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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79688; File No. SR-NYSEArca-2016-170)

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rules 7.11, 7.31, and 7.34

December 23, 2016

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 December 20, 2016, 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend NYSE Arca Equities Rules 7.11, 7.31, and 7.34 to specify order behavior for orders entered via the Pillar phase II protocols. The proposed rule 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 discussed any comments

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1 15 U.S.C. 78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend NYSE Arca Equities Rules 7.11 (Limit Up-Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility) ("Rule 7.11"), 7.31 (Orders and Modifiers) ("Rule 7.31"), and 7.34 (Trading Sessions) ("Rule 7.34") to specify order behavior for orders entered via the Pillar phase II protocols.

Background

On January 29, 2015, the Exchange announced the implementation of Pillar, which is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by the Exchange and its affiliates, NYSE MKT, Inc. ("NYSE MKT") and New York Stock Exchange LLC ("NYSE").[4] NYSE Arca Equities, which operates the equities trading platform for the Exchange, was the first trading system to migrate to Pillar. In connection with this implementation, the Exchange filed four rule proposals relating to Pillar.[5]

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4 See Trader Update dated January 29, 2015, available here: https://www.nyse.com/publicdocs/nyse/markets/nyse/Pillar_Trader_Update_Jan_2015.pdf.

5 See Securities Exchange Act Release Nos. 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (Notice) and 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015) (SR-NYSEArca-2015-38) (Approval Order of NYSE Arca Pillar I Filing, adopting rules for Trading Sessions, Order Ranking and Display, and Order Execution); Securities Exchange Act Release Nos. 75497 (July 21, 2015), 80 FR 45022 (July 28, 2015) (Notice) and 76267 (October 26, 2015), 80 FR 66951 (October 30, 2015) (SR-NYSEArca-2015-56) (Approval Order of NYSE Arca Pillar II Filing, adopting rules for Orders and Modifiers

ETP Holders enter orders and order instructions by using communication protocols that map to the order types and modifiers described in Exchange rules. Currently, all ETP Holders communicate with the NYSE Arca Marketplace using Pillar phase I protocols. The Exchange is introducing new technology to support how ETP Holders communicate with the NYSE Arca Marketplace ("Pillar phase II protocols"). Because Pillar phase II protocols will support new order functionality, the Exchange proposes to revise its rules to reflect these changes.

During this implementation, there will be a period when both the Pillar phase I and Pillar phase II protocols will be available to ETP Holders. Accordingly, the Exchange proposes to amend its rules to describe how an ETP Holder's orders would behave depending on the protocol an ETP Holder chooses to use.

Proposed Amendments to Rule 7.11

Currently, under Rule 7.11 any Limit Order that is priced or would trade outside of a Price Band under the Plan[6] is cancelled, unless an ETP Holder enters instructions for adjustment of the Limit Order's working price. Specifically, Rule 7.11(a)(5) specifies that a buy (sell) order that is priced or could be traded above (below) the Upper (Lower) Price Band will be cancelled, except as specified in Rule 7.11(a)(6). Rule 7.11(a)(6) further provides that ETP Holders may

and the Retail Liquidity Program); Securities Exchange Act Release Nos. 75467 (July 16, 2015), 80 FR 43515 (July 22, 2015) (Notice) and 76198 (October 20, 2015), 80 FR 65274 (October 26, 2015) (SR-NYSEArca-2015-58) (Approval Order of NYSE Arca Pillar III Filing, adopting rules for Trading Halts, Short Sales, Limit Up-Limit Down, and Odd Lots and Mixed Lots); and Securities Exchange Act Release Nos. 76085 (October 6, 2015), 80 FR 61513 (October 13, 2015) (Notice) and 76869 (January 11, 2016), 81 FR 2276 (January 15, 2016) (Approval Order of NYSE Arca Pillar IV Filing, adopting rules for Auctions).

6 Under Rule 7.11(a)(1), the "Plan" is defined as the Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934, Exhibit A to Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012), as it may be amended from time to time. Under Rule 7.11(a)(2), capitalized terms not otherwise defined in Rule 7.11 have the meaning set forth in the Plan.

enter an instruction for the working price of a Limit Order to buy (sell) with a limit price above (below) the Upper (Lower) price Band to be adjusted to a price that is equal to the Upper (Lower) Price Band rather than cancel the order. Paragraphs (A) – (D) to Rule 7.11(a)(6) provide more specifics regarding how such repricing instructions operate. Accordingly, under current rules, repricing instructions are discretionary and available only for specified Limit Orders.

As proposed, when using Pillar phase II protocols, the default behavior would be to reprice Limit Orders rather than cancel them if they would trade or are priced through the Price Bands. In addition, the Exchange proposes to offer a discretionary instruction to cancel such orders rather than reprice them. This proposed default behavior is similar to how Limit Orders are processed on the Nasdaq Stock Market LLC ("Nasdaq").[7] When ETP Holders use Pillar phase II protocols, the processing of Market Orders, Limit Orders designated IOC, Day ISO, Q Orders, or Primary Only Orders under Rule 7.11 would be the same as current processing of such orders.[8]

To effect these changes, the Exchange proposes new Rule 7.11(a)(5P), which would specify order behavior for all orders under the Pillar phase II protocols. Proposed Rule 7.11(a)(5P) would thus consolidate into a single sub-section of Rule 7.11(a) all repricing and cancellation behavior for orders, rather than have this content separated into two sub-sections of Rule 7.11(a), as under the current Rule. Rules 7.11(a)(5) and (a)(6) would continue to govern order processing when an ETP Holder uses Pillar phase I protocols.

Proposed Rule 7.11(a)(5P) would provide that Exchange systems would reprice or cancel buy (sell) orders that are priced or could be traded above (below) the Upper (Lower) Price Band.

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7 See Nasdaq Rule 4120(a)(12)(E)(2).

8 Primary Only Orders are addressed in Rule 7.11(a)(7), which is not changing.

- Proposed Rule 7.11(a)(5P)(A) would govern those order types that would be cancelled if they are priced or could trade at prices outside the Price Bands. This proposed rule text would not make any substantive changes to the current rule and is based on current Rule 7.11(a)(5)(A), which describes the default behavior to cancel orders, and Rule 7.11(a)(6)(A), which specifies the order types that are not eligible for repricing instructions. The Exchange proposes a non-substantive change to restructure the rule into a single sub-paragraph that describes how these orders would be processed when an ETP Holder sends orders using Pillar Phase II protocols.

  As proposed, incoming Market Orders, Limit Orders designated IOC, and Day ISOs would be traded, or if applicable, routed to an Away Market, to the fullest extent possible, subject to Rule 7.31(a)(1)(B) (Trading Collars for Market Orders) and 7.31(a)(2)(B) (price check for Limit Orders) at prices at or within the Price Bands. This list of order types is based on the list of order types not eligible for repricing instructions in current Rule 7.11(a)(6)(A).[9] Proposed Rule 7.11(a)(5P)(A)(i) would further provide that any quantity of such orders that cannot be traded or routed at prices at or within the Price Bands would be cancelled and the ETP Holder would be notified of the reason for the cancellation.

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9 The Exchange does not believe it is necessary to reference Auction-Only Orders in this proposed rule because under Rule 7.35, Auction-Only Orders are not subject to any re-pricing. Rather, by design, they trade at the Indicative Match Price of the auction

Proposed Rule 7.11(a)(5P)(A)(ii) would further provide that if Price Bands move and the working price of a resting Market Order or Day ISO to buy (sell) is above (below) the updated Upper (Lower) Price Band, such orders would be cancelled. This is new rule text designed to provide additional transparency regarding how resting Market Orders or Day ISOs would be processed if Price Bands move into the working price of such orders. Consistent with proposed Rule 7.11(a)(5P)(A)(i) that states that such orders would not be repriced if they were to trade outside of the Price Bands, such orders would also be cancelled if they were required to be repriced due to a change in Price Bands.

- Proposed Rule 7.11(a)(5P)(B) would set forth the proposed default behavior to reprice a Limit Order priced through the Price Bands, unless the Exchange receives an instruction to cancel such an order. As proposed, incoming Limit Orders would be traded, or if applicable, routed to an Away Market, to the fullest extent possible, subject to Rule 7.31(a)(2)(B) (price check for Limit Orders) at prices at or within the Price Bands. Proposed Rule 7.11(a)(5P)(B)(i) would further provide that, unless the ETP holder has entered an instruction to cancel any quantity of a Limit Order that cannot be traded or routed at prices at or within the Price Bands, such order would be assigned a working price, and if applicable, display price, at the Upper (Lower) Price Band, consistent with the terms of the order.[10] This proposed rule text therefore specifies that the default behavior would be to reprice Limit Orders and the discretionary instruction would be to cancel such orders.

Proposed Rule 7.11(a)(5P)(B)(ii) would provide that the repricing of Limit Orders would be applicable to both incoming and resting orders and if the Price Bands move and the limit price of a repriced order is at or within the Price Band, such Limit Order would be adjusted to its limit price. This proposed rule text is based on current Rule 7.11(a)(6)(B) without any substantive changes. The Exchange proposes a non-substantive change to use the term "limit price" instead of "original limit price" because under Rule 7.36(a)(2), the term "limit price" means the highest (lowest) specified price at which a Limit Order to buy (sell) is eligible to trade. Thus, use of the word "original" with the term "limit price" is redundant.

Proposed Rule 7.11(a)(5P)(B)(iii) would provide that Primary Until 9:45 Orders and Primary After 3:55 Orders would be priced under Rule 7.11(a)(5P)(B) only when such orders are entered on or resting on the NYSE Arca Book. This proposed rule text is based on the second sentence of Rule 7.11(a)(6)(A), without any substantive changes.

- Proposed Rule 7.11(a)(5P)(C) would specify how sell short orders would be processed and is based on current Rule 7.11(a)(6). The Exchange proposes a substantive change to the proposed rule text to reflect the

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[10] For example, consistent with Rule 7.31(e)(2), if the PBO is equal to the Upper Price Band and the Exchange receives an ALO to buy with a limit price above the PBO, such ALO would be assigned a working price equal to the PBO (and Upper Price Band) and a display price one minimum price variation below the PBO (and Upper Price Band).

proposed new default processing for Limit Orders, i.e., to reprice rather than cancel such orders. As proposed, if a Limit Order does not include a cancel instruction and is also a sell short order, during a Short Sale Price Test, as set forth in Rule 7.16(f), such short sale order priced below the Lower Price Band would be repriced to the higher of the Lower Price Band or the Permitted Price, as defined in Rule 7.16(f)(5)(A). The rule would further provide that sell short orders that are not eligible to be repriced would be treated as any other order pursuant to proposed Rule 7.11(a)(5P)(A) above. The proposed substantive changes are reflected in the first clause of this proposed rule text and the last sentence of this proposed rule text. The remainder of the proposed rule text is based on current Rule 7.11(a)(6) without any changes.

- Proposed Rule 7.11(a)(5P)(D) would provide that incoming Q Orders to buy (sell) with a limit price above (below) the Upper (Lower) Price Band would be rejected. The proposed rule would further provide that if Price Bands move and the limit price of a resting Q Order to buy (sell) is above (below) the updated Upper (Lower) Price Band, the Q Order would be cancelled. This proposed rule text is based on how Q Orders are currently processed because Q Orders are not eligible for repricing instructions.[11]

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11 The Exchange proposes a non-substantive amendment to update current Rule 7.11(a)(6) to reflect that Q Orders are not eligible to include repricing instructions. The rule filing to adopt current Rule 7.11 described that Q orders were not included in the list of orders eligible for repricing and due to a typographical error, Q Orders were not also included in the rule text. See Securities Exchange Act Release No. 75467 (July 16, 2016), 80 FR 43515, 43524 (July 22, 2016) (SR-NYSEArca-2015-58) (Notice of Filing of Pillar III

- Proposed Rule 7.11(a)(5P)(E) would provide that Limit IOC Cross Orders with a cross price above (below) the Upper (Lower) Price Band would be rejected. This proposed rule text is based on current Rule 7.11(a)(5)(B), with a non-substantive change to refer to "Limit IOC Cross Orders" rather than "Cross Orders." Under Rule 7.31(g), the only form of Cross Order available at the Exchange is a Limit IOC Cross Order.
- Proposed Rule 7.11(a)(5P)(F) would provide that if the midpoint of the PBBO is above (below) the Upper (Lower) Price Band, an MPL Order to buy (sell) would not be repriced or rejected and would not be eligible to trade and would further provide that an MPL Order would be cancelled or rejected if the ETP Holder enters an instruction to cancel or reject such MPL Order. This proposed rule text is based in part on current Rule 7.11(a)(6)(C), which states that an MPL Order that has an instruction to reprice will not cancel, but will not be repriced or be eligible to trade if the midpoint of the PBBO is below the Lower Price Band or above the Upper Price Band. Proposed Rule 7.11(a)(5P)(F) is different than current Rule 7.11(a)(6)(C) to reflect that the new default behavior is to reprice rather than cancel Limit Orders. As applied to MPL Orders, ETP Holders using Pillar Phase II protocol would not need to include an instruction to reprice an MPL Order. The proposed default behavior for MPL Orders would be that such orders would not be repriced or rejected and would not be eligible to trade outside of the Price Bands. Consistent with the proposed

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Filing, adopting rules for Trading Halts, Short Sales, Limit Up-Limit Down, and Odd Lots and Mixed Lots)

> discretionary instruction to cancel a Limit Order, the Exchange proposes to include a discretionary instruction to cancel (a resting) or reject (an incoming) an MPL Order to buy (sell) if the midpoint of the PBBO is above (below) the Upper (Lower) Price Band.

Finally, to provide transparency regarding which rules would govern order behavior under the different protocols, the Exchange proposes to add the following preamble to Rule 7.11:

> Rules 7.11(a)(5) and (a)(6) govern order processing when ETP Holders communicate with the NYSE Arca Marketplace using Pillar phase I protocols. Rule 7.11(a)(5P) governs order processing when ETP Holders communicate with the NYSE Arca Marketplace using Pillar phase II protocols. The Exchange will file a separate proposed rule change to delete Rules 7.11(a)(5) and (a)(6) when the Pillar phase I protocols are no longer available.

Proposed Amendment to Rule 7.31

The Exchange proposes to amend Rule 7.31 to reflect that under the Pillar phase II protocols, the Exchange would use an ETP Holder's MPID, rather than an ETP ID, to assess whether to apply Self-Trade Prevention Modifiers ("STP") against two matching orders. To reflect this change, the Exchange proposes to add new subsection (E) to Rule 7.31(i)(2) that would provide that for purposes of STP, references to ETP ID mean an ETP ID when using Pillar phase I protocols to communicate with the NYSE Arca Marketplace or an MPID when using Pillar phase II protocols to communicate with the NYSE Arca Marketplace.

Proposed Amendments to Rule 7.34

The Exchange proposes to amend Rule 7.34 to reflect that under the Pillar phase II protocols, the Exchange would reject orders that do not include a designation for which trading session(s) the order will remain in effect. Current Rule 7.34(b)(1) provides that any order entered into the NYSE Arca Marketplace must include a designation for which trading session(s) the order will remain in effect.

However, current Rule 7.34(b)(2) further provides that an order with a day time-in-force instruction entered before or during the Early Trading Session will be deemed designated for the Early Trading Session and the Core Trading Session. Current Rule 7.34(b)(3) further provides that an order with a day time-in-force instruction entered during the Core Trading Session will be deemed designated for the Core Trading Session. Accordingly, under current rules, orders that include a day designation, but do not include a trading session designation, will be accepted and deemed designated for the specified trading sessions.

The Exchange proposes that when ETP Holders use Pillar phase II protocols to enter an order, the Exchange would reject any order that does not include a trading session designation, including day orders entered during the Early or Core Trading Sessions. To reflect this functionality, the Exchange proposes to add the following sentence to Rule 7.34(b)(1): "For ETP Holders that communicate with the NYSE Arca Marketplace using Pillar phase II protocols, orders entered without a trading session designation will be rejected." To specify that the current rule processing is available only for orders entered via the Pillar phase I protocols, the Exchange proposes to add the following introductory text to Rules 7.34(b)(2) and (3): "For ETP Holders that communicate with the NYSE Arca Marketplace using Pillar phase I protocols."

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Because of the technology changes associated with this proposed rule change, the Exchange will announce the implementation date by Trader Update. The Exchange anticipates implementing these changes before the end of the first quarter 2017.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),[12] in general, and furthers the objectives of Section 6(b)(5),[13] 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.

Specifically, the Exchange believes that the proposed rule change to reprice Limit Orders that would trade or are priced through the Price Bands under the Plan rather than cancel them, and instead offer a discretionary instruction to cancel such orders, would remove impediments to and perfect the mechanism of a free and open market and a national market system by promoting the display of orders. In addition, the proposed changes are similar to how Nasdaq operates.[14] The Exchange further believes that the proposed non-substantive changes to consolidate in proposed Rule 7.11(a)(5P) how orders would be repriced or cancelled if they are priced through or would trade outside of the Price Bands would simplify Exchange rules, thereby promoting transparency and clarity in Exchange rules.

The Exchange believes that the proposed rule change to specify that an ETP Holder's MPID rather than ETP ID would be used for STP purposes when an ETP Holder uses Pillar phase II protocols would remove impediments to and perfect the mechanism of a free and open market and a national market system by providing notice to ETP Holders of which orders would

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12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

14 See supra note 7.

be matched for purposes of STP, depending on the communication protocol that they use.

The Exchange believes that the proposed rule change to reject orders that do not include a trading session designation would remove impediments to and perfect the mechanism of a free and open market and a national market system because it provides transparency and uniformity of the circumstances when an order would be rejected.

The Exchange further believes that amending Exchange rules to specify order behavior depending on which Pillar protocol is used to communicate with the NYSE Arca Marketplace would remove impediments to and perfect the mechanism of a free and open market and a national market system by providing transparency to investors and the public.

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 believes that the proposed rule change would not impose any burden on competition because the proposed changes to how Limit Orders would be processed if priced through the Price Bands is similar to the rules of a competing exchange, and thus is familiar behavior to market participants. The proposed change to reject orders if they do not include a trading session designation is not designed to address any competitive issues, but rather, would promote transparency and uniformity by specifying when an order would be rejected.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition;

and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.[15]

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or 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-2016-170 on the subject line.

Paper comments:

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

15 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

All submissions should refer to File Number SR-NYSEArca-2016-170. 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 such filing also will be available for inspection and copying at the principal office of the Exchange. 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-2016-170, 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.[16]

Robert W. Errett
Deputy Secretary

[16] 17 CFR 200.30-3(a)(12).

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