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SECURITIES AND EXCHANGE COMMISSION

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Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 7.31-E Relating to Mid-Point Liquidity Orders and the Minimum Trade Size Modifier and Rule 7.36-E to Add a Definition of “Aggressing Order”

January 16, 2018.

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 January 3, 2018, 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 7.31-E relating to Mid-Point Liquidity Orders and the Minimum Trade Size modifier and Rule 7.36-E to add a definition of “Aggressing Order.”

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.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 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

Mid-Point Liquidity ("MPL") Orders and the Minimum Trade Size ("MTS") modifier and Rule 7.36-E (Order Ranking and Display) to add a definition of "Aggressing Order." [sic] For MPL Orders, the Exchange proposes to amend the price at which a marketable MPL Order would trade when there are resting orders priced better than the midpoint. The Exchange further proposes to amend functionality related to MPL-ALO Orders to describe how orders would trade if an MPL-ALO Order locks contra-side same-priced interest on the NYSE Arca Book. For MTS, the Exchange proposes to move all discussion relating to the MTS modifier to new subparagraph (i)(3) of Rule 7.31-E and in so doing, amend how resting orders with an MTS modifier would trade in specified circumstances.

Background

As provided for in current Rule 7.31-E(d)(3)(C), on arrival, an MPL Order to buy (sell) that is eligible to trade will trade with resting orders to sell (buy) with a working price at or below (above) the midpoint of the PBBO (i.e., priced better than the midpoint of the PBBO). The rule further provides that resting MPL Orders to buy (sell) will trade at the midpoint of the

PBBO against all incoming orders to sell (buy) priced at or below (above) the midpoint of the PBBO (i.e., priced better than the midpoint of the PBBO).

Current Rule 7.31-E(d)(3)(F) provides that an MPL Order may be designated with an ALO Modifier (an “MPL-ALO Order”) and that on arrival, an MPL-ALO Order to buy (sell) will trade with resting orders to sell (buy) with a working price below (above) the midpoint of the PBBO, but will not trade with resting orders to sell (buy) priced at the midpoint of the PBBO. The rule further provides that a resting MPL-ALO Order to buy (sell) will trade with an arriving order to sell (buy) that is eligible to trade at the midpoint of the PBBO.

The MTS modifier is currently available for Limit IOC Orders,⁴ MPL Orders,⁵ and Tracking Orders.⁶ As such, the MTS modifier is currently available only for orders that are not displayed and do not route. On arrival, both Limit IOC Orders and MPL Orders with an MTS

⁴ See Rule 7.31-E(b)(2)(A) (“A Limit IOC Order to buy (sell) may be designated with a minimum trade size (“MTS”), which will trade against sell (buy) orders in the NYSE Arca Book that in the aggregate, meets its MTS. On entry, a Limit IOC Order with an MTS must have a minimum of one round lot and will be rejected on arrival if the MTS is larger than the size of the Limit IOC Order. A Limit IOC Order with an MTS that cannot be immediately traded at its minimum size will be cancelled in its entirety.”)

⁵ See Rule 7.31-E(d)(3)(D) (“An MPL Order may be designated with an MTS of a minimum of one round lot and will be rejected on arrival if the MTS is larger than the size of the MPL Order. On arrival, an MPL Order to buy (sell) with an MTS will trade with sell (buy) orders in the NYSE Arca Book that in the aggregate, meets its MTS. If the sell (buy) orders do not meet the MTS, the MPL Order to buy (sell) will not trade on arrival and will be ranked in the NYSE Arca Book. Once resting, an MPL Order to buy (sell) with an MTS will trade with an order to sell (buy) that meets the MTS and is priced at or below (above) the midpoint of the PBBO. If an order does not meet an MPL Order’s MTS, the order will not trade with and may trade through such MPL Order. If an MPL Order with an MTS is traded in part or reduced in size and the remaining quantity of the order is less than the MTS, the MPL Order will be cancelled.”)

⁶ See Rule 7.31-E(d)(4)(C) (“A Tracking Order may be designated with an MTS of one round lot or more. If an incoming order cannot meet the MTS, a Tracking Order with a later working time will trade ahead of the Tracking Order designated with an MTS with an earlier working time. If a Tracking Order with an MTS is traded in part or reduced in size and the remaining quantity is less than the MTS, the Tracking Order will be cancelled.”)

modifier will trade against contra-side orders in the NYSE Arca Book that in the aggregate, meet the MTS.⁷ Once resting, MPL Orders and Tracking Orders with an MTS modifier function similarly: if a contra-side order does not meet the MTS, the incoming order will not trade with and may trade through the resting order with the MTS modifier. In addition, both MPL Orders and Tracking Orders with an MTS modifier will be cancelled if such orders are traded in part or reduced in size and the remaining quantity is less than the MTS.

Proposed Definition of “Aggressing Order”

The Exchange proposes to amend Rule 7.36-E to add a definition that would be used for purposes of Rule 7-E. Proposed Rule 7.36-E(a)(5) would define the term “Aggressing Order” to mean a buy (sell) order that is or becomes marketable against sell (buy) interest on the NYSE Arca Book.⁸ This term would therefore refer to orders that are marketable against other orders on the NYSE Arca Book, such as incoming orders and orders that have returned unexecuted after routing.

This term would also be applicable to resting orders that become marketable due to one or more events. For the most part, resting orders will have already traded with contra-side orders against which they are marketable. However, there are circumstances when a resting order may become marketable, such as orders that become eligible to trade when a PBBO unlocks or uncrosses (e.g., MPL and Pegged Orders) or orders that have a trading restriction at specified prices (e.g., as discussed in greater detail below, MPL-ALO Orders or orders with an MTS Modifier). To maximize the potential for orders to trade, the Exchange continually evaluates whether resting orders may become marketable. Events that could trigger a resting order to

⁷ Tracking Orders, including Tracking Orders with an MTS modifier, are passive orders that do not trade on arrival. See Rule 7.31-E(d)(4)(A).

⁸ The term “marketable” is defined in Rule 1.1(y) to mean for a Limit Order, an order than [sic] can be immediately executed or routed.

become marketable include updates to the working price of such order, updates to the PBBO or NBBO, changes to other orders on the NYSE Arca Book, or processing of inbound messages (e.g., an update to Price Bands under the Regulation NMS Plan to Address Extraordinary Market Volatility). To address such circumstances, the Exchange proposes to include in proposed Rule 7.36-E(a)(5) that a resting order may become an Aggressing Order if its working price changes, if the PBBO or NBBO is updated, because of changes to other orders on the NYSE Arca Book, or when processing inbound messages.

The order that becomes the Aggressing Order is the liquidity-taking order. Generally, if resting orders on both sides are determined to be an Aggressing Order, e.g., a locked PBBO becomes unlocked and as a result, MPL Orders are repriced, the later-arriving order will be the liquidity-taking order.⁹ However, if the evaluation results in only one side becoming an Aggressing Order, e.g., an order with an MTS Modifier becomes eligible to trade and the contra-side order(s) have no working price changes, the order with the MTS Modifier would become the liquidity-taking Aggressing Order. As described below, the Exchange proposes to use the term “Aggressing Order” in the rule text relating to the MTS Modifier and the MPL-ALO Order. Because an Aggressing Order becomes a liquidity taker, such term could be applicable to other circumstances. For example, an order with a Non-Display Remove Modifier that trades as a liquidity taker would also be considered an Aggressing Order. However, at this time, the Exchange does not propose to amend its rules to use the term “Aggressing Order” because the rule already specifies which order is the liquidity taker.

Proposed Amendments relating to MPL and MPL-ALO Orders

The Exchange proposes to amend the first sentence of current Rule 7.31-E(d)(3)(C) to

⁹ See, e.g., Rule 7.31-E(d)(3)(B).

make this text applicable to any marketable MPL Order, and not just an arriving MPL Order. To effect this change, the Exchange proposes to use the term “Aggressing Order” and replace the phrase “[o]n arrival, an MPL Order to buy (sell) that is eligible to trade” with the phrase, “[a]n Aggressing MPL Order to buy (sell).”

The Exchange also proposes to amend the first sentence of current Rule 7.31-E(d)(3)(C) to describe at what price an Aggressing MPL Order would trade with contra-side resting orders that are priced better than the midpoint. The rule currently provides that an arriving MPL Order to buy (sell) would trade with resting orders to sell (buy) with a working price at or below (above) the midpoint of the PBBO. The Exchange proposes to specify that when an Aggressing MPL Order trades with resting orders priced better than the midpoint, it will trade at the working price of the resting orders, which is current functionality. For example, if the PBB is 10.10 and the midpoint is 10.13, and there are non-displayed sell orders of 100 shares with working prices of 10.11 and 10.12, an Aggressing MPL Order to buy with a limit of 10.13 for 200 shares would trade with such non-displayed sell orders at 10.11 and 10.12, respectively. The Exchange believes that this proposed amendment would promote transparency in Exchange rules regarding at what price an Aggressing MPL Order would trade.

By using the term “Aggressing Order,” this rule would be applicable to a resting MPL Order that becomes marketable, such as after a PBBO unlocks or uncrosses. In the above example, if the MPL Order to buy is ineligible to trade because of a crossed PBBO, and while the PBBO is crossed, the Exchange receives the two non-displayed sell orders, when the PBBO uncrosses and the new midpoint is 10.13, the resting MPL Order would become an Aggressing Order and would trade with the non-displayed sell orders at 10.11 and 10.12, respectively.

The Exchange also proposes to amend the second sentence of Rule 7.31-E(d)(3)(C) to

replace the term “incoming orders” with the term “Aggressing Orders.” This proposed rule change would provide greater specificity that any contra-side order that is an Aggressing Order, as defined in proposed Rule 7.36-E(a)(5), would trade with a resting MPL Order at the midpoint of the PBBO.

The Exchange also proposes to amend the rule governing MPL-ALO Orders to make similar changes. Currently, MPL-ALO Orders are described in Rule 7.31-E(d)(3)(F). Because of changes described below relating to MTS, as proposed, MPL-ALO Orders would be described in Rule 7.31-E(d)(3)(E).

In amending proposed Rule 7.31-E(d)(3)(E), the Exchange proposes to break the current rule text into three sub-paragraphs. The first sentence of current Rule 7.31-E(d)(3)(F), which provides that an MPL Order may be designated with an ALO Modifier, would follow Rule 7.31-E(d)(3)(E). The current second sentence of Rule 7.31-E(d)(3)(F) would be set forth in proposed Rule 7.31-E(d)(3)(E)(i). The Exchange proposes to amend this rule in the same manner that it is proposing to amend the first sentence of Rule 7.31-E(d)(3)(C), described above. In addition, the Exchange proposes a non-substantive, clarifying amendment to add that an arriving MPL-ALO Order would trade with a contra-side same-priced order that has been designated with a Non-Display Remove Modifier, which is current functionality. Accordingly, proposed Rule 7.31-E(d)(3)(E)(i) would provide that *an Aggressing MPL-ALO Order to buy (sell) will trade with resting orders to sell (buy) with a working price below (above) the midpoint of the PBBO at the working price of the resting orders, but will not trade with resting orders to sell (buy) priced at the midpoint of the PBBO unless such resting order is designated with a Non-Display Remove Modifier pursuant to paragraph (d)(3)(F) of this Rule* (proposed new text italicized).¹⁰

¹⁰ A resting MPL-ALO Order that becomes an Aggressing Order would trade consistent

Because an Aggressing MPL-ALO Order does not trade with resting contra-side orders priced at the midpoint of the PBBO (unless the resting order has the Non-Display Remove Modifier), the Exchange proposes to specify the circumstances of when an MPL-ALO Order would be eligible to trade if it locks contra-side orders, which would differ depending on whether the contra-side order is displayed.¹¹ The first sentence of Proposed Rule 7.31-E(d)(3)(E)(ii) would provide that if an MPL-ALO Order to buy (sell) cannot trade with a same-priced resting order to sell (buy), a subsequently arriving order to sell (buy) eligible to trade at the midpoint would trade ahead of a resting order to sell (buy) that is not displayed at that price. Accordingly, if an MPL-ALO Order locks a non-displayed order, such resting MPL-ALO Order can trade at that price with a subsequent order.

By contrast, the second sentence of proposed Rule 7.31-E(d)(3)(E)(ii) would provide that if such resting order to sell (buy) is displayed, the MPL-ALO Order to buy (sell) would not be eligible to trade at that price. Accordingly, if an MPL-ALO Order locks a displayed order, such resting MPL-ALO Order would not be eligible to trade at that price with any interest. The Exchange proposes to treat displayed orders locked by an MPL-ALO Order differently to avoid having non-displayed orders trade ahead of a same-priced, same-side displayed order.

Proposed Amendments relating to MTS

The Exchange proposes to consolidate all references to MTS modifiers in Rule 7.31-E in proposed Rule 7.31-E(i)(3) as a new additional order instruction and modifier to be referred to as the “Minimum Trade Size (‘MTS’) Modifier.” As proposed, Rule 7.31-E(i)(3) would provide

with proposed Rule 7.31-E(d)(3)(E)(i) and therefore would trade with contra-side orders priced better than the midpoint, but would not trade at the midpoint unless such order had a Non-Display Remove Modifier.

¹¹ A displayed odd-lot order that is not included in the calculation of the PBBO could be at the same price as an MPL Order.

that a Limit IOC Order, MPL Order, or Tracking Order may be designated with an MTS Modifier, which is existing functionality. Because this proposed rule would specify which orders would be eligible for the MTS Modifier, the Exchange proposes to delete existing rule text specifying which orders are and are not eligible for an MTS Modifier.¹² Proposed Rule 7.31-E(i)(3) is based in part on NYSE American Rule 7.31E(i)(3).

Proposed Rule 7.31-E(i)(3)(A) would provide that an MTS must be a minimum of a round lot and that an order with an MTS Modifier would be rejected if the MTS is less than a round lot or if the MTS is larger than the size of the order. This proposed rule text is based on the next-to-last sentence of current Rule 7.31-E(b)(2)(A) and the first sentence of current Rule 7.31-E(d)(3)(D), and in part on the first sentence of current Rule 7.31-E(d)(4)(C), with non-substantive differences to use common terminology when applying this requirement to all of the order types eligible for an MTS Modifier.¹³ Proposed Rule 7.31-E(i)(3)(A) is based on NYSE American Rule 7.31E(i)(3)(A) without any differences.

Proposed Rule 7.31-E(i)(3)(B) would provide that an order to buy (sell) with an MTS Modifier would trade with sell (buy) orders in the NYSE Arca Book that in the aggregate meet such order's MTS. This proposed rule text is based on the third sentence of Rule 7.31-E(b)(2)(A) and the second sentence of Rule 7.31-E(d)(3)(D) with non-substantive differences to use common terminology when applying this requirement to all of the order types eligible for an MTS Modifier.

¹² The Exchange proposes to delete references to MTS in Rules 7.31-E(b)(2)(A), 7.31-E(b)(2)(B), 7.31-E(d)(3)(D), 7.31-E(d)(4)(C), 7.31-E(e)(3)(B), and 7.46-E(f)(1)(A). As noted above, because current Rule 7.31-E(d)(3)(D) would be deleted in its entirety, the remaining sub-paragraphs of Rule 7.31-E(d)(3) would be renumbered accordingly. In addition, current Rule 7.31-E(d)(4)(C) would be deleted in its entirety.

¹³ Nasdaq also requires that its Minimum Quantity Order also have a size of at least a round lot. See Nasdaq Rule 4703(e).

Because Tracking Orders do not trade on arrival, this rule text would be applicable only to MPL Orders and Limit IOC Orders with an MTS Modifier. Proposed Rule 7.31-E(i)(3)(B) is based on NYSE American Rule 7.31E(i)(3)(B)(i) without any differences.

Proposed Rule 7.31-E(i)(3)(C) would provide that an order with an MTS Modifier that is designated Day and cannot be satisfied on arrival would not trade and would be ranked in the NYSE Arca Book. This proposed rule text is based on the third sentence of Rule 7.31-E(d)(3)(D) with non-substantive differences to reference orders designated Day, i.e., MPL Orders and MPL-ALO Orders. The first sentence of Rule 7.31-E(i)(3)(C) is based on NYSE American Rule 7.31E(i)(3)(C) without any differences.

The Exchange further proposes to describe new functionality relating to when an order with an MTS Modifier that is designated Day would not be eligible to trade. In short, if a later-arriving contra-side order can meet the MTS of a resting order with an MTS Modifier, the two orders would trade unless the execution would be inconsistent with either intra-market price priority or would result in a non-displayed order trading ahead of a same-side, same-priced displayed order.¹⁴ Therefore, as proposed, the Exchange would not permit an order with an MTS Modifier that crosses other displayed or non-displayed orders on the NYSE Arca Book to trade at prices that are worse than the price of such contra-side orders. As further proposed, the Exchange would not permit a resting order with an MTS Modifier to trade at a price equal to a displayed contra-side order.¹⁵

To reflect these changes, the second sentence of Rule 7.31-E(i)(3)(C) would provide that

¹⁴ Rule 7.36-E(c) provides that the Exchange ranks all non-marketable orders on the NYSE Arca Book according to price – time priority.

¹⁵ At this time, the only resting orders with an MTS on the Exchange subject to this requirement would be MPL Orders. In such case, a contra-side order that is displayed and between the PBBO would be an odd-lot sized order; a round-lot sized displayed order would be reflected in the PBBO.

when a buy (sell) order with an MTS Modifier that is designated Day is ranked in the NYSE Arca Book, it would not be eligible to trade:

- (i) at a price equal to or above (below) any sell (buy) orders that are displayed and that have a working price equal to or below (above) the working price of such order with an MTS Modifier, or
- (ii) at a price above (below) any sell (buy) orders that are not displayed and that have a working price below (above) the working price of such order with an MTS Modifier.

For example,

- if the PBBO is 10.10 x 10.16, on the NYSE Arca Book there is a sell order (“Order A”) ranked Priority 3 – Non-Display Orders for 50 shares at 10.12 and a sell order (“Order B”) ranked Priority 2 – Display Orders for 25 shares at 10.11, and the Exchange receives a buy MPL Order (“Order C”) with an MTS Modifier for 100 shares with a 10.16 limit, because the MTS cannot be met, Order C will not trade and will be ranked in the NYSE Arca Book at the midpoint of 10.13. At this point, the Exchange would have a non-displayed buy order crossing both non-displayed and displayed sell orders on the NYSE Arca Book. If the Exchange then receives a non-displayed sell order (“Order D”) for 100 shares at 10.11, even though Order D would be marketable against Order C, it would not trade because a trade at 10.13 would be above the price of resting sell orders.¹⁶ Order D would be added to the NYSE Arca Book at 10.11.

¹⁶ Pursuant to Rule 7.31-E(d)(3)(C), an Aggressing Order will trade with a resting MPL Order at the midpoint of the PBBO.

- If next, the Exchange receives a buy order (“Order E”) to buy 25 shares at 10.11, it would trade with Order B. As discussed above, this execution would trigger the Exchange to evaluate whether Order C becomes marketable against contra-side orders.¹⁷ In this scenario, because Order B has now executed, Order C is no longer restricted from trading at 10.11. Because Order C’s restriction has been lifted and Order D does not have a working price change, Order C would become an Aggressing Order and trade as the liquidity taker with Order D at 10.11.

Proposed Rule 7.31-E(i)(3)(D) would provide that an order with an MTS Modifier that is designated IOC and cannot be immediately satisfied would be cancelled in its entirety. This proposed rule text is based on the last sentence of Rule 7.31-E(b)(2)(A), with non-substantive differences to specify that this functionality would be applicable to any orders designated IOC that have an MTS Modifier, i.e., Limit IOC Orders and MPL-IOC Orders. Proposed Rule 7.31-E(i)(3)(D) is based on NYSE American Rule 7.31E(i)(3)(D) without any differences.

Proposed Rule 7.31-E(i)(3)(E) would provide that a resting order to buy (sell) with an MTS Modifier would trade with individual sell (buy) orders that each meets the MTS.¹⁸ This proposed rule text is based on the fourth sentence of Rule 7.31-E(d)(3)(D) with a non-substantive difference to use the same terminology as proposed Rule 7.31-E(i)(3)(B) because a resting order with an MTS Modifier only trades if contra-side individual orders each meets such order’s MTS. The Exchange proposes non-substantive differences to use common terminology when applying

¹⁷ See discussion infra regarding the second sentence to proposed Rule 7.36-E(a)(5).

¹⁸ A resting order with an MTS Modifier that becomes an Aggressing Order would trade consistent with proposed Rule 7.31-E(i)(3)(E) and therefore would trade with individual orders that each meet the MTS.

this requirement to all of the order types eligible for an MTS Modifier. Proposed Rule 7.31-E(i)(3)(E) is based on NYSE American Rule 7.31E(i)(3)(E) without any differences.

Proposed Rules 7.31-E(i)(3)(E)(i) – (ii) would set forth additional requirements for how a resting order with an MTS Modifier would trade. Proposed Rule 7.31-E(i)(3)(E)(i) would provide that if an Aggressing Order to sell (buy) does not meet the MTS of the resting order to buy (sell) with an MTS Modifier, that Aggressing Order would not trade with and may trade through such order with an MTS Modifier. This proposed rule text is based on the fifth sentence of current Rule 7.31-E(d)(3)(D) and the second sentence of current Rule 7.31-E(d)(4)(C) with non-substantive differences to use common terminology when applying this requirement to all of the order types eligible for an MTS Modifier. Proposed Rule 7.31-E(i)(3)(E)(i) is based on NYSE American Rule 7.31E(i)(3)(E)(i) with a non-substantive difference to use the term “Aggressing Order.”

Proposed Rule 7.31-E(i)(3)(E)(ii) would provide that if a resting non-displayed sell (buy) order did not meet the MTS of a same-priced resting order to buy (sell) with an MTS Modifier, a subsequently arriving sell (buy) order that meets the MTS would trade ahead of such resting non-displayed sell (buy) order at that price. This proposed rule text is based in part on the second sentence of Rule 7.31-E(d)(4)(C) with non-substantive differences to use common terminology when applying this requirement to all of the order types eligible for an MTS Modifier. This proposed rule text is also based in part on NYSE American Rule 7.31E(i)(3)(E)(ii).

However, the Exchange proposes a difference from current text and the NYSE American Rule to add that the subsequently arriving order could trade ahead of a resting non-displayed order at that price, e.g., at the internal locking price. This proposed behavior is consistent with the proposed amendment to MPL-ALO Orders, described above in proposed Rule 7.31-

E(d)(3)(E)(ii). In addition, as discussed above, pursuant to proposed Rule 7.31-E(i)(3)(C)(i), if an order with an MTS Modifier is locked by a displayed order, the resting order with an MTS Modifier would not be eligible to trade at that price. In such case, the subsequently arriving order would not trade with the order with an MTS Modifier.

Proposed Rule 7.31-E(i)(3)(F) would provide that a resting order with an MTS Modifier would be cancelled if it is traded in part or reduced in size and the remaining quantity is less than such order's MTS. This proposed rule text is based on the last sentence of Rule 7.31-E(d)(3)(D) and the last sentence of Rule 7.31-E(d)(4)(C) with non-substantive differences to use common terminology when applying this requirement to all of the order types eligible for an MTS Modifier. Proposed Rule 7.31-E(i)(3)(F) is based on NYSE American Rule 7.31E(i)(3)(F) without any differences

Because of the technology changes associated with these proposed rule change, the Exchange will announce the implementation date of this proposed rule change by Trader Update. The Exchange anticipates that the implementation date will be in the first quarter of 2018.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),¹⁹ in general, and furthers the objectives of Section 6(b)(5),²⁰ 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.

¹⁹ 15 U.S.C. 78f(b).

²⁰ 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed definition of “Aggressing Order” in Rule 7.36-E would remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, protect investors and the public interest because it would provide for a definition in Exchange rules that describes orders that are or become marketable. The Exchange believes that the proposed definition would promote transparency in Exchange rules by providing detail regarding circumstances when a resting order may become marketable, and thus would be an Aggressing Order. The Exchange further believes that use of such definition would promote clarity in Exchange rules, particularly in the context of the amendments to MPL Orders and orders with an MTS Modifier.

The Exchange believes that the proposed amendments to Rule 7.31-E(d)(3)(C) and (E) to use the term “Aggressing Order” and to describe the prices at which an Aggressing MPL Order would trade would remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, protect investors and the public interest because it would promote clarity and transparency in Exchange rules regarding the behavior of marketable MPL and MPL-ALO Orders. In particular, the rule would provide greater specificity regarding how a resting MPL Order that becomes an Aggressing Order would trade.

The Exchange believes that the proposed amendments to Rule 7.31-E(d)(3)(E) regarding when a resting MPL-ALO Order that locks contra-side, same-priced orders would be eligible to trade would remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, protect investors and the public interest because it would describe circumstances when a subsequently arriving order could trade with the MPL-ALO Order. The proposed rule change would protect displayed orders by not allowing a subsequently arriving order to trade ahead of a same-priced, same-side displayed order.

The Exchange believes that the proposed amendment to describe the existing MTS Modifier in proposed Rule 7.31-E(i)(3) would remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, protect investors and the public interest because it would promote transparency in Exchange rules because MTS Modifiers for different order types operate in the same manner. The Exchange believes that by consolidating such references in a single location in Rule 7.31-E, the rule will be easier for members, the Commission, and the public to navigate.

Finally, the Exchange believes that the proposal regarding when a resting order with an MTS Modifier would be eligible to trade would remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, protect investors and the public interest, because the proposed rule change would ensure that there would not be an execution of a resting order with an MTS Modifier that either would be inconsistent with intra-market price priority or would result in a non-displayed order trading ahead of a same-side, same-priced displayed order. This proposed rule change would therefore promote just and equitable principles of trade by ensuring that displayed interest does not get traded through by a non-displayed order.

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 is not designed to address any competitive issues, but rather to add further clarity to Exchange rules by defining the term "Aggressing Order," using that term in connection with MPL Orders, and consolidating references to MTS Modifiers in a single location in Exchange rules. In addition, the rule is designed to ensure that

resting orders with trading restrictions, such as MPL-ALO Orders and resting orders with an MTS Modifier, would not trade through displayed orders or violate intra-market price priority.

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 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²¹ and Rule 19b-4(f)(6) thereunder.²²

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

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission 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. The Exchange has satisfied this requirement.

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-2018-01 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-2018-01. 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-2018-01 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Eduardo A. Aleman,

Assistant Secretary.

²³ 17 CFR 200.30-3(a)(12).

