SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77885; File No. SR-NYSEArca-2016-75)

May 23, 2016

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Options Fee Schedule

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 May 17, 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 Options Fee Schedule ("Fee Schedule"). The Exchange proposes to implement the fee change effective May 17, 2016. The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and

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

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

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 purpose of this filing is to restructure the Lead Market Maker ("LMM") Rights Fees ("Rights Fee") and to provide new opportunities for LMMs to achieve a discounted Rights Fee based on volume executed on the Exchange. The Exchange proposes to implement the fee change effective May 17, 2016.

Currently, the Exchange charges a Rights Fee on each issue in an LMM's allocation, with rates based on the Average National Daily Customer Contracts ("CADV"). The monthly Rights Fee ranges from $45 per month to $1,500 per month. With one exception, under the current Fee Schedule the more active an issue, the higher the Rights Fee. The one exception to this general rule is that the Exchange currently charges a higher rate for the lowest-volume issues (i.e., less than 101 CADV) to balance the Exchange's revenue with the cost of listing and maintaining these low-volume issues.

The Exchange proposes to restructure the LMM Rights Fee to be more aligned with the economic benefit of being the LMM in a given issue, based on trading activity in an issue. The Exchange proposes that some rates would decrease (for lower-volume issues) and others would increase (for higher-volume issues). Using the same CADV levels currently in place, the Exchange proposes to modify the Rights Fee as follows:

LMM Rights Fee		
Average National Daily Customer Contracts	**Current Fee**	**Proposed Fee**
0-100	$125	$25
101-1,000	$45	$35

1,001-2,000	$75	$75
2,001-5,000	$200	$200
5,001-15,000	$375	$750
15,001-100,000	$750	$1,500
100,000+	$1,500	$3,000

As shown in the chart above, the Exchange proposes to significantly decrease the Rights Fee for the lowest-volume issues (i.e., between 0-100 contracts) to better account for the costs to each LMM, irrespective of costs and revenue to the Exchange associated with listing an issue.[4] The Exchange also proposes to slightly decrease the Rights Fee for option issues trading between 101-1,000 CADV to similarly align with the cost to the Exchange associated with such issues. The Exchange believes the proposed reduction in the Rights Fee for issues trading under 1,001CADV [sic] would create an incentive for LMMs to request appointments in these lower-volume issues, which may result in increased liquidity to the benefit of market participants. In addition, the Exchange proposes to increase the Rights Fees associated with the three most active CADV categories of issues to better reflect the economic benefits of being an LMM in more actively-traded issues (i.e., option issues trading more than 5,000 CADV). The Exchange believes the proposed modifications to the Rights Fee are appropriate as an LMM would have an opportunity to interact with fewer than 101 contracts per day to cover the proposed $25 per month Rights Fee and would have the opportunity to interact with more than 100,000 contracts per day to cover the proposed $3,000 per month Rights Fee.

To potentially offset the proposed increase in Rights Fees for the most actively traded issues, the Exchange also proposes to adopt two additional discounts to the Rights Fee for the

4 In line with the proposed changes to the Rights Fee for the lowest-volume issues, the Exchange also proposes to delete from the Fee Schedule language regarding when the issues were listed and whether certain issues are "grandfathered" such that the LMM Rights Fee for the next highest tier applies, in addition to the related asterisk appearing after the 0-100 CADV level.

three most active CADV categories of issues. Specifically, the proposed discounts would be available to LMMs with issues in their appointment with a CADV above 5,000 and would be based on the amount of monthly (i) total electronic volume and/or (ii) total posted volume executed by an LMM in the Market Maker range relative to other Marker [sic] Makers appointed in that issue.[5] The Exchange notes that there is only one LMM per issue, and only LMMs are subject to the Rights Fee. Under the proposal, each month the LMM in an issue would be ranked against non-LMM Market Makers that quote and trade in that LMM's issue. For each issue, each month, if the LMM achieves the highest total electronic volume amongst all Market Makers, the LMM would receive a 50% discount to its Rights Fee. In addition, as proposed, for each issue, each month, if the LMM achieves the second highest total electronic volume amongst all Market Makers, the LMM would receive a 25% discount to its Rights Fee. The Exchange believes the proposed discounts would incentivize an LMM to compete against non-LMMs in that issue to more aggressively quote in order to reduce the LMM's Rights Fee.

Similarly, for each issue, each month, if the LMM that [sic] achieves the highest total posted volume amongst all Market Makers, the LMM would receive a 50% discount to [sic] Rights Fee. And, for each issue, each month, if the LMM achieves the second highest posted volume amongst all Market Makers, the LMM would receive a 25% discount to [sic] Rights Fee. Again, the Exchange believes the proposed discounts would incentivize [sic] to compete against non-LMM Market Makers to reduce its own Rights Fee. For example, if one or more non-LMM Market Makers were ranked first and second in (i) total electronic volume and (ii) total posted volume, the LMM would not receive a discount to its Rights Fee. However, when the LMM achieves one or both of the top volume rankings, the LMM would be eligible for a reduction.

5 Total posted volume executed by an LMM refers to the total volume executed from posted liquidity.

The Exchange notes that the proposed discounts would be cumulative and the same LMM would be eligible to achieve the discount for each monthly volume category. For example, if in a given month an LMM ranked 1st in Total Electronic Volume in the issue and also ranked 2nd in Total Posting Volume in the issue, that LMM would achieve a combined 75% discount in that issue. The Exchange believes that the proposed discounts may incent LMMs that already transact a significant amount of business on the Exchange to quote and trade competitively in their issues to achieve the highest (or second highest) monthly ranking in total electronic volume and total posted volume. The Exchange also believes the proposed changes may generate interest in LMMs to apply for new issue allocations, which would increase not only an LMM's volume, but would encourage liquidity on the Exchange to the benefit of all market participants.

The Exchange currently provides a 50% discount to an LMM's aggregate Rights Fees across all issues. This 50% discount is applied to an LMM that trades at least 50,000 contracts CADV, of which 10,000 such contracts are in its LMM appointment (the "Existing LMM Discount"), which discount is not being altered by this proposal.[6] The Exchange would first determine whether an LMM qualified for the proposed per issue discounts and would apply any such discounts. Next, the Exchange would determine whether the LMM had qualified for the Existing LMM Discount. The 50% discount under the Existing LMM Discount would be applied only after any discount under the proposal is applied. Consider, for example, that an LMM has 10 issues in its allocation each of which are subject to a $500 per month Rights Fee (totaling $5,000). If the LMM achieved the proposed 50% discount for posted volume in two

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6 See Fee Schedule, Endnote 2, available here, https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf. The Exchange is not making any changes to this discount.

issues in its allocation, the LMM's Rights Fee for these issues would be reduced by $250 (reducing the LMM's overall Rights Fee to $4,500). If the LMM also qualified for the Existing LMM Discount, the Exchange would reduce the total Rights Fee of $4,500 by 50% to $2,250.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[7] in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,[8] 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 discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed modifications to the LMM Rights Fees are reasonable, equitable and not unfairly discriminatory as the proposed Rights Fees are more closely aligned with the economic benefit of being LMM in a given issues. For example, an LMM would have an opportunity to interact with fewer than 101 contracts per day to cover the proposed $25 per month Rights Fee and would have the opportunity to interact with more than 100,000 contracts per day to cover the proposed $3,000 per month Rights Fee. The Exchange also believes that proposed Rights Fees are not unfairly discriminatory because they apply solely to LMMs (non-LMMs are not subject to this Fee) and LMMs trading issues with similar activity levels would be subject to the same Rights Fees. Moreover, the Exchange notes that an LMM can opt to relinquish any issue in its allocation to reduce its Rights Fee, so the proposed Rights Fees are completely voluntary.

The Exchange also believes the proposed discounts on the Rights Fees available to LMMs with issues in their appointment with a CADV of 5,001 or above are reasonable,

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7 15 U.S.C. 78f(b).

8 15 U.S.C. 78f(b)(4) and (5).

equitable and not unfairly discriminatory for a number of reasons. First, all LMMs trading issues with similar activity levels would be eligible to achieve the discount (e.g., those LMMs trading issues with a CADV of 5,001 or above). The Exchange notes that there is only one LMM per issue, and only LMMs are subject to the Rights Fee. Under the proposal, each month the LMM in an issue would be ranked against non-LMM Market Makers that quote and trade in that LMM's issue. Because the non-LMM Market Makers are not subject to the Rights Fee, the proposed discount would not disadvantage Market Makers. Instead, the proposed volume-based discounts would operate to incentivize each LMM to achieve first or second ranking in monthly volume for each issue, relative to non-LMM Market Makers to reduce its own Rights Fee. In addition, such discounts would reduce the overhead costs of LMM firms that are most actively trading in the issues, which reduced costs would enhance the ability of LMMs to provide liquidity to the benefit of all market participants.

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

For these 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,[9] the Exchange does not believe that the proposed rule change would 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 modifications on the LMM Rights Fees would not impose an unfair burden on competition because the proposed Rights Fees would more closely align with the economic benefit of being LMM in a given issue. Because the non-LMM Market Makers are not subject to the Rights Fee,

[9] 15 U.S.C. 78f(b)(8).

the proposed discount would not disadvantage Market Makers. Instead, the proposed volume-based discounts would operate to incentivize each LMM to achieve first or second ranking in monthly volume for each issue, relative to non-LMM Market Makers to reduce its own Rights Fee. The Exchange believes that the proposed discounts would encourage LMMs to quote and trade competitively in their issues and would reduce the burden on competition among LMMs in the most actively-traded issues because LMMs that achieve the discounts would have reduced overhead.

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. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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)[10] of the Act and subparagraph (f)(2) of Rule 19b-4[11] 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

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[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b-4(f)(2).

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)[12] 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-2016-75 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-2016-75. 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

12 15 U.S.C. 78s(b)(2)(B).

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-2016-75 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Robert W. Errett
Deputy Secretary

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