

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2022 - * 54

Amendment No. (req. for Amendments *)

Filing by NYSE Arca, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☒ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☒ Section 19(b)(3)(B) * ☐

Pilot ☐ Extension of Time Period for Commission Action * ☐ Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☒ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to amend Rule 7.31-E

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Le-Anh Last Name * Bui
Title * Counsel, NYSE Group Inc.
E-mail * Le-Anh.Bui@ice.com
Telephone * (212) 656-2225 Fax (212) 656-8101

Signature

Pursuant to the requirements of the Securities Exchange of 1934, NYSE Arca, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 08/10/2022

(Title *)

By Martha Redding

Corporate Secretary

(Name *)

Martha
Redding

Digitally signed by Martha
Redding
Date: 2022.08.10 12:43:19
-04'00'

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT website.

Form 19b-4 Information *

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SEC Sub of Re-file 19b-4 NYSE Arca

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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Ex. 1 SEC Sub of Re-file 19b-4 NYSE

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

Ex. 5 SEC Sub of Re-file 19b-4 NYSE

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) proposes to amend Rule 7.31-E to add Commentary .03 providing for the temporary suspension of the Discretionary Pegged Order.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Le-Anh Bui
Counsel
NYSE Group, Inc.
(212) 656-2225

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

- (a) Purpose

The Exchange proposes to amend Rule 7.31-E to add Commentary .03 relating to Discretionary Pegged Orders.

Rule 7.31-E(h)(3) provides that the Discretionary Pegged Order is a non-displayed order type that is pegged to the same side of the PBBO. The price of a Discretionary Pegged Order automatically adjusts as the PBBO moves, and a Discretionary Pegged Order will exercise the least amount of discretion necessary to trade with contra-side interest. A

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Discretionary Pegged Order will not exercise discretion if the PBBO is determined to be unstable via a quote instability calculation that assesses the probability of a change to the PBB or PBO, thereby offering protection against unfavorable executions during periods of quote instability.

The Exchange proposes to add Commentary .03 to Rule 7.31-E to provide that the Exchange will temporarily suspend use of the Discretionary Pegged Order beginning on August 10, 2022. Proposed Commentary .03 would also provide that the Exchange will file a proposed rule change providing for the end of the suspension period and provide notice of the end of the suspension period by Trader Update. The Exchange proposes this change to provide clarity in its Rules regarding the unavailability of the Discretionary Pegged Order for a temporary period.

The Exchange would be able to implement the proposed rule change beginning on August 10, 2022, upon effectiveness of this proposed rule change.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,³ in general, and furthers the objectives of Section 6(b)(5),⁴ 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 change would promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to, and perfect the mechanism of, a free and open market and a national market system by updating Exchange rules to specify that the Discretionary Pegged Order would be unavailable to ETP Holders for a temporary period and that the Exchange will file a proposed rule change providing for the end of the suspension period and provide notice of the end of such period by Trader Update.

4. 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 change would not address any competitive issue but 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 by updating Rule 7.31-E to provide for the temporary suspension of the Discretionary

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

Pegged Order, thereby providing clarity in Exchange rules regarding the unavailability of an order type.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange believes that the proposed rule change qualifies for immediate effectiveness upon filing as a “non-controversial” rule change in accordance with Section 19(b)(3)(A) of the Act⁵ and Rule 19b-4(f)(6), thereunder.⁶ The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) by its terms, will not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate.

The Exchange believes that the proposed rule change will not significantly affect the protection of investors or the public interest or impose any significant burden on competition because it is intended to update Exchange rules to provide clarity of which order types and modifiers are available, and specifically, that use of the Discretionary Pegged Order would be temporarily suspended beginning on August 10, 2022.

In view of the immediate nature of the relief requested, the Exchange respectfully requests to have the proposed change become operative immediately. The Exchange also requests that the Commission waive the five business day notice of the Exchange’s intent to file this proposed rule change, as well as the 30-day operative delay, so that the proposed rule change may become immediately operative pursuant to Section 19(b)(3)(A)⁷ and Rule 19b-4(f)(6)⁸ thereunder. Waiver of these periods will allow the

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

Exchange to implement the proposed rule change beginning on August 10, 2022.

The Exchange believes that waiver of both the operative delay and the requirement to provide five-days' written notice of the proposed rule change would be consistent with the protection of investors and the public interest because the relief requested would permit the Exchange to promptly provide notice in its Rules of the unavailability of the Discretionary Pegged Order and further evaluate the impact on system performance. The Exchange notes that it would be able implement the proposed change immediately upon effectiveness of this rule filing; thus, waiver of the operative delay and the five-days' written notice requirement would allow the Exchange to promptly clarify its Rules regarding the availability of the Discretionary Pegged Order.

For the foregoing reasons, the Exchange believes that this rule filing qualifies for immediate effectiveness as a "non-controversial" rule change. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule changes 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.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5 – Text of Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSEARCA-2022-54)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness
of Proposed Rule Change to Amend Rule 7.31-E

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 August 10, 2022, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III 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 to add Commentary .03 providing for the temporary suspension of the Discretionary Pegged 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.

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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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

The Exchange proposes to amend Rule 7.31-E to add Commentary .03 relating to Discretionary Pegged Orders.

Rule 7.31-E(h)(3) provides that the Discretionary Pegged Order is a non-displayed order type that is pegged to the same side of the PBBO. The price of a Discretionary Pegged Order automatically adjusts as the PBBO moves, and a Discretionary Pegged Order will exercise the least amount of discretion necessary to trade with contra-side interest. A Discretionary Pegged Order will not exercise discretion if the PBBO is determined to be unstable via a quote instability calculation that assesses the probability of a change to the PBB or PBO, thereby offering protection against unfavorable executions during periods of quote instability.

The Exchange proposes to add Commentary .03 to Rule 7.31-E to provide that the Exchange will temporarily suspend use of the Discretionary Pegged Order beginning on August 10, 2022. Proposed Commentary .03 would also provide that the Exchange will file a proposed rule change providing for the end of the suspension period and provide notice of the end of the suspension period by Trader Update. The Exchange proposes this change to provide clarity in its Rules regarding the unavailability of the Discretionary Pegged Order for a temporary period.

The Exchange would be able to implement the proposed rule change beginning on August 10, 2022, upon effectiveness of this proposed rule change.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁴ in general, and furthers the objectives of Section 6(b)(5),⁵ 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 change would promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to, and perfect the mechanism of, a free and open market and a national market system by updating Exchange rules to specify that the Discretionary Pegged Order would be unavailable to ETP Holders for a temporary period and that the Exchange will file a proposed rule change providing for the end of the suspension period and provide notice of the end of such period by Trader Update.

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 change would not address any competitive issue but 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 by updating Rule 7.31-E to provide for the temporary suspension of the Discretionary Pegged Order, thereby providing

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

clarity in Exchange rules regarding the unavailability of an order type.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act⁶ and Rule 19b-4(f)(6) thereunder.⁷ 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, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)⁸ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),⁹ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

At any time within 60 days of the filing of such 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

⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

⁷ 17 CFR 240.19b-4(f)(6).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ 17 CFR 240.19b-4(f)(6)(iii).

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁰ of the Act 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-2022-54 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-2022-54. 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

¹⁰ 15 U.S.C. 78s(b)(2)(B).

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-2022-54 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.¹¹

Eduardo A. Aleman
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).

Additions: Underlined
 Deletions: [Bracketed]

Rules of NYSE Arca, Inc.

* * * * *

Rule 7-E EQUITIES TRADING

* * * * *

Section 3. NYSE Arca Marketplace

* * * * *

Rule 7.31-E. Orders and Modifiers

* * * * *

- (h) Pegged Orders. A Limit Order that does not route with a working price that is pegged to a dynamic reference price. If the designated reference price is higher (lower) than the limit price of a Pegged Order to buy (sell), the working price will be the limit price of the order.

* * * * *

- (3) Discretionary Pegged Order. A Pegged Order to buy (sell) that upon entry to the NYSE Arca Marketplace is assigned a working price equal to the lower (higher) of the midpoint of the PBBO (“Midpoint Price”) or the limit price of the order. Any untraded shares of such order are assigned a working price equal to the lower (higher) of PBB (PBO) or the order’s limit price and is automatically adjusted in response to changes to the PBB (PBO) for buy (sell) orders up (down) to the order’s limit price. In order to trade with contra-side orders on the NYSE Arca Book, a Discretionary Pegged Order to buy (sell) will exercise the least amount of price discretion necessary from its working price to its discretionary price (defined as the lower (higher) of the Midpoint Price or the Discretionary Pegged Order’s limit price), except during periods of quote instability, as defined in paragraph (h)(3)(D) below.

- (A) Discretionary Pegged Orders are not displayed, must be designated Day, and are eligible to be designated for the Core Trading Session only. Discretionary Pegged Orders that include a designation for the Early Trading Session or Late Trading Session will be rejected.

- (B) When exercising discretion, Discretionary Pegged Orders maintain their time priority at their working price as Priority 3 - Non-Display Orders and are prioritized behind Priority 3 - Non-Display Orders with a working price equal to the discretionary price of a Discretionary Pegged Order at the time of execution. If multiple Discretionary Pegged Orders are exercising price discretion during the same book processing action, they maintain their relative time priority at the discretionary price.

(C) A Discretionary Pegged Order is eligible to exercise price discretion to its discretionary price, except during periods of quote instability, as specified in paragraph (h)(3)(D) below.

- (i) If the Exchange determines the PBB for a particular security to be an unstable quote in accordance with paragraph (h)(3)(D), it will restrict buy Discretionary Pegged Orders in that security from exercising price discretion to trade against interest above the PBB.
- (ii) If the Exchange determines the PBO for a particular security to be an unstable quote in accordance with paragraph (h)(3)(D), it will restrict sell Discretionary Pegged Orders in that security from exercising price discretion to trade against interest below the PBO.

(D) Quote Stability. The Exchange utilizes real-time relative quoting activity of protected quotations and a mathematical calculation (the “quote instability calculation”) to assess the probability of an imminent change to the current PBB to a lower price or PBO to a higher price for a particular security (“quote instability factor”). When the quoting activity meets predefined criteria and the quote instability factor calculated is greater than the Exchange’s defined threshold (“quote instability threshold”), the Exchange treats the quote as not stable (“quote instability” or a “crumbling quote”). During all other times, the quote is considered stable (“quote stability”). The Exchange independently assesses the stability of the PBB and PBO for each security.

(i) Crumbling Quote. When the Exchange determines a quote, either the PBB or the PBO, is unstable, the determination remains in effect at that price level for ten (10) milliseconds. The Exchange will only treat one side of the PBBO as unstable in a particular security at any given time. Quote instability or a crumbling quote is determined by the Exchange when following factors occur:

- (A) the PBB and PBO are the same as the PBB and PBO one (1) millisecond ago; and
- (B) the PBBO spread is less than or equal to the thirty (30) day median PBBO spread during the Core Trading Session; and
- (C) there are more protected quotations on the far side, i.e. more protected quotations on the PBO than the PBB for buy orders, or more protected quotations on the PBB than the PBO for sell orders; and
- (D) the quote instability factor result from the quote stability calculation is greater than the defined quote instability threshold.

(1) Quote Instability Factor. The quote stability calculation used to determine the current quote instability factor is defined by the following formula that utilizes the quote stability coefficients and quote stability variables defined

below: $1 / (1 + e^{-(C0 + C1 * N + C2 * F + C3 * N-1 + C4 * F-1)})$

(a) Quote Stability Coefficients. The Exchange utilizes the values below for the quote stability coefficients.

(i) $C0 = -1.793885$

(ii) $C1 = -0.600796$

(iii) $C2 = 0.0776515$

(iv) $C3 = 0.492649$

(v) $C4 = 0.1631485$

(b) Quote Stability Variables. The Exchange utilizes the quote stability variables defined below to calculate the current quote instability factor.

(i) N = the number of protected quotations on the near side of the market, i.e. PBB for buy orders and PBO for sell orders.

(ii) F = the number of protected quotations on the far side of the market, i.e. PBO for buy orders and PBB for sell orders.

(iii) $N-1$ = the number of protected quotations on the near side of the market one (1) millisecond ago.

(iv) $F-1$ = the number of protected quotations on the far side of the market one (1) millisecond ago.

(2) Quote Instability Threshold. The Exchange utilizes a quote instability threshold of 0.32.

(3) The Exchange reserves the right to modify the quote instability coefficients or quote instability threshold at any time, subject to a filing of a proposed rule change with the SEC.

(E) If the PBBO is locked or crossed, both an arriving and resting Discretionary Pegged Order will wait for a PBBO that is not locked or crossed before the working price is adjusted and the order becomes eligible to trade.

* * * * *

Commentary:

.01 Order Type and Modifier Combinations. Users may combine order types and modifiers, unless the terms of the proposed combination are inconsistent.

.02 If two order types are combined that include instructions both for operation on arrival and for how the order operates while resting on the NYSE Arca Book, the instructions governing functionality while incoming will be operative upon arrival. Functionality governing how the

order operates while resting on the NYSE Arca Book will govern any remaining balance of the order that is not executed upon arrival.

.03 For a temporary period beginning on August 10, 2022, use of the Discretionary Pegged Order, as set forth in paragraph (h)(3) of this Rule, is suspended. The Exchange will file a proposed rule change providing for the end of the suspension period and provide notice of the end of the suspension period by Trader Update.

* * * * *