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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76690; File No. SR-NYSEARCA-2015-121)

December 18, 2015

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change to Amend Rule 1.1(s) to Provide for Price Collar Thresholds for Trading Halt Auctions

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on December 7, 2015, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II 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 1.1(s) to provide for price collar thresholds for Trading Halt Auctions. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://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 discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places

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

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

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

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

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

1. Purpose

The Exchange proposes to amend Rule 1.1(s) to provide for price collar thresholds for Trading Halt Auctions.<sup>4</sup> The Exchange conducts Trading Halt Auctions under Rule 7.35(f).

The Exchange proposes to amend Rule 1.1(s) to respond to market events on August 24, 2015, by adopting price collar thresholds for Trading Halt Auctions. On August 24, 2015, the market experienced extreme trading volatility, which resulted in a significantly higher number of trading pauses under the Plan to Address Extraordinary Market Volatility (the "Plan") than the average trading day. Because of the volume of trading interest that the Exchange received during these trading pauses, the Exchange reopened trading following those pauses with Trading Halt Auctions. On that day, the Exchange applied price collar thresholds for Trading Halt Auctions that were 5% for securities with a consolidated last sale price of \$25.00 or less, 2% for securities with a consolidated last sale price greater than \$25.00 but less than or equal to \$50.00, and 1% for securities with a consolidated last sale price greater than \$50.00.<sup>5</sup>

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<sup>4</sup> Rule 1.1(s) defines the Indicative Match Price for the Opening Auction, the Market Order Auction, the Closing Auction, and the Trading Halt Auction. Rule 1.1(s)(A) further provides that when the Market Order Auction Price or Closing Auction Price is established by NYSE Arca Equities Rule 7.35(c)(3)(A)(1) or 7.35(e)(3), the Limit Orders eligible for determining the Indicative Match Price shall be limited by the price collar thresholds established by the Corporation. The rule further provides that the Corporation shall set and modify such thresholds from time to time upon prior notice to ETP Holders.

<sup>5</sup> The price collar thresholds were last modified on April 13, 2015 and September 8, 2015. See NYSE Arca Trader Update, "NYSE Arca Equities Enhancements to Auction Collars," dated April 10, 2015, and NYSE Arca Trader Update, "NYSE Arca Equities Enhancements to Auction Collars," dated September 4, 2015, available here: <https://www.nyse.com/trader-update/history> and here:

The Exchange believes that these parameters were too narrow. The Exchange also believes, however, that it is appropriate to have protections in place for Trading Halt Auctions to assure that a reopening trade will not deviate significantly from prior prices, even taking into consideration natural price movements for a security. The Exchange will therefore be conducting an analysis to identify what changes, if any, would be appropriate to balance allowances for natural price movement in a Trading Halt Auction, while at the same time avoiding significant price deviations that would not be in line with the fair value of securities listed on the Exchange, which are all Exchange Traded Products (“ETP”). Following this analysis, the Exchange will propose to make the price collar thresholds proposed herein permanent or propose other or additional changes to the re-opening auction process.

Pending such analysis, the Exchange proposes to amend Rule 1.1(s) on an interim basis to add to the rule price collar thresholds for Trading Halt Auctions that would be based on the thresholds for determining whether an execution is clearly erroneous. The Exchange proposes that this proposed rule change will sunset six months after the operative date of this rule change.

For such interim measure, the Exchange proposes new Rule 1.1(s)(B) to specify that when the Trading Halt Auction Price is established by NYSE Arca Equities Rule 7.35(f)(4)(A), the Limit Orders eligible for determining the Indicative Match Price would be limited by specified price collar thresholds. As further proposed, the specified percentage for the price collar thresholds for Trading Halt Auctions would be 10% for securities with a consolidated last sale price of \$25.00 or less, 5% for securities with a consolidated last sale price greater than \$25.00 but less than or equal to \$50.00, and 3% for securities with a consolidated last sale price greater than \$50.00. These proposed percentages are based on the corresponding “numerical

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[https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Trader\\_Update\\_Auction\\_Collars\\_Sept\\_2015.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Trader_Update_Auction_Collars_Sept_2015.pdf).

guideline” percentages set forth in paragraph (c)(1) of Rule 7.10 (Clearly Erroneous Executions) for the Core Trading Session.<sup>6</sup>

The Exchange believes that by adopting price collar thresholds for Trading Halt Auctions based on the clearly erroneous execution guidelines, the Exchange would be widening the thresholds from their current percentages, thereby ending the use of the current overly-narrow price collar thresholds. The Exchange further believes that using temporary price collar thresholds tied to the clearly erroneous execution guidelines is appropriate because an auction trade is subject to these guidelines for purposes of determining whether such execution is clearly erroneous. In addition, the Exchange’s proposed rule change is similar to how BATS Exchange, Inc. (“BATS”) prices its Halt Auctions for ETPs. Like BATS, the Exchange is the primary listing market only for ETPs and would, therefore only have Trading Halt Auctions for ETPs. BATS Rule 11.23(d)(2)(C) provides that BATS executes orders in ETPs in a Halt auction at a price level within a “Collar Price Range” that maximizes the number of shares executed in the auction. Similar to the Exchange’s proposal, BATS uses Collar Price Ranges that are based on the numerical guidelines set forth in the market-wide clearly erroneous execution rules.<sup>7</sup> The Exchange’s proposal differs from BATS’s pricing mechanism because the Exchange would use the consolidated last sale price as the reference price, rather than the midpoint of a “Valid

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<sup>6</sup> As set forth in Rule 7.10(c)(1), for securities priced between \$0.00 and \$25.00, the numerical guideline is 10%, for securities priced between \$25.01 and \$50.00, the numerical guideline is 5%, and for securities priced greater than \$50.00, the numerical guideline is 3%.

<sup>7</sup> As set forth in BATS Rule 11.23(a)(6), the Collar Price Range is 10% for securities with a Collar Midpoint of \$25.00 or less, 5% for securities with a Collar Midpoint is [sic] greater than \$25.00 but less than or equal to \$50.00, and 3% for securities with a Collar Midpoint greater than \$50.00. BATS Rule 11.23(a)(6) defines the Collar Midpoint as the Volume Based Tie Breaker, which is defined in BATS Rule 11.23(a)(23) as the midpoint of the NBBO if it is a Valid NBBO, with a Valid NBBO being less than the Maximum Percentage away from both the NBB and the NBO.

NBBO.” The Exchange believes that using the consolidated last sale price tracks the market-wide clearly erroneous execution rules, which similarly use the consolidated last sale price for determining whether an execution is clearly erroneous.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>9</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed amendment to add Rule 1.1(s)(B) would remove impediments to and perfect the mechanism of a fair and orderly market because it would provide for price collar thresholds that are wider than the current thresholds used by the Exchange, but yet are based on an existing standard for assessing whether an auction trade is clearly erroneous. In particular, the proposed rule change responds to market events of August 24, 2015 by aligning the price collar thresholds applicable to Trading Halt Auctions with the clearly erroneous execution guidelines. The Exchange believes the proposed price collar thresholds, which would be based on the numerical guidelines set forth in Rule 7.10(c)(1), would also remove impediments to and perfect the mechanism of a fair and orderly market and protect investors and the public interest because they would reduce the potential for a Trading Halt Auction to be a clearly erroneous execution. To this end, the Exchange’s proposal is similar to

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

how BATS prices its Halt Auctions, which are also subject to collar price ranges that are based on the numerical guidelines for clearly erroneous executions. The Exchange further believes that using the last consolidated sale price as the reference price for the Trading Halt Auction price collar thresholds would remove impediments to and perfect the mechanism of a fair and orderly market because determinations of whether an execution is clearly erroneous are also based on price movements away from the consolidated last sale prices.

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 proposed change is not designed to address any competitive issue but rather to provide for a price protection mechanism to prevent Trading Halt Auctions from occurring at prices that could be a clearly erroneous execution.

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

No written comments were solicited or received with respect to the proposed rule change.

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

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

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning

the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEARCA-2015-121 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-2015-121. 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 will also be available for inspection and copying at the NYSE's principal office and on its Internet website at [www.nyse.com](http://www.nyse.com). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available

publicly. All submissions should refer to File Number SR-NYSEARCA-2015-121 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.<sup>10</sup>

Robert W. Errett  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).

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