SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-90309; File No. SR-NYSE-2020-87)

November 2, 2020

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change to Amend Rule 7.31

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 ("Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that on October 20, 2020, New York Stock Exchange LLC ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("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 to (1) cancel ALO Orders that lock displayed interest and (2) add two new types of Self Trade Prevention modifiers. 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 it received on the proposed rule change. The text of those statements may be examined at the places

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

2 15 U.S.C. 78a.

3 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 7.31 (Orders and Modifiers) to: (1) provide that ALO Orders that lock displayed interest would be cancelled and (2) provide for two additional types of Self Trade Prevention Modifiers.

ALO Orders

The Exchange proposes to amend Rules 7.31(e)(2), which describes how the Exchange processes ALO Orders, and 7.31(e)(3)(D), which describes how the Exchange processes Day ISO ALO Orders. Currently, under Rule 7.31(e)(2)(B)(iii), an arriving ALO Order to buy (sell) with a limit price that would lock a displayed order priced equal to or below (above) the PBO (PBB) on the Exchange Book will be assigned a working price and display price one minimum price variation ("MPV") below (above) the displayed order. Day ISO ALO Orders that would lock displayed interest on the Exchange Book are processed in the same manner.[4] The Exchange proposes to amend these rules to provide that arriving ALO and Day ISO ALO Orders with a limit price that would lock displayed interest on the Exchange Book would be cancelled.

To effect this change, the Exchange proposes to delete the portion of Rule 7.31(e)(2)(B)(iii) providing that an ALO Order that locks displayed interest will be "assigned a working price and display price one MPV below (above) the displayed order on the Exchange Book" and instead provide that such order would be cancelled. In addition, to simplify the rule

4 See Rule 7.31(e)(3)(D)(ii).

text, the Exchange proposes to combine Rule 7.31(e)(2)(B)(iii), as revised, into Rule 7.31(e)(2)(B)(ii). Proposed amended Rule 7.31(e)(2)(B)(ii) would thus provide:

> If the limit price of the ALO Order to buy (sell) crosses the working price of any displayed or non-displayed order on the Exchange Book priced equal to or below (above) the PBO (PBB), it will trade as the liquidity taker with such order(s). Any untraded quantity of the ALO Order will have a working price equal to the PBO (PBB) and a display price one MPV below (above) the PBO (PBB), provided that if the limit price of the ALO Order to buy (sell) locks the display price of any order ranked Priority 2 - Display Orders on the Exchange Book priced equal to or below (above) the PBO (PBB), it will be cancelled.

The Exchange also proposes the following conforming changes to Rules 7.31(e)(2)(B) and 7.31(e)(2)(C) to reflect the proposed change to how ALO Orders that lock displayed interest would be handled:

- The Exchange proposes to renumber current Rule 7.31(e)(2)(B)(iv) as 7.31(e)(2)(B)(iii) to accommodate the proposed combination of current Rules 7.31(e)(2)(B)(ii) and 7.31(e)(2)(B)(iii), as described above.
- The Exchange proposes to replace introductory references providing that an ALO Order will be "priced" or "priced or trade, or both," with the phrase "will be processed" in Rules 7.31(e)(2)(B), 7.31(e)(2)(B)(iv)(a) (which would become Rule 7.31(e)(2)(B)(iii)(a) after renumbering), 7.31(e)(2)(C), and 7.31(e)(2)(C)(i). The Exchange proposes to use the term "processed" because some ALO Orders would be cancelled (and therefore not priced or traded).
- The Exchange proposes to renumber current Rule 7.31(e)(2)(B)(v) as

7.31(e)(2)(B)(iv) to accommodate the proposed combination of current Rules 7.31(e)(2)(B)(ii) and 7.31(e)(2)(B)(iii), as described above.

- The Exchange further proposes to revise Rule 7.31(e)(2)(C)(i) to delete the reference to orders ranked Priority 2 - Display Orders because, as noted above, an ALO Order would no longer be repriced based on contra-side Priority 2 - Display Orders and instead would be cancelled. Accordingly, the only time a resting ALO Order would be repriced is if the contra-side PBBO re-prices.

The Exchange proposes to amend Rule 7.31(e)(3)(D) to align the rules governing Day ISO ALOs with the proposed changes to ALO Orders. Currently, pursuant to Rule 7.31(e)(3)(D)(ii), if the limit price of an arriving Day ISO ALO locks the display price of a displayed order on the Exchange Book, it will be assigned a working price and display price one MPV below (above) the price of the displayed order. As with ALO Orders, the Exchange proposes to amend this rule to specify that arriving Day ISO ALOs that lock displayed interest would be cancelled.

To effect this change, the Exchange proposes to delete the portion of Rule 7.31(e)(3)(D)(ii) that provides that a Day ISO ALO that locks displayed interest will be "assigned a working price and display price one MPV below (above) the displayed order on the Exchange Book" and instead provide that such order would be cancelled. In addition, to simplify the rule text, the Exchange proposes to combine Rule 7.31(e)(3)(D)(ii), as revised, with Rule 7.31(e)(3)(D)(i). Proposed amended Rule 7.31(e)(3)(D)(i) would thus provide:

> If the limit price of the Day ISO ALO to buy (sell) crosses the working price of any displayed or non-displayed order on the Exchange Book, it will trade as the liquidity taker with such order(s). Any untraded quantity of the Day ISO ALO

will have a working price and display price equal to its limit price, provided that if the limit price of the Day ISO ALO to buy (sell) locks the display price of any order ranked Priority 2 - Display Orders on the Exchange Book, it will be cancelled.

The Exchange also proposes the following conforming changes consistent with the proposed change to cancel Day ISO ALOs that lock displayed interest:

- The Exchange proposes to renumber Rule 7.31(e)(3)(D)(iii) as Rule 7.31(e)(3)(D)(ii) to accommodate the proposed combination of current Rules 7.31(e)(3)(D)(i) and 7.31(e)(3)(D)(ii), as described above.
- The Exchange proposes to replace introductory references providing that a Day ISO ALO Order will be "priced" or "priced or trade, or both," with the phrase "will be processed" in Rules 7.31(e)(3)(D) and 7.31(3)(D)(ii)(a) (as renumbered). The Exchange proposes this change to reflect that certain ALO Orders would be cancelled (and therefore not priced or traded).
- The Exchange proposes to delete Rule 7.31(e)(3)(D)(iv), which currently specifies how a Day ISO ALO will be processed after it is displayed. Because a Day ISO ALO would now either display at its limit price (because, by its terms, it can be displayed at a price that locks or crosses the contra-side PBBO)[5] or be cancelled if it locks displayed interest on the Exchange Book, there would no longer be any circumstances where a resting Day ISO ALO would reprice and therefore this rule text would no longer be applicable.

Self Trade Prevention Modifiers

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5 See Rule 7.31(e)(3)(C).

The Exchange proposes to amend Rule 7.31(i)(2), which sets forth the Self Trade Prevention ("STP") modifiers on the Exchange. As defined in Rule 7.31(i)(2), any incoming order to buy (sell) designated with an STP modifier would be prevented from trading with a resting order to sell (buy) also designated with an STP modifier and from the same Client ID,[6] as designated by the member organization. The STP modifier on the incoming order controls how the Exchange evaluates the interaction between two orders marked with STP modifiers. The Exchange evaluates the interaction between two orders marked with STP modifiers from the same Client ID consistent with the allocation logic applicable to the priority category of the resting order, and if resting orders in a priority category do not have an STP modifier from the same Client ID, the incoming order designated with an STP modifier would trade with resting orders in that priority category before being evaluated for STP with resting orders in the next priority category.

Currently, the Exchange offers two versions of STP: STP Cancel Newest ("STPN") and STP Cancel Oldest ("STPO"), as described in Rules 7.31(i)(2)(A) and 7.31(i)(2)(B), respectively. The Exchange proposes to expand its STP offerings to establish STP Decrement and Cancel ("STPD") and STP Cancel Both ("STPC"), which would be set forth in proposed Rules 7.31(i)(2)(C) and 7.31(i)(2)(D), respectively. The proposed STPD and STPC offerings are based in part on the STPD and STPC offerings on the Exchange's affiliates NYSE Arca, Inc. ("NYSE Arca"), NYSE American LLC ("NYSE American"), NYSE Chicago, Inc. ("NYSE Chicago"), and NYSE National, Inc. ("NYSE National") (collectively, the "Affiliated

6 As specified in current Rule 7.31(i)(2)(D), for purposes of STP, references to Client ID mean a Client ID when using Pillar phase I protocols to communicate with the Exchange or an MPID when using Pillar phase II protocols to communicate with the Exchange.

Exchanges"),[7] with differences to separately describe order processing for orders that are allocated in price-time priority and how STPD and STPC would function consistent with the Exchange's parity allocation model.

For STPD, proposed Rule 7.31(i)(2)(C) would provide that an incoming order to buy (sell) with an STPD modifier would not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same Client ID, as outlined in proposed Rules 7.31(i)(2)(C)(i) and (ii).

Proposed Rule 7.31(i)(2)(C)(i) would apply to resting orders in a priority category that allocates orders on price-time priority. As proposed, if both orders with an STP modifier are equivalent in size, both orders would be cancelled back to the originating member organization. If the orders are not equivalent in size, the equivalent size would be cancelled back to the originating Client ID and the larger order would be decremented by the size of the smaller order, with the balance remaining on the Exchange Book. This proposed functionality is based on the STPD functionality available on the Affiliated Exchanges.

Proposed Rule 7.31(i)(2)(C)(ii) would address how STPD would function for resting orders in a priority category that allocates orders on parity. As proposed, if a resting order would have been considered for an allocation, both the portion of the resting order that would receive an allocation and the portion of the incoming order marked with the STPD modifier that would be allocated to the resting order would be cancelled back to the originating member organization. Resting orders with an STP modifier from the same Client ID that would not have been eligible for a parity allocation would remain on the Exchange Book. The Exchange believes that if a

7 See NYSE Arca Rule 7.31-E(i)(2); NYSE American Rule 7.31E(i)(2); NYSE National Rule 7.31(i)(2); and NYSE Chicago Rule 7.31(i)(2).

member organization designates an order with an STPD modifier, that member organization has instructed the Exchange to cancel the equivalent portion of both the incoming order and resting order with an STP modifier from the same Client ID, resulting in the larger order being decremented by the size of the smaller order and remaining on the Exchange Book. In the case of a parity allocation, because resting orders are allocated based on their position on an allocation wheel,[8] it would be consistent with the incoming order's decrementing instruction to provide a parity allocation to an eligible resting order with an STP modifier from the same Client ID and cancel both the portion of the resting order corresponding to the allocation and the portion of the incoming order that would have been allocated to the resting order. This proposed functionality is similar to how the Exchange currently processes STPO modifiers if a resting order with an STP modifier from the same Client ID is in a priority category that allocates orders on parity, as described in Rule 7.31(i)(2)(B)(ii).

For STPC, proposed Rule 7.31(i)(2)(D) would provide that an incoming order to buy (sell) marked with the STPC modifier would not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same Client ID, as outlined in proposed Rules 7.31(i)(2)(D)(i) and (ii).

Proposed Rule 7.31(i)(2)(D)(i) would apply to resting orders in a priority category that allocates orders on price-time priority. As proposed, the entire size of both orders with an STP modifier would be cancelled back to the originating member organization. This proposed functionality is based on the STPC functionality available on the Affiliated Exchanges.

Proposed Rule 7.31(i)(2)(D)(ii) would address how STPC would function for resting orders in a priority category that allocates orders on parity. As proposed, if a resting order is in a

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8 See Rule 7.37(b)(2).

priority category that allocates orders on parity and would have been considered for an allocation, none of the resting orders eligible for a parity allocation in that priority category would receive an allocation. The first resting order with an STP modifier eligible for a parity allocation would be cancelled back, as would the incoming order. The Exchange believes that this proposed processing would be consistent with the member organization's instruction that both the incoming order and resting order with an STP modifier from the same Client ID be cancelled if there were a potential for an execution between the two orders. This proposed functionality is similar to how the Exchange currently processes STPN modifiers if a resting order with an STP modifier from the same Client ID is in a priority category that allocates orders on parity, as described in Rule 7.31(i)(2)(A)(ii).

The Exchange also proposes non-substantive changes to renumber current Rules 7.31(i)(2)(C) and 7.31(i)(2)(D) as Rules 7.31(i)(2)(E) and 7.31(i)(2)(F) to accommodate the addition of the proposed rules governing STPD and STPC. The Exchange also proposes a conforming change to current Rules 7.31(d)(4)(F) and 7.31(i)(2)(C) to clarify that D Orders could only be designated with an STPN or STPO modifier (i.e., that the new STPD and STPC modifiers would not be available for use with D Orders). The Exchange also proposes to amend current Rule 7.31(i)(2)(D) to specify that STPD and STPC modifiers would only be available for use with Pillar phase II 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. Subject to approval of this proposed rule change, the Exchange anticipates that the proposed changes will be implemented in January 2021**.**

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,[9] in general, and furthers the objectives of Section 6(b)(5),[10] 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.

With respect to the proposed change to ALO Orders, the Exchange believes the proposed rule change would remove impediments to and perfect the mechanism of a free and open market by simplifying the treatment of ALO Orders that lock displayed orders. The Exchange believes that cancelling ALO Orders that lock displayed interest, rather than re-pricing them, would provide member organizations with greater determinism with respect to how ALO Orders would be processed on the Exchange and enhance member organizations' ability to manage order flow to suit their business needs. In addition, the Exchange believes that cancelling ALO Orders that would otherwise be marketable against displayed interest on the Exchange Book is consistent with the terms of the ALO Order, i.e., that such orders would not take liquidity on the Exchange. The Exchange further believes that the proposed changes would promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, protect investors and the public interest because the proposed behavior to cancel ALO Orders on the Exchange if the limit price would lock contra-side displayed orders would be consistent with functionality available on other

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9 15 U.S.C. 78f(b).

10 15 U.S.C. 78f(b)(5).

exchanges for similar order types when they lock displayed interest.[11]

With respect to the proposed addition of STPD and STPC modifiers, the Exchange believes the proposed change would remove impediments to and perfect the mechanism of a free and open market by allowing member organizations to better manage order flow and prevent executions with themselves. Because orders routed by the same member organization via different connections may, in certain circumstances, be eligible to trade against each other, the Exchange believes that its proposal to establish additional STP modifiers would remove impediments to and perfect the mechanism of a free and open market, and serve to protect investors and the public interest, by enhancing member organizations' ability to prevent potentially undesirable trades and internalize order flow. The Exchange also believes that the proposed rule change is designed 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 because the proposed changes are based on the approved rules of its Affiliated Exchanges, with modifications to address functionality specific to the Exchange's parity allocation model, and aligning its STP modifiers with those offered by its Affiliated Exchanges would promote consistency for member organizations that are members of the Exchange and one or more other Affiliated Exchanges. The Exchange further believes that the proposed differences to address how the proposed STPD and STPC modifiers would function for resting orders that

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11 See, e.g., Cboe BZX Exchange, Inc. ("BZX") Rules 11.9(c)(6), 11.9(g)(1)(D), 11.9(g)(2)(D), and 11.13(a)(2)(C) (a Post Only Order that locks displayed interest on BZX may be cancelled at the User's option); Nasdaq Stock Exchange LLC ("Nasdaq") Rule 4702(b)(4)(A) (Nasdaq Participants may opt to have Post-Only Orders cancel if they lock orders displayed on the Nasdaq Book); MEMX LLC ("MEMX") Rules 11.6(a), 11.6(l), and 11.8(b)(10) (Users have the option to apply Post Only and Cancel Back instructions to orders that would lock displayed interest, and MEMX cancels ISO orders with Post Only and Day instructions if they lock displayed interest).

are in a priority category that allocates orders on parity would remove impediments to and perfect the mechanism of a free and open market because the proposed rules are designed to honor the STPD and STPC instructions consistent with the Exchange's parity model. These proposed rules are also similar to how the Exchange currently processes STPN and STPO modifiers for resting orders that are in a priority category that allocates orders on parity.

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 with respect to ALO Orders would reduce the burden on competition because it would simplify the treatment of such orders when they lock displayed interest and promote consistency with functionality offered for similar order types on other exchanges.[12] With respect to the proposed rules governing STPD and STPC, the Exchange has based its proposed rules on those of its Affiliated Exchanges, thereby providing member organizations with consistency between its rules and those of its Affiliated Exchanges and enabling the Exchange to compete with unaffiliated exchange competitors that similarly operate multiple exchanges on the same trading platforms.

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

12 See id.

period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2020-87 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-NYSE-2020-87. 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-NYSE-2020-87 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.[13]

J. Matthew DeLesDernier
Assistant Secretary

13 17 CFR 200.30-3(a)(12).