

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-77000; File No. SR-NYSEARCA-2016-22)

January 29, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on January 28, 2016, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“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 the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to change the fees and credits for Cross Asset Tier 2 in the Fee Schedule. Specifically, for securities with a per share price \$1.00 or above, the Exchange proposes to: (1) replace the numeric benchmark needed to be eligible for the tier with a benchmark based on a percentage of options contract volume, and (2) provide a second way to qualify for the Cross Asset Tier 2 credits for orders that provide liquidity to the Exchange. The Exchange proposes to implement the fee changes effective January 28, 2016.<sup>4</sup>

Currently, Cross Asset Tier 2 fees and credits apply to ETP Holders and Market Makers that (a) provide liquidity an average daily volume share per month of 0.30% or more of the US Consolidated Average Daily Volume ("CADV"), and (b) are affiliated with an OTP Holder or OTP Firm that provides an ADV of electronic posted executions for the account of a market maker in Penny Pilot issues on NYSE Arca Options (excluding mini options) of at least 90,000 contracts. Such ETP Holders and Market Makers receive a credit of \$0.0031 per share for orders that provide liquidity to the order book in Tape A Securities; a credit of \$0.0030 per share for providing liquidity to the order book and a fee of \$0.0028 per share for taking liquidity from the order book in Tape B Securities; and a credit of \$0.0033 per share for providing liquidity to the order book and a fee of \$0.0029 per share for taking liquidity from the order book in Tape C

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<sup>4</sup> The Exchange originally filed to amend the Fee Schedule on January 4, 2016 (SR-NYSEArca-2016-05) and withdrew such filing on January 14, 2016. The Exchange subsequently filed to amend the Fee Schedule on January 14, 2016 (SR-NYSEArca-2016-12) and withdrew such filing on January 28, 2016.

## Securities.

The Exchange proposes to replace the current fixed 90,000 contract requirement with a variable requirement of at least 0.75% of total Customer equity and exchange-traded fund (“ETF”) option ADV, as reported by the Options Clearing Corporation (“OCC”).<sup>5</sup> The Exchange is proposing these changes to the Cross-Asset Tier 2 in order to make the eligibility requirement consistent with the Exchange’s other variable eligibility requirements that are based on percentage of volume. The Exchange believes that using an eligibility requirement based on percentage of volume would better reflect fluctuations in trading volumes. The proposed change would thus eliminate the need to modify a fixed number requirement because a threshold based on volume would automatically make the necessary adjustments.

The Exchange proposes to make a clarifying amendment to the text of the Fee Schedule to more accurately reflect the application of the Cross Asset Tier 2. Specifically, the Exchange proposes to delete the potentially confusing phrase “(including all account types)” following “electronic posted executions” and before “in Penny Pilot issues on NYSE Arca Options” in current clause (b) of the Fee Schedule consistent with the filing adopting the Cross Asset Tier 2.<sup>6</sup>

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<sup>5</sup> The OCC provides volume information in two product categories: equity and ETF volume and index volume, and the information can be filtered to show only Customer, firm, or market maker account type. Equity and ETF Customer volume numbers are available directly from the OCC each morning, or may be transmitted, upon request, free of charge from the Exchange. Total Industry Customer equity and ETF option ADV is comprised of those equity and ETF option contracts that clear in the customer account type at OCC, including Exchange-Traded Fund Shares, Trust Issued Receipts, Partnership Units, and Index-Linked Securities such as Exchange-Traded Notes (see NYSE Arca Options Rule 5.3(g)-(j)), and does not include contracts that clear in either the firm or market maker account type at OCC or contracts overlying a security other than an equity or ETF security. The Exchange currently makes this data publicly available on a T+1 basis from a link at <http://www.nyxdata.com/factbook>.

<sup>6</sup> See Securities Exchange Act Release No. 76084 (October 6, 2015), 80 FR 61529, 61531 (October 13, 2015) (SR-NYSEArca-2015-87) (the Cross Asset Tier 2 applies to “ETP Holders and Market Makers that (a) provide liquidity an average daily volume share per

The Exchange also proposes to move the phrase “for the account of a market maker” from the end of current clause (b) to after “electronic posted executions” to add greater clarity to the Fee Schedule.

The Exchange also proposes to permit ETP Holders, including Market Makers, to alternatively qualify for the Cross Asset Tier 2 credits if they (1) provide liquidity an ADV share per month of 0.40% or more of the CADV, and (2) are affiliated with an OTP Holder or OTP Firm that provides an ADV of electronic posted executions for the account of a market maker in Penny Pilot issues on NYSE Arca Options (again, excluding mini options) of at least 0.65% of total Customer equity and ETF option ADV, as reported by OCC.

The Exchange does not propose any other changes to the fees and credits currently applicable to Cross Asset Tier 2.

The proposed changes are not otherwise intended to address any other issues, and the Exchange is not aware of any significant problems that market participants would have in complying with the proposed changes.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,<sup>8</sup> in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its facilities and does not unfairly

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month of 0.30% or more of the US CADV and (b) are affiliated with an OTP Holder or OTP Firm that provides an ADV of electronic posted executions for the account of a market maker in Penny Pilot issues on NYSE Arca Options (excluding mini options) of at least 90,000 contracts.”).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4) and (5).

discriminate between customers, issuers, brokers or dealers. In addition, the Exchange believes the proposal is consistent with the requirement under Section 6(b)(5)<sup>9</sup> that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The Exchange believes the proposal to amend Cross Asset Tier 2 to replace the current fixed benchmark needed to be eligible for the tier with a variable benchmark based on a percentage of volume is reasonable because it would make the eligibility requirement consistent with the Exchange's other variable eligibility requirements that also are based on percentage of volume. In addition, the Exchange believes that expanding the basis for the Cross-Asset Tier 2 to include all Customer equity and ETF options ADV would better reflect the correlation between options trading and the underlying securities, which trade at the Exchange, including ETFs. In this respect, the Exchange notes that Equity and ETF Customer volume is a widely followed benchmark of industry volume and is indicative of industry market share.<sup>10</sup> The Exchange further believes that the proposed amendment is equitable and not unfairly discriminatory because it would be available to all similarly situated ETP Holders and Market Makers on an equal basis and would provide credits that are reasonably related to the value of an exchange's market quality associated with higher volumes.

The Exchange believes that the proposal to amend Cross Asset Tier 2 is reasonable because it provides ETP Holders and Market Makers affiliated with an NYSE Arca Options OTP Holder or OTP Firm with an additional way to qualify for the Cross Asset Tier 2 rebates through equity and option orders. The Exchange believes that the proposed alternative to qualify for the

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<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> See note 5, supra.

tier utilizing a higher equity volume requirement (0.40%) and a lower options volume requirement (0.65%) is reasonable because the proposal provides firms with greater flexibility to reach volume tiers across asset classes, thereby creating an added incentive for ETP Holders to bring additional order flow to a public market.

The Exchange believes that the proposal is equitable and not unfairly discriminatory because all ETP Holders would be subject to the same fee structure and be offered the same alternative to qualifying for the Cross-Asset Tier 2 credit. Moreover, the Cross-Asset Tier 2 credit is available for all ETP Holders to satisfy, except for those ETP Holders that are not affiliated with an NYSE Arca Options OTP Holder or OTP Firm. ETP Holders that are not affiliated with an NYSE Arca Options OTP Holder or OTP Firm are still eligible for fees and credits by means other than the Cross Asset Tier. NASDAQ similarly charges certain fees based on both equity and options volume.<sup>11</sup>

Further, the Exchange believes that the proposal is reasonable and would continue to directly relate to the activity of an ETP Holder and the activity of an affiliated OTP Holder or OTP Firm on NYSE Arca Options, thereby encouraging increased trading activity on both the NYSE Arca equity and option markets. In this regard, the proposal is designed to bring additional posted order flow to NYSE Arca Options, so as to provide additional opportunities for all OTP Holders and OTP Firms to trade on NYSE Arca Options. Furthermore, similar to the revised Cross Asset Tier, the NYSE Arca Options Fee Schedule includes a credit for OTP Holders and OTP Firms that is based on both equity and options volume.

The Exchange believes that deleting the phrase “(including all account types)” in current

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<sup>11</sup> See NASDAQ Rule 7018.

clause (b) of the Fee Schedule consistent with the filing adopting the Cross Asset Tier 2<sup>12</sup> removes impediments to and perfects the mechanism of a free and open market by reducing potential confusion that may result from having extraneous material in the Exchange's rulebook, thereby adding transparency and clarity to the Exchange's rules. The Exchange also believes that eliminating this extraneous material would not be inconsistent with the public interest and the protection of investors because investors will not be harmed and in fact would benefit from increased transparency, thereby reducing potential confusion. The Exchange also believes that moving the phrase "for the account of a market maker" from the end of current clause (b) to after "electronic posted executions" removes impediments to and perfects the mechanism of a free and open market by adding clarity to the Exchange's rules. The Exchange believes its proposal to amend the text of the Fee Schedule to clarify the applicability of the Cross Asset Tier 2 is both reasonable and equitable because ETP Holders and Market Makers would benefit from clear guidance in the rule text describing the manner in which the Exchange would assess Cross Asset Tier 2 fees and rebates.

Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange's statement regarding the burden on competition.

For the foregoing reasons, the Exchange believes that the proposal is consistent with the Act.

**B. Self-Regulatory Organization's Statement on Burden on Competition**

In accordance with Section 6(b)(8) of the Act,<sup>13</sup> the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed change

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<sup>12</sup> See note 6, *supra*.

<sup>13</sup> 15 U.S.C. 78f(b)(8).

would encourage the submission of additional liquidity to a public exchange, thereby promoting price discovery and transparency and enhancing order execution opportunities for ETP Holders and Market Makers. The Exchange believes that this could promote competition between the Exchange and other execution venues, including those that currently offer similar order types and comparable transaction pricing, by encouraging additional orders to be sent to the Exchange for execution.

Further, the proposal to amend the requirements to qualify for Cross Asset Tier 2 and add another way to qualify for the Cross-Asset Tier 2 credits will not place an undue burden on competition because the tier would remain available for all ETP Holders to satisfy except those ETP Holders that are not affiliated with an NYSE Arca Options OTP Holder or OTP Firm. ETP Holders that are not affiliated with an NYSE Arca Options OTP Holder or OTP Firm are eligible for fees and credits by others means than the Cross Asset Tier 2. ETP Holders would be subject to the same fee structure and be offered the same alternatives to qualifying for the Cross-Asset Tier 2 credit.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges and with alternative trading systems that have been exempted



from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees and credits in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. As a result of all of these considerations, the Exchange does not believe that the proposed changes will impair the ability of ETP Holders or competing order execution venues to maintain their competitive standing in the financial markets.

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 foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)<sup>14</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>15</sup> thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

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 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)<sup>16</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(2).

<sup>16</sup> 15 U.S.C. 78s(b)(2)(B).

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEARCA-2016-22 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-2016-22. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the

principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEARCA-2016-22 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.<sup>17</sup>

Robert W. Errett  
Deputy Secretary

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<sup>17</sup> 17 CFR 200.30-3(a)(12).