZX”) also allows for an Early Trading Session from 4:00 a.m. to 8:00 a.m., a Pre-Opening Session from 8:00 a.m. to 9:30 a.m., and an After Hours Trading Session from 4:00 p.m. through 8:00 p.m. See BZX Rule 1.5(c), (r), and (ff). Additionally, Cboe currently allows for the trading of certain index options during Global Trading Hours from 8:15 p.m. (previous day) to 9:25 a.m. and during Curb Trading Hours from 4:15 p.m. to 5:00 p.m. See Cboe Rule 5.1(c) & (d). In addition, Cboe currently has a pending proposal to allow for the trading of certain eligible multiply-listed equity options during Global Trading Hours and NASDAQ MRX has a pending proposal for the trading of certain eligible multiply-listed equity options during an Early Extended Trading Hours Session. See note 33, infra.

The Exchange believes there is investor demand to trade equity options outside of the Core Trading Session. Securities trading has become a global industry, but investors located outside of the United States may choose not to access U.S. markets during regular trading hours with which the Core Trading Session aligns. The Exchange further believes there is global demand from investors for options on equities for various investment purposes. However, given that equity options trade only during regular trading hours, it is difficult for non-U.S. investors to participate. Additionally, U.S. investors that trade in equities outside of regular trading hours are unable to access the equities options for hedging and other purposes as part of their investment strategies during trading sessions outside of the Exchange's Core Trading Session.

In response, the Exchange proposes to designate equity options that meet certain criteria as eligible for trading outside of its Core Trading Session. Doing so would help align trading in such products to the expanded trading that already occurs for the underlying securities and help meet investor demand to use these products outside of regular trading hours and keep pace with the continuing internationalization of securities markets.

### Trading Sessions

Specifically, the Exchange proposes to adopt new Rule 901.1NY (Trading Sessions) to establish two additional separate trading sessions to its Core Trading Session: (i) an early trading session of 7:30 a.m. to 9:25 a.m. (the "Early Trading Session"); and (ii) a late trading session of 4:00 p.m. to 4:15 p.m. (the "Late Trading Session").<sup>7</sup> The Exchange further proposes to adopt new Rule 901.2NY to establish Extended Hours Trading, which, under the proposed rule, will be defined as trading during the Early Trading Session and the Late Trading Session.

### *Session Designation*

Proposed Rule 901.1NY(b) will require that any order entered on the Exchange must include a designation for which trading session(s) the order will remain in effect. Any order without a designation will be rejected. In addition, unless otherwise specified, an order designated for a later trading session will be accepted but not eligible to trade until the designated trading session begins. An order designated for trading session(s) that already ended will be rejected.<sup>8</sup>

Proposed Rule 901.1NY(c) will specify the interaction between the different trading sessions and holidays and shortened trading days. Proposed Rule

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<sup>7</sup> The Early Trading Session and the Late Trading Session will be classified as distinct sessions from the Core Trading Session to allow ATP Holders granular control over which session their orders participate in.

<sup>8</sup> See proposed Rule 901.1NY(b)(1) & (2).

901.1NY(c)(1) will provide that if there is no Core Trading Session, there will be no Early Trading Session and no Late Trading Session. Proposed Rule 901.1(c)(2) will provide that on a trading day with a shortened Core Trading Session (e.g., the Exchange is open for a half day of regular trading between 9:30 a.m. through 1 p.m.): (1) the Early Trading Session will occur prior to the shortened Core Trading Session; and (2) the Late Trading Session will commence at the end of the shortened Core Trading Session and continue for 15 minutes (e.g., 1:00 p.m. to 1:15 p.m.).

### Extended Hours Trading

As noted above, the Exchange proposes to adopt a new Rule 901.2NY to establish trading during the Early Trading Session and the Late Trading Session, which the proposed Rule defines as “Extended Hours Trading.”<sup>9</sup> Proposed Rule 901.2NY, however, will only address the operational and structural differences that are unique to trading outside of Extended Hours Trading while maintaining the applicability of the broader rulebook. Accordingly, proposed Rule 901.2NY(a) provides that, while proposed Rule 901.2NY will apply only to Extended Hours Trading, all rules applicable to options during the Core Trading Session will apply to the extent possible to options during Extended Hours Trading, including, without limitation, trading rules, listing rules and business conduct rules. For instance,

- Consolidated Book or Book: As stated in definition Rule 900.2NY, “Consolidated Book or Book” means the Exchange’s electronic book of orders and quotes..
- ATP Holders: As stated in Rule 924 ATP Holders including Market Makers must have a Letter of Guarantee from a Clearing Member authorized by the OCC in order to make any transaction on the Floor of the Exchange or through the Facilities of the Exchange. Any Market Maker or Specialist assigned to act in the Early Trading Session and/or the Late Trading Session must comply with the quoting obligations of Rule 925NY and Rule 925.1.
- Risk Controls: The Exchange has various price protection mechanisms and risk controls available to market participants as set forth in Rule 967NY. These will apply in the same manner during the Early Trading Session and the Late Trading as they do during Core Trading Hours.
- Market Orders: User will not be able to submit market orders in equity options during the Early Trading Session and the Late Trading Session.
- Eligible Expirations: The Early Trading Session and the Late Trading

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<sup>9</sup> See proposed Rule 901.2NY(a).

Session will utilize existing criteria for listing option series for an option class.

- Market Maker and Specialist Obligations: Market-Maker obligations contained in Rule 925NY and Market Maker and Specialist quoting requirements contained in Rule 925.1NYP apply.

The Exchange recognizes that the proposed Extended Hours Trading is shorter than the extended trading hours for equities, which may commence as early as 4:00 a.m. and conclude as late as 8:00 p.m.<sup>10</sup> Since equity options generally will not trade unless the underlying security also trades, any trading hours outside of regular trading hours (which is aligned with the Exchange's Core Trading Session) available for equity options are limited to extended trading hours available for the underlying equities. Thus, while the proposed Extended Hours Trading for equity options could mirror the extended trading hours available for the underlying equities, the Exchange proposes limiting Extended Hours Trading and establishing trading hours for equity options that are notably shorter than the hours of extended trading for equities.

The Exchange believes that the shorter Extended Hours Trading running from 7:30 a.m. to 9:25 a.m. and 4:00 p.m. to 4:15 p.m., rather than hours that align with the full extended trading hours available to the underlying equities, is appropriate because of the lack of industry experience with extended hours trading for equity options that are physically-settled. Limiting the extended window of time for equity options allows for a paced introduction of this new type of trading session for equity options. The limited hours for Extended Hours Trading will allow the Exchange to monitor and assess the development and functioning of Extended Hours Trading markets for equity options. Additionally, the Exchange believes that the proposed timeframe for Extended Hours Trading for equity options can be supported by Market Makers, Specialists and e-Specialists (collectively "Specialists"), clearing firms, and other market participants from a personnel coverage perspective.

#### *Equity Option Criteria for Extended Hours Trading Eligibility*

Extended Hours Trading will allow market participants to engage in trading designated equity options in conjunction with the trading in the underlying securities during these hours. However, since trading in such options is a new initiative, the Exchange proposes to limit the number of equity option classes that may be designated for Extended Hours Trading to 100 option classes. The limit is intended to allow the Exchange to monitor and assess the development and functioning of the new Extended Hours Trading for equity options within a controlled group of equity options initially.

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<sup>10</sup> See note 6, supra.

Accordingly, as set forth in proposed Rule 901.2NY(c), only multiply-listed option classes designated for trading under Rule 901 that satisfy certain criteria will be eligible for trading during Extended Hours Trading. The number of eligible equity options shall not exceed 100. However, pursuant to proposed subparagraph (2), the Exchange may also designate as eligible for trading during Extended Hours Trading any equity option that is traded on another exchange during the Early Trading Session, the Late Trading Session or any other trading session that is not the Core Trading Session, and any equity option designated in this manner will not be subject to the 100 multiply listed option class limit established pursuant to this subparagraph.

The criteria and the limit are intended to allow the Exchange to monitor and assess the development and functioning of the Extended Hours Trading markets for equity options within a limited group of equity options initially. In particular, proposed Rule 901.2NY(c) will establish specific eligibility criteria for an equity option class to be eligible for Extended Hours Trading. Accordingly, as proposed, the Exchange may designate as eligible for trading during Extended Hours Trading up to 100 actively-traded and multiply-listed equity option classes that satisfy the following criteria:

- (i) the option has an average daily volume of 150,000 contracts;
- (ii) the underlying equity to the option has a \$50 billion market capitalization; and
- (iii) the underlying equity to the option has an average daily trading volume of 10 million shares.

Equity option classes with an underlying security that is an ETF or commodity-based trust share are exempt from the requirement set forth in proposed Rule 901.2NY(c)(ii) in determining eligibility for trading during Extended Hours Trading. The Exchange believes these criteria will help ensure equity options trading during Extended Hours Trading will have sufficient demand and liquidity to support the options markets during the Early and Late Trading Sessions. Additionally, the chosen criteria limits the initial number of equity options eligible for extended trading hours to those most likely to have the most liquidity and avoids options with underlying securities that may have temporarily high volume or market capitalization.

#### *Semi-Annual Review of Equity Option Eligibility for Extended Hours Trading*

For the initial process to determine the equity options that meet the criteria in proposed Rule 901.2NY(c), the Exchange will use data from the nearest six-month period ending either June 30 or December 31 prior to launch of equity options trading during Extended Hours Trading. The initial list of options designated for trading in extended trading hours sessions will be announced via the Exchange's Trader Update, as will the first day of trading for equity options

during Extended Hours Trading.<sup>11</sup> The Exchange will designate options for trading in the Early and Late Trading Sessions from the equity options meeting the criteria in proposed Rule 901.2NY(c). Qualifying options on ETFs that trade until 4:15 p.m. under existing Rule 901NY Commentary .02 will continue to trade until 4:15 p.m. via the Exchange's Core Trading Session, rather than trading during the Late Trading Session.

Thereafter, the Exchange will identify on a semiannual basis (following each January 1 and July 1) the option classes meeting the criteria in proposed Rule 901.2NY(c) and select up to 100 of such option classes to be designated for trading during Extended Hours Trading. However, the Exchange has discretion to determine which of the eligible option classes will be designated to trade during Extended Hours Trading. The Exchange is not obligated to include all options that meet the criteria for Extended Hours Trading eligibility, and the number of designated equity options may be less than 100 option classes.

The Exchange will conduct a review twice per year to reassess the list of eligible equity options. The Exchange will designate equity options eligible for trading during Extended Hours Trading and publish the updated list of designated equity options via Trader Update. Specifically, as set forth in proposed Rule 901.2NY(c)(3) the Exchange will determine semi-annually the underlying securities that satisfy the eligibility criteria in subparagraph (c) by using trading statistics for the previous six-month period.<sup>12</sup>

If, following the semiannual review, an option that was previously designated for trading in extended trading hours no longer meets the criteria in proposed Rule 901.2NY(c), the Exchange will identify any such equity option class and provide the last day of trading during Extended Hours trading for each such option class in a Trader Update. Equity options identified as no longer meeting eligibility requirements for trading during Extended Hours Trading will be removed from Extended Hours Trading within 18 months of the determination that the option class no longer meets the eligibility criteria, and the last day of trading for any such equity option class during Extended Hours Trading will be communicated via Trader Update.

Providing a notice of removal of an equity option class from Extended Hours Trading up to 18 months after the date the option class is determined to be no

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<sup>11</sup> The initial listing of equity options for Extended Hours Trading will be selected by the Exchange and is not subject to the listing date requirements of the semiannual review process that will occur after the launch of the new trading sessions.

<sup>12</sup> The Exchange proposes to conduct the bi-annual review as of January 1 and July 1 of each year. As such, the six-month periods will be from January to June, and from July to December each year. The result of the bi-annual review will be announced through Trader Update and any new equity options that qualify would be permitted to trade during Extended Hours Trading beginning on February 1 and August 1 of each year.

longer eligible for extended trading hours sessions will avoid sudden market disturbances resulting from the abrupt removal of any such option from Extended Hours Trading. Allowing the Exchange to determine a removal date within 18 months ensures that, except for certain longer dated series, open interest existing in the equity option class to be removed from Extended Hours Trading will have generally expired. Additionally, the 18-month period will allow for two additional semiannual review cycles during which equity options previously designated for removal may subsequently meet eligibility criteria again and consequently may continue to trade during Extended Hours Trading pursuant to new Rule 901.2NY(c)(4)(iii).

Whereas the removal process established in new Rule 901.2NY(c)(4) is intended to provide an extended time period for the removal of equity options to avoid sudden market disruptions, the Exchange acknowledges that certain conditions, although unlikely, may warrant an acceleration of removal of an equity option class from Extended Hours Trading. Consequently, new Rule 901.2NY(c)(4)(ii) allows the Exchange to remove an equity option class from trading during Extended Hours Trading prior to the announced removal date if the Exchange observes limited or no market activity during Extended Hours Trading for the option class. If such a condition is observed, the Exchange may remove the option class from trading during Extended Hours Trading with at least seven days' notice. The Exchange may remove the option class from Extended Hours Trading prior to the removal date by issuing a Trader Update designating a new removal date for the option class from Extended Hours Trading.

Additionally, pursuant to proposed Rule 901.2NY(c)(4)(iv), the Exchange may remove any option class from trading in Extended Hours Trading for any reason with at least 30 days' notice. The Exchange expects to use such authority in limited situations, such as in response to Market Maker or Specialist preference or concern regarding continued extended trading hours sessions in a particular option class or the announcement of an unusual corporate action on the underlying equity to an option class (and the effective date of such corporate action is not imminent) that could introduce confusion or uncertainty about the value of an option, thereby significantly reducing liquidity during Extended Hours Trading for the option class. Similarly, the Exchange may immediately remove an option class from Extended Hours Trading if the Exchange deems such action is necessary in the interest of investor protection or the maintenance of fair and orderly markets. The Exchange will provide notice of such determination as soon as practicable after the determination to remove has been made. Any option class designated for removal from Extended Hours Trading pursuant to new Rule 901.2NY(c)(4) and that is included in the 100 multiply-listed option class limit will continue to be included in the 100-option class limit until the removal date of any such option class.

The Exchange may also designate for trading during Extended Hours Trading any equity option that is traded on another exchange during Extended Hours

Trading.<sup>13</sup> Similarly, the Exchange may waive the proposed Rule 901.2NY(c) criteria if, during the three days following an underlying security's initial public offering ("IPO") day, the underlying security has a market capitalization of at least \$3 billion based upon the offering price of its IPO, in which case options on the underlying security may be listed and traded during Extended Hours Trading starting on or after the second business day following the IPO day.<sup>14</sup>

In either instance, the eligible equity option will not be counted against the 100-option class limit proposed in Rule 901.2NY(c). The Exchange believes that the exclusion from the 100-option class limit of such equity options initially traded during Extended Hours Trading on another options exchange is appropriate for competitive purposes since such listings can indicate the continued expansion of equity options trading outside of regular trading hours, which align with the Exchange's Core Trading Session. As it related to the IPO waiver, the Exchange believes that the requirements established in proposed Rule 901.2NY(c)(1) will result in the eligibility of equity option classes for Extended Hours Trading with the highest anticipated demand.

Proposed Rule 901.2NY(j) will provide that expiring equity options eligible for trading during Extended Hours Trading shall continue to trade through the Late Trading Session. This is consistent with American-style physical settlement and will allow participants to close expiring positions rather than take or deliver shares.

#### *Session Participation and Trading Activity*

As set forth above, any order entered on the Exchange must include a designation for which trading session(s) the order will remain in effect.<sup>15</sup> The Early Trading Session will be electronic only, while the Trading Floor will be open during the Core Trading Session and 4:15 p.m. for certain eligible options.

The queuing for order and market maker quotes for both the Early Trading Session and the Core Trading Session will begin, simultaneously, at 6:00 a.m. and there will be no opening auction for the Late Trading Session orders. The Late Trading Session will overlap with late trading ETFs, which will be in its Core Trading Session. ETF options will not have a Late Trading Session. As noted above, participants may designate orders for participation in certain sessions. Any order designated for less than all sessions will not be included in any session for which it is not eligible.

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<sup>13</sup> See proposed Rule 901.2NY(c)(2).

<sup>14</sup> See proposed Rule 901.2NY(c)(1). The Exchange is aware that other exchanges planning to adopt extended hours trading rules may not waive IPOs from its listing criteria, but believes that its inclusion is appropriate given its positioning as an IPO listing venue.

<sup>15</sup> See proposed Rule 901.1NY(b) and amended Rule 900.3NYP(a)(1)(A).

Market Maker and Specialists will not designate their quotes for a specific trading session. Quotes will persist across sessions. However, to address the potential for different quoting widths and varied Market Maker and Specialist participation across sessions, the Early Trading Session will conclude at 9:25 a.m. (five minutes before the opening of the Core Trading Session).

The Exchange expects reduced liquidity and wider spreads during the Early Trading Session and the Late Trading Session (i.e., Extended Hours Trading). Therefore, the Exchange proposes not to allow market orders<sup>16</sup> during Extended Hours Trading and such orders designated for participation in the Early Trading Session or the Late Trading Session will be rejected.<sup>17</sup> The Exchange believes it is appropriate to not allow Market Orders during Extended Hours Trading in order to protect customers should wide price fluctuations occur due to the potential illiquid and volatile nature of the market or other factors that could impact market activity.

### *Order Routing*

Pursuant to the Options Order Protection and Locked/Crossed Market Plan (“Linkage Plan”),<sup>18</sup> participant exchanges to the Linkage Plan established a framework to provide order protection. The Linkage Plan (and Exchange Rules 991NY and 992NY) will apply during all trading sessions during which multiply-listed options trade.

Rule 964NYP(k) addresses order routing away from the Exchange to promote compliance with the Linkage Plan. As the Exchange may route orders during the Early Trading Session and Late Trading Session in multiply-listed options if another U.S. options exchange lists the same options outside of the Core Trading Session, Rule 964NYP(k) will apply during Extended Hours Trading (i.e., the Early Trading Session and the Late Trading Session). Consequently, ATP Holders may designate an order for routing (or not available for routing) during all trading sessions for multi-listed equity options. The Exchange System is designed to, at all times, prevent trade-throughs and avoid displaying locked/crossed markets in accordance with the Linkage Plan, and, as proposed, ATP Holder orders will be

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<sup>16</sup> A “Market Order” is an unpriced order message to buy or sell a stated number of option contracts at the best price obtainable, subject to the Trading Collar assigned to the order. A Market Order may be designated Day or GTC. Unexecuted Market Orders are ranked Priority 1 - Market Orders. For purposes of processing Market Orders, the Exchange will not use an adjusted NBBO. See Rule 900.3NYP(a)(1).

<sup>17</sup> See proposed Rule 901.1NY(d)(1) and proposed Rule 901.2NY(f).

<sup>18</sup> The Linkage Plan requires U.S. options exchanges to establish a framework for providing order protection and addressing locked and crossed markets in eligible options classes. The Linkage Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. The full text of the Linkage Plan is available at [https://www.theocc.com/getcontentasset/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/options\\_order\\_protection\\_plan.pdf](https://www.theocc.com/getcontentasset/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/options_order_protection_plan.pdf).

eligible for routing during the Early Trading Session and the Late Trading Session, just as they are during the Core Trading Session.

### *Opening Process*

The Exchange will replicate its current multiply-listed opening process and apply it to the Early Trading Session.<sup>19</sup> Accordingly, the Exchange proposes to amend the Opening Auction Process in Rule 952NYP to incorporate the Early Trading Session for equity options. Specifically, the Exchange proposes to amend Rule 952NYP to add subparagraph (a)(12)(C) which will provide that, similar to the Core Open Auction, the pre-open state for the Early Open Auction begins at 6:00 a.m.<sup>20</sup>

As it relates to Auction Triggers, as that term is defined in Rule 952NYP, the trigger for the Early Open Auction will differ from Core Open Auction. Specifically, the Core Open Auction begins when the Primary Market first disseminates at or after 9:30 a.m. both a two-sided quote and a trade that is at or within the quote.<sup>21</sup> Conversely, under proposed Rule 952NYP(a)(7)(C), the Early Open Auction will begin when any national securities exchange first disseminates in the underlying, at or after 7:30 a.m. Eastern Time, either a two-sided quote or a trade of any size. The Exchange emphasizes that the Auction Trigger for the Early Open Auction is not based on disseminated trades or quotes from the Primary Market and is instead based on trades or quotes from any national securities exchange as not all securities will be trading on their Primary Market during the Early Trading Session (e.g., NYSE-listed securities), and, therefore, an Auction Trigger based on the Primary Market may not occur. An option will not open unless the composite market is within a configured opening collar, although collars may differ for the Early Open Auction.

### *Market Makers and Market Participants*

Pursuant to Rule 924NY, ATP Holders including Market Makers must have a Letter of Guarantee from a Clearing Member authorized by the Options Clearing Corporation (“OCC”) in order to make any transaction on the Floor of the Exchange or through the Facilities of the Exchange. Accordingly, as set forth in proposed Rule 901.2NY(k), any ATP Holder with an effective Letter of Guarantee issued by a Clearing Member and approved by the Options Clearing

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<sup>19</sup> There will be no opening auction for the Late Trading Session. Trading will continue seamlessly from the Core Trading Session into the Late Trading Session in eligible symbols.

<sup>20</sup> The Exchange also proposes a non-substantive amendment to Rule 952NYP(b) to limit the priority for Market On Open orders to the Core Auction Open and the Trading Halt Auction. As noted above, market orders will not be permitted during the Early Trading Session.

<sup>21</sup> See Rule 952NYP(a)(7)(A).

Corporation may participate in Extended Hours Trading. Participation is voluntary and no additional authorization with the Exchange is required.

Similarly, the participation of a Market Maker appointed in a class of options contracts pursuant to Rule 923NY in the Early Trading Session or the Late Trading Session is voluntary. Accordingly, as set forth in proposed Rule 901.2NY(h), while Market Maker appointments will apply across all three trading sessions and the Market Maker assigned to an option class eligible for trading during the Core Trading Session will automatically receive the appointment in that class during the Early Trading Session and the Late Trading Session, a Market Maker is not required to enter quotations.

However, if a Market Maker chooses to enter quotations in its assigned class during the Early Trading Session or the Late Trading Session it will be subject to its continuous quoting obligation (Rule 923NY). Market Makers will not have a way to designate quotes for a specific session. Upon receipt by the Exchange, the quote will be available for all three sessions, as there will not be automatic cancellation of quotes at the conclusion of a session.

A Market Maker that does not enter quotations during the Early Trading Session or Late Trading Session will not be subject to the continuous quoting obligation. Nevertheless, nothing will relieve the Market Maker of its continuous quoting obligations during the Core Trading Session.<sup>22</sup>

Finally, Specialist allocations will persist across all three sessions. However, like Market Maker assignments, the participation of a Specialist assigned in a class eligible to participate in trading during Extended Hours Trading is voluntary. Accordingly, as set forth in proposed Rule 901.2NY(i)(2), a Specialist allocated such an allocated class may opt out of participating in the Early Trading Session and/or the Late Trading Session.

#### *Disclosures*

Proposed Rule 901.2NY(f) will require Participants to make certain disclosures to customers regarding material trading risks that exist during the Early Trading Session and the Late Trading Session (i.e. Extended Hours Trading). The Exchange expects overall lower levels of trading during Extended Hours Trading compared with the Core Trading Session. While trading processes during Extended Hours Trading will be substantially similar to trading processes during the Core Trading Session, the Exchange believes it is important for investors, particularly non-professional customers, to be aware of any differences and risks that may result from lower trading levels and thus will require these disclosures.

Proposed Rule 901.2NY(f) will provide that no ATP Holder may accept an order from a customer for execution during Extended Hours Trading without disclosing

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<sup>22</sup> See proposed Rule 901.2NY(h)(2).

to that customer that trading during Extended Hours Trading involves, among other things, material trading risks, including the possibility of lower liquidity, high volatility, changing prices, an exaggerated effect from news announcements, wider spreads. The proposed rule provides an example of these disclosures in subparagraphs (1) through (7). The Exchange believes that requiring ATP Holders to disclose these risks to non-member customers will facilitate informed participation in Extended Hours Trading. The required disclosures are materially identical to the disclosure requirements imposed by the Cboe during its Global Trading Hours.<sup>23</sup>

Due to differences in the trading process during the Core Trading Session and Extended Hours Trading, ATP Holders that accept orders from customers during Extended Hours Trading will be required to make certain disclosures to those customers. The requirements addressing the differences between the trading sessions are consistent with the Exchange's goal of permitting ATP Holders, that choose to do so, to trade during Extended Hours Trading without imposing additional burdens on those that do not.<sup>24</sup>

Accordingly, the Exchange will minimize ATP Holder's preparation efforts to the greatest extent possible by allowing ATP Holders to trade during Extended Hours Trading with the same ports and data feeds and employing existing session designations used during the Core Trading Session. Session designation will be controlled via existing order tags; order processing will operate in the same manner during Extended Hours Trading as it does during the Core Trading Session. There will be no changes to the ranking, display, or allocation algorithm rules.

Similarly, there will be no changes to the processes for clearing, settlement, exercise, and expiration.<sup>25</sup> The Exchange notes that the OCC already clears certain ETFs that are eligible pursuant to Exchange Rules to trade until 4:15p.m. as part of the Core Trading Session. Therefore, the OCC already has the

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<sup>23</sup> See Cboe Rule 9.20.

<sup>24</sup> See proposed Rule 901.2NY(g) & (h), permitting Market Makers and Specialists to not participate in trading activity during the Early Trading Session or the Late Trading Session. To the extent that a Market Maker chooses to participate in eth additional trading sessions their quoting obligations are refined in proposed mended Rule 925NY(b)(5).

<sup>25</sup> The Exchange has held discussions with the Options Clearing Corporation, which is responsible for clearing and settlement of all listed options transactions and has informed the Exchange that no operational changes are required for clearance and settlement during Extended Hours Trading. All transactions during Extended Hours Trading will be cleared and settled in the same manner that trades during the Core Trading Session are cleared and settled. It is operationally ready and will use existing processes and marginal requirements.

operational functionality to support the proposed Extended Hours Trading for equity options.<sup>26</sup>

In addition, the Options Price Reporting Authority (“OPRA”) will accommodate equity options during Extended Hours trading on the existing lines used during the Core Trading Session. With the exception of imbalance messages, Exchange proprietary data feeds will also be disseminated during Extended Hours Trading using the same formats and delivery mechanisms with which the Exchange disseminates during the Core Trading Session. Finally, price protection mechanisms, participant-level risk controls and obvious error adjustment processes employed during the Core Trading Session shall apply during Extended Hours Trading.<sup>27</sup>

The Exchange understands that systems and other issues may arise and is committed to resolving those issues as quickly as possible, including during Extended Hours Trading. Thus, the Exchange will have appropriate staff available as necessary during Extended Hours Trading to handle any technical and support issues that may arise during those hours. Additionally, the Exchange will have personnel available to address any trading issues that may arise during Extended Hours Trading. The Exchange also will have appropriately trained, qualified regulatory staff in place during Extended Hours Trading to the extent it deems necessary to satisfy its self-regulatory obligations. The Exchange believes its surveillance procedures are adequate to properly monitor trading of eligible equity options during Extended Hours Trading.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>28</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>29</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 the proposal would remove impediments to and perfect the mechanism of a free and open market and a national market system by

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<sup>26</sup> It is the Exchange’s understanding that the OCC intends to make rule filing to allow it to clear non-ETF equity options during extended trading hours being proposed by various exchanges. See OCC Memo #59061 (May 28, 2026) <https://infomemo.theocc.com/infomemos?number=59061>.

<sup>27</sup> In addition, the Exchange will continue to explore additional risk controls specific to the Early Trading Session and the Late Trading Session.

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

<sup>29</sup> 15 U.S.C. 78f(b)(5).

providing a rules framework to support the Exchange's introduction of Extended Hours Trading, which the Exchange believes will increase market accessibility, promote capital formation, and facilitate portfolio management.

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 highly competitive market. The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."<sup>30</sup>

Extended Hours Trading is a competitive initiative designed to improve the Exchange's marketplace for the benefit of investors. The proposed rule changes provide a new investment opportunity within the options trading industry that more closely aligns the Exchange's trading hours with extended trading hours of stock exchanges and other options exchanges.<sup>31</sup> The Exchange believes the competition among exchanges ultimately benefits the entire marketplace. Given the robust competition among options exchanges, innovative trading mechanisms are consistent with the above-mentioned goals of the Act.

The proposed rule change also provides a mechanism for the Exchange to more effectively compete with exchanges located outside the United States. Global markets have become increasingly interdependent and linked through improved communications technology. This has been accompanied by an increased desire among investors to have access to U.S.-listed exchange products outside of regular trading hours, and the Exchange believes this desire extends to equity options. The Exchange believes that its proposal is reasonably designed to provide an appropriate mechanism for trading outside the Core Trading Session while providing for appropriate Exchange oversight and surveillance pursuant to the Act.

As noted above, the Commission has authorized stock exchanges and a small number of options exchanges to be open for trading outside of regular trading hours pursuant to the Act.<sup>32</sup> In addition, the proposal for extended trading hours for certain qualifying equity options is similar to additional proposals under

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<sup>30</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (S7-10-04).

<sup>31</sup> See note 6, *supra*.

<sup>32</sup> *Id.*

review by the Commission.<sup>33</sup> Thus, the proposed rule change to adopt Extended Hours Trading is not novel or unique. Moreover, the Exchange believes it is reasonable to trade a limited number of equity option classes for which demand is anticipated to be the highest during the Early Trading Session and the Late Trading Session upon implementation of Extended Hours Trading in those options.

With few exceptions, options traded during Extended Hours Trading will be subject to all other rules applicable to options on the Exchange, including, without limitation, listing rules and business conduct rules. These rules have all been previously filed with the Commission and established as being consistent with the goals of the Act. For example, during Extended Hours Trading, rules that protect public customers, impose best execution requirements, and prohibit acts and practices that are inconsistent with just and equitable principles of trade or are otherwise fraudulent or manipulative practices. Similarly, the proposed rule changes offer the same opportunity for price improvement during Extended Hours Trading and applies the same allocation and priority rules that are available on the Exchange during the Core Trading Session. Thus, the Exchange believes that, during Extended Hours Trading, market participants will continue to be protected by the Exchange's rules that promote just and equitable principles of trade and prevent fraudulent and manipulative acts.

Similarly, the proposed rule change requires disclosures that clearly identify the ways in which trading during Extended Hours Trading differs from trading during the Core Trading Session and highlight any related risks. Specifically, the proposed rule change will note that trading during Extended Hours Trading involves material risks, such as, lower liquidity, higher volatility, changing prices, unlinked market, and exaggerated effect from news announcements. This ensures that investors would be aware of any differences among trading sessions before being allowed to participate in Extended Hours Trading. Consistent with the goals of investor protection, the Exchange will not allow Market Orders during Extended Hours Trading due to the expected increased volatility and decreased liquidity during those hours.<sup>34</sup>

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<sup>33</sup> See Exchange Act Release No. 105153 (April 4, 2026), 91 FR 18010 (April 9, 2026) (SR-CBOE-2025-079) (Notice of Filing of Amendment No. 1 to a Proposed Rule Change To Allow for Extended Trading of Multi-Listed Equity Options) ("Cboe Notice") and Exchange Act Release No. 105097 (March 26, 2026), 91 FR 16066 (March 31, 2026) (SR-MRX-2026-11) (Notice of Filing of a Proposed Rule Change To Adopt Extended Trading Hours for Eligible Equity and Index Options) ("MRX Notice"). The Exchange would be in support of harmonization efforts made by the Commission and Market Participants between the NYSE, Cboe, and Nasdaq filings in favor of simplicity for Market Participants, as there exist material differences among the filings. The Exchange would also support such an effort even if it means additional time is needed for discussion between the Commission, Exchanges, and Market Participants beyond the currently proposed timelines.

<sup>34</sup> In addition, the Exchange does not propose to initially offer the following order types during the Early Trading Session and the Late Trading Session: G-Til-Cancelled Orders, Market-on-Open

Additionally, the Exchange believes that the proposed rule change will foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information. As noted above, trading during Extended Hours Trading will use the same ports and data feeds and order processing will operate in the same manner. Similarly, there will be no changes to the processes for clearing, settlement, exercise, and expiration. Finally, OPRA will accommodate equity options during Extended Hours Trading on the existing lines used during the Core Trading Session and, with the exception of imbalance messages, Exchange proprietary data feeds will also be disseminated during Extended Hours Trading using the same formats and delivery mechanisms with which the Exchange disseminates during the Core Trading Session.

The proposed rule change is also consistent with Section 11A of the Act and Regulation NMS thereunder, because it provides for the dissemination of transaction and quotation information during Extended Hours Trading through OPRA, pursuant to the OPRA Plan, which the Commission approved and indicated as consistent with the Act. As noted above, the Exchange will also comply with the Linkage Plan for all eligible option classes that list and trade on another U.S. options exchange outside of regular trading hours. The proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system because, as noted above, other options exchanges currently offer trading in certain index options outside of regular trading hours.<sup>35</sup> The Exchange believes that the proposed rule change will also help further competition by providing market participants with yet another investment option.

Price protection mechanisms and participant-level risk controls employed during the Core Trading Session will apply during Early Trading Session with necessary session-based modifications made. With respect to this, the Exchange will ensure that adequate staffing is available during Extended Hours Trading to provide appropriate trading support during those hours, as well as Exchange personnel to make any necessary determinations under the rules during Extended Hours Trading. The Exchange is also committed to fulfilling its obligations as a self-regulatory organization at all times, including during Extended Hours Trading. The Exchange believes its surveillance procedures are adequate to properly monitor trading in eligible equity options during Extended Hours Trading.

In addition, while their participation is likewise optional, Market Makers will be subject to continuous quoting obligations during Extended Hours Trading with respect to their option class appointments as they are during the Core Trading

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Orders, Imbalance Offset Orders, Stop Orders, Stop Limit Orders, Complex Orders, Cross Orders, CUBE Orders, Limit-on-Open Orders, Reserve Orders and GTX Orders.

<sup>35</sup> See note 6, *supra*.

Session. In such cases, the Market Maker's quoting activity would be aggregated for all trading sessions to determine whether the Market Maker met its continuous quoting obligations.

The Exchange believes that these provisions reflect different liquidity and participation dynamics of Extended Hours Trading and the Core Trading Session. The Exchange expects lower levels of trading during the Early Trading Session and the Late Trading Session (i.e., Extended Hours Trading) compared to the Core Trading Session, which could result in potentially lower liquidity (including fewer Market Makers quoting) and wider spreads. Accordingly, participation in Extended Hours Trading is voluntary to provide ATP Holders, Market Makers, Specialists and customers with the choice to engage in that market.

If the Exchange required Market Makers to meet continuous quoting obligations during the Early Trading Session and/or the Late Trading Session even though a Market Maker chose not to participate in that session, the Market Maker could be penalized for choosing not to quote during either session while nonetheless meeting their continuous quoting obligations during the Core Trading Session. The Exchange believes that the proposed trading session-based calculation promotes clarity and would encourage Market Maker and Specialist participation in either the Early Trading Session or the Late Trading Session without inadvertently penalizing them if they choose not to participate in either session for that day.

#### 4. 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.

##### *Intramarket Competition*

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as all ATP Holders with access to the Exchange may trade during Extended Hours Trading using the same ports and data feeds they use during the Core Trading Session, minimizing any preparation efforts necessary to participate during Extended Hours Trading.

ATP Holders will be authorized, but not required, to participate in trading activity during Extended Hours Trading. As such, the proposal does not impose additional burdens on a ATP Holder, particularly those that do not elect to participate. The Exchange believes the obligations imposed on ATP Holders to be eligible to trade during Extended Hours Trading is an appropriate balance of obligations of additional requirements with the benefits of additional trading sessions.

### *Intermarket Competition*

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change is a new competitive initiative that will benefit the marketplace and investors. The Exchange also believes the proposed rule change will enhance competition by providing new trading sessions to investors that other options exchanges currently are not providing. Additionally, all options exchanges are free to compete in the same manner, including CBOE which had extended hours trading rules similar to those being proposed by the Exchange recently approved. The Exchange does not believe that the level of competition among options exchanges will change during the Core Trading Session because of the introduction of Extended Hours Trading for equity options. The Exchange also believes the proposed rule change would enhance its competitive position internationally by enabling market participants to access its market during hours that overlap with regular trading sessions in non-U.S. jurisdictions.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of the time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange respectfully requests the Commission to find good cause to accelerate effectiveness of this proposed rule change pursuant to Section 19(b)(2) of the Act<sup>36</sup> and to approve it on an expedited basis so that it may become operative as soon as practicable, but in no event prior to the 30th day after publication in the Federal Register.

As discussed above, the proposal is a competitive initiative designed to improve the Exchange's marketplace for the benefit of investors by more closely aligning the Exchange's trading hours with extended trading hours of stock exchanges and other options exchanges.<sup>37</sup> Specifically, the proposal would more closely align

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<sup>36</sup> 15 U.S.C. 78s(b)(2).

<sup>37</sup> See note 33, *supra*.

the Exchange's trading hours with the extended trading sessions currently offered by equity exchanges and competing options markets. By doing so, the Exchange seeks to respond to evolving investor demand for broader access to the markets outside traditional trading hours and to remain competitive within an increasingly global and time-continuous trading environment. The Exchange believes that the introduction of additional trading sessions will promote competition among market centers, improve liquidity, and provide investors with greater flexibility to manage risk and execute trading strategies at times that better reflect their individual needs. In particular, extended trading opportunities would allow investors to respond more efficiently to overnight news, global market developments, and macroeconomic events that occur outside of regular U.S. trading hours. Furthermore, the Exchange believes the proposed rule change would enhance its competitive position internationally by enabling market participants to access its market during hours that overlap with regular trading sessions in non-U.S. jurisdictions. This increased accessibility is expected to support investors engaged in global trading strategies and facilitate more efficient cross-border price discovery. The Exchange also notes that accelerated approval would allow it to implement the proposed functionality in a timeframe consistent with similar extended-hours initiatives being introduced by other marketplaces, including those upon which this proposal is modeled.<sup>38</sup> Accelerated approval would help ensure a level competitive landscape and avoid placing the Exchange at a disadvantage relative to other trading venues that are already offering, or imminently plan to offer, comparable capabilities.

For these reasons, the Exchange believes that there is good cause for the Commission to accelerate the effectiveness of the proposed rule change and to approve it on an expedited basis.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The Exchange's proposal is based upon a recent amendment by Cboe Exchange, Inc., to its Rule 5.1 Global Trading Hours<sup>39</sup> and a recent proposal to adopt extended trading hours by NASDAQ MRX, LLC.<sup>40</sup>

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not Applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

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<sup>38</sup> Id.

<sup>39</sup> See Cboe Notice, 91 FR at 18010 & note 33, supra.

<sup>40</sup> See MRX Notice, 91 FR at 16066 & note 33, supra.

Not Applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5 – Text of Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NYSEAMER-2026-34)

[Date]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing of Proposed Change to Amend Its Rules to Extend Trading Hours for Certain Eligible Equity Options

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on June 5, 2026, 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its rules to extend trading hours for certain eligible equity options and make related conforming changes. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com) and at the principal office of the Exchange.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the

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

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

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

places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to amend its rules to adopt extended hours trading for certain eligible equity<sup>4</sup> options and make related conforming changes. Specifically, the Exchange proposes to adopt a new Rule 901.1NY to establish two additional trading sessions to its Core Trading Session (9:30 a.m. - 4:00 p.m. Eastern Time)<sup>5</sup> and to adopt new Rule 901.2NY to establish and govern the trading of certain eligible equity options during the two newly created trading sessions (i.e., “Extended Hours Trading”). In addition, the Exchange proposes to amend Rule 952NYP to address the auction process during Extended Hours Trading.

Background

Currently, option transactions may only be made on the Exchange during the Core Trading Session (i.e., 9:30 a.m. through 4:00 p.m. or 4:15 p.m., as applicable).<sup>6</sup> The Core Trading Session is consistent with the regular trading hours of other U.S. options exchanges and U.S. equity exchanges. However, many U.S. equity exchanges and certain other U.S. options

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<sup>4</sup> Including Exchange-Traded Funds (“ETF”) and commodity-based trust shares.

<sup>5</sup> Unless noted otherwise, all times in this filing are Eastern Time.

<sup>6</sup> See Rule 900.2NY (Definitions). “The term ‘Core Trading Hours’ shall mean the regular trading hours for business set forth in the rules of the primary markets underlying those option classes listed on the Exchange; provided, however, that transactions may be effected on the Exchange until the regular time set for the normal close of trading in the primary markets with respect to equity option classes and ETF option classes, and 15 minutes after the regular time set for the normal close of trading in the primary markets with respect to index option classes, or such other hours as may be determined by the Exchange from time to time.” Per Rule 901NY, Commentary .02, Options on ETFs and Options on Index-Linked Securities (or ETNs) may be traded on the Exchange until 4:15 p.m. each business day. The Exchange proposes a non-substantive change to Rule 901NY, Commentary .02 to provide a beginning and ending time for options on ETFs and options on Index-Linked Securities to align itself with the practices of other options exchanges. See proposed Rule 901NY, Commentary .02.

exchanges, including Cboe Exchange, Inc. (“Cboe”), presently allow for trading outside of regular trading hours as well.<sup>7</sup>

The Exchange believes there is investor demand to trade equity options outside of the Core Trading Session. Securities trading has become a global industry, but investors located outside of the United States may choose not to access U.S. markets during regular trading hours with which the Core Trading Session aligns. The Exchange further believes there is global demand from investors for options on equities for various investment purposes. However, given that equity options trade only during regular trading hours, it is difficult for non-U.S. investors to participate. Additionally, U.S. investors that trade in equities outside of regular trading hours are unable to access the equities options for hedging and other purposes as part of their investment strategies during trading sessions outside of the Exchange’s Core Trading Session.

In response, the Exchange proposes to designate equity options that meet certain criteria as eligible for trading outside of its Core Trading Session. Doing so would help align trading in such products to the expanded trading that already occurs for the underlying securities and help meet investor demand to use these products outside of regular trading hours and keep pace with the continuing internationalization of securities markets.

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<sup>7</sup> For example, NYSE Arca Equities currently allows for an Early Trading Session from 4:00 a.m. to 9:30 a.m., a Core Trading Session from 9:30 a.m. until the conclusion of Core Trading Hours or the Core Closing Auction and a Late Trading Session following the Conclusion of the Core Trading Session and to 8:00 p.m. NYSE has an Early Trading Session of 7 a.m. until the opening of the Core Trading Session (9:30 a.m.) for UTP Securities. The Nasdaq Stock Exchange LLC (“Nasdaq”) currently allows for a Pre-Market Hours session from 4:00 a.m. to 9:30 a.m. and a Post-Market Hours session from 4:00 p.m. until 8:00 p.m. See Nasdaq Equity 1, Section 1(a)(20) and (21). Cboe BZX Exchange, Inc. (“BZX”) also allows for an Early Trading Session from 4:00 a.m. to 8:00 a.m., a Pre-Opening Session from 8:00 a.m. to 9:30 a.m., and an After Hours Trading Session from 4:00 p.m. through 8:00 p.m. See BZX Rule 1.5(c), (r), and (ff). Additionally, Cboe currently allows for the trading of certain index options during Global Trading Hours from 8:15 p.m. (previous day) to 9:25 a.m. and during Curb Trading Hours from 4:15 p.m. to 5:00 p.m. See Cboe Rule 5.1(c) & (d). In addition, Cboe currently has a pending proposal to allow for the trading of certain eligible multiply-listed equity options during Global Trading Hours and NASDAQ MRX has a pending proposal for the trading of certain eligible multiply-listed equity options during an Early Extended Trading Hours Session. See note 33, *infra*.

### Trading Sessions

Specifically, the Exchange proposes to adopt new Rule 901.1NY (Trading Sessions) to establish two additional separate trading sessions to its Core Trading Session: (i) an early trading session of 7:30 a.m. to 9:25 a.m. (the “Early Trading Session”); and (ii) a late trading session of 4:00 p.m. to 4:15 p.m. (the “Late Trading Session”).<sup>8</sup> The Exchange further proposes to adopt new Rule 901.2NY to establish Extended Hours Trading, which, under the proposed rule, will be defined as trading during the Early Trading Session and the Late Trading Session.

#### *Session Designation*

Proposed Rule 901.1NY(b) will require that any order entered on the Exchange must include a designation for which trading session(s) the order will remain in effect. Any order without a designation will be rejected. In addition, unless otherwise specified, an order designated for a later trading session will be accepted but not eligible to trade until the designated trading session begins. An order designated for trading session(s) that already ended will be rejected.<sup>9</sup>

Proposed Rule 901.1NY(c) will specify the interaction between the different trading sessions and holidays and shortened trading days. Proposed Rule 901.1NY(c)(1) will provide that if there is no Core Trading Session, there will be no Early Trading Session and no Late Trading Session. Proposed Rule 901.1(c)(2) will provide that on a trading day with a shortened Core Trading Session (e.g., the Exchange is open for a half day of regular trading between 9:30 a.m. through 1 p.m.): (1) the Early Trading Session will occur prior to the shortened Core Trading Session; and (2) the Late Trading Session will commence at the end of the shortened

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<sup>8</sup> The Early Trading Session and the Late Trading Session will be classified as distinct sessions from the Core Trading Session to allow ATP Holders granular control over which session their orders participate in.

<sup>9</sup> See proposed Rule 901.1NY(b)(1) & (2).

Core Trading Session and continue for 15 minutes (e.g., 1:00 p.m. to 1:15 p.m.).

### Extended Hours Trading

As noted above, the Exchange proposes to adopt a new Rule 901.2NY to establish trading during the Early Trading Session and the Late Trading Session, which the proposed Rule defines as “Extended Hours Trading.”<sup>10</sup> Proposed Rule 901.2NY, however, will only address the operational and structural differences that are unique to trading outside of Extended Hours Trading while maintaining the applicability of the broader rulebook. Accordingly, proposed Rule 901.2NY(a) provides that, while proposed Rule 901.2NY will apply only to Extended Hours Trading, all rules applicable to options during the Core Trading Session will apply to the extent possible to options during Extended Hours Trading, including, without limitation, trading rules, listing rules and business conduct rules. For instance,

- Consolidated Book or Book: As stated in definition Rule 900.2NY, “Consolidated Book or Book” means the Exchange’s electronic book of orders and quotes..
- ATP Holders: As stated in Rule 924 ATP Holders including Market Makers must have a Letter of Guarantee from a Clearing Member authorized by the OCC in order to make any transaction on the Floor of the Exchange or through the Facilities of the Exchange. Any Market Maker or Specialist assigned to act in the Early Trading Session and/or the Late Trading Session must comply with the quoting obligations of Rule 925NY and Rule 925.1.
- Risk Controls: The Exchange has various price protection mechanisms and risk controls available to market participants as set forth in Rule 967NY. These will apply in the same manner during the Early Trading Session and the Late Trading

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<sup>10</sup> See proposed Rule 901.2NY(a).

as they do during Core Trading Hours.

- Market Orders: User will not be able to submit market orders in equity options during the Early Trading Session and the Late Trading Session.
- Eligible Expirations: The Early Trading Session and the Late Trading Session will utilize existing criteria for listing option series for an option class.
- Market Maker and Specialist Obligations: Market-Maker obligations contained in Rule 925NY and Market Maker and Specialist quoting requirements contained in Rule 925.1NYP apply.

The Exchange recognizes that the proposed Extended Hours Trading is shorter than the extended trading hours for equities, which may commence as early as 4:00 a.m. and conclude as late as 8:00 p.m.<sup>11</sup> Since equity options generally will not trade unless the underlying security also trades, any trading hours outside of regular trading hours (which is aligned with the Exchange's Core Trading Session) available for equity options are limited to extended trading hours available for the underlying equities. Thus, while the proposed Extended Hours Trading for equity options could mirror the extended trading hours available for the underlying equities, the Exchange proposes limiting Extended Hours Trading and establishing trading hours for equity options that are notably shorter than the hours of extended trading for equities.

The Exchange believes that the shorter Extended Hours Trading running from 7:30 a.m. to 9:25 a.m. and 4:00 p.m. to 4:15 p.m., rather than hours that align with the full extended trading hours available to the underlying equities, is appropriate because of the lack of industry experience with extended hours trading for equity options that are physically-settled. Limiting the extended window of time for equity options allows for a paced introduction of this new type

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<sup>11</sup> See note 7, supra.

of trading session for equity options. The limited hours for Extended Hours Trading will allow the Exchange to monitor and assess the development and functioning of Extended Hours Trading markets for equity options. Additionally, the Exchange believes that the proposed timeframe for Extended Hours Trading for equity options can be supported by Market Makers, Specialists and e-Specialists (collectively “Specialists”), clearing firms, and other market participants from a personnel coverage perspective.

*Equity Option Criteria for Extended Hours Trading Eligibility*

Extended Hours Trading will allow market participants to engage in trading designated equity options in conjunction with the trading in the underlying securities during these hours. However, since trading in such options is a new initiative, the Exchange proposes to limit the number of equity option classes that may be designated for Extended Hours Trading to 100 option classes. The limit is intended to allow the Exchange to monitor and assess the development and functioning of the new Extended Hours Trading for equity options within a controlled group of equity options initially.

Accordingly, as set forth in proposed Rule 901.2NY(c), only multiply-listed option classes designated for trading under Rule 901 that satisfy certain criteria will be eligible for trading during Extended Hours Trading. The number of eligible equity options shall not exceed 100. However, pursuant to proposed subparagraph (2), the Exchange may also designate as eligible for trading during Extended Hours Trading any equity option that is traded on another exchange during the Early Trading Session, the Late Trading Session or any other trading session that is not the Core Trading Session, and any equity option designated in this manner will not be subject to the 100 multiply listed option class limit established pursuant to this subparagraph.

The criteria and the limit are intended to allow the Exchange to monitor and assess the development and functioning of the Extended Hours Trading markets for equity options within a limited group of equity options initially. In particular, proposed Rule 901.2NY(c) will establish specific eligibility criteria for an equity option class to be eligible for Extended Hours Trading. Accordingly, as proposed, the Exchange may designate as eligible for trading during Extended Hours Trading up to 100 actively-traded and multiply-listed equity option classes that satisfy the following criteria:

- (i) the option has an average daily volume of 150,000 contracts;
- (ii) the underlying equity to the option has a \$50 billion market capitalization; and
- (iii) the underlying equity to the option has an average daily trading volume of 10 million shares.

Equity option classes with an underlying security that is an ETF or commodity-based trust share are exempt from the requirement set forth in proposed Rule 901.2NY(c)(ii) in determining eligibility for trading during Extended Hours Trading. The Exchange believes these criteria will help ensure equity options trading during Extended Hours Trading will have sufficient demand and liquidity to support the options markets during the Early and Late Trading Sessions. Additionally, the chosen criteria limits the initial number of equity options eligible for extended trading hours to those most likely to have the most liquidity and avoids options with underlying securities that may have temporarily high volume or market capitalization.

*Semi-Annual Review of Equity Option Eligibility for Extended Hours Trading*

For the initial process to determine the equity options that meet the criteria in proposed Rule 901.2NY(c), the Exchange will use data from the nearest six-month period ending either June 30 or December 31 prior to launch of equity options trading during Extended Hours

Trading. The initial list of options designated for trading in extended trading hours sessions will be announced via the Exchange's Trader Update, as will the first day of trading for equity options during Extended Hours Trading.<sup>12</sup> The Exchange will designate options for trading in the Early and Late Trading Sessions from the equity options meeting the criteria in proposed Rule 901.2NY(c). Qualifying options on ETFs that trade until 4:15 p.m. under existing Rule 901NY Commentary .02 will continue to trade until 4:15 p.m. via the Exchange's Core Trading Session, rather than trading during the Late Trading Session.

Thereafter, the Exchange will identify on a semiannual basis (following each January 1 and July 1) the option classes meeting the criteria in proposed Rule 901.2NY(c) and select up to 100 of such option classes to be designated for trading during Extended Hours Trading. However, the Exchange has discretion to determine which of the eligible option classes will be designated to trade during Extended Hours Trading. The Exchange is not obligated to include all options that meet the criteria for Extended Hours Trading eligibility, and the number of designated equity options may be less than 100 option classes.

The Exchange will conduct a review twice per year to reassess the list of eligible equity options. The Exchange will designate equity options eligible for trading during Extended Hours Trading and publish the updated list of designated equity options via Trader Update. Specifically, as set forth in proposed Rule 901.2NY(c)(3) the Exchange will determine semi-annually the underlying securities that satisfy the eligibility criteria in subparagraph (c) by using trading statistics for the previous six-month period.<sup>13</sup>

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<sup>12</sup> The initial listing of equity options for Extended Hours Trading will be selected by the Exchange and is not subject to the listing date requirements of the semiannual review process that will occur after the launch of the new trading sessions.

<sup>13</sup> The Exchange proposes to conduct the bi-annual review as of January 1 and July 1 of each year. As such, the six-month periods will be from January to June, and from July to December each year. The result of the bi-annual review will be announced through Trader Update and any new equity options that qualify would

If, following the semiannual review, an option that was previously designated for trading in extended trading hours no longer meets the criteria in proposed Rule 901.2NY(c), the Exchange will identify any such equity option class and provide the last day of trading during Extended Hours trading for each such option class in a Trader Update. Equity options identified as no longer meeting eligibility requirements for trading during Extended Hours Trading will be removed from Extended Hours Trading within 18 months of the determination that the option class no longer meets the eligibility criteria, and the last day of trading for any such equity option class during Extended Hours Trading will be communicated via Trader Update.

Providing a notice of removal of an equity option class from Extended Hours Trading up to 18 months after the date the option class is determined to be no longer eligible for extended trading hours sessions will avoid sudden market disturbances resulting from the abrupt removal of any such option from Extended Hours Trading. Allowing the Exchange to determine a removal date within 18 months ensures that, except for certain longer dated series, open interest existing in the equity option class to be removed from Extended Hours Trading will have generally expired. Additionally, the 18-month period will allow for two additional semiannual review cycles during which equity options previously designated for removal may subsequently meet eligibility criteria again and consequently may continue to trade during Extended Hours Trading pursuant to new Rule 901.2NY(c)(4)(iii).

Whereas the removal process established in new Rule 901.2NY(c)(4) is intended to provide an extended time period for the removal of equity options to avoid sudden market disruptions, the Exchange acknowledges that certain conditions, although unlikely, may warrant an acceleration of removal of an equity option class from Extended Hours Trading.

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be permitted to trade during Extended Hours Trading beginning on February 1 and August 1 of each year.

Consequently, new Rule 901.2NY(c)(4)(ii) allows the Exchange to remove an equity option class from trading during Extended Hours Trading prior to the announced removal date if the Exchange observes limited or no market activity during Extended Hours Trading for the option class. If such a condition is observed, the Exchange may remove the option class from trading during Extended Hours Trading with at least seven days' notice. The Exchange may remove the option class from Extended Hours Trading prior to the removal date by issuing a Trader Update designating a new removal date for the option class from Extended Hours Trading.

Additionally, pursuant to proposed Rule 901.2NY(c)(4)(iv), the Exchange may remove any option class from trading in Extended Hours Trading for any reason with at least 30 days' notice. The Exchange expects to use such authority in limited situations, such as in response to Market Maker or Specialist preference or concern regarding continued extended trading hours sessions in a particular option class or the announcement of an unusual corporate action on the underlying equity to an option class (and the effective date of such corporate action is not imminent) that could introduce confusion or uncertainty about the value of an option, thereby significantly reducing liquidity during Extended Hours Trading for the option class. Similarly, the Exchange may immediately remove an option class from Extended Hours Trading if the Exchange deems such action is necessary in the interest of investor protection or the maintenance of fair and orderly markets. The Exchange will provide notice of such determination as soon as practicable after the determination to remove has been made. Any option class designated for removal from Extended Hours Trading pursuant to new Rule 901.2NY(c)(4) and that is included in the 100 multiply-listed option class limit will continue to be included in the 100-option class limit until the removal date of any such option class.

The Exchange may also designate for trading during Extended Hours Trading any equity option that is traded on another exchange during Extended Hours Trading.<sup>14</sup> Similarly, the Exchange may waive the proposed Rule 901.2NY(c) criteria if, during the three days following an underlying security's initial public offering ("IPO") day, the underlying security has a market capitalization of at least \$3 billion based upon the offering price of its IPO, in which case options on the underlying security may be listed and traded during Extended Hours Trading starting on or after the second business day following the IPO day.<sup>15</sup>

In either instance, the eligible equity option will not be counted against the 100-option class limit proposed in Rule 901.2NY(c). The Exchange believes that the exclusion from the 100-option class limit of such equity options initially traded during Extended Hours Trading on another options exchange is appropriate for competitive purposes since such listings can indicate the continued expansion of equity options trading outside of regular trading hours, which align with the Exchange's Core Trading Session. As it related to the IPO waiver, the Exchange believes that the requirements established in proposed Rule 901.2NY(c)(1) will result in the eligibility of equity option classes for Extended Hours Trading with the highest anticipated demand.

Proposed Rule 901.2NY(j) will provide that expiring equity options eligible for trading during Extended Hours Trading shall continue to trade through the Late Trading Session. This is consistent with American-style physical settlement and will allow participants to close expiring positions rather than take or deliver shares.

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<sup>14</sup> See proposed Rule 901.2NY(c)(2).

<sup>15</sup> See proposed Rule 901.2NY(c)(1). The Exchange is aware that other exchanges planning to adopt extended hours trading rules may not waive IPOs from its listing criteria, but believes that its inclusion is appropriate given its positioning as an IPO listing venue.

*Session Participation and Trading Activity*

As set forth above, any order entered on the Exchange must include a designation for which trading session(s) the order will remain in effect.<sup>16</sup> The Early Trading Session will be electronic only, while the Trading Floor will be open during the Core Trading Session and 4:15 p.m. for certain eligible options.

The queuing for order and market maker quotes for both the Early Trading Session and the Core Trading Session will begin, simultaneously, at 6:00 a.m. and there will be no opening auction for the Late Trading Session orders. The Late Trading Session will overlap with late trading ETFs, which will be in its Core Trading Session. ETF options will not have a Late Trading Session. As noted above, participants may designate orders for participation in certain sessions. Any order designated for less than all sessions will not be included in any session for which it is not eligible.

Market Maker and Specialists will not designate their quotes for a specific trading session. Quotes will persist across sessions. However, to address the potential for different quoting widths and varied Market Maker and Specialist participation across sessions, the Early Trading Session will conclude at 9:25 a.m. (five minutes before the opening of the Core Trading Session).

The Exchange expects reduced liquidity and wider spreads during the Early Trading Session and the Late Trading Session (i.e., Extended Hours Trading). Therefore, the Exchange proposes not to allow market orders<sup>17</sup> during Extended Hours Trading and such orders

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<sup>16</sup> See proposed Rule 901.1NY(b) and amended Rule 900.3NYP(a)(1)(A).

<sup>17</sup> A “Market Order” is an unpriced order message to buy or sell a stated number of option contracts at the best price obtainable, subject to the Trading Collar assigned to the order. A Market Order may be designated Day or GTC. Unexecuted Market Orders are ranked Priority 1 - Market Orders. For purposes of processing Market Orders, the Exchange will not use an adjusted NBBO. See Rule 900.3NYP(a)(1).

designated for participation in the Early Trading Session or the Late Trading Session will be rejected.<sup>18</sup> The Exchange believes it is appropriate to not allow Market Orders during Extended Hours Trading in order to protect customers should wide price fluctuations occur due to the potential illiquid and volatile nature of the market or other factors that could impact market activity.

### *Order Routing*

Pursuant to the Options Order Protection and Locked/Crossed Market Plan (“Linkage Plan”),<sup>19</sup> participant exchanges to the Linkage Plan established a framework to provide order protection. The Linkage Plan (and Exchange Rules 991NY and 992NY) will apply during all trading sessions during which multiply-listed options trade.

Rule 964NYP(k) addresses order routing away from the Exchange to promote compliance with the Linkage Plan. As the Exchange may route orders during the Early Trading Session and Late Trading Session in multiply-listed options if another U.S. options exchange lists the same options outside of the Core Trading Session, Rule 964NYP(k) will apply during Extended Hours Trading (i.e., the Early Trading Session and the Late Trading Session). Consequently, ATP Holders may designate an order for routing (or not available for routing) during all trading sessions for multi-listed equity options. The Exchange System is designed to, at all times, prevent trade-throughs and avoid displaying locked/crossed markets in accordance with the Linkage Plan, and, as proposed, ATP Holder orders will be eligible for routing during

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<sup>18</sup> See proposed Rule 901.1NY(d)(1) and proposed Rule 901.2NY(f).

<sup>19</sup> The Linkage Plan requires U.S. options exchanges to establish a framework for providing order protection and addressing locked and crossed markets in eligible options classes. The Linkage Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. The full text of the Linkage Plan is available at [https://www.theocc.com/getcontentasset/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/options\\_order\\_protection\\_plan.pdf](https://www.theocc.com/getcontentasset/7fc629d9-4e54-4b99-9f11-c0e4db1a2266/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/options_order_protection_plan.pdf).

the Early Trading Session and the Late Trading Session, just as they are during the Core Trading Session.

### *Opening Process*

The Exchange will replicate its current multiply-listed opening process and apply it to the Early Trading Session.<sup>20</sup> Accordingly, the Exchange proposes to amend the Opening Auction Process in Rule 952NYP to incorporate the Early Trading Session for equity options. Specifically, the Exchange proposes to amend Rule 952NYP to add subparagraph (a)(12)(C) which will provide that, similar to the Core Open Auction, the pre-open state for the Early Open Auction begins at 6:00 a.m.<sup>21</sup>

As it relates to Auction Triggers, as that term is defined in Rule 952NYP, the trigger for the Early Open Auction will differ from Core Open Auction. Specifically, the Core Open Auction begins when the Primary Market first disseminates at or after 9:30 a.m. both a two-sided quote and a trade that is at or within the quote.<sup>22</sup> Conversely, under proposed Rule 952NYP(a)(7)(C), the Early Open Auction will begin when any national securities exchange first disseminates in the underlying, at or after 7:30 a.m. Eastern Time, either a two-sided quote or a trade of any size. The Exchange emphasizes that the Auction Trigger for the Early Open Auction is not based on disseminated trades or quotes from the Primary Market and is instead based on trades or quotes from any national securities exchange as not all securities will be trading on their Primary Market during the Early Trading Session (e.g., NYSE-listed securities), and,

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<sup>20</sup> There will be no opening auction for the Late Trading Session. Trading will continue seamlessly from the Core Trading Session into the Late Trading Session in eligible symbols.

<sup>21</sup> The Exchange also proposes a non-substantive amendment to Rule 952NYP(b) to limit the priority for Market On Open orders to the Core Auction Open and the Trading Halt Auction. As noted above, market orders will not be permitted during the Early Trading Session.

<sup>22</sup> See Rule 952NYP(a)(7)(A).

therefore, an Auction Trigger based on the Primary Market may not occur. An option will not open unless the composite market is within a configured opening collar, although collars may differ for the Early Open Auction.

*Market Makers and Market Participants*

Pursuant to Rule 924NY, ATP Holders including Market Makers must have a Letter of Guarantee from a Clearing Member authorized by the Options Clearing Corporation (“OCC”) in order to make any transaction on the Floor of the Exchange or through the Facilities of the Exchange. Accordingly, as set forth in proposed Rule 901.2NY(k), any ATP Holder with an effective Letter of Guarantee issued by a Clearing Member and approved by the Options Clearing Corporation may participate in Extended Hours Trading. Participation is voluntary and no additional authorization with the Exchange is required.

Similarly, the participation of a Market Maker appointed in a class of options contracts pursuant to Rule 923NY in the Early Trading Session or the Late Trading Session is voluntary. Accordingly, as set forth in proposed Rule 901.2NY(h), while Market Maker appointments will apply across all three trading sessions and the Market Maker assigned to an option class eligible for trading during the Core Trading Session will automatically receive the appointment in that class during the Early Trading Session and the Late Trading Session, a Market Maker is not required to enter quotations.

However, if a Market Maker chooses to enter quotations in its assigned class during the Early Trading Session or the Late Trading Session it will be subject to its continuous quoting obligation (Rule 923NY). Market Makers will not have a way to designate quotes for a specific session. Upon receipt by the Exchange, the quote will be available for all three sessions, as there will not be automatic cancellation of quotes at the conclusion of a session.

A Market Maker that does not enter quotations during the Early Trading Session or Late Trading Session will not be subject to the continuous quoting obligation. Nevertheless, nothing will relieve the Market Maker of its continuous quoting obligations during the Core Trading Session.<sup>23</sup>

Finally, Specialist allocations will persist across all three sessions. However, like Market Maker assignments, the participation of a Specialist assigned in a class eligible to participate in trading during Extended Hours Trading is voluntary. Accordingly, as set forth in proposed Rule 901.2NY(i)(2), a Specialist allocated such an allocated class may opt out of participating in the Early Trading Session and/or the Late Trading Session.

#### *Disclosures*

Proposed Rule 901.2NY(f) will require Participants to make certain disclosures to customers regarding material trading risks that exist during the Early Trading Session and the Late Trading Session (i.e. Extended Hours Trading). The Exchange expects overall lower levels of trading during Extended Hours Trading compared with the Core Trading Session. While trading processes during Extended Hours Trading will be substantially similar to trading processes during the Core Trading Session, the Exchange believes it is important for investors, particularly non-professional customers, to be aware of any differences and risks that may result from lower trading levels and thus will require these disclosures.

Proposed Rule 901.2NY(f) will provide that no ATP Holder may accept an order from a customer for execution during Extended Hours Trading without disclosing to that customer that trading during Extended Hours Trading involves, among other things, material trading risks, including the possibility of lower liquidity, high volatility, changing prices, an exaggerated effect

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<sup>23</sup> See proposed Rule 901.2NY(h)(2).

from news announcements, wider spreads. The proposed rule provides an example of these disclosures in subparagraphs (1) through (7). The Exchange believes that requiring ATP Holders to disclose these risks to non-member customers will facilitate informed participation in Extended Hours Trading. The required disclosures are materially identical to the disclosure requirements imposed by the Cboe during its Global Trading Hours.<sup>24</sup>

Due to differences in the trading process during the Core Trading Session and Extended Hours Trading, ATP Holders that accept orders from customers during Extended Hours Trading will be required to make certain disclosures to those customers. The requirements addressing the differences between the trading sessions are consistent with the Exchange's goal of permitting ATP Holders, that choose to do so, to trade during Extended Hours Trading without imposing additional burdens on those that do not.<sup>25</sup>

Accordingly, the Exchange will minimize ATP Holder's preparation efforts to the greatest extent possible by allowing ATP Holders to trade during Extended Hours Trading with the same ports and data feeds and employing existing session designations used during the Core Trading Session. Session designation will be controlled via existing order tags; order processing will operate in the same manner during Extended Hours Trading as it does during the Core Trading Session. There will be no changes to the ranking, display, or allocation algorithm rules.

Similarly, there will be no changes to the processes for clearing, settlement, exercise, and expiration.<sup>26</sup> The Exchange notes that the OCC already clears certain ETFs that are eligible

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<sup>24</sup> See Cboe Rule 9.20.

<sup>25</sup> See proposed Rule 901.2NY(g) & (h), permitting Market Makers and Specialists to not participate in trading activity during the Early Trading Session or the Late Trading Session. To the extent that a Market Maker chooses to participate in eth additional trading sessions their quoting obligations are refined in proposed mended Rule 925NY(b)(5).

<sup>26</sup> The Exchange has held discussions with the Options Clearing Corporation, which is responsible for clearing and settlement of all listed options transactions and has informed the Exchange that no operational changes are required for clearance and settlement during Extended Hours Trading. All transactions during

pursuant to Exchange Rules to trade until 4:15p.m. as part of the Core Trading Session.

Therefore, the OCC already has the operational functionality to support the proposed Extended Hours Trading for equity options.<sup>27</sup>

In addition, the Options Price Reporting Authority (“OPRA”) will accommodate equity options during Extended Hours trading on the existing lines used during the Core Trading Session. With the exception of imbalance messages, Exchange proprietary data feeds will also be disseminated during Extended Hours Trading using the same formats and delivery mechanisms with which the Exchange disseminates during the Core Trading Session. Finally, price protection mechanisms, participant-level risk controls and obvious error adjustment processes employed during the Core Trading Session shall apply during Extended Hours Trading.<sup>28</sup>

The Exchange understands that systems and other issues may arise and is committed to resolving those issues as quickly as possible, including during Extended Hours Trading. Thus, the Exchange will have appropriate staff available as necessary during Extended Hours Trading to handle any technical and support issues that may arise during those hours. Additionally, the Exchange will have personnel available to address any trading issues that may arise during Extended Hours Trading. The Exchange also will have appropriately trained, qualified regulatory staff in place during Extended Hours Trading to the extent it deems necessary to satisfy its self-regulatory obligations. The Exchange believes its surveillance procedures are adequate to properly monitor trading of eligible equity options during Extended Hours Trading.

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Extended Hours Trading will be cleared and settled in the same manner that trades during the Core Trading Session are cleared and settled. It is operationally ready and will use existing processes and marginal requirements.

<sup>27</sup> It is the Exchange’s understanding that the OCC intends to make rule filing to allow it to clear non-ETF equity options during extended trading hours being proposed by various exchanges. See OCC Memo #59061 (May 28, 2026) <https://infomemo.theocc.com/infomemos?number=59061>.

<sup>28</sup> In addition, the Exchange will continue to explore additional risk controls specific to the Early Trading Session and the Late Trading Session.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>29</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>30</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 the proposal would remove impediments to and perfect the mechanism of a free and open market and a national market system by providing a rules framework to support the Exchange’s introduction of Extended Hours Trading, which the Exchange believes will increase market accessibility, promote capital formation, and facilitate portfolio management.

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 highly competitive market. The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>31</sup>

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

<sup>30</sup> 15 U.S.C. 78f(b)(5).

<sup>31</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (S7-10-04).

Extended Hours Trading is a competitive initiative designed to improve the Exchange's marketplace for the benefit of investors. The proposed rule changes provide a new investment opportunity within the options trading industry that more closely aligns the Exchange's trading hours with extended trading hours of stock exchanges and other options exchanges.<sup>32</sup> The Exchange believes the competition among exchanges ultimately benefits the entire marketplace. Given the robust competition among options exchanges, innovative trading mechanisms are consistent with the above-mentioned goals of the Act.

The proposed rule change also provides a mechanism for the Exchange to more effectively compete with exchanges located outside the United States. Global markets have become increasingly interdependent and linked through improved communications technology. This has been accompanied by an increased desire among investors to have access to U.S.-listed exchange products outside of regular trading hours, and the Exchange believes this desire extends to equity options. The Exchange believes that its proposal is reasonably designed to provide an appropriate mechanism for trading outside the Core Trading Session while providing for appropriate Exchange oversight and surveillance pursuant to the Act.

As noted above, the Commission has authorized stock exchanges and a small number of options exchanges to be open for trading outside of regular trading hours pursuant to the Act.<sup>33</sup> In addition, the proposal for extended trading hours for certain qualifying equity options is similar to additional proposals under review by the Commission.<sup>34</sup> Thus, the proposed rule

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<sup>32</sup> See note 7, *supra*.

<sup>33</sup> *Id.*

<sup>34</sup> See Exchange Act Release No. 105153 (April 4, 2026), 91 FR 18010 (April 9, 2026) (SR-CBOE-2025-079) (Notice of Filing of Amendment No. 1 to a Proposed Rule Change To Allow for Extended Trading of Multi-Listed Equity Options) ("Cboe Notice") and Exchange Act Release No. 105097 (March 26, 2026), 91 FR 16066 (March 31, 2026) (SR-MRX-2026-11) (Notice of Filing of a Proposed Rule Change To Adopt Extended Trading Hours for Eligible Equity and Index Options) ("MRX Notice"). The Exchange would be in support of harmonization efforts made by the Commission and Market Participants between the NYSE,

change to adopt Extended Hours Trading is not novel or unique. Moreover, the Exchange believes it is reasonable to trade a limited number of equity option classes for which demand is anticipated to be the highest during the Early Trading Session and the Late Trading Session upon implementation of Extended Hours Trading in those options.

With few exceptions, options traded during Extended Hours Trading will be subject to all other rules applicable to options on the Exchange, including, without limitation, listing rules and business conduct rules. These rules have all been previously filed with the Commission and established as being consistent with the goals of the Act. For example, during Extended Hours Trading, rules that protect public customers, impose best execution requirements, and prohibit acts and practices that are inconsistent with just and equitable principles of trade or are otherwise fraudulent or manipulative practices. Similarly, the proposed rule changes offer the same opportunity for price improvement during Extended Hours Trading and applies the same allocation and priority rules that are available on the Exchange during the Core Trading Session. Thus, the Exchange believes that, during Extended Hours Trading, market participants will continue to be protected by the Exchange's rules that promote just and equitable principles of trade and prevent fraudulent and manipulative acts.

Similarly, the proposed rule change requires disclosures that clearly identify the ways in which trading during Extended Hours Trading differs from trading during the Core Trading Session and highlight any related risks. Specifically, the proposed rule change will note that trading during Extended Hours Trading involves material risks, such as, lower liquidity, higher volatility, changing prices, unlinked market, and exaggerated effect from news announcements.

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Cboe, and Nasdaq filings in favor of simplicity for Market Participants, as there exist material differences among the filings. The Exchange would also support such an effort even if it means additional time is needed for discussion between the Commission, Exchanges, and Market Participants beyond the currently proposed timelines.

This ensures that investors would be aware of any differences among trading sessions before being allowed to participate in Extended Hours Trading. Consistent with the goals of investor protection, the Exchange will not allow Market Orders during Extended Hours Trading due to the expected increased volatility and decreased liquidity during those hours.<sup>35</sup>

Additionally, the Exchange believes that the proposed rule change will foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information. As noted above, trading during Extended Hours Trading will use the same ports and data feeds and order processing will operate in the same manner. Similarly, there will be no changes to the processes for clearing, settlement, exercise, and expiration. Finally, OPRA will accommodate equity options during Extended Hours Trading on the existing lines used during the Core Trading Session and, with the exception of imbalance messages, Exchange proprietary data feeds will also be disseminated during Extended Hours Trading using the same formats and delivery mechanisms with which the Exchange disseminates during the Core Trading Session.

The proposed rule change is also consistent with Section 11A of the Act and Regulation NMS thereunder, because it provides for the dissemination of transaction and quotation information during Extended Hours Trading through OPRA, pursuant to the OPRA Plan, which the Commission approved and indicated as consistent with the Act. As noted above, the Exchange will also comply with the Linkage Plan for all eligible option classes that list and trade on another U.S. options exchange outside of regular trading hours. The proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system because, as noted above, other options exchanges currently offer trading in certain

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<sup>35</sup> In addition, the Exchange does not propose to initially offer the following order types during the Early Trading Session and the Late Trading Session: G-Til-Cancelled Orders, Market-on-Open Orders, Imbalance Offset Orders, Stop Orders, Stop Limit Orders, Complex Orders, Cross Orders, CUBE Orders, Limit-on-Open Orders, Reserve Orders and GTX Orders.

index options outside of regular trading hours.<sup>36</sup> The Exchange believes that the proposed rule change will also help further competition by providing market participants with yet another investment option.

Price protection mechanisms and participant-level risk controls employed during the Core Trading Session will apply during Early Trading Session with necessary session-based modifications made. With respect to this, the Exchange will ensure that adequate staffing is available during Extended Hours Trading to provide appropriate trading support during those hours, as well as Exchange personnel to make any necessary determinations under the rules during Extended Hours Trading. The Exchange is also committed to fulfilling its obligations as a self-regulatory organization at all times, including during Extended Hours Trading. The Exchange believes its surveillance procedures are adequate to properly monitor trading in eligible equity options during Extended Hours Trading.

In addition, while their participation is likewise optional, Market Makers will be subject to continuous quoting obligations during Extended Hours Trading with respect to their option class appointments as they are during the Core Trading Session. In such cases, the Market Maker's quoting activity would be aggregated for all trading sessions to determine whether the Market Maker met its continuous quoting obligations.

The Exchange believes that these provisions reflect different liquidity and participation dynamics of Extended Hours Trading and the Core Trading Session. The Exchange expects lower levels of trading during the Early Trading Session and the Late Trading Session (i.e., Extended Hours Trading) compared to the Core Trading Session, which could result in potentially lower liquidity (including fewer Market Makers quoting) and wider spreads.

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<sup>36</sup> See note 7, *supra*.

Accordingly, participation in Extended Hours Trading is voluntary to provide ATP Holders, Market Makers, Specialists and customers with the choice to engage in that market.

If the Exchange required Market Makers to meet continuous quoting obligations during the Early Trading Session and/or the Late Trading Session even though a Market Maker chose not to participate in that session, the Market Maker could be penalized for choosing not to quote during either session while nonetheless meeting their continuous quoting obligations during the Core Trading Session. The Exchange believes that the proposed trading session-based calculation promotes clarity and would encourage Market Maker and Specialist participation in either the Early Trading Session or the Late Trading Session without inadvertently penalizing them if they choose not to participate in either session for that day.

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.

*Intramarket Competition*

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as all ATP Holders with access to the Exchange may trade during Extended Hours Trading using the same ports and data feeds they use during the Core Trading Session, minimizing any preparation efforts necessary to participate during Extended Hours Trading.

ATP Holders will be authorized, but not required, to participate in trading activity during Extended Hours Trading. As such, the proposal does not impose additional burdens on a ATP Holder, particularly those that do not elect to participate. The Exchange believes the obligations imposed on ATP Holders to be eligible to trade during Extended Hours Trading is an appropriate

balance of obligations of additional requirements with the benefits of additional trading sessions.

*Intermarket Competition*

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change is a new competitive initiative that will benefit the marketplace and investors. The Exchange also believes the proposed rule change will enhance competition by providing new trading sessions to investors that other options exchanges currently are not providing. Additionally, all options exchanges are free to compete in the same manner, including CBOE which had extended hours trading rules similar to those being proposed by the Exchange recently approved. The Exchange does not believe that the level of competition among options exchanges will change during the Core Trading Session because of the introduction of Extended Hours Trading for equity options. The Exchange also believes the proposed rule change would enhance its competitive position internationally by enabling market participants to access its market during hours that overlap with regular trading sessions in non-U.S. jurisdictions.

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 self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the 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 (<https://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-NYSEAMER-2026-34 on the subject line.

##### Paper Comments:

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

All submissions should refer to file number SR-NYSEAMER-2026-34. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NYSEAMER-2026-34 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>37</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>37</sup> 17 CFR 200.30-3(a)(12).

Additions underlined.  
Deletions [bracketed].

## Rules of NYSE American LLC

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### Trading of Option Contracts

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#### **Section 900NY. Rules Principally Applicable to Trading of Option Contracts**

*Rules with a “P” modifier are operative for symbols that are trading on the Pillar trading platform. If a symbol is trading on the Pillar trading platform, a rule with the same number as a rule with a “P” modifier will no longer be operative for that symbol. The Exchange will announce by Trader Update when symbols are trading on the Pillar trading platform.*

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#### **Rule 900.3NYP. Orders and Modifiers**

##### (a) Primary Order Types

(1) Market Order. An unpriced order message to buy or sell a stated number of option contracts at the best price obtainable, subject to the Trading Collar assigned to the order. A Market Order may be designated Day or GTC. Unexecuted Market Orders are ranked Priority 1 - Market Orders. For purposes of processing Market Orders, the Exchange will not use an adjusted NBBO.

(A) A Market Order that [arrives during] includes a designation for the Early Trading Session or the Late Trade Session [continuous trading] will be rejected. [,] A Market Order that arrives during continuous trading during the Core Trading Session, or that was routed, returns unexecuted, and has no resting quantity to join will be cancelled if:

(i) - (iii) No Change.

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#### **Rule 901NY. Hours of Business**

(a) - (e) No Change

*Commentary:*

.01 No Change

.02 Options on ETFs and Options on Index-Linked Securities (or ETNs) may be traded on the Exchange from 9:30 a.m. to[until] 4:15 p.m. Eastern Time each business day.

.03 - .04 No Change.

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### **Rule 901.1NY. Trading Sessions**

(a) Sessions. The Exchange will have three trading sessions each day it is open for business unless otherwise determined by the Exchange.

(1) Early Trading Session. Except under unusual conditions as may be determined by the Exchange or its designee, the hours for the Early Trading Session for transactions in eligible equity options on the Exchange are from 7:30 a.m. to 9:25 a.m. Eastern Time Monday through Friday. The Early Open Auction will begin the Early Trading Session.

(2) Core Trading Session. Except as otherwise provided in this Rule or under unusual conditions as may be determined by the Exchange or its designee, the hours for the Core Trading Session for transactions on the Exchange are from 9:30 a.m. to 4:00 p.m. Eastern Time Monday through Friday. The Core Open Auction will begin Core Trading Hours.

(3) Late Trading Session. Except under unusual conditions as may be determined by the Exchange or its designee, the hours for the Late Trading Session for transactions in eligible equity options except for options on ETFs and index options that the Exchange has designated as eligible to remain open for trading until 4:15 p.m. in Rule 901NY are from 4:00 p.m. to 4:15 p.m. Eastern Time Monday through Friday.

(b) Session Designation.

(1) Any order entered into the Exchange must include a designation for which trading session(s) the order will remain in effect. Orders entered without a trading session designation will be rejected.

(2) An order is eligible to participate in the designated trading session(s) only and may remain in effect for one or more consecutive trading sessions on a particular day. Unless otherwise specified, an order designated for a later trading session will be accepted but not eligible to trade until the designated trading session begins. An order designated solely for a trading session that has already ended will be rejected.

(c) Holidays and Shortened Trading Days

(1) If there is no Core Trading Session, there will be no Early Trading Session or Late Trading Session.

(2) On a trading day with a shortened Core Trading Session:

(A) the Early Trading Session will occur prior to the shortened Core Trading Session; and

(B) the Late Trading Session will commence at the end of the shortened Core Trading Session and continue for 15 minutes.

(d) Order Types

(1) Market Orders, Good-'Til-Cancelled Orders, Market-on-Open Orders, Imbalance Offset Orders, Stop Orders, Stop Limit Orders, Complex Orders, Cross Orders, Limit-on-Open Orders, Reserve Orders, CUBE Orders, GTX Orders and Open Outcry Orders will not be permitted during the Early Trading Session and the Late Trading Session.

(2) Queuing/pre-open state for the Early Trading Session will work the same way as it does for the Core Trading Session. Early Trading Session orders will be accepted starting at 6:00 a.m. Eastern Time.

**Commentary:**

.01 Per Rule 901NY the Core Trading Session for Options on ETFs and Options on Index-Linked Securities (or ETNs) shall be between 9:30 a.m. and 4:15 p.m. each business day.

**Rule 901.2NY. Extended Hours Trading**

(a) Rule 901.2NY will apply only during Extended Hours Trading, as defined in subparagraph (b), below. Options traded during Extended Hours Trading will be subject to all other rules applicable to options on the Exchange, including, without limitation, the trading rules, listing rules and business conduct rules, unless the context otherwise requires.

(b) The term "Extended Hours Trading" shall mean trading during the Early Trading Session and the Late Trading Session.

(c) Designation. The Exchange may designate as eligible for trading during Extended Hours Trading up to 100 multiply listed equity option classes designated for trading under Rule 901 that satisfy the following criteria for the preceding six calendar months: (i) the

option has an average daily volume of 150,000 contracts; (ii) the underlying equity to the option has a \$50 billion market capitalization; and (iii) the underlying equity to the option has an average daily trading volume of 10 million shares. Equity option classes with an underlying security that is an Exchange-Traded Fund (“ETF”) or commodity-based trust share are exempt from the requirement set forth in Rule 901.2NY(c)(ii) in determining eligibility for trading during Extended Hours Trading. If the Exchange designates a class of equity options as eligible for trading during Extended Hours Trading, FLEX Options with the same underlying equity are also deemed eligible for trading during Extended Hours Trading, using those mechanisms that are made available during Extended Hours Trading.

- (1) The Exchange may waive the criteria set forth in this subparagraph (c) above if, during the three days following an underlying security’s initial public offering day, the underlying security has a market capitalization of at least \$3 billion based upon the offering price of its initial public offering, in which case options on the underlying security may be listed and traded during Extended Hours Trading starting on or after the second business day following the initial public offering day. Any equity option designated in this manner will not be subject to the 100 multiply listed option class limit established pursuant to this subparagraph.
- (2) The Exchange may also designate as eligible for trading during Extended Hours Trading any equity option that is traded on another exchange during the Early Trading Session, the Late Trading Session or any other trading session that is not the Core Trading Session, and any equity option designated in this manner will not be subject to the 100 multiply listed option class limit established pursuant to this subparagraph.
- (3) The Exchange will conduct a semiannual review as of January 1 and July 1 each year of options and underlying equities to determine the option classes that meet the criteria in this subparagraph (c) by using trading data from the previous six-month period. The Exchange may designate any option class for trading during Extended Hours Trading that meets the criteria established pursuant to this subparagraph (c) as eligible for Extended Hours Trading, and designated options may commence trading during Extended Hours Trading on the first trading day of February and August, respectively. Newly designated classes eligible for trading during Early Trading Hours will be published via Trader Update.
- (4) If the Exchange determines pursuant to the semiannual review conducted under subparagraph (c)(3) above that an option class ceases to satisfy the criteria in this subparagraph (c), the following shall apply:
  - (i) The option class may continue to trade during Extended Hours Trading for a period of up to 18 months from the date of such determination, and the Exchange shall determine and provide reasonable and advanced notice of the date such option shall be removed from trading in Extended Hours

Trading (“removal date”). Thereafter, the option class may trade during the Core Trading Session only.

- (ii) If at any time prior to the removal date provided pursuant to subparagraph (c)(4)(i) for an option class, the Exchange determines that the removal date should be accelerated based on limited market activity in the option class during Extended Hours Trading, the Exchange may determine a new, accelerated removal date and shall provide notice of such new removal date as soon as practicable, which notice must be issued at least seven days in advance of the new removal date. Thereafter, the option class may trade during the Core Trading Session only.
- (iii) Notwithstanding subparagraphs (c)(4)(i) and (ii), if the Exchange determines pursuant to a semiannual review conducted under subparagraph (c)(3) and prior to the removal date that the option class satisfies the criteria in this subparagraph (c), the removal date will no longer apply to the option class, and the option class may continue to trade in Extended Hours Trading. The Exchange shall provide notice of any such changes in Extended Hours Trading eligibility.
- (iv) If, at any time, the Exchange determines that an option class should be removed from Extended Hours Trading for any reason other than as described in subparagraph (c)(4), the Exchange shall provide notice of such determination, which notice must be issued at least 30 days prior to the removal date. Notwithstanding the preceding sentence, if the Exchange determines that immediate removal of an option class from Extended Hours Trading is necessary in the interest of investor protection or the maintenance of fair and orderly markets, the Exchange may remove an options class from Extended Hours Trading at any time and shall provide notice of such determination as soon as practicable. Any option class designated for removal from Extended Hours Trading pursuant to this subparagraph or subparagraph (c)(4)(i) and that is included in the 100 multiply listed option class limit established under this subparagraph (c) will continue to be included in the 100 multiply listed option class limit until the removal date of the option class.

(d) Series. The Exchange may list for trading during Extended Hours Trading any series in an equity option designated as eligible for trading during Extended Hours Trading that it may list pursuant to Rule 901.

(e) Electronic Trading. Trading during the Early Trading Session is electronic only. There is no open outcry trading on the floor during the Early Trading Session.

(f) Disclosures. No ATP Holder may accept an order from a non-ATP Holder for execution during Extended Hours Trading without disclosing to such non-ATP Holder that trading during Extended Hours Trading involves material trading risks, including the possibility

of lower liquidity, high volatility, changing prices, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The disclosures required pursuant to this subparagraph may take the following form or such other form as provides substantially similar information:

- (1) Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders and quotes that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity during Extended Hours Trading as compared to the Core Trading Session. As a result, your order may only be partially executed, or not at all.
- (2) Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility during Extended Hours Trading than during the Core Trading Session. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price during Extended Hours Trading as compared to the Core Trading Session.
- (3) Risk of Changing Prices. The prices of securities traded during Extended Hours Trading may not reflect the prices at the end of regular market hours. As a result, you may receive an inferior price during Extended Hours Trading as compared to the Core Trading Session.
- (4) Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities outside of the Core Trading Session. Similarly, important financial information is frequently announced outside of the Core Trading Session. These announcements may occur during Extended Hours Trading and, if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
- (5) Risk of Wider Spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility during Extended Hours Trading may result in wider than normal spreads for a particular option.
- (6) Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (“IIV”) and Lack of Regular Trading in Securities Underlying Indexes. For certain products, an updated underlying index or portfolio value or IIV will not be calculated or publicly disseminated during Extended Trading Hours. Since the underlying index or portfolio value and IIV may not be calculated or widely disseminated during Extended Hours Trading, an investor who is unable to calculate implied values for certain products during Extended Hours Trading may be at a disadvantage to market professionals.

Additionally, securities underlying the indexes or portfolios will not be regularly trading as they are during the Core Trading Session, or may not be trading at all. This may cause prices during Extended Hours Trading to not reflect the prices of those securities when they open for trading.

(7) Additional Risks. Extended Hours Trading may present additional unforeseen risks in addition to those discussed above.

*(g) Market Makers*

(1) The same Market Maker appointments will apply across the Early Trading Session, Core Trading Session and Late Trading Session. Accordingly, if an option class is designated by the Exchange as eligible for trading during the Early Trading Session and the Late Trading Session pursuant to Sections (c) and (d), above, the Market Maker appointed to that option class pursuant to Rule 923NY will automatically be appointed in such option class during the Early Trading Session and Late Trading Session.

(2) During any given Early Trading Session or Late Trading Session, a Market Maker is not required to enter quotations in the option class to which it is appointed. If, however, a Market Maker chooses to enter quotations in its assigned option class during the Early Trading Session or Late Trading Session, it will be subject to the continuous quoting obligations in Rule 925.1NYP, which will apply across all trading sessions in which they quote, with the exception being that the Core Trading Session is always counted.

(3) A Market Maker that does not enter any quotations in their assigned option class during the Early Trading Session or Late Trading Session will not be subject to the continuous quoting obligations in Rule 925.1NYP for that class during either of those trading sessions. Notwithstanding the foregoing, nothing herein relieves the Market Maker of its continuous quoting obligations during the Core Trading Session.

*(h) Specialists and e-Specialists.*

(1) The same Specialist and e-Specialist (collectively “Specialist”) allocations will apply across the Early Trading Session, Core Trading Session and Late Trading Session. Accordingly, if an option class is designated by the Exchange as eligible for trading during the Early Trading Session and the Late Trading Session pursuant to subparagraph (c), above, the Specialist assigned that option class pursuant to Rule 927NY will automatically receive an assignment in such option class during Early Trading Hours and Late Trading Hours.

(2) Notwithstanding subparagraph (1), above, a Specialist may decline to act as a Specialist in any eligible option class assigned to it during either the Early Trading Session or Late Trading Session by not quoting during that session. In

such an instance, the Exchange may designate a separate Specialist for the affected session.

(3) Nothing contained in this subparagraph (h) will relieve the Specialist of its obligations during the Core Trading Session.

(i) Expiration Day Trading. Equity options eligible for trading during Extended Hours Trading shall continue to trade through the Late Trading Session on their expiration date.

(j) Letters of Guarantee and Authorization. In order to participate in the Early Trading Session, a Trading Permit Holder must have a letter of guarantee from a Clearing Trading Permit Holder that is authorized by the Options Clearing Corporation ("OCC") to operate during Extended Hours Trading.

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### **Rule 925NY. Obligations of Market Makers**

(a) No Change

(b) *Obligations in Appointed Classes.* With respect to each class of options in his appointment, a Market Maker is expected to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market.

(1) To compete with other Market Makers to improve the market in all series of options classes to which the Market Maker is appointed.

(2) To make markets that will be honored for the number of contracts entered into the System in all series of options classes within the Market Maker's appointment.

(3) To update market quotations in response to changed market conditions in all series of options classes within the Market Maker's appointment.

(4) In open outcry, bidding and/or offering so as to create differences of:

(A) no more than .25 between the bid and the offer for each option contract for which the bid is less than \$2,

- (B) no more than .40 where the bid is \$2 or more but does not exceed \$5,
  - (C) no more than .50 where the bid is more than \$5 but does not exceed \$10,
  - (D) no more than .80 where the bid is more than \$10 but does not exceed \$20, and
  - (E) no more than \$1 when the last bid is \$20.01 or more, provided that a Trading Official may establish differences other than the above for one or more series or classes of options.
- (5) Electronically submit quotes to the System during the Core Trading Session[Hours] and any Extended Hours Trading session (i.e., the Early Trading Session and the Late Trading Session) in which the Market Maker quotes with difference not to exceed \$5 between the bid and offer regardless of the price of the bid.

Two Trading Officials may establish quote width differences other than as provided in this subparagraph (5) for one or more option series.

- (6) In response to a call for a market from a Floor Broker, bidding no more than \$1 lower and/or offering no more than \$1 higher than the last preceding transaction price for the particular option contract. However, this standard shall not ordinarily apply if the price per share (or other unit of trading) of the underlying security has changed since the last preceding transaction for the particular option contract, in which event a Market Maker may then bid no lower than or offer no more than \$1 plus the aggregate change in the price per share (or other unit of trading) of the underlying security since the time of the last preceding transaction for the particular option contract. This provision applies from one day's close to the next day's opening and from one transaction to the next in intra-day transactions. With respect to inter-day transactions, this provision applies if the closing transaction occurred within one hour of the close and the opening transaction occurred within one hour after the opening. With respect to intra-day transactions, this provision applies to transactions occurring within one hour of one another. A Trading Official may waive the provisions of this paragraph in an index option when the primary underlying securities market for that index is not trading. Nothing in this subparagraph (b)(6) shall alter the maximum bid/ask differentials established by subparagraph (b)(4)-(5) of Rule 925NY.

(c)-(f) No Change

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**Rule 925.1NYP. Market Maker Quotations**

(a) No Change

(b) *Specialists*. A Specialist must provide continuous two-sided quotations [throughout the trading day] in its appointed issues for 90% of the time during the Core Trading Session and any Extended Hours Trading session (i.e., the Early Trading Session and the Late Trading Session) in which it quotes[Exchange is open for trading] in each issue. Such quotations must meet the legal quote width requirements of Rule 925NY. These obligations will apply to all of the Specialist's appointed issues collectively, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis.

(1) No Change.

(c) *Market Makers*. A Market Maker must provide continuous two-sided quotations [throughout the trading day] in its appointed issues for 60% of the time during the Core Trading Session and any Extended Hours Trading session (i.e., the Early Trading Session and the Late Trading Session) in which it quotes[the Exchange is open for trading] in each issue. Such quotations must meet the legal quote width requirements of Rule 925NY. These obligations will apply to all of the Market Maker's appointed issues collectively, rather than on an issue-by-issue basis. Compliance with this obligation will be determined on a monthly basis.

(1) No Change.

(d)-(e) No Change

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### **Rule 928.1NYP. Price Reasonability Checks - Orders and Quotes**

(a) No Change

(b) Arbitrage Checks for buy orders or quotes.

(1) Puts. Order or quote messages to buy for put options will be rejected if the price of the order or quote is equal to or greater than the strike price of the option.

(2) Calls. Order or quote messages to buy for call options will be rejected or canceled (if resting) if the price of the order or quote is equal to or greater than the price of the last trade (of any size) of the underlying security on the Primary Market during the Core Trading Session or a trade of any size in the security underlying the equity option during the Early Trading Session, plus a specified threshold to be determined by the Exchange and announced by Trader Update.

(c) Intrinsic Value Checks for sell orders or quotes.

(1) The Intrinsic Value for a put option is equal to the strike price minus the price of the last trade (of any size) of the underlying security on the Primary Market during the Core

Trading Session or a trade of any size in the security underlying the equity option during the Early Trading Session.

(2) The Intrinsic Value for a call option is equal to the price of the last trade (of any size) of the underlying security on the Primary Market minus the strike price during the Core Trading Session or a trade of any size in the security underlying the equity option minus the strike price during the Early Trading Session.

(3) ISOs to sell are not subject to the Intrinsic Value Check described in this paragraph (c).

(4) Puts and calls.

(A) Orders or quotes to sell for both puts and calls will be rejected or canceled (if resting) if the price of the order or quote is equal to or lower than its Intrinsic Value, minus a specified threshold to be determined by the Exchange and announced by Trader Update.

(B) The threshold percentage is based on the NBB, provided that, immediately following an Auction, it is based on the Auction Price or, if none, the lower Auction Collar price, or, if none, the NBB. For purposes of determining the Intrinsic Value, the Exchange will not use an adjusted NBBO. The Intrinsic Value Check for sell orders and quotes will not be applied if the Intrinsic Value cannot be calculated.

(d) No Change

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### **Rule 952NYP. Auction Process**

(a) This Rule is applicable to all series that trade on the Exchange other than Flex Options. The following are definitions for purposes of this Chapter (Trading of Option Contracts) that are applicable to trading on Pillar:

(1) “Auction” means the opening or reopening of a series for trading either with or without a trade.

(A) “Core Open Auction” means the Auction that opens trading after the beginning of the Core Trading [Hours] Session.

(B) “Trading Halt Auction” means the Auction that reopens trading following a trading halt.

(C) “Early Open Auction” means the Auction that opens trading after the beginning of the Early Trading Session.

(2) - (6) No Change

(7) “Auction Trigger” means the information disseminated about [by the Primary Market in ]the underlying security that triggers the Auction Process for a series to begin.

(A) For a Core Open Auction, the Auction Trigger is when the Primary Market first disseminates at or after 9:30 a.m. Eastern Time both a two-sided quote and a trade of any size that is at or within the quote.

(B) For a Trading Halt Auction, the Auction Trigger is when the Primary Market disseminates at the end of a trading halt or pause a resume message, a two-sided quote, and a trade of any size that is at or within the quote.

(C) For an Early Open Auction, the Auction Trigger is when any national securities exchange disseminates, at or after 7:30 a.m. Eastern Time, either a two-sided quote or a trade of any size in the security underlying the equity option.

(8) - (11) No Change

(12) “Pre-open state” means the period before a series is opened or reopened for trading. During the pre-open state, the Exchange will accept Auction-Only Orders, quotes, and orders designated Day or GTC, including orders ranked Priority 3 - Non-Display Orders that are not eligible to participate in an Auction.

(A) The pre-open state for the Core Open Auction begins at 6:00 a.m. Eastern Time and ends when the Auction Processing Period begins. At the beginning of the pre-open state before the Core Open Auction, orders designated GTC that remain from the prior trading day will be included in the Consolidated Book.

(B) The pre-open state for a Trading Halt Auction begins at the beginning of the trading halt and ends when the Auction Processing Period begins.

(C) The pre-open state for the Early Open Auction begins at 6:00 a.m. Eastern Time and ends when the Early Open Auction Processing Period begins.

(b) *Auction Ranking and Allocation.* Orders and quotes on the side of the Imbalance are not guaranteed to participate in an Auction and will be ranked in price-time priority under

Rule 964NYP(c)-(g) consistent with the priority ranking associated with each order or quote, provided that:

- (1) Limit Orders, quotes, and LOO Orders, for the Core Open Auction and a Trading Halt Auction (LOO Orders are not permitted during Extended Hours Trading), will be ranked based on their limit price and not the price at which they would participate in the Auction.
  - (2) MOO Orders will be ranked Priority 1 - Market Orders, for the Core Open Auction and a Trading Halt Auction (Market Orders are not permitted during Extended Hours Trading).
  - (3) LOO Orders will be ranked Priority 2 - Display Orders, for the Core Open Auction and a Trading Halt Auction (LOO Orders are not permitted during Extended Hours Trading).
  - (4) IO Orders, for the Core Open Auction and a Trading Halt Auction (LOO Orders are not permitted during Extended Hours Trading), will be ranked based on time among IO Orders, subject to eligibility to participate at the Indicative Match Price based on their limit price.
  - (5) Orders and quotes will trade in the Auction as follows:
    - (A) Orders and quotes priced better than the Auction Price will trade based on ranking; and
    - (B) Orders and quotes priced at the Auction Price will trade per Rule 964NYP(j), provided that the participation entitlement to a DOMM or Specialist per Rule 964NYP(j)(4) is not available during the Auction.
- (c) *Auction Imbalance Information*. Unless otherwise specified by Trader Update, Auction Imbalance Information is updated at least every second until the Auction is conducted, unless there is no change to the information. The Exchange will begin disseminating Auction Imbalance Information at the following times:
- (1) Core Open Auction Imbalance Information will begin at 8:00 a.m. Eastern Time.
  - (2) Trading Halt Auction Imbalance Information will begin at the beginning of the trading halt.

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