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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 31

Amendment No. (req. for Amendments *)

Filing by NYSE Arca, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to amend Rule 6.64P-O

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Kathleen Last Name * Murphy

Title * Senior Counsel, NYSE Group Inc.

E-mail * Kathleen.Murphy@ice.com

Telephone * (212) 656-4841 Fax (212) 656-8101

Signature

Pursuant to the requirements of the Securities Exchange of 1934, NYSE Arca, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 05/17/2022

(Title *)

By David De Gregorio

Associate General Counsel

(Name *)

David De Gregorio

Digitally signed by David De Gregorio
Date: 2022.05.17 16:10:29 -04'00'

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information *

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SEC Sub of NYSE Arca 19b4 open in

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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Ex. 1 SEC Sub of NYSE Arca 19b4 op

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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Ex. 5 SEC Sub of NYSE Arca 19b4 op

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) proposes to amend Rule 6.64P-O (Auction Process).

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 by the Board of Directors or the membership of the Exchange is required. Therefore, the Exchange’s internal procedures with respect to the proposed change are complete.

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

Kathleen Murphy
Senior Counsel
NYSE Group, Inc.
(212) 656-4841

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

- (a) Purpose

The Exchange proposes to modify Rule 6.64P-O regarding the automated process for both opening and reopening trading in a series on the Exchange on Pillar as set forth below.³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Rule 6.64P-O (the “Pillar Rule”) covers the opening and reopening of option series, which process is identical on the Pillar trading platform. As such, the

Current Pillar Auction Process

Rule 6.64P-O(d) sets forth the Auction Process.⁴ Per Rule 6.64P-O(d)(1), once the Exchange receives the Auction Trigger for a series,⁵ the Auction Process begins and the Exchange sends a Rotational Quote⁶ to both OPRA and proprietary data feeds indicating that the Exchange is in the process of transitioning from a pre-open state to continuous trading for that series.

Per Rule 6.64P-O(d)(2), once a Rotational Quote has been sent, the Exchange conducts an Auction,⁷ provided “there is both a Legal Width Quote and, if applicable, Market Maker quotes with a non-zero offer in the series” within the Opening Timer(s), per Rule 6.64P-O(d)(3).⁸ The Exchange deems the Legal Width Quote requirement satisfied if the Calculated NBBO (described below) for the series is uncrossed, contains a non-zero offer, and has a spread that does not exceed a maximum differential that is determined by the Exchange on a class

Exchange will simply refer to the “opening” of a series herein. The Exchange notes that because it has not yet migrated to the Pillar platform, Rule 6.64-O continues to apply to the opening process, which rule is not being modified by this filing. The Exchange has announced July 11, 2022 as the planned migration date for Pillar, as announced here: <https://www.nyse.com/trader-update/history#110000421498>.

⁴ “Auction Process” refers to the process that begins when the Exchange receives an Auction Trigger for a series and ends when the Auction is conducted. See Rule 6.64P-O(a)(5).

⁵ “Auction Trigger” refers to the information disseminated by the Primary Market in the underlying security that triggers the Auction Process for a series to begin. See Rule 6.64P-O(a)(7).

⁶ “Rotational Quote” refers to the highest Market Maker bid and lowest Market Maker offer on the Exchange when the Auction Process begins and such a Rotational Quote will be updated (for price and size) during the Auction Process. See Rule 6.64P-O(a)(13).

⁷ “Auction” refers to the opening or reopening of a series for trading either with or without a trade. See Rule 6.64P-O(a)(1).

⁸ See Rule 6.64P-O(d)(2). Rule 6.64P-O(d)(3) specifies the parameters of the Opening MMQ Timers, which are designed to encourage (but not require) any Market Maker(s) assigned to an option series to submit Legal Width Quotes in connection with the Auction Process. The Exchange proposes a non-substantive change of “30” to “thirty” regarding the Opening MMQ Timer(s), which would add clarity and internal consistency to the to rule. See proposed Rule 6.64P-O(d)(3).

basis and announced by Trader Update.⁹ The Calculated NBBO is comprised of the highest bid and lowest offer among all Market Maker quotes and the ABBO during the Auction Process.¹⁰ A Calculated NBBO does not require both Market Maker quotes and ABBO to be present, and may be composed of Market Maker quotes only, of the ABBO only, or a combination thereof.

If the foregoing requirements are met (i.e., per Rule 6.64P-O(d)(2)), the Exchange will conduct an Auction that will either result in a trade or in a quote depending on whether there is (or is not) Matched Volume¹¹ that can trade at or within the Auction Collars.¹² If there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price.¹³ However, if there is no Matched Volume that can trade at or within the Auction Collars, the Auction will instead result in a quote and the Exchange transitions to continuous trading as set forth in Rule 6.64P-O(f).¹⁴

Finally, per Rule 6.64P-O(d)(4), unless otherwise specified by Trader Update, for the first ninety seconds of the Auction Process (inclusive of the thirty-second Opening MMQ Timer(s)), if there is no Legal Width Quote, the Exchange will not conduct an Auction, even if there is Matched Volume, i.e., the series will not open. After the first ninety seconds of the Auction Process, if there is no Matched Volume and the Calculated NBBO is wider than the Legal Width Quote, is not

⁹ See Rule 6.64P-O(a)(10)(A)-(C). The maximum spread differential for a given series or class of options may be modified by a Trading Official. See Rule 6.64P-O(a)(10)(C).

¹⁰ See Rule 6.64P-O(a)(8) (defining Calculated NBBO).

¹¹ “Matched Volume” refers to the number of buy and sell contracts that can be matched at the Indicative Match Price, excluding IO Orders. See Rule 6.64P-O(a)(11). An Imbalance Offset Order (“IO Order”) is a Limit Order that is to be traded only in an Auction. See Rule 6.62P-O(c)(3).

¹² “Auction Collar” refers to the price collar thresholds for the Indicative Match Price for an Auction, with the upper Auction Collar being the offer of the Legal Width Quote and the lower Auction Collar being the bid of the Legal Width Quote, provided that if the bid of the Legal Width Quote is zero, the lower Auction Collar will be one MPV above zero for the series. And, if there is no Legal Width Quote, the Auction Collars will be published in the Auction Imbalance Information as zero. See Rule 6.64P-O(a)(2).

¹³ See Rule 6.64P-O(d)(2)(A). “Indicative Match Price” refers to the price at which the maximum number of contracts can be traded in an Auction, including the non-displayed quantity of Reserve Orders and excluding IO Orders, subject to the Auction Collars. If there is no Legal Width Quote, the Indicative Match Price included in the Auction Imbalance Information will be calculated without Auction Collars. See Rule 6.64P-O(a)(9).

¹⁴ See Rule 6.64P-O(d)(2)(B).

crossed, and does not contain a zero offer, the Exchange will first cancel any Market Orders and MOO Orders and then transition the option series to continuous trading per Rule 6.64P-O(f).¹⁵ Thus, per Rule 6.64P-O(d)(4)(A), if after the first ninety seconds of the Auction Process there is Matched Volume but the other elements of this provision are satisfied, the series will not open and will remain unopened and the Exchange will not transition to continuous trading until the earlier of (i) a Legal Width Quote is established and an Auction can be conducted; (ii) the series can be opened as provided for in paragraph (d)(4)(A); (iii) the series is halted; or (iv) the end of Core Trading Hours.¹⁶ In other words, a series that does not meet the requirements of Rule 6.64P-O(d)(4)(A) may be delayed in opening until one of the conditions set forth in Rule 6.64P-O(d)(4)(B) occur.

Proposed Change to Auction Process

The Exchange notes that waiting for market conditions to change before transitioning to continuous trading per the current Pillar Rule may result in missed execution opportunities for eligible interest submitted to the Exchange during the pre-open state. Moreover, this potential (indefinite) delay is inconsistent with the Exchange's intention of providing a timely and efficient Auction Process. As such, the Exchange proposes to modify Rule 6.64P-O. In short, the Exchange proposes that after the first ninety seconds of the Auction Process, the Exchange would conduct an Auction of marketable interest based on the spread of the then-current market conditions (i.e., a Calculated NBBO that is uncrossed with a non-zero offer), provided that if the Calculated NBBO exceeds the Legal Width Quote differential established per Rule 6.64P-O(a)(10)(C) the Exchange would cancel any Market Orders or MOO Orders before conducting the Auction. As further proposed, marketable Limit Orders would trade in the Auction bound by the Calculated NBBO (i.e., the highest bid and lowest offer among all Market Maker quotes and the ABBO), which executions may be earlier and more efficient than afforded under the current Pillar Rule. If there is no marketable interest after such cancellation, the Exchange would open on a quote.¹⁷

The Exchange believes the proposed change to the Pillar Rule (the details of which are described below) would promote competitive liquidity by allowing series to open at then-current market prices and would promote a fair and orderly opening process by improving the speed and efficiency of the Auction Process without impairing price discovery.

¹⁵ See Rule 6.64P-O(d)(4)(A).

¹⁶ See Rule 6.64P-O(d)(4)(B).

¹⁷ As described further below, consistent with Rule 6.64P-O(d)(2)(B), an Auction conducted per proposed Rule 6.64P-O(d)(4)(A) would open on a quote if there is no Matched Volume).

First, the Exchange proposes to codify existing rule text into the defined phrase the “initial Auction Process time period” in proposed Rule 6.64P-O(a)(5)(i). As proposed, the initial Auction Process time period would mean, “unless otherwise specified by Trader Update, the first ninety seconds after the commencement of the Auction Process,” which definition simply codifies (and relocates) identical text that appears in the preamble of both sentences in Rule 6.64P-O(d)(4).¹⁸ The Exchange believes this proposed change is non-substantive and would streamline and add clarity to the existing rule.¹⁹

Next, the Exchange proposes to modify the definition of Legal Width Quote, including by leveraging the newly defined “initial Auction Process time period.” Rule 6.64P-O(a)(10)(C) provides that, to be deemed a Legal Width Quote, the spread of the Calculated NBBO may not exceed a maximum differential that is determined by the Exchange on a class basis and announced by Trader Update.²⁰ As such, by rule, the Exchange has discretion to establish for each option class the maximum allowable spread of the Calculated NBBO within which the Exchange will conduct an Auction, provided that the other elements of a Legal Width Quote are met.²¹ Nothing in Rule 6.64P-O(a)(10)(C) precludes the Exchange from establishing one set of Calculated NBBO spreads for the first ninety seconds of the Auction Process and a second (wider) set of Calculated NBBO spreads for any time after the first ninety seconds. However, in the interest of clarity and for the avoidance of potential confusion, the Exchange proposes to expand the definition of Legal Width Quote (rather than modify by Trader Update) in the Pillar Rule to provide that “after the initial Auction Process time period, the Exchange will not impose limits for the maximum differential for the spread between the Calculated NBBO.”²²

The Exchange believes adopting Rule 6.64P-O(a)(10)(D) is consistent with its authority under the Pillar Rule to determine the maximum allowable Calculated

¹⁸ See proposed Rule 6.64P-O(a)(5)(i). See Rule 6.64P-O(d)(4) (providing that “[u]nless otherwise specified by Trader Update, for the first ninety seconds of the Auction Process . . .” and “[n]inety seconds after the Auction Process begins:”).

¹⁹ See id. See proposed Rule 6.64P-O(d)(4)(A) (replacing reference to the first ninety-seconds after the Auction Process with the proposed definition of the “initial Auction Process time period,” which would add clarity and internal consistency to the Rule, making it easier to navigate and comprehend).

²⁰ See Rule 6.64P-O(a)(10)(C) (which also provides a Trading Official may establish maximum differentials for one or more series or classes of options, which differ from those established by the Exchange).

²¹ To qualify as a Legal Width Quote, the Calculated NBBO must also be uncrossed and must contain a non-zero offer, which requirements are not being modified by this rule change. See Rule 6.64P-O(a)(10)(A)-(B).

²² See proposed Rule 6.64P-O(a)(10)(D).

NBBO spread to qualify a series as having a Legal Width Quote. However, this rule change would make clear that the Exchange would no longer impose these established spread limits (as announced by Trader Notice per Rule 6.64P-O(a)(10)(C)) after the initial Auction Process time period. The Exchange believes this rule change would add clarity and transparency to the Auction Process to the benefit of all market participants.²³ Because the Auction Process, including the Auction Collars, the presence of Matched Volume, and the determination of the Indicative Match Price, are dependent upon a Calculated NBBO that qualifies as a Legal Width Quote, the Exchange proposes that any Auction conducted consistent with proposed 6.64P-O(a)(10)(D) would follow the current Auction Process except as described below.²⁴

The Exchange proposes to amend Rule 6.64P-O(d)(4) regarding the conduct of an Auction after the conclusion of the initial Auction Process time period (i.e., after the first ninety seconds).²⁵ As noted herein, the Pillar functionality (per Rule 6.64P-O(d)(4)(A)) permits a series to open based on a “wide” Calculated NBBO (that is uncrossed with a non-zero offer), but only if there is no Matched Volume, which requirement may delay openings and result in missed execution opportunities.²⁶ To address this unintended potential delay, the Exchange

²³ Similar to the Exchange, other options exchanges have rules granting them broad discretion to modify the opening parameters for each option series, which modifications are disseminated or announced to market participants over data feeds or trader notice. See, e.g., Cboe Options Exchange, Inc. (“Cboe”) Rule 5.31(a) (definitions of Maximum Composite Width and Opening Collar, each of which the exchange “may modify during the opening auction process (which modifications the Exchange disseminates to all subscribers to the Exchange’s data feeds that deliver opening auction updates)”); Cboe EDGX Options Exchange, Inc. (“EDGX”) Rule 21.7(a) (same); Cboe BZX Options Exchange, Inc. (“BZX”) Rule 21.7(a) (definitions of Maximum Composite Width and Opening Collar); Cboe C2 Exchange Inc. (“C2”) Rule 6.11(a) (same); see also Miami Securities Exchange, Inc. (“MIAX”) Rule 503(f)(2) (which permits MIAX to determine by circular an acceptable range in which openings are permissible if there is no valid width national best bid or offer (“NBBO”)).

²⁴ See, e.g., Rule 6.64P-O(d)(2)(A)-(B) (describing the process of opening a series with a trade or a quote depending on whether there is Matched Volume).

²⁵ See proposed Rule 6.64P-O(d)(4) (which includes the aforementioned non-substantive change to refer to the newly defined “initial Auction Process time period” rather than the first ninety seconds after the Auction Process). The Exchange is not altering Auction functionality for the initial Auction Process time period. See id.

²⁶ See proposed Rule 6.64P-O(d)(4)(B) (setting forth the necessary market conditions to open a series that has not opened per paragraph (d)(4) of the Pillar Rule). If the Exchange opens a series per Rule 6.64P-O(d)(4)(A), it first cancels

proposes that after the initial Auction Process time period and consistent with proposed paragraph (a)(10)(D) of this Rule (which removes the limit on the maximum allowable Calculated NBBO spread), the Exchange would conduct an Auction regardless of Matched Volume as long as the Calculated NBBO is not crossed, and does not contain a zero offer.²⁷ This proposed functionality would allow marketable Limit Orders to execute in the Auction, which may result in certain option series opening earlier than are opened under the current rule and increase execution opportunities for Limit Orders at then-current market prices.²⁸

Although Limit Orders would be eligible to execute based on this proposed functionality, whether a Market Order or MOO Order may participate in the proposed Auction depends on the width of the market at the time of the Auction. Specifically, as further proposed, if the Calculated NBBO spread is wider than the differential established per paragraph (a)(10)(C) of this Rule, the Exchange would cancel Market Orders and MOO Orders before conducting the Auction, which proposed handling is consistent with the current Pillar Rule.²⁹ Conversely, as proposed, and consistent with the current Pillar Rule, Market Orders and MOO Orders are not canceled and will participate in an Auction that is based on a Calculated NBBO that is less than or equal to the Calculated NBBO spread limit established per Rule 6.64P-O(a)(10)(C).³⁰ As further proposed, after the

any Market Order or MOO Orders before conducting an Auction and transitioning to continuous trading. See proposed Rule 6.64P-O(d)(4).

²⁷ See proposed Rule 6.64P-O(d)(4)(A). See also proposed Rule 6.64P-O(a)(10)(D).

²⁸ See id. See also Rule 6.64P-O(a)(9)(A) (providing, in relevant part, that “the Indicative Match Price would not be lower (higher) than the highest (lowest) price of a Limit Order to buy (sell) ranked Priority 2 - Display Orders that is eligible to participate in the Auction”). In addition, consistent with the proposal, the Exchange proposes to remove as inapplicable the text in current Rule 6.64P-O(d)(4)(A) indicating that the “Auction is not intended to end with a trade, but it may result in a trade even if there is no Legal Width Quote if orders or quotes arrive during the period when the Exchange is evaluating the status of orders and quotes” as well as text indicating that the Exchange would “transition to continuous trading as described in paragraph (f) of this Rule.” See proposed Rule 6.64P-O(d)(4)(A).²⁹ See Rule 6.64P-O(d)(4)(A)(i) (providing that Market Orders and MOO Orders are cancelled “[a]ny time a series is opened or reopened when there is no Legal Width Quote,” i.e., when the Calculated NBBO exceeds the maximum allowable spread limit set forth in Rule 6.64P-O(a)(10)(C)”).

²⁹ See Rule 6.64P-O(d)(4)(A)(i) (providing that Market Orders and MOO Orders are cancelled “[a]ny time a series is opened or reopened when there is no Legal Width Quote,” i.e., when the Calculated NBBO exceeds the maximum allowable spread limit set forth in Rule 6.64P-O(a)(10)(C)”).

³⁰ See id. To avoid potential confusion regarding the distinct handling of Market Orders and MOO Orders under proposed Rule 6.64P-O(d)(4)(A) depending upon

cancellation of any Market Orders or MOO Orders as applicable, the Auction Process will proceed consistent with paragraph (d)(2)(A)-(B) of this Rule and the Exchange will execute Matched Volume (if any) to the extent possible before transitioning to continuous trading.³¹

Taken together, the proposed changes to Rule 6.64P-O(a)(10)(D) and (d)(4) would allow any series that has not opened by the end of the initial Auction Process time period the ability to open based on a Legal Width Quote derived from then-market conditions. As such, the Exchange proposes to modify Rule 6.64P-O(d)(4)(B) to update the cross-reference from paragraph (d)(4)(A) to paragraph (d)(4) and to eliminate as superfluous paragraph (d)(4)(B)(ii), which refers to waiting until “the series can be opened as provided for in paragraph (d)(4)(A).”³² The Exchange believes these proposed conforming changes are necessary given that the proposed changes to Rule 6.64P-O(a)(10)(D) (removing the limit on the Calculated NBBO spread to qualify as Legal Width Quote) and (d)(4)(A) (addressing the conduct of an Auction after the initial Auction Process time period under the expanded definition of Legal Width Quote) render paragraph (d)(4)(B)(ii) of the Rule unnecessary.

The Exchange notes that it is not making any changes to the requirements to conduct an Auction during the initial Auction Process time period. Instead, the proposed changes relate solely to those series that remain unopened after the conclusion of the initial Auction Process time period because the Calculated NBBO spread is too wide. The Exchange believes that the initial Auction Process time period affords market participants sufficient opportunity to absorb available pricing information, including Market Makers that are generally responsible for pricing the market. If the Calculated NBBO remains wide by the end of the initial Auction Process time period, the Exchange believes it is unlikely to tighten if the Exchange were to further delay the opening of a series. The Exchange has observed that on a typical trading day, in the current system, nearly 98% of all

whether an Auction is conducted based on a Calculated NBBO spread that is in compliance with Rule 6.64P-O(a)(10)(C) or with proposed Rule 6.64P-O(a)(10)(D), the Exchange has intentionally avoided reference to the presence of a Legal Width Quote in the proposed Rule. See proposed Rule 6.64P-O(d)(4)(A).

³¹ See, e.g., Rule 6.64P-O(d)(2)(A)-(B) (providing that “[i]f there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price” or, “[i]f there is no Matched Volume that can trade at or within the Auction Collars,” the Auction will not result in a trade and the Exchange will transition to continuous trading as described in paragraph (f) of this Rule and the Auction will result in a quote”).

³² See proposed Rule 6.64P-O(d)(4)(A). See proposed Rule 6.64P-O(d)(4)(B). The Exchange also proposes conforming changes to re-number the remaining paragraphs in light of the proposed deletion, which would add clarity and internal consistency to the Rule. See id.

series are opened by 9:32 a.m. Eastern Time. As such, the Exchange anticipates that the majority of series would be opened within ninety seconds of the Auction Process and would not be impacted by the proposed rule change. However, for the minority of option series that have not opened within the first ninety seconds, the Exchange believes it is necessary and appropriate to allow such series to open based on prices consistent with then-current market conditions, provided the Calculated NBBO for the series is not crossed, and does not contain a zero offer.

The Exchange believes the proposed modification to the Auction Process would continue to protect Market Orders and MOO Orders from being executed (by cancelling such orders before conducting the proposed Auction) when the Calculated NBBO spread exceeds the spread differential established per current Rule 6.64P-O(a)(10)(C) before conducting the proposed Auction. In addition, the proposed modification would allow any eligible Limit Orders to be executed in the proposed Auction, bound by the Calculated NBBO. The Calculated NBBO (even if wide) represents the best-priced quotes by Market Makers (which participants generally are responsible for pricing the market) and/or the ABBO, the presence of which indicates that another market has opened.³³

Consistent with current functionality (and with the approved Pillar Rule), the Exchange would not permit any opening transactions to trade through any better-priced interest on any Away Market, even it is permitted to do so.³⁴ Rather, because interest in the Auction would not trade outside of the Calculated NBBO (which defines the then-current market for the series), any Limit Orders executed in the proposed Auction would, bound by Auction Collars, would trade at a price that is equal to or better than the price(s) available at other exchanges.³⁵ Per Rule 6.64P-O(f)(3)(A), any interest remaining after such Action is then evaluated for potential routing prior to being posted to the Consolidated Book. Further, the

³³ Options exchanges have varying opening processes and have made separate determinations on what constitutes individual, reasonable opening market widths. Thus, if other options exchanges opened a series with a market width, it is reasonable to open the series for trading on the Exchange as well (as orders submitted to other exchanges may be trading at those widths).

³⁴ Although the intermarket linkage rules exempt from trade-through liability trades occurring during the opening process, the Exchange would continue to restrict transactions occurring at the open to the NBBO. See Rule 6.94-O(b)(2) (exempting from trade-through liability those transactions that “traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation”). A “Protected Quotation” is the Best Bid or Best Offer disseminated by OPRA and displayed by an Eligible Exchange. See Rule 6.92-O(15)-(16).

³⁵ See Rule 6.64P-O(b)(2)(A) (A) (providing that, “[i]f there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price). See also Rule 6.64-O(a)(3),(9), and (11) (defining Auction Collars, Indicative Match Price, and Matched Volume, respectively).

Exchange notes that there are other price protections available to limit the risk of executions at a wider market price.³⁶ Thus, the Exchange believes that the risk of an extreme execution based on the Calculated NBBO available after the initial Auction Process time period may be mitigated for the aforementioned reasons. The Exchange believes that, on balance, the benefits to market participants of having the series open earlier outweighs this mitigated risk.

Finally, the Exchange also proposes to modify the requirements to open a series during the initial Auction Process time period for option series with two or more assigned Market Makers, per Rule 6.64P-O(d)(3)(C). Per Rule 6.64P-O(3)(C)(i), if there are two or more Market Makers assigned to a series, the Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and at least two assigned Market Makers have submitted a quote with a non-zero offer. Per Rule 6.64P-O(3)(C)(ii), if at least two Market Makers assigned to a series have not submitted a quote with a non-zero offer by the end of the Opening MMQ Timer, the Exchange will begin a second Opening MMQ Timer. The Exchange proposes to modify these provisions to provide that the Exchange would require that at least two quotes with non-zero offers be submitted during the Opening MMQ Timer, which quotes may be sent by one or more Market Makers.³⁷

The Exchange believes that the proposed change continues to encourage (but not require) Market Makers to participate at the open, which may increase the availability of Legal Width Quotes in more series, thereby allowing more series to open in a timely manner. The Exchange believes that expanding the opportunities for each Market Maker to enter the market -- whether by each Market Maker submitting one quote or a single Market Maker submitting two quotes -- could result in the depth of liquidity that market participants have come to expect in

³⁶ See Rule 6.41P-O(a)(1), (b) (regarding the Arbitrage Check, which is applied pre-open). The Exchange notes that the price protection mechanisms it employs during continuous trading are based on the NBBO, or Auction Prices as applicable. See, e.g., Rules 6.41P-O(c)(4)(B) (regarding the Intrinsic Value Check); Rule 6.62P-O(a)(4)(A) (regarding Limit Order Price Protection); and Rule 6.62P-O(a)(4)(B) (regarding Trading Collars).

³⁷ See proposed Rule 6.64P-O(d)(2) (providing that “[o]nce a Rotational Quote has been sent, the Exchange will conduct an Auction when there is both a Legal Width Quote and, if applicable, Market Maker quotes with a non-zero offer in the series (subject to the Opening MMQ Timer(s) requirements in paragraph (d)(3) of this Rule”) and Rule 6.64P-O(d)(3)(C)(i) (providing that “[t]he Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and at least two quotes with a non-zero offer submitted by assigned Market Maker(s)”) and (d)(3)(C)(ii) (providing that “[i]f the Exchange has not received at least two quotes with a non-zero offer from any Market Maker(s) assigned to a series by the end of the Opening MMQ Timer, the Exchange will begin a second Opening MMQ Timer”).

options with multiple assigned Market Makers, and a more stable trading environment. The Exchange believes the proposed rule change would provide more flexibility in terms of how market depth is achieved (i.e., based on quotes from a single Market Maker as opposed to two) and may result in a more timely and efficient opening process. Further, the proposed change may increase the availability of Legal Width Quotes in more series and would add clarity and transparency to Exchange rules.

Other Exchange Rules: Proposed Non-substantive or Clarifying Changes

The Exchange also proposes to make several clarifying or non-substantive changes to certain of its rules. First, the Exchange proposes to modify paragraph (c) of Rule 6.37-O (Obligations of Market Makers) regarding “Unusual Conditions - Auctions” to add an open parenthesis in the cross reference to Rule 6.64P-O(a)(10).³⁸ The Exchange believes this proposed change would correct an inadvertent omission and would add clarity and transparency to Exchange rules.

Next, the Exchange proposes to correct several cross-references in Rule 6.62P-O (Orders and Modifiers). The Exchange proposes to update the reference in Rule 6.62P-O(e)(3)(C)(ii) regarding Day ISO ALO Orders to correctly cross-reference paragraphs (e)(2)(C) - (F) (rather than to paragraphs (e)(2)(C)-(G)) to cover the processing of such ALO Orders once resting.³⁹ The proposed change would correct an inadvertent error adding clarity and transparency to Exchange rules. Similarly, the Exchange proposes to update the reference in Rule 6.62P-O(h)(6)(B) to correctly cross-reference the defined term Complex Order, which is set forth in Rule 6.62P-O(f) (rather than paragraph (e)).⁴⁰ The proposed change would correct an inadvertent error adding clarity and transparency to Exchange rules.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),⁴¹ in general, and furthers the objectives of Section 6(b)(5),⁴² in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect

³⁸ See proposed Rule 6.37-O(c).

³⁹ See proposed Rule 6.62P-O(e)(3)(C)(ii).

⁴⁰ See proposed Rule 6.62P-O(h)(6)(B).

⁴¹ 15 U.S.C. 78f(b).

⁴² 15 U.S.C. 78f(b)(5).

investors and the public interest.

Proposed Change to Pillar Auction Process

Overall, the Exchange believes the proposed changes to its Auction Process would promote a fair and orderly market by improving the speed and efficiency of the Exchange's opening process without impairing price discovery, which should result in better and more consistent prices on Auction executions and facilitate a fair and orderly transition to continuous trading. As noted herein, the Exchange believes that the (continued) requirement that interest executed in an Auction must trade at or within the Calculated NBBO (which defines the then-current market for the series) would provide protection for such interest.

The Exchange believes modifying the definition of Legal Width Quote to make clear that after the initial Auction Process time period the Exchange would no longer impose its own established limits on the maximum allowable Calculated NBBO spread to qualify a series as having a Legal Width Quote would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors because it would add clarity and transparency to the Auction Process to the benefit of all market participants.⁴³ The Exchange notes that it currently has discretion to establish for each option class the maximum allowable spread of the Calculated NBBO within which the Exchange will conduct an Auction, provided that the other elements of a Legal Width Quote are met, which authority is consistent with other options exchanges. Although the Exchange has rule authority (per current Rule 6.64P-O(a)(10)(C)) to establish one set of Calculated NBBO spreads for the first ninety seconds of the Auction Process and a second (wider) set of Calculated NBBO spreads for any time after the first ninety seconds, it believes the proposed change to the definition of Legal Width Quote would help avoid potential investor confusion to the benefit of all market participants.

The Exchange believes the proposal to amend Rule 6.64P-O(d)(4) to allow the Exchange to conduct an Auction after the conclusion of the initial Auction Process time period and consistent with proposed paragraph (a)(10)(D) of this Rule (i.e., without imposing certain limits established on the Calculated NBBO spread) would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors. First, the Exchange believes that the proposal to wait a ninety-second initial Auction Process time period before removing the limits on the permissible Calculated NBBO spread to open a series (i.e., proposed Rule 6.64P-O(a)(10)(D)) would continue to provide opportunities for price discovery based on then-current market conditions, including affording

⁴³ See supra note 23 (citing the discretion of Cboe and its affiliates and MIAX to modify the opening auction parameters).

sufficient time to Market Makers (who are generally responsible for pricing the market) to absorb available pricing information and, if so inclined, to update their quotes potentially resulting in tighter spreads. The Exchange has observed that on a typical trading day, in the current system, nearly 98% of all series are opened by 9:32 a.m. Eastern Time. As such, the Exchange anticipates that the majority of series would be opened within ninety seconds of the Auction Process and would not be impacted by the proposed rule change. For the minority of option series that have not opened within the first ninety seconds because of a “wide” Calculated NBBO, the Exchange believes it is unlikely that such spread would tighten if the Exchange were to further delay the opening of a series. Thus, the Exchange believes it is necessary and appropriate to allow such series to open based on prices consistent with then-current market conditions, provided the Calculated NBBO for the series is not crossed, and does not contain a zero offer.

Further, the Exchange believes the proposed modification would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors because the proposed Auction Process would continue to protect Market Orders and MOO Orders from being executed (by cancelling such orders before conducting the proposed Auction) when the Calculated NBBO spread exceeds the spread differential established per (current) Rule 6.64P-O(a)(10)(C) before conducting the proposed Auction. In addition, the proposed modification would allow any eligible Limit Orders to be executed in the proposed Auction, bound by the Calculated NBBO. The Calculated NBBO (even if wide) represents the best-priced quotes by Market Makers (which participants generally are responsible for pricing the market) and/or the ABBO, the presence of which indicates that another market has opened.⁴⁴

Consistent with current functionality (and with the approved Pillar Rule), the Exchange would not permit any opening transactions to trade through any better-priced interest on any Away Market, even it is permitted to do so.⁴⁵ Rather, because interest in the Auction would not trade outside of the Calculated NBBO (which defines the then-current market for the series), any Limit Orders executed

⁴⁴ Options exchanges have varying opening processes and have made separate determinations on what constitutes individual, reasonable opening market widths. Thus, if other options exchanges opened a series with a market width, it is reasonable to open the series for trading on the Exchange as well (as orders submitted to other exchanges may be trading at those widths).

⁴⁵ Although the intermarket linkage rules exempt from trade-through liability trades occurring during the opening process, the Exchange would continue to restrict transactions occurring at the open to the NBBO. See Rule 6.94-O(b)(2) (exempting from trade-through liability those transactions that “traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation”). A “Protection Quotation” is the Best Bid or Best Offer disseminated by OPRA and displayed by an Eligible Exchange. See Rule 6.92-O(15)-(16).

in the proposed Auction would, bound by Auction Collars, would trade at a price that is equal to or better than the price(s) available at other exchanges.⁴⁶ Per Rule 6.64P-O(f)(3)(A), any interest remaining after such Action is then evaluated for potential routing prior to being posted to the Consolidated Book. Further, the Exchange notes that there are other price protections available to limit the risk of executions at a wider market price.⁴⁷ Thus, the Exchange believes that the risk of an extreme execution based on the Calculated NBBO available after the initial Auction Process time period may be mitigated for the aforementioned reasons. The Exchange believes that, on balance, the benefits to market participants of having the series open earlier outweighs this mitigated risk.

The Exchange believes its proposal to modify the requirements to open a series for option series that have two or more assigned Market Makers would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors because it would continue to provide Market Makers assigned to such series the opportunity to submit a quote while potentially promoting a more timely opening once at least two quotes (even if from a single Market Maker) have been submitted and would add clarity and transparency to Exchange rules. The Exchange believes the proposed rule change would provide more flexibility in terms how of market depth in the affected series is achieved (i.e., based on quotes from a single Market Maker as opposed to two) and may result in a more timely and efficient opening process. Further, the proposed change may increase the availability of Legal Width Quotes in more series and would add clarity and transparency to Exchange rules. Improving the validity of the opening price benefits all market participants and also benefits the reputation of the Exchange as being a venue that provides accurate price discovery. To the extent that this proposed rule change results in an option series opening sooner, which, in turn would increase the times during which investors may conduct trading in these options, this proposed change would benefit investors and the investing public.

The Exchange believes that the proposed non-substantive and conforming changes to Rule 6.64P-O (including to paragraph (d)(4)(B)) would promote just and equitable principles of trade because such changes would streamline Rule 6.64P-O, thus adding clarity to the Auction Process making it easier to

⁴⁶ See Rule 6.64P-O(b)(2)(A) (A) (providing that, “[i]f there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price). See also Rule 6.64-O(a)(3),(9), and (11) (defining Auction Collars, Indicative Match Price, and Matched Volume, respectively).

⁴⁷ See Rule 6.41P-O(a)(1), (b) (regarding the Arbitrage Check, which is applied pre-open). The Exchange notes that the price protection mechanisms it employs during continuous trading are based on the NBBO, or Auction Prices as applicable. See, e.g., Rules 6.41P-O(c)(4)(B) (regarding the Intrinsic Value Check); Rule 6.62P-O(a)(4)(A) (regarding Limit Order Price Protection); and Rule 6.62P-O(a)(4)(B) (regarding Trading Collars).

comprehend and navigate to the benefit of market participants and would promote transparency and internal consistency within Exchange rules making them easier to comprehend and navigate.⁴⁸

Additional Proposed Non-substantive or Clarifying Changes to Exchange rules

The Exchange believes that the proposed non-substantive and clarifying changes that update/correct inaccurate references would promote transparency and internal consistency within Exchange rules making them easier to comprehend and navigate.⁴⁹

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. The Exchange operates in a competitive market and regularly competes with other options exchanges for order flow. The Exchange does not believe that the proposed rule change would impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because all market participants may trade in any series that opens subject to the proposed (modified) opening process.

The Exchange does not believe that the proposed rule change would impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it is designed to open series on the Exchange in a fair and orderly manner. The Exchange believes the proposed opening process will continue to provide market participants with an opportunity for price discovery based on then-current market conditions when the Exchange opens series for trading. This will facilitate the presence of sufficient liquidity in a series when it opens, and increase the ability of series to open at prices consistent with then-current market conditions (at the Exchange and on other exchanges). As noted herein, several options exchanges likewise have discretion to modify their opening procedures to address then-current market conditions.⁵⁰ Further, the Exchange does not believe that the proposed rule change will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, as all market participants that participate in the opening process may benefit equally from the proposal, as the rules of the Exchange apply equally to all market participants.

The Exchange does not believe that the proposed change to open those series with

⁴⁸ See supra notes 19, 25, 28 and 32.

⁴⁹ See supra notes 38-40.

⁵⁰ See, e.g., supra note 23 (citing the discretion of Cboe and its affiliates and MIAX to modify the opening auction parameters).

more than one assigned Market Maker based on two quotes regardless of the source would result in an undue burden on competition. Market Makers are encouraged but not required to quote in their assigned series at the open regardless of whether a Market Maker is one of several assigned to a series or is the only one. As such, this proposal would not subject any Market Maker to additional obligations. Thus, the Exchange does not believe this proposed change would result in an undue burden on intra-market competition as it would apply equally to all similarly-situated Market Makers regarding their assigned series. The Exchange believes that the proposal to allow a series with more than one assigned Market Maker to open based on two quotes regardless of the source would continue to encourage participation of Market Makers at the open, may increase the availability of Legal Width Quotes in more series, thereby allowing more series to open (sooner). Improving the validity of the opening price benefits all market participants and also benefits the reputation of the Exchange as being a venue that provides accurate price discovery. With respect to inter-market competition, the Exchange notes that most options exchanges do not require Market Makers to quote during the opening.⁵¹

Additionally, the non-substantive changes proposed by the Exchange provide additional clarity and detail in the Exchange's rules and are not changes made for any competitive purpose.

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 any 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)

Not applicable.

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

Not applicable.

⁵¹ See, e.g., Cboe and its affiliated exchanges.

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

Not applicable.

9. 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-NYSEARCA-2022-31)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to Amend Rule 6.64P-O

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on May 17, 2022, NYSE Arca, Inc. (“NYSE Arca” 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 Rule 6.64P-O (Auction Process). The proposed change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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 modify Rule 6.64P-O regarding the automated process for both opening and reopening trading in a series on the Exchange on Pillar as set forth below.⁴

Current Pillar Auction Process

Rule 6.64P-O(d) sets forth the Auction Process.⁵ Per Rule 6.64P-O(d)(1), once the Exchange receives the Auction Trigger for a series,⁶ the Auction Process begins and the Exchange sends a Rotational Quote⁷ to both OPRA and proprietary data feeds indicating

⁴ Rule 6.64P-O (the “Pillar Rule”) covers the opening and reopening of option series, which process is identical on the Pillar trading platform. As such, the Exchange will simply refer to the “opening” of a series herein. The Exchange notes that because it has not yet migrated to the Pillar platform, Rule 6.64-O continues to apply to the opening process, which rule is not being modified by this filing. The Exchange has announced July 11, 2022 as the planned migration date for Pillar, as announced here: <https://www.nyse.com/trader-update/history#110000421498>.

⁵ “Auction Process” refers to the process that begins when the Exchange receives an Auction Trigger for a series and ends when the Auction is conducted. See Rule 6.64P-O(a)(5).

⁶ “Auction Trigger” refers to the information disseminated by the Primary Market in the underlying security that triggers the Auction Process for a series to begin. See Rule 6.64P-O(a)(7).

⁷ “Rotational Quote” refers to the highest Market Maker bid and lowest Market Maker offer on the Exchange when the Auction Process begins and such a Rotational Quote will be updated (for price and size) during the Auction Process.

that the Exchange is in the process of transitioning from a pre-open state to continuous trading for that series.

Per Rule 6.64P-O(d)(2), once a Rotational Quote has been sent, the Exchange conducts an Auction,⁸ provided “there is both a Legal Width Quote and, if applicable, Market Maker quotes with a non-zero offer in the series” within the Opening Timer(s), per Rule 6.64P-O(d)(3).⁹ The Exchange deems the Legal Width Quote requirement satisfied if the Calculated NBBO (described below) for the series is uncrossed, contains a non-zero offer, and has a spread that does not exceed a maximum differential that is determined by the Exchange on a class basis and announced by Trader Update.¹⁰ The Calculated NBBO is comprised of the highest bid and lowest offer among all Market Maker quotes and the ABBO during the Auction Process.¹¹ A Calculated NBBO does not require both Market Maker quotes and ABBO to be present, and may be composed of Market Maker quotes only, of the ABBO only, or a combination thereof.

If the foregoing requirements are met (i.e., per Rule 6.64P-O(d)(2)), the Exchange

See Rule 6.64P-O(a)(13).

⁸ “Auction” refers to the opening or reopening of a series for trading either with or without a trade. See Rule 6.64P-O(a)(1).

⁹ See Rule 6.64P-O(d)(2). Rule 6.64P-O(d)(3) specifies the parameters of the Opening MMQ Timers, which are designed to encourage (but not require) any Market Maker(s) assigned to an option series to submit Legal Width Quotes in connection with the Auction Process. The Exchange proposes a non-substantive change of “30” to “thirty” regarding the Opening MMQ Timer(s), which would add clarity and internal consistency to the to rule. See proposed Rule 6.64P-O(d)(3).

¹⁰ See Rule 6.64P-O(a)(10)(A)-(C). The maximum spread differential for a given series or class of options may be modified by a Trading Official. See Rule 6.64P-O(a)(10)(C).

¹¹ See Rule 6.64P-O(a)(8) (defining Calculated NBBO).

will conduct an Auction that will either result in a trade or in a quote depending on whether there is (or is not) Matched Volume¹² that can trade at or within the Auction Collars.¹³ If there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price.¹⁴ However, if there is no Matched Volume that can trade at or within the Auction Collars, the Auction will instead result in a quote and the Exchange transitions to continuous trading as set forth in Rule 6.64P-O(f).¹⁵

Finally, per Rule 6.64P-O(d)(4), unless otherwise specified by Trader Update, for the first ninety seconds of the Auction Process (inclusive of the thirty-second Opening MMQ Timer(s)), if there is no Legal Width Quote, the Exchange will not conduct an Auction, even if there is Matched Volume, i.e., the series will not open. After the first ninety seconds of the Auction Process, if there is no Matched Volume and the Calculated NBBO is wider than the Legal Width Quote, is not crossed, and does not contain a zero

¹² “Matched Volume” refers to the number of buy and sell contracts that can be matched at the Indicative Match Price, excluding IO Orders. See Rule 6.64P-O(a)(11). An Imbalance Offset Order (“IO Order”) is a Limit Order that is to be traded only in an Auction. See Rule 6.62P-O(c)(3).

¹³ “Auction Collar” refers to the price collar thresholds for the Indicative Match Price for an Auction, with the upper Auction Collar being the offer of the Legal Width Quote and the lower Auction Collar being the bid of the Legal Width Quote, provided that if the bid of the Legal Width Quote is zero, the lower Auction Collar will be one MPV above zero for the series. And, if there is no Legal Width Quote, the Auction Collars will be published in the Auction Imbalance Information as zero. See Rule 6.64P-O(a)(2).

¹⁴ See Rule 6.64P-O(d)(2)(A). “Indicative Match Price” refers to the price at which the maximum number of contracts can be traded in an Auction, including the non-displayed quantity of Reserve Orders and excluding IO Orders, subject to the Auction Collars. If there is no Legal Width Quote, the Indicative Match Price included in the Auction Imbalance Information will be calculated without Auction Collars. See Rule 6.64P-O(a)(9).

¹⁵ See Rule 6.64P-O(d)(2)(B).

offer, the Exchange will first cancel any Market Orders and MOO Orders and then transition the option series to continuous trading per Rule 6.64P-O(f).¹⁶ Thus, per Rule 6.64P-O(d)(4)(A), if after the first ninety seconds of the Auction Process there is Matched Volume but the other elements of this provision are satisfied, the series will not open and will remain unopened and the Exchange will not transition to continuous trading until the earlier of (i) a Legal Width Quote is established and an Auction can be conducted; (ii) the series can be opened as provided for in paragraph (d)(4)(A); (iii) the series is halted; or (iv) the end of Core Trading Hours.¹⁷ In other words, a series that does not meet the requirements of Rule 6.64P-O(d)(4)(A) may be delayed in opening until one of the conditions set forth in Rule 6.64P-O(d)(4)(B) occur.

Proposed Change to Auction Process

The Exchange notes that waiting for market conditions to change before transitioning to continuous trading per the current Pillar Rule may result in missed execution opportunities for eligible interest submitted to the Exchange during the pre-open state. Moreover, this potential (indefinite) delay is inconsistent with the Exchange's intention of providing a timely and efficient Auction Process. As such, the Exchange proposes to modify Rule 6.64P-O. In short, the Exchange proposes that after the first ninety seconds of the Auction Process, the Exchange would conduct an Auction of marketable interest based on the spread of the then-current market conditions (i.e., a Calculated NBBO that is uncrossed with a non-zero offer), provided that if the Calculated NBBO exceeds the Legal Width Quote differential established per Rule 6.64P-

¹⁶ See Rule 6.64P-O(d)(4)(A).

¹⁷ See Rule 6.64P-O(d)(4)(B).

O(a)(10)(C) the Exchange would cancel any Market Orders or MOO Orders before conducting the Auction. As further proposed, marketable Limit Orders would trade in the Auction bound by the Calculated NBBO (i.e., the highest bid and lowest offer among all Market Maker quotes and the ABBO), which executions may be earlier and more efficient than afforded under the current Pillar Rule. If there is no marketable interest after such cancelation, the Exchange would open on a quote.¹⁸

The Exchange believes the proposed change to the Pillar Rule (the details of which are described below) would promote competitive liquidity by allowing series to open at then-current market prices and would promote a fair and orderly opening process by improving the speed and efficiency of the Auction Process without impairing price discovery.

First, the Exchange proposes to codify existing rule text into the defined phrase the “initial Auction Process time period” in proposed Rule 6.64P-O(a)(5)(i). As proposed, the initial Auction Process time period would mean, “unless otherwise specified by Trader Update, the first ninety seconds after the commencement of the Auction Process,” which definition simply codifies (and relocates) identical text that appears in the preamble of both sentences in Rule 6.64P-O(d)(4).¹⁹ The Exchange believes this proposed change is non-substantive and would streamline and add clarity to the existing rule.²⁰

¹⁸ As described further below, consistent with Rule 6.64P-O(d)(2)(B), an Auction conducted per proposed Rule 6.64P-O(d)(4)(A) would open on a quote if there is no Matched Volume).

¹⁹ See proposed Rule 6.64P-O(a)(5)(i). See Rule 6.64P-O(d)(4) (providing that “[u]nless otherwise specified by Trader Update, for the first ninety seconds of the Auction Process . . .” and “[n]inety seconds after the Auction Process begins:”).

²⁰ See *id.* See proposed Rule 6.64P-O(d)(4)(A) (replacing reference to the first

Next, the Exchange proposes to modify the definition of Legal Width Quote, including by leveraging the newly defined “initial Auction Process time period.” Rule 6.64P-O(a)(10)(C) provides that, to be deemed a Legal Width Quote, the spread of the Calculated NBBO may not exceed a maximum differential that is determined by the Exchange on a class basis and announced by Trader Update.²¹

As such, by rule, the Exchange has discretion to establish for each option class the maximum allowable spread of the Calculated NBBO within which the Exchange will conduct an Auction, provided that the other elements of a Legal Width Quote are met.²² Nothing in Rule 6.64P-O(a)(10)(C) precludes the Exchange from establishing one set of Calculated NBBO spreads for the first ninety seconds of the Auction Process and a second (wider) set of Calculated NBBO spreads for any time after the first ninety seconds. However, in the interest of clarity and for the avoidance of potential confusion, the Exchange proposes to expand the definition of Legal Width Quote (rather than modify by Trader Update) in the Pillar Rule to provide that “after the initial Auction Process time period, the Exchange will not impose limits for the maximum differential for the spread between the Calculated NBBO.”²³

The Exchange believes adopting Rule 6.64P-O(a)(10)(D) is consistent with its

ninety-seconds after the Auction Process with the proposed definition of the “initial Auction Process time period,” which would add clarity and internal consistency to the Rule, making it easier to navigate and comprehend).

²¹ See Rule 6.64P-O(a)(10)(C) (which also provides a Trading Official may establish maximum differentials for one or more series or classes of options, which differ from those established by the Exchange).

²² To qualify as a Legal Width Quote, the Calculated NBBO must also be uncrossed and must contain a non-zero offer, which requirements are not being modified by this rule change. See Rule 6.64P-O(a)(10)(A)-(B).

²³ See proposed Rule 6.64P-O(a)(10)(D).

authority under the Pillar Rule to determine the maximum allowable Calculated NBBO spread to qualify a series as having a Legal Width Quote. However, this rule change would make clear that the Exchange would no longer impose these established spread limits (as announced by Trader Notice per Rule 6.64P-O(a)(10)(C)) after the initial Auction Process time period. The Exchange believes this rule change would add clarity and transparency to the Auction Process to the benefit of all market participants.²⁴ Because the Auction Process, including the Auction Collars, the presence of Matched Volume, and the determination of the Indicative Match Price, are dependent upon a Calculated NBBO that qualifies as a Legal Width Quote, the Exchange proposes that any Auction conducted consistent with proposed 6.64P-O(a)(10)(D) would follow the current Auction Process except as described below.²⁵

The Exchange proposes to amend Rule 6.64P-O(d)(4) regarding the conduct of an Auction after the conclusion of the initial Auction Process time period (i.e., after the first ninety seconds).²⁶ As noted herein, the Pillar functionality (per Rule 6.64P-O(d)(4)(A))

²⁴ Similar to the Exchange, other options exchanges have rules granting them broad discretion to modify the opening parameters for each option series, which modifications are disseminated or announced to market participants over data feeds or trader notice. *See, e.g.*, Cboe Options Exchange, Inc. (“Cboe”) Rule 5.31(a) (definitions of Maximum Composite Width and Opening Collar, each of which the exchange “may modify during the opening auction process (which modifications the Exchange disseminates to all subscribers to the Exchange’s data feeds that deliver opening auction updates”); Cboe EDGX Options Exchange, Inc. (“EDGX”) Rule 21.7(a) (same); Cboe BZX Options Exchange, Inc. (“BZX”) Rule 21.7(a) (definitions of Maximum Composite Width and Opening Collar); Cboe C2 Exchange Inc. (“C2”) Rule 6.11(a) (same); *see also* Miami Securities Exchange, Inc. (“MIAX”) Rule 503(f)(2) (which permits MIAX to determine by circular an acceptable range in which openings are permissible if there is no valid width national best bid or offer (“NBBO”)).

²⁵ *See, e.g.*, Rule 6.64P-O(d)(2)(A)-(B) (describing the process of opening a series with a trade or a quote depending on whether there is Matched Volume).

²⁶ *See* proposed Rule 6.64P-O(d)(4) (which includes the aforementioned non-

permits a series to open based on a “wide” Calculated NBBO (that is uncrossed with a non-zero offer), but only if there is no Matched Volume, which requirement may delay openings and result in missed execution opportunities.²⁷ To address this unintended potential delay, the Exchange proposes that after the initial Auction Process time period and consistent with proposed paragraph (a)(10)(D) of this Rule (which removes the limit on the maximum allowable Calculated NBBO spread), the Exchange would conduct an Auction regardless of Matched Volume as long as the Calculated NBBO is not crossed, and does not contain a zero offer.²⁸ This proposed functionality would allow marketable Limit Orders to execute in the Auction, which may result in certain option series opening earlier than are opened under the current rule and increase execution opportunities for Limit Orders at then-current market prices.²⁹

substantive change to refer to the newly defined “initial Auction Process time period” rather than the first ninety seconds after the Auction Process). The Exchange is not altering Auction functionality for the initial Auction Process time period. See id.

²⁷ See proposed Rule 6.64P-O(d)(4)(B) (setting forth the necessary market conditions to open a series that has not opened per paragraph (d)(4) of the Pillar Rule). If the Exchange opens a series per Rule 6.64P-O(d)(4)(A), it first cancels any Market Order or MOO Orders before conducting an Auction and transitioning to continuous trading. See proposed Rule 6.64P-O(d)(4).

²⁸ See proposed Rule 6.64P-O(d)(4)(A). See also proposed Rule 6.64P-O(a)(10)(D).

²⁹ See id. See also Rule 6.64P-O(a)(9)(A) (providing, in relevant part, that “the Indicative Match Price would not be lower (higher) than the highest (lowest) price of a Limit Order to buy (sell) ranked Priority 2 - Display Orders that is eligible to participate in the Auction”). In addition, consistent with the proposal, the Exchange proposes to remove as inapplicable the text in current Rule 6.64P-O(d)(4)(A) indicating that the “Auction is not intended to end with a trade, but it may result in a trade even if there is no Legal Width Quote if orders or quotes arrive during the period when the Exchange is evaluating the status of orders and quotes” as well as text indicating that the Exchange would “transition to continuous trading as described in paragraph (f) of this Rule.” See proposed Rule 6.64P-O(d)(4)(A).

Although Limit Orders would be eligible to execute based on this proposed functionality, whether a Market Order or MOO Order may participate in the proposed Auction depends on the width of the market at the time of the Auction. Specifically, as further proposed, if the Calculated NBBO spread is wider than the differential established per paragraph (a)(10)(C) of this Rule, the Exchange would cancel Market Orders and MOO Orders before conducting the Auction, which proposed handling is consistent with the current Pillar Rule.³⁰ Conversely, as proposed, and consistent with the current Pillar Rule, Market Orders and MOO Orders are not canceled and will participate in an Auction that is based on a Calculated NBBO that is less than or equal to the Calculated NBBO spread limit established per Rule 6.64P-O(a)(10)(C).³¹ As further proposed, after the cancellation of any Market Orders or MOO Orders as applicable, the Auction Process will proceed consistent with paragraph (d)(2)(A)-(B) of this Rule and the Exchange will execute Matched Volume (if any) to the extent possible before transitioning to continuous trading.³²

³⁰ See Rule 6.64P-O(d)(4)(A)(i) (providing that Market Orders and MOO Orders are cancelled “[a]ny time a series is opened or reopened when there is no Legal Width Quote,” i.e., when the Calculated NBBO exceeds the maximum allowable spread limit set forth in Rule 6.64P-O(a)(10)(C)).

³¹ See *id.* To avoid potential confusion regarding the distinct handling of Market Orders and MOO Orders under proposed Rule 6.64P-O(d)(4)(A) depending upon whether an Auction is conducted based on a Calculated NBBO spread that is in compliance with Rule 6.64P-O(a)(10)(C) or with proposed Rule 6.64P-O(a)(10)(D), the Exchange has intentionally avoided reference to the presence of a Legal Width Quote in the proposed Rule. See proposed Rule 6.64P-O(d)(4)(A).

³² See, e.g., Rule 6.64P-O(d)(2)(A)-(B) (providing that “[i]f there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price” or, “[i]f there is no Matched Volume that can trade at or within the Auction Collars,” the Auction will not result in a trade and the Exchange will transition to continuous trading as described in paragraph (f) of this Rule and the Auction will result in a quote”).

Taken together, the proposed changes to Rule 6.64P-O(a)(10)(D) and (d)(4) would allow any series that has not opened by the end of the initial Auction Process time period the ability to open based on a Legal Width Quote derived from then-market conditions. As such, the Exchange proposes to modify Rule 6.64P-O(d)(4)(B) to update the cross-reference from paragraph (d)(4)(A) to paragraph (d)(4) and to eliminate as superfluous paragraph (d)(4)(B)(ii), which refers to waiting until “the series can be opened as provided for in paragraph (d)(4)(A).”³³ The Exchange believes these proposed conforming changes are necessary given that the proposed changes to Rule 6.64P-O(a)(10)(D) (removing the limit on the Calculated NBBO spread to qualify as Legal Width Quote) and (d)(4)(A) (addressing the conduct of an Auction after the initial Auction Process time period under the expanded definition of Legal Width Quote) render paragraph (d)(4)(B)(ii) of the Rule unnecessary.

The Exchange notes that it is not making any changes to the requirements to conduct an Auction during the initial Auction Process time period. Instead, the proposed changes relate solely to those series that remain unopened after the conclusion of the initial Auction Process time period because the Calculated NBBO spread is too wide. The Exchange believes that the initial Auction Process time period affords market participants sufficient opportunity to absorb available pricing information, including Market Makers that are generally responsible for pricing the market. If the Calculated NBBO remains wide by the end of the initial Auction Process time period, the Exchange believes it is

³³ See proposed Rule 6.64P-O(d)(4)(A). See proposed Rule 6.64P-O(d)(4)(B). The Exchange also proposes conforming changes to re-number the remaining paragraphs in light of the proposed deletion, which would add clarity and internal consistency to the Rule. See id.

unlikely to tighten if the Exchange were to further delay the opening of a series. The Exchange has observed that on a typical trading day, in the current system, nearly 98% of all series are opened by 9:32 a.m. Eastern Time. As such, the Exchange anticipates that the majority of series would be opened within ninety seconds of the Auction Process and would not be impacted by the proposed rule change. However, for the minority of option series that have not opened within the first ninety seconds, the Exchange believes it is necessary and appropriate to allow such series to open based on prices consistent with then-current market conditions, provided the Calculated NBBO for the series is not crossed, and does not contain a zero offer.

The Exchange believes the proposed modification to the Auction Process would continue to protect Market Orders and MOO Orders from being executed (by cancelling such orders before conducting the proposed Auction) when the Calculated NBBO spread exceeds the spread differential established per current Rule 6.64P-O(a)(10)(C) before conducting the proposed Auction. In addition, the proposed modification would allow any eligible Limit Orders to be executed in the proposed Auction, bound by the Calculated NBBO. The Calculated NBBO (even if wide) represents the best-priced quotes by Market Makers (which participants generally are responsible for pricing the market) and/or the ABBO, the presence of which indicates that another market has opened.³⁴

Consistent with current functionality (and with the approved Pillar Rule), the

³⁴ Options exchanges have varying opening processes and have made separate determinations on what constitutes individual, reasonable opening market widths. Thus, if other options exchanges opened a series with a market width, it is reasonable to open the series for trading on the Exchange as well (as orders submitted to other exchanges may be trading at those widths).

Exchange would not permit any opening transactions to trade through any better-priced interest on any Away Market, even it is permitted to do so.³⁵ Rather, because interest in the Auction would not trade outside of the Calculated NBBO (which defines the then-current market for the series), any Limit Orders executed in the proposed Auction would, bound by Auction Collars, would trade at a price that is equal to or better than the price(s) available at other exchanges.³⁶ Per Rule 6.64P-O(f)(3)(A), any interest remaining after such Action is then evaluated for potential routing prior to being posted to the Consolidated Book. Further, the Exchange notes that there are other price protections available to limit the risk of executions at a wider market price.³⁷ Thus, the Exchange believes that the risk of an extreme execution based on the Calculated NBBO available after the initial Auction Process time period may be mitigated for the aforementioned reasons. The Exchange believes that, on balance, the benefits to market participants of having the series open earlier outweighs this mitigated risk.

³⁵ Although the intermarket linkage rules exempt from trade-through liability trades occurring during the opening process, the Exchange would continue to restrict transactions occurring at the open to the NBBO. See Rule 6.94-O(b)(2) (exempting from trade-through liability those transactions that “traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation”). A “Protected Quotation” is the Best Bid or Best Offer disseminated by OPRA and displayed by an Eligible Exchange. See Rule 6.92-O(15)-(16).

³⁶ See Rule 6.64P-O(b)(2)(A) (A) (providing that, “[i]f there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price). See also Rule 6.64-O(a)(3),(9), and (11) (defining Auction Collars, Indicative Match Price, and Matched Volume, respectively).

³⁷ See Rule 6.41P-O(a)(1), (b) (regarding the Arbitrage Check, which is applied pre-open). The Exchange notes that the price protection mechanisms it employs during continuous trading are based on the NBBO, or Auction Prices as applicable. See, e.g., Rules 6.41P-O(c)(4)(B) (regarding the Intrinsic Value Check); Rule 6.62P-O(a)(4)(A) (regarding Limit Order Price Protection); and Rule 6.62P-O(a)(4)(B) (regarding Trading Collars).

Finally, the Exchange also proposes to modify the requirements to open a series during the initial Auction Process time period for option series with two or more assigned Market Makers, per Rule 6.64P-O(d)(3)(C). Per Rule 6.64P-O(3)(C)(i), if there are two or more Market Makers assigned to a series, the Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and at least two assigned Market Makers have submitted a quote with a non-zero offer. Per Rule 6.64P-O(3)(C)(ii), if at least two Market Makers assigned to a series have not submitted a quote with a non-zero offer by the end of the Opening MMQ Timer, the Exchange will begin a second Opening MMQ Timer. The Exchange proposes to modify these provisions to provide that the Exchange would require that at least two quotes with non-zero offers be submitted during the Opening MMQ Timer, which quotes may be sent by one or more Market Makers.³⁸

The Exchange believes that the proposed change continues to encourage (but not require) Market Makers to participate at the open, which may increase the availability of Legal Width Quotes in more series, thereby allowing more series to open in a timely manner. The Exchange believes that expanding the opportunities for each Market Maker to enter the market -- whether by each Market Maker submitting one quote or a single

³⁸ See proposed Rule 6.64P-O(d)(2) (providing that “[o]nce a Rotational Quote has been sent, the Exchange will conduct an Auction when there is both a Legal Width Quote and, if applicable, Market Maker quotes with a non-zero offer in the series (subject to the Opening MMQ Timer(s) requirements in paragraph (d)(3) of this Rule”) and Rule 6.64P-O(d)(3)(C)(i) (providing that “[t]he Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and at least two quotes with a non-zero offer submitted by assigned Market Maker(s)”) and (d)(3)(C)(ii) (providing that “[i]f the Exchange has not received at least two quotes with a non-zero offer from any Market Maker(s) assigned to a series by the end of the Opening MMQ Timer, the Exchange will begin a second Opening MMQ Timer”).

Market Maker submitting two quotes -- could result in the depth of liquidity that market participants have come to expect in options with multiple assigned Market Makers, and a more stable trading environment. The Exchange believes the proposed rule change would provide more flexibility in terms of how market depth is achieved (i.e., based on quotes from a single Market Maker as opposed to two) and may result in a more timely and efficient opening process. Further, the proposed change may increase the availability of Legal Width Quotes in more series and would add clarity and transparency to Exchange rules.

Other Exchange Rules: Proposed Non-substantive or Clarifying Changes

The Exchange also proposes to make several clarifying or non-substantive changes to certain of its rules. First, the Exchange proposes to modify paragraph (c) of Rule 6.37-O (Obligations of Market Makers) regarding “Unusual Conditions - Auctions” to add an open parenthesis in the cross reference to Rule 6.64P-O(a)(10).³⁹ The Exchange believes this proposed change would correct an inadvertent omission and would add clarity and transparency to Exchange rules.

Next, the Exchange proposes to correct several cross-references in Rule 6.62P-O (Orders and Modifiers). The Exchange proposes to update the reference in Rule 6.62P-O(e)(3)(C)(ii) regarding Day ISO ALO Orders to correctly cross-reference paragraphs (e)(2)(C) - (F) (rather than to paragraphs (e)(2)(C)-(G)) to cover the processing of such ALO Orders once resting.⁴⁰ The proposed change would correct an inadvertent error adding clarity and transparency to Exchange rules. Similarly, the Exchange proposes to

³⁹ See proposed Rule 6.37-O(c).

⁴⁰ See proposed Rule 6.62P-O(e)(3)(C)(ii).

update the reference in Rule 6.62P-O(h)(6)(B) to correctly cross-reference the defined term Complex Order, which is set forth in Rule 6.62P-O(f) (rather than paragraph (e)).⁴¹ The proposed change would correct an inadvertent error adding clarity and transparency to Exchange rules.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),⁴² in general, and furthers the objectives of Section 6(b)(5),⁴³ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

Proposed Change to Pillar Auction Process

Overall, the Exchange believes the proposed changes to its Auction Process would promote a fair and orderly market by improving the speed and efficiency of the Exchange’s opening process without impairing price discovery, which should result in better and more consistent prices on Auction executions and facilitate a fair and orderly transition to continuous trading. As noted herein, the Exchange believes that the (continued) requirement that interest executed in an Auction must trade at or within the Calculated NBBO (which defines the then-current market for the series) would provide

⁴¹ See proposed Rule 6.62P-O(h)(6)(B).

⁴² 15 U.S.C. 78f(b).

⁴³ 15 U.S.C. 78f(b)(5).

protection for such interest.

The Exchange believes modifying the definition of Legal Width Quote to make clear that after the initial Auction Process time period the Exchange would no longer impose its own established limits on the maximum allowable Calculated NBBO spread to qualify a series as having a Legal Width Quote would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors because it would add clarity and transparency to the Auction Process to the benefit of all market participants.⁴⁴ The Exchange notes that it currently has discretion to establish for each option class the maximum allowable spread of the Calculated NBBO within which the Exchange will conduct an Auction, provided that the other elements of a Legal Width Quote are met, which authority is consistent with other options exchanges. Although the Exchange has rule authority (per current Rule 6.64P-O(a)(10)(C)) to establish one set of Calculated NBBO spreads for the first ninety seconds of the Auction Process and a second (wider) set of Calculated NBBO spreads for any time after the first ninety seconds, it believes the proposed change to the definition of Legal Width Quote would help avoid potential investor confusion to the benefit of all market participants.

The Exchange believes the proposal to amend Rule 6.64P-O(d)(4) to allow the Exchange to conduct an Auction after the conclusion of the initial Auction Process time period and consistent with proposed paragraph (a)(10)(D) of this Rule (i.e., without imposing certain limits established on the Calculated NBBO spread) would promote just

⁴⁴ See supra note 24 (citing the discretion of Cboe and its affiliates and MIAX to modify the opening auction parameters).

and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors. First, the Exchange believes that the proposal to wait a ninety-second initial Auction Process time period before removing the limits on the permissible Calculated NBBO spread to open a series (i.e., proposed Rule 6.64P-O(a)(10)(D)) would continue to provide opportunities for price discovery based on then-current market conditions, including affording sufficient time to Market Makers (who are generally responsible for pricing the market) to absorb available pricing information and, if so inclined, to update their quotes potentially resulting in tighter spreads. The Exchange has observed that on a typical trading day, in the current system, nearly 98% of all series are opened by 9:32 a.m. Eastern Time. As such, the Exchange anticipates that the majority of series would be opened within ninety seconds of the Auction Process and would not be impacted by the proposed rule change. For the minority of option series that have not opened within the first ninety seconds because of a “wide” Calculated NBBO, the Exchange believes it is unlikely that such spread would tighten if the Exchange were to further delay the opening of a series. Thus, the Exchange believes it is necessary and appropriate to allow such series to open based on prices consistent with then-current market conditions, provided the Calculated NBBO for the series is not crossed, and does not contain a zero offer.

Further, the Exchange believes the proposed modification would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors because the proposed Auction Process would continue to protect Market Orders and MOO Orders from being executed (by cancelling such orders before conducting the proposed Auction)

when the Calculated NBBO spread exceeds the spread differential established per (current) Rule 6.64P-O(a)(10)(C) before conducting the proposed Auction. In addition, the proposed modification would allow any eligible Limit Orders to be executed in the proposed Auction, bound by the Calculated NBBO. The Calculated NBBO (even if wide) represents the best-priced quotes by Market Makers (which participants generally are responsible for pricing the market) and/or the ABBO, the presence of which indicates that another market has opened.⁴⁵

Consistent with current functionality (and with the approved Pillar Rule), the Exchange would not permit any opening transactions to trade through any better-priced interest on any Away Market, even it is permitted to do so.⁴⁶ Rather, because interest in the Auction would not trade outside of the Calculated NBBO (which defines the then-current market for the series), any Limit Orders executed in the proposed Auction would, bound by Auction Collars, would trade at a price that is equal to or better than the price(s) available at other exchanges.⁴⁷ Per Rule 6.64P-O(f)(3)(A), any interest remaining after

⁴⁵ Options exchanges have varying opening processes and have made separate determinations on what constitutes individual, reasonable opening market widths. Thus, if other options exchanges opened a series with a market width, it is reasonable to open the series for trading on the Exchange as well (as orders submitted to other exchanges may be trading at those widths).

⁴⁶ Although the intermarket linkage rules exempt from trade-through liability trades occurring during the opening process, the Exchange would continue to restrict transactions occurring at the open to the NBBO. See Rule 6.94-O(b)(2) (exempting from trade-through liability those transactions that “traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation”). A “Protection Quotation” is the Best Bid or Best Offer disseminated by OPRA and displayed by an Eligible Exchange. See Rule 6.92-O(15)-(16).

⁴⁷ See Rule 6.64P-O(b)(2)(A) (A) (providing that, “[i]f there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price). See also Rule 6.64-O(a)(3),(9), and (11) (defining Auction Collars, Indicative Match Price, and Matched Volume, respectively).

such Action is then evaluated for potential routing prior to being posted to the Consolidated Book. Further, the Exchange notes that there are other price protections available to limit the risk of executions at a wider market price.⁴⁸ Thus, the Exchange believes that the risk of an extreme execution based on the Calculated NBBO available after the initial Auction Process time period may be mitigated for the aforementioned reasons. The Exchange believes that, on balance, the benefits to market participants of having the series open earlier outweighs this mitigated risk.

The Exchange believes its proposal to modify the requirements to open a series for option series that have two or more assigned Market Makers would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors because it would continue to provide Market Makers assigned to such series the opportunity to submit a quote while potentially promoting a more timely opening once at least two quotes (even if from a single Market Maker) have been submitted and would add clarity and transparency to Exchange rules. The Exchange believes the proposed rule change would provide more flexibility in terms how of market depth in the affected series is achieved (i.e., based on quotes from a single Market Maker as opposed to two) and may result in a more timely and efficient opening process. Further, the proposed change may increase the availability of Legal Width Quotes in more series and would add clarity and transparency

⁴⁸ See Rule 6.41P-O(a)(1), (b) (regarding the Arbitrage Check, which is applied pre-open). The Exchange notes that the price protection mechanisms it employs during continuous trading are based on the NBBO, or Auction Prices as applicable. See, e.g., Rules 6.41P-O(c)(4)(B) (regarding the Intrinsic Value Check); Rule 6.62P-O(a)(4)(A) (regarding Limit Order Price Protection); and Rule 6.62P-O(a)(4)(B) (regarding Trading Collars).

to Exchange rules. Improving the validity of the opening price benefits all market participants and also benefits the reputation of the Exchange as being a venue that provides accurate price discovery. To the extent that this proposed rule change results in an option series opening sooner, which, in turn would increase the times during which investors may conduct trading in these options, this proposed change would benefit investors and the investing public.

The Exchange believes that the proposed non-substantive and conforming changes to Rule 6.64P-O (including to paragraph (d)(4)(B)) would promote just and equitable principles of trade because such changes would streamline Rule 6.64P-O, thus adding clarity to the Auction Process making it easier to comprehend and navigate to the benefit of market participants and would promote transparency and internal consistency within Exchange rules making them easier to comprehend and navigate.⁴⁹

Additional Proposed Non-substantive or Clarifying Changes to Exchange rules

The Exchange believes that the proposed non-substantive and clarifying changes that update/correct inaccurate references would promote transparency and internal consistency within Exchange rules making them easier to comprehend and navigate.⁵⁰

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a competitive market and regularly competes with other options exchanges for order flow. The Exchange does not believe that the proposed

⁴⁹ See supra notes 20, 26, 29 and 33.

⁵⁰ See supra notes 39-41.

rule change would impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because all market participants may trade in any series that opens subject to the proposed (modified) opening process.

The Exchange does not believe that the proposed rule change would impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it is designed to open series on the Exchange in a fair and orderly manner. The Exchange believes the proposed opening process will continue to provide market participants with an opportunity for price discovery based on then-current market conditions when the Exchange opens series for trading. This will facilitate the presence of sufficient liquidity in a series when it opens, and increase the ability of series to open at prices consistent with then-current market conditions (at the Exchange and on other exchanges). As noted herein, several options exchanges likewise have discretion to modify their opening procedures to address then-current market conditions.⁵¹ Further, the Exchange does not believe that the proposed rule change will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act, as all market participants that participate in the opening process may benefit equally from the proposal, as the rules of the Exchange apply equally to all market participants.

The Exchange does not believe that the proposed change to open those series with more than one assigned Market Maker based on two quotes regardless of the source would result in an undue burden on competition. Market Makers are encouraged but not

⁵¹ See, e.g., supra note 24 (citing the discretion of Cboe and its affiliates and MIAX to modify the opening auction parameters).

required to quote in their assigned series at the open regardless of whether a Market Maker is one of several assigned to a series or is the only one. As such, this proposal would not subject any Market Maker to additional obligations. Thus, the Exchange does not believe this proposed change would result in an undue burden on intra-market competition as it would apply equally to all similarly-situated Market Makers regarding their assigned series. The Exchange believes that the proposal to allow a series with more than one assigned Market Maker to open based on two quotes regardless of the source would continue to encourage participation of Market Makers at the open, may increase the availability of Legal Width Quotes in more series, thereby allowing more series to open (sooner). Improving the validity of the opening price benefits all market participants and also benefits the reputation of the Exchange as being a venue that provides accurate price discovery. With respect to inter-market competition, the Exchange notes that most options exchanges do not require Market Makers to quote during the opening.⁵²

Additionally, the non-substantive changes proposed by the Exchange provide additional clarity and detail in the Exchange's rules and are not changes made for any competitive purpose.

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

⁵² See, e.g., Cboe and its affiliated exchanges.

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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEARCA-2022-31 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-NYSEARCA-2022-31. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEARCA-2022-31 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵³

Eduardo A. Aleman
Deputy Secretary

⁵³ 17 CFR 200.30-3(a)(12).

Additions: Underlined
Deletions: [Bracketed]

Rules of NYSE Arca, Inc.

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Options Rules

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Rule 6-O OPTIONS TRADING

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.

Rules Principally Applicable to Trading of Option Contracts

Rule 6.37-O. Obligations of Market Makers

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(c) *Unusual Conditions - Auctions.* If the interest of maintaining a fair and orderly market so requires, a Trading Official may declare that unusual market conditions exist in a particular issue and allow Market Makers in that issue to make auction bids and offers with spread differentials of up to two times, or in exceptional circumstances, up to three times, the legal limits permitted under Rule 6.37-O or Rule 6.64P-O(a)(10). In making such determinations to allow wider markets, the Trading Official should consider the following factors: (A) whether there is pending news, a news announcement or other special events; (B) whether the underlying security is trading outside of the bid or offer in such security then being disseminated; (C) whether OTP Holders and OTP Firms receive no response to orders placed to buy or sell the underlying security; and (D) whether a vendor quote feed is clearly stale or unreliable.

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Rule 6.62P-O. Orders and Modifiers

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(e) Orders with Instructions Not to Route

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(3) Intermarket Sweep Order (“ISO”). A Limit Order that does not route and meets the requirements of Rule 6.92-O(a)(8).

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(C) A Day ISO may be designated with an ALO Modifier (“Day ISO ALO”). On arrival, a Day ISO ALO to buy (sell) may lock or cross Away Market Protected Quotations at the time of arrival of the Day ISO ALO but will not remove liquidity from the Consolidated Book. A Day ISO ALO can be designated to be cancelled if it would be displayed at a price other than its limit price.

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(ii) Once resting, a Day ISO ALO will be processed as an ALO Order as specified in paragraphs (e)(2)(C) - ([G]F) of this Rule.

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(h) Orders Available Only in Open Outcry.

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(6)(A) *Stock/Option Order* is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than 8 option contracts per unit of trading of the underlying stock or convertible security established for that series by the Clearing Corporation.

(B) *Stock/Complex Order*. A “Stock/Complex Order” is the purchase or sale of a Complex Order (as defined in Rule 6.62P-O([e]f)) coupled with an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) representing either:

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Rule 6.64P-O. 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 Rule 6-O Options Trading 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 Core Trading Hours.

- (B) “Trading Halt Auction” means the Auction that reopens trading following a trading halt.
- (2) “Auction Collar” means the price collar thresholds for the Indicative Match Price for an Auction.
 - (A) The upper Auction Collar will be the offer of the Legal Width Quote and the lower Auction Collar will be the bid of the Legal Width Quote, provided that if the bid of the Legal Width Quote is zero, the lower Auction Collar will be one MPV above zero for the series.
 - (B) If there is no Legal Width Quote, the Auction Collars will be published in the Auction Imbalance Information as zero.
- (3) “Auction Imbalance Information” means the information that the Exchange disseminates about an Auction via its proprietary data feeds and includes the Auction Collars, Auction Indicator, Book Clearing Price, Far Clearing Price, Indicative Match Price, Matched Volume, Market Imbalance, and Total Imbalance. Auction Imbalance Information will be based on all quotes and orders (including the non-displayed quantity of Reserve Orders) eligible to participate in an Auction, excluding IO Orders.
 - (A) “Auction Indicator” means the indicator that provides a status update of whether an Auction cannot be conducted because either (i) there is no Legal Width Quote, or (ii) a Market Maker quote has not been received during the Opening MMQ Timer(s).
 - (B) “Book Clearing Price” is the price at which all contracts could be traded in an Auction if not subject to the Auction Collar. The Book Clearing Price will be zero if a sell (buy) Imbalance cannot be filled by any buy (sell) interest.
 - (C) “Far Clearing Price” is the price at which Auction-Only Orders could be traded in an Auction within the Auction Collar.
 - (D) “Imbalance” means the number of buy (sell) contracts that cannot be matched with sell (buy) contracts at the Indicative Match Price at any given time.
 - (i) “Total Imbalance” is the Imbalance of all buy (sell) contracts at the Indicative Match Price for all orders and quotes eligible to trade in an Auction.
 - (ii) “Market Imbalance” is the Imbalance of any remaining buy (sell) Market Orders and MOO Orders that are not matched for trading in the Auction.
- (4) “Auction Price” means the price at which an Auction that results in a trade is conducted.
- (5) “Auction Process” means the process that begins when the Exchange receives an

Auction Trigger for a series and ends when the Auction is conducted.

(i) The “initial Auction Process time period” means, unless otherwise specified by Trader Update, the first ninety seconds after the commencement of the Auction Process.

- (6) “Auction Processing Period” means the period during which the Auction is being processed.
- (7) “Auction Trigger” means the information disseminated 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.
- (8) “Calculated NBBO” means the highest bid and lowest offer among all Market Maker quotes and the ABBO during the Auction Process.
- (9) “Indicative Match Price” means the price at which the maximum number of contracts can be traded in an Auction, including the non-displayed quantity of Reserve Orders and excluding IO Orders, subject to the Auction Collars. If there is no Legal Width Quote, the Indicative Match Price included in the Auction Imbalance Information will be calculated without Auction Collars.
- (A) If there is more than one price level at which the maximum number of contracts can be traded within the Auction Collars, the Indicative Match Price will be the price closest to the midpoint of the Legal Width Quote, rounded to the nearest MPV for the series, provided that the Indicative Match Price will not be lower (higher) than the highest (lowest) price of a Limit Order to buy (sell) ranked Priority 2 - Display Orders that is eligible to participate in the Auction.
- (B) An Indicative Match Price that is higher (lower) than the upper (lower) Auction Collar will be adjusted to the upper (lower) Auction Collar and orders eligible to participate in the Auction will trade at the collared Indicative Match Price.
- (i) Limit Orders to buy (sell) with a limit price above (below) the upper (lower) Auction Collar will be included in the Auction Imbalance Information at the collared Indicative Match Price and will be eligible to trade at the Indicative Match Price.
- (ii) Limit Orders and quotes to buy (sell) with a limit price below (above) the

lower (upper) Auction Collar will not be included in the Auction Imbalance Information and will not participate in an Auction.

- (C) If the Matched Volume for an Auction consists of only buy and sell Market Orders, the Indicative Match Price will be the midpoint of the Legal Width Quote, rounded to the MPV for the series, or, if the Legal Width Quote is locked, the locked price.
- (D) If there is no Matched Volume, including if there are Market Orders on only one side of the Market, the Indicative Match Price and Total Imbalance for the Auction Imbalance Information will be zero.
- (10) A “Legal Width Quote” is a Calculated NBBO that:
- (A) may be locked, but not crossed;
 - (B) does not contain a zero offer; [and]
 - (C) has a spread between the Calculated NBBO for each option contract that does not exceed a maximum differential that is determined by the Exchange on a class basis and announced by Trader Update, provided that a Trading Official may establish differences for one or more series or classes of options; and
 - (D) provided that, after the initial Auction Process time period, the Exchange will not impose limits for the maximum differential for the spread between the Calculated NBBO.
- (11) “Matched Volume” means the number of buy and sell contracts that can be matched at the Indicative Match Price, excluding IO Orders.
- (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.
- (13) “Rotational Quote” means the highest Market Maker bid and lowest Market Maker offer on the Exchange when the Auction Process begins. During the Auction Process, the Exchange will update the price and size of the Rotational Quote. A Rotational Quote can be locked or crossed. If there are no Market Maker quotes, the Rotational Quote will be published with a zero price and size.

(b) *Auction Ranking.* 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 6.76P-O consistent with the priority ranking associated with each order or quote, provided that:

- (1) Limit Orders, quotes, and LOO Orders 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.
- (3) LOO Orders will be ranked Priority 2 - Display Orders.
- (4) IO Orders will be ranked based on time among IO Orders, subject to eligibility to participate at the Indicative Match Price based on their limit price.

(c) *Auction Imbalance Information.* 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.

(d) *Auction Process.*

(1) *Rotational Quote.* When the Exchange receives the Auction Trigger for a series, the Exchange will send a Rotational Quote to both OPRA and proprietary data feeds indicating that the Exchange is in the process of transitioning from a pre-open state to continuous trading for that series.

(2) Once a Rotational Quote has been sent, the Exchange will conduct an Auction when there is both a Legal Width Quote and, if applicable, Market Maker quotes with a non-zero offer in the series (subject to the Opening MMQ Timer(s) requirements in paragraph (d)(3) of this Rule). The Exchange will wait a minimum of two milliseconds after disseminating the Rotational Quote before an Auction can be conducted. Subject to the above:

(A) If there is Matched Volume that can trade at or within the Auction Collars, the Auction will result in a trade at the Indicative Match Price.

(B) If there is no Matched Volume that can trade at or within the Auction Collars, the Auction will not result in a trade and the Exchange will transition to continuous trading as described in paragraph (f) of this Rule and the Auction will result in a quote.

(3) *Opening MMQ Timers.* Unless otherwise specified by Trader Update, each Opening MMQ Timer will be [30]thirty seconds. Once the Auction Process begins,

the Exchange will begin one or more Opening MMQ Timers for the Market Maker(s) assigned to a series to submit a quote with a non-zero offer, subject to the following:

(A) If there are no Market Makers assigned to a series, the Exchange will conduct an Auction in that series based on only a Legal Width Quote, without waiting for the Opening MMQ Timer to end.

(B) If there is only one Market Maker assigned to a series:

(i) The Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and the assigned Market Maker has submitted a quote with a non-zero offer.

(ii) If the Market Maker assigned to a series has not submitted a quote with a non-zero offer by the end of the Opening MMQ Timer and there is a Legal Width Quote, the Exchange will conduct the Auction.

(C) If there are two or more Market Makers assigned to a series:

(i) The Exchange will conduct the Auction, without waiting for the Opening MMQ Timer to end, as soon as there is both a Legal Width Quote and at least two [assigned Market Makers have submitted a] quotes with a non-zero offer submitted by assigned Market Maker(s).

(ii) If the Exchange has not received at least two [Market Makers assigned to a series have not submitted a] quotes with a non-zero offer from any Market Maker(s) assigned to a series by the end of the Opening MMQ Timer, the Exchange will begin a second Opening MMQ Timer. During the second Opening MMQ Timer, the Exchange will conduct the Auction, without waiting for the second Opening MMQ Timer to end, if there is both a Legal Width Quote and at least one Market Maker has submitted a quote with a non-zero offer.

(iii) If no Market Maker assigned to a series has submitted a quote with a non-zero offer by the end of the second Opening MMQ Timer and there is a Legal Width Quote, the Exchange will conduct the Auction.

(4) [Unless otherwise specified by Trader Update, for the first ninety seconds of the Auction Process]During the initial Auction Process time period, if there is no Legal Width Quote, the Exchange will not conduct an Auction, even if there is Matched Volume. [Ninety seconds after the Auction Process begins]After the conclusion of the initial Auction Process time period, and consistent with paragraph (a)(10)(D) of this Rule:

(A) If [there is no Matched Volume and] the Calculated NBBO [is wider than the Legal Width Quote,] is not crossed, and does not contain a zero offer, the Exchange will conduct an Auction, provided that if the Calculated NBBO spread is wider than the differential established as per paragraph (a)(10)(C) of this Rule,

the Exchange will cancel Market Orders and MOO Orders before conducting the Auction. After the cancelation of any Market Orders or MOO Orders as applicable, the Auction Process will proceed consistent with paragraph (d)(2)(A)-(B) of this Rule. [transition to continuous trading as described in paragraph (f) of this Rule. In such case, the Auction is not intended to end with a trade, but it may result in a trade even if there is no Legal Width Quote if orders or quotes arrive during the period when the Exchange is evaluating the status of orders and quotes.]

(i) Any time a series is opened or reopened when there is no Legal Width Quote, Market Orders and MOO Orders will not participate in the Auction and will be cancelled before the Exchange transitions to continuous trading.]

(B) If the Exchange still cannot conduct an Auction under paragraph (d)(4)[(A)] of this Rule, the Exchange will continue to evaluate both the Calculated NBBO and interest on the Consolidated Book until the earlier of:

(i) a Legal Width Quote is established and an Auction can be conducted;

[(ii) the series can be opened as provided for in paragraph (d)(4)(A);]

[(iii)](ii) the series is halted; or

[(iv)](iii) the end of Core Trading Hours.

(5) The Exchange may deviate from the standard manner of the Auction Process, including adjusting the timing of the Auction Process in any option series or opening or reopening a series when there is no Legal Width Quote, when it believes it is necessary in the interests of a fair and orderly market.

(e) *Order Processing during an Auction Processing Period.* New order and quote messages received during the Auction Processing Period will be accepted but will not be processed until after the Auction Processing Period. For purposes of paragraphs (e) and (f) of this rule, an "order instruction" refers to a request to cancel, cancel and replace, or modify an order or quote. During the Auction Processing Period, order instructions will be processed as follows:

(1) An order instruction that arrives during the Auction Processing Period will not be processed until after the Auction Processing Period if it relates to an order or quote that was received before the Auction Processing Period. Any subsequent order instructions relating to such order will be rejected.

(2) An order instruction that arrives during the Auction Processing Period will be processed on arrival if it relates to an order that was received during the Auction Processing Period.

(f) *Transition to Continuous Trading.* After the Auction Processing Period concludes, the Exchange will transition to continuous trading as follows:

- (1) Orders that are no longer eligible to trade will be cancelled.
- (2) During the transition to continuous trading, order instructions will be processed as follows:
 - (A) An order instruction that relates to an order or quote that was received before the Auction Processing Period or that has already transitioned to continuous trading and that arrives during either the transition to continuous trading or the Auction Processing Period under paragraph (e)(1) of this Rule will be processed in time sequence with the processing of orders and quotes as specified in paragraphs (f)(3)(A) or (B) of this Rule. Any subsequent order instructions relating to such order or quote will be rejected.
 - (B) An order instruction that arrives during the transition to continuous trading will be processed on arrival if it relates to an order or quote that was entered during either the Auction Processing Period or the transition to continuous trading and such order or quote has not yet transitioned to continuous trading.
- (3) When transitioning to continuous trading following an Auction, orders and quotes will be processed as follows:
 - (A) The Exchange will process Auction-eligible orders and quotes that were received before the Auction Processing Period and orders ranked Priority 3 - Non-Display Orders received before a trading halt as follows:
 - (i) Limit Orders and quotes will be subject to the Limit Order Price Protection, Arbitrage Check, and Intrinsic Value Check, as applicable.
 - (ii) Limit Orders and Market Orders will be assigned a Trading Collar.
 - (iii) Orders eligible to route that are marketable against Away Market Protected Quotations will route based on the ranking of such orders as set forth in Rule 6.76P-O(c).
 - (iv) After routing eligible orders, orders and quotes not eligible to route that are marketable against Away Market Protected Quotations will cancel.
 - (v) Once there are no more unexecuted orders marketable against Away Market Protected Quotations, orders and quotes that are marketable against other orders and quotes in the Consolidated Book will trade or be repriced.
 - (vi) Market Orders received during a pre-open state will be subject to the validation specified in Rule 6.62P-O(a)(1)(C).
 - (vii) The display quantity of Reserve Orders will be replenished.
 - (viii) The Exchange will send a quote to OPRA and proprietary data feeds representing the highest-priced bid and lowest-priced offer of any remaining

unexecuted Auction-eligible orders and quotes that were received before the Auction Processing Period.

(B) Next, orders ranked Priority 3 - Non-Display Orders that were received during a pre-open state will be assigned a new working time in time sequence relative to one another based on original entry time and will be subject to the Limit Order Price Protection, Arbitrage Check, and Intrinsic Value Check, as applicable, and if not cancelled, will be traded or repriced.

(C) Next, orders and quotes that were received during the Auction Processing Period will be assigned a new working time in time sequence relative to one another based on original entry time and will be subject to the Limit Order Price Protection, Pre-Trade Risk Controls, Arbitrage Check, Intrinsic Value Check, and validations specified in Rule 6.62P-O(a)(1)(A), as applicable, and if not cancelled, will be processed consistent with the terms of the order or quote.

(D) When transitioning to continuous trading:

(i) The display price and working price of orders and quotes will be adjusted based on the contra-side interest in the Consolidated Book or ABBO, as provided for in Rule 6.62P-O.

(ii) The display price and working price of a Day ISO will be adjusted in the same manner as a Non-Routable Limit Order until the Day ISO is either traded in full or displayed at its limit price. The display price and working price of a Day ISO ALO will be adjusted in the same manner as an ALO Order until the Day ISO ALO is either traded in full or displayed at its limit price.

(g) *Order Processing During a Trading Halt.* The Exchange will process new and existing orders and quotes in a series during a trading halt as follows:

(1) cancel any unexecuted quantity of orders for which the 500-millisecond Trading Collar timer has started and all resting Market Maker quotes;

(2) re-price all other resting orders on the Consolidated Book to their limit price. The repricing of a Non-Routable Limit Order, ALO Order, or Day ISO ALO to its limit price during a trading halt will not be counted toward the number of times such order may be repriced. Any subsequent repricing of such order during the transition to continuous trading is permitted as the additional repricing event as provided for in Rule 6.62P-O(e)(1)(B) and (e)(2)(C);

(3) accept and process all cancellations;

(4) reject incoming Limit Orders designated IOC or FOK;

(5) accept all other incoming order and quote messages and instructions until the Auction Processing Period for the Trading Halt Auction, at which point, paragraph (e)

of this Rule will govern the entry of incoming orders, quotes, and order instructions;
and

(6) disseminate a zero bid and zero offer quote to OPRA and proprietary data feeds.

(h) Whenever in the judgment of the Exchange the interests of a fair and orderly market so require, the Exchange may adjust the timing of or suspend the Auctions set forth in this Rule with prior notice to OTP Holders and OTP Firms.

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