



## Information Memo

NYSE Chicago IM-19-06

October 29, 2019

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**TO:** NYSE Chicago Institutional Brokers (“IBs”)

**FROM:** NYSE REGULATION

**SUBJECT:** **IB Responsibilities Related to NYSE Chicago Off-Exchange Trades, Submission of Clearing Transactions Executed Off-Exchange and Requirements, and Written Supervisory Procedures**

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### **PLEASE SHOW TO YOUR COMPLIANCE OFFICER**

#### **I. Purpose**

NYSE Regulation issues this information memorandum to remind Institutional Brokers (“IBs”) on NYSE Chicago, Inc. (the “Exchange” or “NYSE Chicago”) of their obligations under Article 11, Rule 4 (Participant Communications) and the away trade clearing rule (Article 21, Rule 6, Submission of Clearing Information for Transactions Executed Off-Exchange). This memorandum is also issued to inform IBs of (a) certain operational changes IBs will need to undertake in order to meet regulatory requirements required for NYSE Regulation surveillance efforts, (b) instructions IBs will need to follow to obtain required access to the NYSE Axway system, and (c) updates IBs will need to make to their written supervisory procedures.

#### **II. Pillar Migration Changes**

On November 4, 2019, NYSE Chicago will begin trading on the NYSE Pillar trading system. The Pillar trading platform will not support the drop-copies that the Exchange historically received electronically through Brokerplex for regulatory uses related to IB firms’ trades on away markets. This bulletin provides guidance as to how IBs will be required to submit this information to the Exchange once NYSE Chicago has transitioned to the Pillar platform and how existing documentation submissions related to Article 21, Rule 6 of the Exchange (which concerns the submission of clearing-related information by the Exchange for trades executed otherwise than on the NYSE Chicago) will be handled operationally going forward.

To the extent an IB firm uses non-NYSE Chicago-facilitated means of obtaining single-sided away trade executions, the IB will have to provide electronic transactional documentary evidence in a format acceptable to the Exchange (set forth in Section VII, below) to confirm the accuracy of its manually-created Brokerplex execution record(s) pursuant to Article 11, Rule 4, Interpretations & Policies .01. This evidence must be submitted no later than the close of business on the day of the trade, but in no event later than T+1. Riskless principal capacity should be reflected on the manually-entered Brokerplex working order when an IB is initiating an outbound order in a riskless principal capacity on behalf of a customer order it is holding.

### **III. Submission of Clearing Transactions Executed Off-Exchange**

#### **A. Clearing Crossing Transactions Executed Off-Exchange**

To the extent an IB firm executes away trade (*i.e.*, non-tape, clearing-only submissions) crossing transactions in the over-the-counter marketplace and reports them on the TRF or on another exchange or processes clearing-only submission requests for activity in which the IB was not an executing broker pursuant to Article 21, Rule 6(a)(3) of the Exchange Rules, IBs must enter such clearing entries within three hours of the away executions. The IB firm will have to provide electronic transactional documentary evidence in a format acceptable to the Exchange (set forth in Section VII, below) for each away trade clearing submission no later than the close of business on the day of the trade, as articulated in Article 21, Rule 6, Interpretation and Policies .01. Submissions on T+1 will only be permissible in the event of an unusual circumstance and IBs must not exhibit a pattern and practice of failing to submit such information in on trade date.

#### **B. Riskless Principal Flips of Off-Exchange Executions**

Riskless principal capacity should be reflected on the manually-entered Brokerplex working order when an IB initiates an outbound order on behalf of a customer order it is holding which may then use a NYSE Chicago clearing flip for purposes of transferring the benefit of the away trade transaction to the customer.

Pursuant to Article 21, Rule 6(b)(3) of the Exchange Rules, an IB firm must submit a riskless principal clearing submission to the Exchange within twenty (20) minutes from the time of the away trade execution time. In the case of an average-priced manual execution report for multiple away trade executions, the clearing submission timeliness will be considered based on the execution time of the last component away trade execution of the average-priced manual execution report.

IBs must provide electronic transactional documentary evidence in a format acceptable to the Exchange (set forth in Section VII, below) for each away trade clearing submission no later than the close of business on the day of the trade as articulated in Article 21, Rule 6, Interpretation and Policies .01. Submissions on T+1 will only be permissible in the event of an unusual circumstance and IBs must not exhibit a pattern and practice of failing to submit such information in on trade date.

### **IV. Post Trade Cancellations and Corrections**

IBs may make Clearing Participant changes-only via Brokerplex on trade date but must maintain documentary evidence of the misidentification of the Clearing Participant submitted on the original clearing entry by both parties involved in the change. If such a name change is required after trade date on T+1, NYSE Trade Desk personnel can facilitate the Clearing Participant change in the Trade Desk Management application as long as the IB provides the required written documentary evidence from the parties involved in the name change. In extraordinary circumstances (which are to be detailed by the IB), corrective submissions can be made after T+1 subject to the documented approval of an officer of the Exchange.

Any post-clearing submission away trade cancellations or corrections must be facilitated by NYSE Trade Desk personnel. While demonstrable error standards are not in force for the away trade activity (since NYSE Chicago is not the executing facility in such cases), for purpose of a post-clearing submission, an IB must provide documentary evidence that the requested cancellation and/or corrective entry has in fact occurred in the associated away trade venue.

The IB firm will have to provide electronic transactional documentary evidence of such post-clearing cancellations/corrections (“C&C’s”) in a format acceptable to the Exchange (set forth in Section VII, below) for each cancellation and/or corrective entry no later than the close of business on the day of the C&C, in accordance with Article 21, Rule 6, Interpretation and Policies .01. Submissions on T+1 will only be permissible in the event of an unusual circumstance and IBs must not exhibit a pattern and practice of failing to submit such information in on trade date.

## **V. Submission of Documents Related to All Away-Transactions**

Each IB firm will receive a monthly reference/matter number by email from NYSE Regulation on the first trading day of each calendar month for the IB’s use in identifying supporting documentation that it will submit pursuant to Article 21 Rule 6 for all covered activity in that calendar month that it does not route through the Brokerplex. These are IB order submissions made by choosing the “NOTH” option for order routing dialogue box in Brokerplex (and therefore not routed to either the NYSE Chicago matching engine or to the NYSE TRF).

## **VI. Participant Communications (Article 11, Rule 4)**

Pursuant to Article 11, Rule 4 of the Exchange Rules, IBs must submit certain order and execution information for orders sent to another market or trading venue (“layoff service”) in a format acceptable to the Exchange and within such timeframe that the Exchange shall designate. As a result of the migration to the NYSE Pillar trading platform (which will not support real-time electronic drop copy functionality), as of November 4, 2019, IBs will now be required to submit all information<sup>1</sup> required by Article 11, Rule 4 on a daily basis and in no event later than T+1 in Excel format via the Axway portal (as described in greater detail in Section VII below). IBs are reminded that such submissions must contain all data delineated in the rule and IBs must not exhibit a pattern and practice of failing to submit such information within the required timeframes.

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<sup>1</sup> This information is as follows: (a) Symbol; (b) Clearing Participant; (c) Order identifier that uniquely identifies the order; (d) Identification of Participant recording the order details; (e) Number of shares or quantity of security; (f) Side of market; (g) Designation of order type (e.g., market, limit, stop, stop limit); (h) Whether the order is for the account of a customer or for the account of the Participant sending the order; (i) Whether the order is short; (j) Any limit price and/or stop price; (k) Date and time of order receipt or transmission (as applicable); (l) The market or Participant to which the order was transmitted or from which the order was received; (m) Time in force; (n) Designation as held or not held; (o) Any special conditions or instructions (including any customer do-not-display instructions and any all-or-none condition); (p) Any modifications to the details set out in (1)- (15) above [a through p], for all or part of an order, or any cancellation of all or part of the order; (q) Date and time of transmission of any modifications to the order or any cancellation of the order; (r) Identification of the party cancelling or modifying the order; (s) Date and time of any order expiration; (t) Transaction price (if applicable); (u) Number of shares executed (if applicable); (v) Date and time of execution (if applicable); (w) Contra party to the execution (if applicable); (x) Settlement instructions (if applicable); (y) System-generated time of recording required information; and (z) Such other information as the Exchange may from time to time require.

## VII. Operational Changes

Because the NYSE Chicago Pillar trading platform will not support the submission of regulatory drop copies, IBs will need to make the following changes in order to support the NYSE Chicago IB away trade clearing business.

1. On the first trading day of each calendar month, NYSE Regulation will communicate a reference/matter number via email for IBs to reference when they submit execution details for away trades cleared at NYSE Chicago.
2. No later than the close of business on the day of the trade, each IB shall submit execution details for all transactions submitted to NYSE Chicago for clearing that were executed away from the Exchange. The submission should be made via an Excel spreadsheet submitted to NYSE Regulation via the Axway secure file transmission protocol (SFTP). (The form the IBs should use to request Axway access is attached hereto.) For each submitted transaction, the Excel spreadsheet should include each of the following data elements:

Submitting IB Name	Symbol	Away-Trade Executed Quantity	Away-Trade Execution Time	Away-Trade Execution Price	Execution Venue (exchange or facility)	Execution Venue trade ID	Is this Submission an Amendment? Y/N	NYSE Chicago Deal ID (from Brokerplex order)
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3. Axway SFTP for file submission - On an ad hoc basis, NYSE Regulation may request that IBs and members provide, among other things, certain trade-related data including trade blotters, confirmation statements, and copies of electronic communications, policies and procedures. Such files are generally submitted to NYSE Regulation via Axway.

Each IB should take steps to set up access to the Axway system (Axway URL: <https://mftus.nyx.com/>) in advance of NYSE Chicago's commencement of trading on the Pillar platform..

4. IB firms will need to update their written supervisory procedures to reflect the data submission requirements and methods set forth in this Information Memo.

## VIII. Contact Information

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## NYSE Regulation FTP (Axway) Request Form

Instructions							
Please complete this form and return to <a href="mailto:NYSERegulation@theice.com">NYSERegulation@theice.com</a> .							
<b>Process Overview:</b>							
<ul style="list-style-type: none"> <li>• NYSE Regulation reviews form for completeness.</li> </ul>							
<ul style="list-style-type: none"> <li>• Tickets Opened.                             <ul style="list-style-type: none"> <li>○ Axway Admins create login credentials.</li> <li>○ Information Security whitelists IP address(es).</li> <li>○ Axway Admins verify connectivity over private network, tests login.</li> <li>○ CRS supplies login credentials.</li> <li>○ Member validates login credentials, sends a test file to Axway directory.</li> <li>○ Axway Admins validate test file.</li> </ul> </li> <li>• Request Complete.</li> <li>• For future technical support, post setup, please contact <a href="mailto:ProdSupport-NYSEFTP@theice.com">ProdSupport-NYSEFTP@theice.com</a>.</li> </ul>							
Member Information							
	Firm Name:			CRD#:			
	Business Contact:						
	Email:		Phone				
	Technical Contact:						
	Email:		Phone				
	Regulatory Inquiry Contact:						
	Email:		Phone				
NYSE Technical Information							
	Axway Production:	Axway DR:					
	<a href="http://mftus.nyx.com">mftus.nyx.com</a> 159.125.78.129	<a href="http://mftusdr.nyx.com">mftusdr.nyx.com</a> 162.68.208.14					
<b>NYSE will supply the Member with login credentials to the Axway server.</b>							
<b>NYSE will provide the Member with our SSH Public Key; our default SSH Key is 2048-bit DSA</b>							
Member Setup Options							
Please supply incoming server and IP information, to be whitelisted with NYSE Information Security.							
	FTP Server Name:						
	Incoming IP Address(es):						
NYSE Regulation Information Memo							
<a href="https://www.nyse.com/publicdocs/nyse/markets/nyse/rule-interpretations/2015/NYSE-15-6.pdf">https://www.nyse.com/publicdocs/nyse/markets/nyse/rule-interpretations/2015/NYSE-15-6.pdf</a>							
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