

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² New York Stock Exchange LLC (“NYSE” or the “Exchange”) proposes to modify Rule 7.31(f)(1) regarding Directed Orders.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (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 persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

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

- (a) Purpose

Rule 7.31(f)(1) currently defines a Directed Order as a Limit Order with instructions to route on arrival at its limit price to a specified alternative trading system (“ATS”) with which the Exchange maintains an electronic linkage. Directed Orders are available for all securities eligible to trade on the Exchange. Directed Orders are not assigned a working time and do not interact with interest on the Exchange Book. Rule 7.31(f)(1) further provides that the ATS to which a Directed Order is routed is responsible for validating

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

whether the order is eligible to be accepted, and if such ATS determines to reject the order, the order would be cancelled.

Rule 7.31(f)(1)(A) provides that a Directed Order must be designated for the Exchange's Core Trading Session. A Directed Order must be designated with a Time in Force modifier of IOC or Day and is routed to the specified ATS with such modifier. Rule 7.31(f)(1)(A) also provides that a Directed Order may not be designated with any other modifiers defined in Rule 7.31.

Rule 7.31(f)(1)(B) provides that a Directed Order in a security to be opened in an initial public offering ("IPO") or a Direct Listing will be rejected if received before the IPO Auction or Direct Listing Auction concludes.

Rule 7.31(f)(1)(C) provides that an incoming Directed Order will be rejected if received during a trading halt or pause.

Rule 7.31(f)(1)(D) provides that a request to cancel a Directed Order designated Day is routed to the ATS to which the order was routed.

Proposed Rule Change

The Exchange proposes to amend Rule 7.31(f)(1) to provide for Directed Orders routed to an algorithm. Specifically, the Exchange proposes to permit Directed Orders to be designated to route to a broker-dealer algorithm with which the Exchange has established connectivity. The Exchange proposes to route Directed Orders only to a range of broker-dealer algorithms that have completed its onboarding process and established routing connectivity with the Exchange.³ Any FINRA-registered broker-dealer⁴ is eligible to complete this process, which is intended, among other things, to ensure that algorithm providers attest to compliance with applicable Exchange rules, FINRA rules, and federal securities laws and regulations and to confirm that they can meet the applicable technical specifications to connect to the Exchange. Algorithm providers will also be required to enter into routing agreements with the Exchange's routing broker, Archipelago Securities

³ All broker-dealer algorithms will operate on their respective systems, not on Exchange systems. The Exchange does not currently have and will not enter into any financial or other arrangements with any algorithm provider and will not enter into any such arrangement with any algorithm provider with respect to the proposed Directed Orders. The member organization initiating a Directed Order to an algorithm has ultimate responsibility for any transaction fees associated with the execution of such order. The Exchange may facilitate the process by which such fees are passed through from the algorithm providers to the member organizations utilizing Directed Orders, as proposed, but will not determine, subsidize, or benefit from any such fees. Subject to approval and implementation of this proposed rule change, the Exchange intends to adopt a routing fee for Directed Orders to an algorithm, similar to the existing routing fee for Directed Orders to an ATS. See New York Stock Exchange Price List 2024, available at https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf (providing for Routing Fee for Directed Order to OneChronos LLC).

⁴ The ability to become an NYSE algorithm provider is open to all FINRA-registered broker-dealers, regardless of whether they are also Exchange members, on an equal and non-discriminatory basis.

LLC (“ArcaSec”), to facilitate ArcaSec’s routing of Directed Orders on behalf of member organizations to designated algorithms.⁵

As proposed, the member organization entering the Directed Order would select the algorithm to which the Directed Order would be routed and provide instructions for the handling of such order by the routing destination. Member organizations would select from the available algorithm providers without any input or control from the Exchange. As with the existing Directed Order routed to an ATS, the Exchange’s only role would be to route the order to the designated algorithm as instructed. Neither the Exchange nor ArcaSec will make any routing decisions and will only route Directed Orders to valid destinations as instructed by the member organization. The Exchange will not have any visibility into where or how a Directed Order is executed by an algorithm, including whether that order may be routed back to the Exchange or one of its affiliated exchanges, at the time of execution.⁶ Consistent with current rules governing the Directed Order to an ATS, a Directed Order designated for an algorithm would not interact with the Exchange Book, and the Exchange would not exercise any discretion in determining where the order is routed. Similarly, the algorithm selected by the member organization entering the Directed Order would be responsible for validating whether the order is eligible to be accepted, and if the algorithm determines to reject the order, the Directed Order would be cancelled.

To effect this change, the Exchange first proposes to amend the definition of a Directed Order in Rule 7.31(f)(1) to provide that a Directed Order is a Limit Order with instructions to route on arrival to an ATS or algorithm with which the Exchange maintains an electronic linkage. Directed Orders will continue to be available for all securities eligible to trade on the Exchange and will not be assigned a working time or interact with interest on the Exchange Book. The Exchange further proposes to amend Rule 7.31(f)(1) to specify that the ATS or algorithm to which the Directed Order is routed, as applicable, will validate whether the order is eligible to be accepted, and if it rejects the order, the order will be cancelled.

In amending Rule 7.31(f)(1) to allow for the routing of Directed Orders to an algorithm, the Exchange also proposes to permit Directed Orders designated to route to an algorithm to be Market Orders. The Exchange believes that permitting Directed Orders routed to algorithms to be entered as Market Orders would facilitate market participants’ existing functional workflows when routing to algorithms. A member organization routing a

⁵ The Consolidated Audit Trail (“CAT”) for a Directed Order would reflect entry of the order at the Exchange; ArcaSec’s receipt of the order from the Exchange; ArcaSec’s routing of the order to the designated algorithm; and the algorithm’s routing of the order to the execution venue(s) selected to effectuate its strategy. The Exchange will not be involved in the clearing or settlement of Directed Orders, except to the extent that it may submit certain trades to clearing on behalf of member organizations (similar to the capacity in which it participates in the clearing process for orders that it routes for Regulation NMS purposes).

⁶ Exchange systems would not be able to determine, upon receipt of a routed order, whether such order had originated in whole or in part from an algorithm or originated at the Exchange as a Directed Order to an algorithm.

Directed Order to an algorithm may, for example, wish to send a parent order with Market Order instructions for execution via smaller limited child orders over several hours of the trading day.

The Exchange next proposes to delete the first sentence of current Rule 7.31(f)(1)(A), which provides that Directed Orders must be designated for the Exchange's Core Trading Session. Consistent with this proposed change, the Exchange also proposes to delete current Rule 7.34(c)(1)(E), which provides that Directed Orders designated for the Early Trading Session will be rejected, and to make a conforming change in Rule 7.34(c)(1) to reference "paragraphs (c)(1)(A) through (D)" to reflect the deletion of Rule 7.34(c)(1)(E). The Exchange's proposal to permit Directed Orders to be routed during any trading session is intended to allow the routing destinations receiving such orders to determine whether they are eligible to trade in a given trading session. The Exchange will pass on the instructions provided by the member organization entering the Directed Order, and the routing destination will be responsible for validating whether the order will be accepted or rejected, as contemplated by Rule 7.31(f)(1).

The Exchange further proposes to amend Rule 7.31(f)(1)(A) to provide that a Directed Order to an ATS must be designated as IOC or Day and will be routed as such, whereas a Directed Order to an algorithm may only be designated as Day and routed as such, consistent with market participants' existing functional workflows when routing to algorithms. The Exchange also proposes to clarify language currently in Rule 7.31(f)(1)(A) providing that Directed Orders may not be combined with any other modifiers set forth in this Rule, to instead provide that Directed Orders will not be processed with any other modifiers set forth in this Rule.

The Exchange next proposes to amend Rule 7.31(f)(1)(C) to specify that, during a trading halt or pause, Directed Orders routed to an ATS would continue to be rejected, whereas Directed Orders to an algorithm would be routed as specified. The Exchange proposes that Directed Orders routed to an algorithm would be routed during a trading halt or pause, consistent with market participants' existing functional workflows when routing to algorithms. The Exchange believes that the proposed elimination of certain restrictions on Directed Orders currently set forth in Rules 7.31(f)(1)(A) and (C) would provide member organizations with additional flexibility when entering Directed Orders, which would remain subject to the rules and specifications of the destinations to which such orders are routed. As provided in Rule 7.31(f)(1), as amended, the ATS or algorithm to which a Directed Order is routed would validate whether the order is eligible to be accepted.

Finally, the Exchange proposes to amend Rule 7.31(f)(1)(D) to provide that a request to cancel a Directed Order designated Day will be routed to the ATS or algorithm to which the order was routed.

The proposed change would provide member organizations with a technology solution to leverage their existing Exchange connectivity to route Directed Orders to either an ATS or algorithm, thereby affording them increased access to execution tools and enhanced

operational efficiency.⁷ The Exchange believes the proposed change would offer member organizations greater choice and flexibility, and further believes that the proposed change could create efficiencies for member organizations by enabling them to send orders that they wish to route to an alternate destination through the Exchange, thereby leveraging order entry protocols and specifications already configured for their interactions with the Exchange. The Exchange notes that Directed Orders designated to route to an algorithm would generally operate in the same manner as Directed Orders that are currently eligible to be routed to an ATS selected by the member organization entering the order (except as proposed above). The Exchange further believes that the Directed Order would continue to provide functionality similar to order types with specific execution instructions (such as the Auction Only Order defined in NYSE Rule 7.31(c)) or routing instructions (such as Primary Only Orders that route to the primary market, as available on the Exchange's affiliated equities exchanges).⁸

⁷ The Exchange believes that this proposed rule change could be particularly beneficial for smaller member organizations that cannot, for various reasons including cost, connect to multiple algorithm providers on their own.

⁸ See NYSE American LLC (“NYSE American”) Rule 7.31E(f)(1); NYSE Arca, Inc. (“NYSE Arca”) Rule 7.31-E(f)(1); NYSE Chicago, Inc. (“NYSE Chicago”) Rule 7.31(f)(1); NYSE National, Inc. (“NYSE National”) Rule 7.31(f)(1). NYSE American, NYSE Arca, NYSE Chicago, and NYSE National also offer variations of the Primary Only Order, including the Primary Only Until 9:45 Order, which is a Limit or Inside Limit Order that, on arrival and until 9:45 a.m. Eastern Time, routes to the primary listing market, and the Primary Only Until 3:55 Order, which is a Limit or Inside Limit Order entered on the Exchange until 3:55 p.m. Eastern Time, after which time the order is cancelled on the Exchange and routed to the primary listing market. See NYSE American Rules 7.31E(f)(2) and (f)(3); NYSE Arca Rules 7.31-E(f)(2) and (f)(3); NYSE Chicago Rules 7.31(f)(2) and (f)(3); NYSE National Rules 7.31(f)(2) and (f)(3). The Exchange further notes similarities between the Directed Order and various order types and routing options offered by other equities exchanges. See, e.g., Nasdaq Stock Market LLC (“Nasdaq”), Equity 4, Equity Trading Rules, Rule 4758(a)(ix) (defining the Nasdaq Directed Order as an order designed to use a routing strategy under which the order is directed to an automated trading center other than Nasdaq, as directed by the entering party, without checking the Nasdaq Book); Cboe EDGX Exchange, Inc. (“EDGX”) Rules 11.8(c)(7) (defining the Routing/Directed ISO order type as an ISO that bypasses the EDGX system and is immediately routed by EDGX to a specified away trading center for execution) and 11.11(g)(2) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed); Cboe EDGA Exchange, Inc. (“EDGA”) Rules 11.8(c)(7) (defining the Routing/Directed ISO order type as an ISO that bypasses the EDGA system and is immediately routed by EDGA to a specified away trading center for execution) and 11.11(g)(2) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed); Cboe BZX Exchange, Inc. (“BZX”) Rules 11.13(b)(3)(D) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed) and 11.13(b)(3)(F) (defining the Directed ISO routing option, under which an ISO order would bypass the BZX system and be sent to a specified away trading center); Cboe BYX Exchange, Inc. (“BYX”) Rules 11.13(b)(3)(D) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed) and 11.13(b)(3)(F) (defining the Directed ISO routing option, under which an ISO order would bypass the BYX system and be sent to a specified away trading center). The Exchange also believes that the Directed Order would provide functionality similar to the C-LNK routing strategy formerly offered by EDGA, in which C-LNK orders bypassed EDGA’s local book and routed directly to a specified Single Dealer Platform destination. See Securities Exchange Act Release No. 82904 (March 20, 2018), 83 FR 12995 (March 26, 2018) (SR-CboeEDGA-2018-004) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Expand an Offering Known as Cboe Connect To Provide Connectivity to Single-Dealer Platforms Connected to the Exchange’s Network and To Propose a Per Share Executed Fee for Such Service).

Because of the technology changes associated with this proposed rule change, the Exchange will announce the implementation date by Trader Update.⁹ Subject to approval of this proposed rule change, the Exchange will implement the proposed change at the earliest in the fourth quarter of 2024 or at the latest in the second quarter of 2025.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,¹⁰ in general, and furthers the objectives of Section 6(b)(5),¹¹ 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 rule change is designed to remove impediments to and perfect the mechanism of a free and open market and promote just and equitable principles of trade because the Directed Order, as proposed, would offer member organizations access to additional execution tools and trading opportunities by permitting them to designate orders submitted to the Exchange to be routed directly to a specified algorithm for execution. In particular, the Exchange believes that amending the Directed Order to include routing to an algorithm would provide greater choice and flexibility for member organizations and their customers. The Exchange further believes that the proposed change would remove impediments to and perfect the mechanism of a free and open market by offering member organizations a technology solution that would provide them with the option to send orders that they wish to route to an alternate destination for execution through the Exchange, thereby promoting operational efficiencies through leveraging their existing protocols and specifications for Exchange connectivity. Finally, the Exchange notes that the proposed functionality is not novel as a Directed Order to an algorithm would otherwise generally function in the same way as the existing Directed Order to an ATS, and the proposed change would simply facilitate member organizations' existing ability to direct orders to be executed via an algorithm.

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 to the rules governing Directed Orders would promote competition because it would enhance an order type on the Exchange that would provide access to additional execution tools and trading opportunities for market participants.

⁹ The Exchange will provide information regarding the algorithm(s) to which a Directed Order may be designated to route in technical specifications and/or by Trader Update.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

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

The Exchange does not consent at this time to an extension of any time period for Commission action.

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

Not applicable.

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

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSE-2024-67)

[Date]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change to Amend Rule 7.31(f)(1)

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 24, 2024, New York Stock Exchange LLC (“NYSE” 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(f)(1) regarding Directed Orders. 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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

Rule 7.31(f)(1) currently defines a Directed Order as a Limit Order with instructions to route on arrival at its limit price to a specified alternative trading system (“ATS”) with which the Exchange maintains an electronic linkage. Directed Orders are available for all securities eligible to trade on the Exchange. Directed Orders are not assigned a working time and do not interact with interest on the Exchange Book. Rule 7.31(f)(1) further provides that the ATS to which a Directed Order is routed is responsible for validating whether the order is eligible to be accepted, and if such ATS determines to reject the order, the order would be cancelled.

Rule 7.31(f)(1)(A) provides that a Directed Order must be designated for the Exchange’s Core Trading Session. A Directed Order must be designated with a Time in Force modifier of IOC or Day and is routed to the specified ATS with such modifier. Rule 7.31(f)(1)(A) also provides that a Directed Order may not be designated with any other modifiers defined in Rule 7.31.

Rule 7.31(f)(1)(B) provides that a Directed Order in a security to be opened in an initial public offering (“IPO”) or a Direct Listing will be rejected if received before the IPO Auction or Direct Listing Auction concludes.

Rule 7.31(f)(1)(C) provides that an incoming Directed Order will be rejected if received during a trading halt or pause.

Rule 7.31(f)(1)(D) provides that a request to cancel a Directed Order designated Day is routed to the ATS to which the order was routed.

Proposed Rule Change

The Exchange proposes to amend Rule 7.31(f)(1) to provide for Directed Orders routed to an algorithm. Specifically, the Exchange proposes to permit Directed Orders to be designated to route to a broker-dealer algorithm with which the Exchange has established connectivity. The Exchange proposes to route Directed Orders only to a range of broker-dealer algorithms that have completed its onboarding process and established routing connectivity with the Exchange.⁴ Any FINRA-registered broker-dealer⁵ is eligible to complete this process, which is intended, among other things, to ensure that algorithm providers attest to compliance with applicable Exchange rules, FINRA rules, and federal securities laws and regulations and to confirm that they can meet the applicable technical specifications to connect to the Exchange. Algorithm providers will also be required to enter into routing agreements with the Exchange's routing broker, Archipelago Securities LLC ("ArcaSec"), to facilitate ArcaSec's routing of Directed Orders on behalf of member organizations to designated algorithms.⁶

⁴ All broker-dealer algorithms will operate on their respective systems, not on Exchange systems. The Exchange does not currently have and will not enter into any financial or other arrangements with any algorithm provider and will not enter into any such arrangement with any algorithm provider with respect to the proposed Directed Orders. The member organization initiating a Directed Order to an algorithm has ultimate responsibility for any transaction fees associated with the execution of such order. The Exchange may facilitate the process by which such fees are passed through from the algorithm providers to the member organizations utilizing Directed Orders, as proposed, but will not determine, subsidize, or benefit from any such fees. Subject to approval and implementation of this proposed rule change, the Exchange intends to adopt a routing fee for Directed Orders to an algorithm, similar to the existing routing fee for Directed Orders to an ATS. See New York Stock Exchange Price List 2024, available at https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf (providing for Routing Fee for Directed Order to OneChronos LLC).

⁵ The ability to become an NYSE algorithm provider is open to all FINRA-registered broker-dealers, regardless of whether they are also Exchange members, on an equal and non-discriminatory basis.

⁶ The Consolidated Audit Trail ("CAT") for a Directed Order would reflect entry of the order at the Exchange; ArcaSec's receipt of the order from the Exchange; ArcaSec's routing of the order to the designated algorithm; and the algorithm's routing of the order to the execution venue(s) selected to effectuate its strategy. The Exchange will not be involved in the clearing or settlement of Directed Orders, except to the extent that it may submit certain trades to clearing on behalf of member organizations (similar to the capacity in which it participates in the clearing process for orders that it routes for Regulation NMS purposes).

As proposed, the member organization entering the Directed Order would select the algorithm to which the Directed Order would be routed and provide instructions for the handling of such order by the routing destination. Member organizations would select from the available algorithm providers without any input or control from the Exchange. As with the existing Directed Order routed to an ATS, the Exchange's only role would be to route the order to the designated algorithm as instructed. Neither the Exchange nor ArcaSec will make any routing decisions and will only route Directed Orders to valid destinations as instructed by the member organization. The Exchange will not have any visibility into where or how a Directed Order is executed by an algorithm, including whether that order may be routed back to the Exchange or one of its affiliated exchanges, at the time of execution.⁷ Consistent with current rules governing the Directed Order to an ATS, a Directed Order designated for an algorithm would not interact with the Exchange Book, and the Exchange would not exercise any discretion in determining where the order is routed. Similarly, the algorithm selected by the member organization entering the Directed Order would be responsible for validating whether the order is eligible to be accepted, and if the algorithm determines to reject the order, the Directed Order would be cancelled.

To effect this change, the Exchange first proposes to amend the definition of a Directed Order in Rule 7.31(f)(1) to provide that a Directed Order is a Limit Order with instructions to route on arrival to an ATS or algorithm with which the Exchange maintains an electronic linkage. Directed Orders will continue to be available for all securities eligible to trade on the Exchange and will not be assigned a working time or interact with interest on the Exchange

⁷ Exchange systems would not be able to determine, upon receipt of a routed order, whether such order had originated in whole or in part from an algorithm or originated at the Exchange as a Directed Order to an algorithm.

Book. The Exchange further proposes to amend Rule 7.31(f)(1) to specify that the ATS or algorithm to which the Directed Order is routed, as applicable, will validate whether the order is eligible to be accepted, and if it rejects the order, the order will be cancelled.

In amending Rule 7.31(f)(1) to allow for the routing of Directed Orders to an algorithm, the Exchange also proposes to permit Directed Orders designated to route to an algorithm to be Market Orders. The Exchange believes that permitting Directed Orders routed to algorithms to be entered as Market Orders would facilitate market participants' existing functional workflows when routing to algorithms. A member organization routing a Directed Order to an algorithm may, for example, wish to send a parent order with Market Order instructions for execution via smaller limited child orders over several hours of the trading day.

The Exchange next proposes to delete the first sentence of current Rule 7.31(f)(1)(A), which provides that Directed Orders must be designated for the Exchange's Core Trading Session. Consistent with this proposed change, the Exchange also proposes to delete current Rule 7.34(c)(1)(E), which provides that Directed Orders designated for the Early Trading Session will be rejected, and to make a conforming change in Rule 7.34(c)(1) to reference "paragraphs (c)(1)(A) through (D)" to reflect the deletion of Rule 7.34(c)(1)(E). The Exchange's proposal to permit Directed Orders to be routed during any trading session is intended to allow the routing destinations receiving such orders to determine whether they are eligible to trade in a given trading session. The Exchange will pass on the instructions provided by the member organization entering the Directed Order, and the routing destination will be responsible for validating whether the order will be accepted or rejected, as contemplated by Rule 7.31(f)(1).

The Exchange further proposes to amend Rule 7.31(f)(1)(A) to provide that a Directed Order to an ATS must be designated as IOC or Day and will be routed as such, whereas a

Directed Order to an algorithm may only be designated as Day and routed as such, consistent with market participants' existing functional workflows when routing to algorithms. The Exchange also proposes to clarify language currently in Rule 7.31(f)(1)(A) providing that Directed Orders may not be combined with any other modifiers set forth in this Rule, to instead provide that Directed Orders will not be processed with any other modifiers set forth in this Rule.

The Exchange next proposes to amend Rule 7.31(f)(1)(C) to specify that, during a trading halt or pause, Directed Orders routed to an ATS would continue to be rejected, whereas Directed Orders to an algorithm would be routed as specified. The Exchange proposes that Directed Orders routed to an algorithm would be routed during a trading halt or pause, consistent with market participants' existing functional workflows when routing to algorithms. The Exchange believes that the proposed elimination of certain restrictions on Directed Orders currently set forth in Rules 7.31(f)(1)(A) and (C) would provide member organizations with additional flexibility when entering Directed Orders, which would remain subject to the rules and specifications of the destinations to which such orders are routed. As provided in Rule 7.31(f)(1), as amended, the ATS or algorithm to which a Directed Order is routed would validate whether the order is eligible to be accepted.

Finally, the Exchange proposes to amend Rule 7.31(f)(1)(D) to provide that a request to cancel a Directed Order designated Day will be routed to the ATS or algorithm to which the order was routed.

The proposed change would provide member organizations with a technology solution to leverage their existing Exchange connectivity to route Directed Orders to either an ATS or algorithm, thereby affording them increased access to execution tools and enhanced operational

efficiency.⁸ The Exchange believes the proposed change would offer member organizations greater choice and flexibility, and further believes that the proposed change could create efficiencies for member organizations by enabling them to send orders that they wish to route to an alternate destination through the Exchange, thereby leveraging order entry protocols and specifications already configured for their interactions with the Exchange. The Exchange notes that Directed Orders designated to route to an algorithm would generally operate in the same manner as Directed Orders that are currently eligible to be routed to an ATS selected by the member organization entering the order (except as proposed above). The Exchange further believes that the Directed Order would continue to provide functionality similar to order types with specific execution instructions (such as the Auction Only Order defined in NYSE Rule 7.31(c)) or routing instructions (such as Primary Only Orders that route to the primary market, as available on the Exchange's affiliated equities exchanges).⁹

⁸ The Exchange believes that this proposed rule change could be particularly beneficial for smaller member organizations that cannot, for various reasons including cost, connect to multiple algorithm providers on their own.

⁹ See NYSE American LLC ("NYSE American") Rule 7.31E(f)(1); NYSE Arca, Inc. ("NYSE Arca") Rule 7.31-E(f)(1); NYSE Chicago, Inc. ("NYSE Chicago") Rule 7.31(f)(1); NYSE National, Inc. ("NYSE National") Rule 7.31(f)(1). NYSE American, NYSE Arca, NYSE Chicago, and NYSE National also offer variations of the Primary Only Order, including the Primary Only Until 9:45 Order, which is a Limit or Inside Limit Order that, on arrival and until 9:45 a.m. Eastern Time, routes to the primary listing market, and the Primary Only Until 3:55 Order, which is a Limit or Inside Limit Order entered on the Exchange until 3:55 p.m. Eastern Time, after which time the order is cancelled on the Exchange and routed to the primary listing market. See NYSE American Rules 7.31E(f)(2) and (f)(3); NYSE Arca Rules 7.31-E(f)(2) and (f)(3); NYSE Chicago Rules 7.31(f)(2) and (f)(3); NYSE National Rules 7.31(f)(2) and (f)(3). The Exchange further notes similarities between the Directed Order and various order types and routing options offered by other equities exchanges. See, e.g., Nasdaq Stock Market LLC ("Nasdaq"), Equity 4, Equity Trading Rules, Rule 4758(a)(ix) (defining the Nasdaq Directed Order as an order designed to use a routing strategy under which the order is directed to an automated trading center other than Nasdaq, as directed by the entering party, without checking the Nasdaq Book); Cboe EDGX Exchange, Inc. ("EDGX") Rules 11.8(c)(7) (defining the Routing/Directed ISO order type as an ISO that bypasses the EDGX system and is immediately routed by EDGX to a specified away trading center for execution) and 11.11(g)(2) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed); Cboe EDGA Exchange, Inc. ("EDGA") Rules 11.8(c)(7) (defining the Routing/Directed ISO order type as an ISO that bypasses the EDGA system and is immediately routed by EDGA to a specified away trading center for execution) and 11.11(g)(2) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed); Cboe BZX Exchange, Inc. ("BZX") Rules 11.13(b)(3)(D) (providing for the DRT routing option, in which an order is routed to an alternative trading system as

Because of the technology changes associated with this proposed rule change, the Exchange will announce the implementation date by Trader Update.¹⁰ Subject to approval of this proposed rule change, the Exchange will implement the proposed change at the earliest in the fourth quarter of 2024 or at the latest in the second quarter of 2025.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,¹¹ in general, and furthers the objectives of Section 6(b)(5),¹² 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 rule change is designed to remove impediments to and perfect the mechanism of a free and open market and promote just and equitable principles of trade because the Directed Order, as proposed, would offer member organizations

instructed) and 11.13(b)(3)(F) (defining the Directed ISO routing option, under which an ISO order would bypass the BZX system and be sent to a specified away trading center); Cboe BYX Exchange, Inc. (“BYX”) Rules 11.13(b)(3)(D) (providing for the DRT routing option, in which an order is routed to an alternative trading system as instructed) and 11.13(b)(3)(F) (defining the Directed ISO routing option, under which an ISO order would bypass the BYX system and be sent to a specified away trading center). The Exchange also believes that the Directed Order would provide functionality similar to the C-LNK routing strategy formerly offered by EDGA, in which C-LNK orders bypassed EDGA’s local book and routed directly to a specified Single Dealer Platform destination. See Securities Exchange Act Release No. 82904 (March 20, 2018), 83 FR 12995 (March 26, 2018) (SR-CboeEDGA-2018-004) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Expand an Offering Known as Cboe Connect To Provide Connectivity to Single-Dealer Platforms Connected to the Exchange’s Network and To Propose a Per Share Executed Fee for Such Service).

¹⁰ The Exchange will provide information regarding the algorithm(s) to which a Directed Order may be designated to route in technical specifications and/or by Trader Update.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

access to additional execution tools and trading opportunities by permitting them to designate orders submitted to the Exchange to be routed directly to a specified algorithm for execution. In particular, the Exchange believes that amending the Directed Order to include routing to an algorithm would provide greater choice and flexibility for member organizations and their customers. The Exchange further believes that the proposed change would remove impediments to and perfect the mechanism of a free and open market by offering member organizations a technology solution that would provide them with the option to send orders that they wish to route to an alternate destination for execution through the Exchange, thereby promoting operational efficiencies through leveraging their existing protocols and specifications for Exchange connectivity. Finally, the Exchange notes that the proposed functionality is not novel as a Directed Order to an algorithm would otherwise generally function in the same way as the existing Directed Order to an ATS, and the proposed change would simply facilitate member organizations' existing ability to direct orders to be executed via an algorithm.

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 to the rules governing Directed Orders would promote competition because it would enhance an order type on the Exchange that would provide access to additional execution tools and trading opportunities for market participants.

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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within

such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSE-2024-67 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-2024-67. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSE-2024-67 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.¹³

Sherry R. Haywood,

Assistant Secretary.

¹³ 17 CFR 200.30-3(a)(12).

Additions: Underlined
 Deletions: [Bracketed]

Rules of New York Stock Exchange LLC

Rule 7P EQUITIES TRADING

Section 3. Exchange Trading

Rule 7.31. Orders and Modifiers

(f) Orders with Specific Routing Instructions

(1) Directed Order. A Limit Order with instructions to route on arrival at its limit price to a specified alternative trading system or algorithm with which the Exchange maintains an electronic linkage. A Directed Order designated to route to an algorithm may be a Market Order. Directed Orders are available for all securities eligible to trade on the Exchange. A Directed Order will not be assigned a working time or interact with interest on the Exchange Book. The alternative trading system or algorithm to which the Directed Order is routed will validate whether the order is eligible to be accepted, and if it rejects the order, the order will be cancelled.

(A) [A Directed Order must be designated for the Core Trading Session.] A Directed Order to an alternative trading system must be designated as IOC or Day[,] and will be routed as such[,]. A Directed Order to an algorithm must be designated as Day and will be routed as such. A Directed Order will [and may] not be [combined] processed with any other modifiers set forth in this Rule.

(B) A Directed Order in a security to be opened in an IPO or Direct Listing will be rejected if received before the IPO Auction or Direct Listing Auction concludes.

(C) During a trading halt or pause, an incoming Directed Order to an alternative trading system will be rejected and an incoming Directed Order to an algorithm will be routed as specified.

(D) A request to cancel a Directed Order designated Day will be routed to the alternative trading system or algorithm to which the order was routed.

Rule 7.34. Trading Sessions

(c) *Orders Permitted in Each Session.*

(1) Early Trading Session. Unless otherwise specified in paragraphs (c)(1)(A) - [(E)](D), orders and modifiers defined in Rule 7.31 are eligible to participate in the Early Trading Session.

[(E) Directed Orders designated for the Early Trading Session will be rejected.]
