



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-99874; File No. SR-NYSECHX-2024-14]

Self-Regulatory Organizations; NYSE Chicago, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 7.8A and Article 9, Rule 7

April 1, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 25, 2024, the NYSE Chicago, Inc. (“NYSE Chicago” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 7.8A (Cross Order Settlement Terms) and Article 9, Rule 7 (Transactions “Ex-Dividend” and “Ex-Warrants”) to conform to amendments to Rule 15c6-1(a) of the Act to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (“T+2”) to one business day after the trade date (“T+1”). 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 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

On March 6, 2023, the Commission adopted amendments to Rule 15c6-1(a) of the Act to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1.³

Accordingly, the Exchange proposes to amend Rule 7.8A and Article 9, Rule 7 to conform with the amendments to Rule 15c6-1(a) and reflect a standard settlement cycle of T+1.

Rule 7.8A currently provides that Cross Orders settle “regular way” unless designated with one of two “non-regular way” settlement terms: Cash or Next Day. A Cross Order designated for “non-regular way” settlement may execute at any price without regard to the PBBO or any orders on the Exchange Book. Rule 7.8A defines “Cash” settlement as a transaction for delivery on the day of the contract and “Next Day” settlement as a transaction for delivery on the next business day following the day of the contract.

Article 9, Rule 7(a) currently provides that transactions in stocks are ex-dividend or ex-rights on the business day immediately preceding the date of record fixed by the corporation for the determination of stockholders entitled to receive such dividends or rights, with certain exceptions. First, as provided in Rule 7(a)(1), when the record date occurs on a holiday or half-holiday, transactions in the stock will be ex-dividend or ex-rights two full business days immediately preceding the record date. Rule 7(a)(2) further provides that “cash” transactions are ex-dividend or ex-rights on the day following the record date. Finally, Rule 7(a)(3) provides that the Committee on Exchange Procedure may direct that transactions be ex-dividend or ex-rights on a day other than that fixed by this Rule.

Rule 7(b) currently provides that transactions in securities which have subscription

³ See Securities Exchange Act Release No. 96930, 88 FR 13872 (March 6, 2023) (“T+1 Adopting Release”).

warrants attached, except those made for “cash,” will be ex-warrants on the business day preceding the date of expiration of the warrants, with certain exceptions. First, as provided in Rule 7(b)(1), when the day of expiration occurs on a holiday or Sunday, such transactions will be ex-warrants on the second full business day preceding the day of expiration. Rule 7(b)(2) further provides that “cash” transactions are ex-warrants on the day following the record date. Finally, Rule 7(b)(c) provides that, notwithstanding the provisions of Rule 7(b) and subparagraphs (1) and (2) thereunder, the Committee on Exchange Procedure may direct otherwise in any specific case.

Proposed Rule Change

To conform Rule 7.8A and Article 9, Rule 7 with the amendments to Rule 15c6-1(a) of the Act adopted by the Commission, the Exchange proposes the following changes:

- The Exchange proposes to amend Rule 7.8A to eliminate Next Day as a “non-regular way” settlement option in light of the amendments to Rule 15c6-1(a), because under a T+1 settlement cycle, next day settlement would be considered standard or “regular way” settlement.
- The Exchange proposes to amend Rule 7(a) to provide that transactions in stocks, except as provided in the subparagraphs thereunder, will be ex-dividend or ex-rights on the record date, rather than on the business day preceding the record date.
- In Rule 7(a)(1), the Exchange proposes to eliminate the reference to a “half-holiday” and to amend the Rule to refer to one full business day preceding the record date, rather than two business days.
- The Exchange proposes to amend Rule 7(b) to provide that transactions with subscription warrants attached, except as provided in the subparagraphs thereunder, will be ex-warrants on the date of expiration of the warrants, rather than on the business day preceding such date.

- The Exchange proposes to amend Rule 7(b)(1) to refer to the first full business day preceding the expiration date, rather than the second business day.

Implementation

The Exchange proposes that the operative date of this proposed rule change will be Tuesday, May 28, 2024, which is the compliance date specified in the T+1 Adopting Release, or such later date as may be announced by the Commission for compliance with the amendments to Rule 15c6-1(a) set forth in the T+1 Adopting Release.⁴ The Exchange further proposes that, with the implementation of the T+1 settlement cycle and as described in the proposed changes outlined above, the ex-dividend date for “normal” distributions will be the same business day as the record date. Accordingly, the Exchange proposes that Wednesday, May 29, 2024 would be the first date to which the proposed rules described herein would apply (i.e., the first record date to which the new ex-dividend date rationale will be applied). During the implementation of the T+1 settlement cycle, the Exchange proposes that the ex-dividend dates will be as follows:

Record Date	Ex-Dividend Date
May 24, 2024	May 23, 2024
May 28, 2024	May 24, 2024
May 29, 2024	May 29, 2024

A record date of Friday, May 24, 2024 would be a date prior to the effective date of the amendments to Rule 15c6-1(a) of the Act to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1.⁵ The rules described above would apply to this record date in their current form and, thus, the “ex-dividend date” would be the first business day preceding the record date or Thursday, May 23, 2024. Monday, May 27, 2024 is Memorial Day, which is an Exchange holiday; accordingly, there would be no record date on a holiday. A record date of Tuesday, May 28, 2024 would also fall under the Exchange’s current rules, and the first business day preceding such record date would be Friday, May 24, 2024. On

⁴ See note 3, *supra*.

⁵ See note 3, *supra*.

Wednesday, May 29, 2024, the proposed rules described above would apply, such that, for the record date of May 29, 2024, the “ex-dividend date” would be the same business day.

The Exchange will issue a Trader Notice regarding the implementation of the proposed rule change and T+1 settlement cycle, which date would correspond with the industry-led transition to a T+1 standard settlement, and the compliance date of the Commission’s amendment of Rule 15c6-1(a) of the Act to require standard settlement no later than T+1.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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.

In particular, the proposed rule change would amend the Exchange’s rules to reflect a standard settlement cycle of T+1, in support of the industry-led initiative to shorten the settlement cycle to one business day. Moreover, the proposed rule change is consistent with the Commission’s amendments to Rule 15c6-1(a) of the Act to require standard settlement no later than T+1. The Exchange believes that the proposed rule change would provide the regulatory certainty to facilitate the industry-led move to a T+1 settlement cycle. Further, the Exchange believes that, by shortening the time period for settlement of most securities transactions, the proposed rule change would protect investors and the public interest by reducing the number of unsettled trades in the clearance and settlement system at any given time, thereby reducing the risk inherent in settling securities transactions to clearing corporations, their members, and public

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

investors.

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 proposed change is not designed to address any competitive issue, but rather to support the industry's transition to a T+1 regular-way settlement cycle in conformity with the Commission's amendment of Rule 15c6-1(a). The proposed change amends the Exchange's rules pertaining to securities settlement, which rules would apply uniformly to all contracts for the purchase or sale of a security (other than exempted securities) that provide for payment of funds and delivery of securities that occur on the Exchange or other self-regulatory organizations, and is intended to facilitate the industry-wide transition to a T+1 settlement cycle. The Exchange also believes that the proposed rule change will serve to promote clarity and consistency in its rules, thereby reducing burdens on the marketplace and facilitating investor protection. Accordingly, the Exchange believes that the proposed changes do not impose any burden on competition other than that necessary to implement the amendments to Rule 15c6-1(a) of the Act as set forth in the T+1 Adopting Release.⁸

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

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

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

Because the foregoing proposed rule change does not:

(i) significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)

⁸ See note 3, supra.

of the Act and Rule 19b-4(f)(6) thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-NYSECHX-2024-14 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-NYSECHX-2024-14. 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-NYSECHX-2024-14 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.⁹

J. Matthew DeLesDernier,

Deputy Secretary.

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⁹ 17 CFR 200.30-3(a)(12).