

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86377; File No. SR-NYSEArca-2019-53)

July 15, 2019

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

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 July 12, 2019, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Fees and Charges (“Fee Schedule”) to adopt new pricing tiers, Mid-Point Liquidity Orders Step Up Tier 1 and 2, and modify current Tier 3. The Exchange proposes to implement the fee changes effective July 12, 2019.⁴ 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.

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ The Exchange originally filed to amend the Fee Schedule on July 1, 2019 (SR-NYSEArca-2019-47). SR-NYSEArca-2019-47 was subsequently withdrawn and replaced by this filing.

I. 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 C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to amend the Fee Schedule to adopt new pricing tiers that would (1) provide an additional incentive for all ETP Holders (including Market Makers)⁵ to send liquidity-providing Mid-Point Liquidity ("MPL") Orders⁶ to the Exchange, and (2) provide additional incentives for ETP Holders to provide displayed liquidity in Tapes A and C Securities.

With respect to MPL Orders, the Exchange currently has multiple levels of credits, ranging from \$0.0010 per share to \$0.0020 per share, for ETP Holders that send MPL Orders that provide liquidity. The amount of the per share credit is based on an ETP Holder's traded volume against its MPL orders that provide liquidity.

The purpose of this proposed rule change is to add new pricing tiers to incentivize ETP Holders to increase the liquidity-providing MPL Orders they send to the Exchange as compared

⁵ All references to ETP Holders in connection with the MPL Orders Step Up Tier include Market Makers.

⁶ A MPL Order is a limit order that is not displayed and does not route, with a working price at the midpoint of the Protected Best Bid/Offer. See NYSE Arca Rule 7.31-E(d)(3).

to such orders sent in May 2019. Specifically, the Exchange proposes that an ETP Holder would receive the following credits:

- If an ETP Holder's traded volume against its MPL orders that provide liquidity is one million shares more than such ETP Holder's baseline of MPL liquidity-providing average daily volume ("ADV"), as measured in May 2019, the ETP Holder will receive a credit of \$0.0025 per share for such MPL orders (proposed MPL Orders Step Up Tier 2); or
- If an ETP Holder's traded volume against its MPL orders that provide liquidity is two million shares more than such ETP Holder's baseline of MPL liquidity-providing ADV, as measured in May 2019, the ETP Holder will receive a credit of \$0.0026 per share for such MPL orders (proposed MPL Orders Step Up Tier 1).

The Exchange also proposes to introduce a credit of \$0.0027 per share for adding displayed liquidity in Tapes A and C Securities if an ETP Holder meets both the existing Tier 3 requirements and increases its executed providing volume over its providing ADV as a percent of US CADV from May 2019.

The Exchange proposes to implement the fee changes effective July 12, 2019.

Background

The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has

been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”⁷

As the Commission itself recognized, the market for trading services in NMS stocks has become “more fragmented and competitive.”⁸ Indeed, equity trading is currently dispersed across 13 exchanges,⁹ 31 alternative trading systems,¹⁰ and numerous broker-dealer internalizers and wholesalers, all competing for order flow. Based on publicly-available information, no single exchange has more than 18% market share (whether including or excluding auction volume).¹¹ Therefore, no exchange possesses significant pricing power in the execution of equity order flow. More specifically, for the first five months of 2019, the Exchange averaged less than 9% market share of executed volume of equity trades.¹²

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can move order flow, or discontinue or reduce use of certain categories of products, in response to fee changes. With respect to non-

⁷ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37495, 37499 (June 29, 2005) (S7-10-04) (Final Rule) (“Regulation NMS”).

⁸ See Securities Exchange Act Release No. 51808, 84 FR 5202, 5253 (February 20, 2019) (File No. S7-05-18) (Final rule) (“Transaction Fee Pilot”).

⁹ See Cboe U.S. Equities Market Volume Summary at https://markets.cboe.com/us/equities/market_share.

¹⁰ See FINRA ATS Transparency Data (June 3, 2019), available at <https://otctransparency.finra.org/otctransparency/AtsIssueData>. Although 54 alternative trading systems were registered with the Commission as of May 31, 2019, only 31 are currently trading. A list of alternative trading systems registered with the Commission is available at <https://www.sec.gov/foia/docs/atlist.htm>.

¹¹ See Cboe Global Markets U.S. Equities Market Volume Summary (June 28, 2019), available at http://markets.cboe.com/us/equities/market_share/.

¹² Based on Cboe U.S. Equities Market Volume Summary, the Exchange’s market share of intraday trading (excluding auctions) for the months of January 2019, February 2019, March 2019, April 2019 and May 2019 was 9.01%, 8.33%, 9.02%, 8.73% and 8.8%, respectively.

marketable order flow that would provide liquidity on an Exchange, ETP Holders can choose from any one of the 13 currently operating registered exchanges to route such order flow.

Accordingly, competitive forces constrain exchange transaction fees that relate to orders that would provide liquidity on an exchange.

In response to this competitive environment, the Exchange has already established multiple levels of credits for MPL Orders that allow ETP Holders to passively interact with trading interest on the Exchange and offer potential price improvement to incoming marketable orders submitted to the Exchange.¹³ In order to provide an incentive for ETP Holders to provide such liquidity to the Exchange, the credits increase based on increased levels of volume directed to the Exchange.

More specifically, the Exchange currently provides per share credits under Tier 1, Tier 2 and Basic Rates¹⁴ for MPL Orders that provide liquidity based on the ADV of provided liquidity in MPL Orders for Tape A, Tape B and Tape C Securities combined (“MPL Adding ADV”). For ETP Holders that have MPL Adding ADV during a billing month of at least 3 million shares, the Exchange provides a credit of \$0.0015 per share for Tape A Securities and \$0.0020 per share for Tape B and Tape C Securities. For ETP Holders with MPL Adding ADV during a billing month of at least 1.5 million shares but less than 3 million shares, the Exchange provides a credit

¹³ See, e.g., Securities Exchange Act Release No. 54511 (September 26, 2006), 71 FR 58460, 58461 (October 3, 2006) (SR-PCX-2005-53).

¹⁴ Tier 1 applies to ETP Holders (1) that provide liquidity an average daily share volume per month of 0.70% or more of the US CADV. Tier 2 applies to ETP Holders that provide liquidity an average daily share volume per month of 0.30% or more, but less than 0.70% of the US CADV. Basic Rates apply when tier rates do not apply. US CADV means United States Consolidated Average Daily Volume for transactions reported to the Consolidated Tape, excluding odd lots through January 31, 2014 (except for purposes of Lead Market Maker pricing), and excludes volume on days when the market closes early and on the date of the annual reconstitution of the Russell Investments Indexes. Transactions that are not reported to the Consolidated Tape are not included in US CADV.

of \$0.0015 per share for Tape A, Tape B and Tape C Securities. For ETP Holders with MPL Adding ADV during a billing month of less than 1.5 million shares, the Exchange provides a credit of \$0.0010 per share for Tape A, Tape B and Tape C Securities.¹⁵

In addition, the Exchange currently has different rates depending on whether an ETP Holder meets different specified volume thresholds. Under the current Tier 3 threshold, if an ETP Holder provides liquidity of an average daily share volume per month of 0.20% or more, but less than 0.30% of US CADV, that ETP Holder is eligible for the specified Tier 3 fees and credits. For Tape A and C Securities, if an ETP Holder qualifies for Tier 3, that ETP Holder is eligible for a \$0.0025 per share credit for orders that provide liquidity to the Book, and is charged a fee of \$0.0030 per share for order that take liquidity from the Book.

Proposed Fee Change for MPL Orders

The Exchange proposes two additional tiers designed to provide an additional incentive for ETP Holders to enter MPL Orders that post interest on the Exchange. As proposed:

- An ETP Holder that qualifies for the “MPL Orders Step Up Tier 2” is eligible for a \$0.0025 per share credit for MPL Orders that provide liquidity in Tape A, Tape B, and Tape C Securities. To qualify for this tier, ETP Holders must provide liquidity to the Book in MPL Orders in Tape A, Tape B and Tape C Securities combined (“MPL Adding ADV”) during the billing month equal to at least one million shares more than the ETP Holder’s May 2019 MPL Adding ADV.
- An ETP Holder that qualifies for the “MPL Orders Step Up Tier 1” is eligible for a \$0.0026 per share credit in MPL Orders that provide liquidity in Tape A, Tape

¹⁵ The Exchange charges a fee of \$0.0030 per share for MPL Orders in Tape A, Tape B and Tape C Securities that remove liquidity from the Exchange that are not designated as “Retail Orders.” MPL Orders removing liquidity from the Exchange that are designated as Retail Orders are subject to a fee of \$0.0010 per share. See Fee Schedule.

B, and Tape C Securities. To qualify for this tier, ETP Holders must provide liquidity to the Book in MPL Orders in Tape A, Tape B and Tape C Securities combined (“MPL Adding ADV”) during the billing month equal to at least two million shares more than the ETP Holder’s May 2019 MPL Adding ADV.

The goal of the proposed change to add MPL Orders Step Up Tiers 1 and 2 is to incentivize ETP Holders with higher per share credits to increase the number of MPL Orders they post on the Exchange’s Book, which would provide additional price improvement opportunities for incoming orders. MPL Orders allow for additional opportunities for passive interaction with trading interest on the Exchange and are designed to offer potential price improvement to incoming marketable orders submitted to the Exchange. The Exchange believes that by correlating the level of the credit to the level of MPL Adding ADV, the Exchange’s fee structure would incentivize ETP Holders to submit more liquidity-providing MPL Orders to the Exchange, thereby increasing the potential for price improvement to incoming marketable orders submitted to the Exchange.

The Exchange proposes to increase the credits available under the proposed MPL Orders Step Up Tiers to provide an incentive for ETP Holders to send increased order flow to qualify for these tiers. As noted above, the Exchange operates in a competitive environment, particularly as it relates to attracting MPL Orders that are posted on the Exchange’s Book. Because each of the proposed MPL Orders Step Up Tiers would require ETP Holders to provide increased liquidity over that ETP Holder's baseline providing volume, the Exchange believes that the proposed increased credits would incentivize ETP Holders to route additional liquidity providing MPL Orders to the Exchange to qualify for the higher credit.

The Exchange does not know how much order flow ETP Holders choose to route to other exchanges or to off-exchange venues. There are currently two firms that qualify for the credits associated with MPL Orders under current Tier 1, while five other firms currently qualify for the credits associated with MPL Orders under current Tier 2. The Exchange further notes that there are 12 firms that currently have MPL Adding ADV of at least 500,000 shares and if these firms were to submit more of their liquidity-providing MPL Orders to the Exchange, each could qualify for the proposed increased credits under either of the proposed MPL Orders Step Up tiers. However, without having a view of ETP Holders' activity on other markets and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would result in any ETP Holders qualifying for these tiers. The Exchange believes the proposed higher credits would provide an incentive for ETP Holders to submit additional liquidity-providing MPL Orders to the Exchange to qualify for the higher credits.

Proposed Rule Change for Tier 3

The Exchange proposes to provide an increased incentive for ETP Holders that otherwise qualify for the current Tier 3 to send displayed orders to the Exchange in Tape A and C Securities. As proposed, if an ETP Holder (including Market Makers) meets the requirements of Tier 3 and, for the billing month, its ADV of executed orders that provide liquidity is at least 0.05% of US CADV more than the ETP Holder's ADV of executed orders that provide liquidity as a percent of US CADV in May 2019, that ETP Holder would be eligible for a \$0.0027 per share credit for orders that provide liquidity to the Book in Tape A and C Securities.

For example, assume an ETP Holder has an ADV of executed orders that provide liquidity of 0.10% of US CADV in all securities in the baseline month of May 2019. If that ETP Holder has an ADV of executed orders that provide liquidity of 0.25% of US CADV in the

billing month, that ETP Holder would qualify for current Tier 3 credits of \$0.0025 per share in Tape A and C Securities by meeting the 0.20% adding requirement, but would also qualify for the proposed higher credits of \$0.0027 per share by meeting the 0.05% step up requirement with an increase of 0.15% (0.0025% Adding ADV in the billing month minus the 0.0010% Adding ADV in the baseline month).

The goal of this proposed rule change is to provide an additional incentive for ETP Holders to send displayed liquidity to the Exchange. If an ETP Holder qualifies for Tier 3 and meets the additional proposed volume requirements, that ETP Holder would be eligible for an increased credit for displayed liquidity as compared to the current credit for qualifying for Tier 3, which is \$0.0025 per share credit for orders that provide liquidity in Tape A and C Securities.

With this proposed change, the following credits would be available for orders that provide liquidity to the Book in Tapes A and C Securities:

<i>Tier</i>	<i>Per Share Credit for Orders Providing Liquidity</i>
Tier 1	\$0.0031 (Tape A) \$0.0032 (Tape C)
Tier 2	\$0.0031 (Tapes A and C) or \$0.0029 (Tapes A and C)
Tier 3	\$0.0025 (Tape A and C) or \$0.0027 (Tape A and C)
Step Up Tier	\$0.0030 (Tape A) \$0.0031 (Tape C)
Step Up Tier 2	\$0.0028 (Tapes A and C)
Step Up Tier 3	\$0.0025 (Tapes A and C)

Step Up Tier 4	\$0.0033 (Tapes A and C)
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As noted above, the Exchange operates in a competitive environment, particularly as it relates to attracting non-marketable, providing liquidity that would be displayed on the Exchange. The proposed rule change is designed to incentivize ETP Holders to increase the orders sent to the Exchange that would provide displayed liquidity, which would support the quality of price discovery and transparency on the Exchange. The Exchange believes that by correlating the level of the credit to the level of executed providing volume on the Exchange, the Exchange's fee structure would incentivize ETP Holders to submit more displayed, liquidity-providing orders to the Exchange that are likely to be executed (i.e., are not orders that are intended to be displayed, but are priced such that they are not likely to be executed), thereby increasing the potential for incoming marketable orders submitted to the Exchange to receive an execution.

Applicability of Proposed Rule Change

Both of the proposed changes to the Fee Schedule are designed to be available to all ETP Holders on the Exchange.

With respect to the proposed new MPL Orders Step Up Tiers, there are currently two ETP Holders that have qualified for the credits associated with MPL Orders under current Tier 1, while five other ETP Holders currently qualify for the credits associated with MPL Orders under current Tier 2. The Exchange further notes that there are 12 ETP Holders that currently have MPL Adding ADV of at least 500,000 shares and if these firms were to submit more of their liquidity-providing MPL Orders to the Exchange, each could qualify for the proposed increased credits under either of the proposed MPL Order Step Up tiers.

With respect to the proposed new credit under Tier 3 for orders that provide liquidity, there are currently four ETP Holders that qualify for Tier 3. The Exchange believes that each of these ETP Holders could meet the proposed volume requirements to qualify for the proposed new credit for displayed liquidity under this tier. In addition, the Exchange believes that there are additional ETP Holders that could qualify for both the existing Tier 3 requirements as well as the proposed new requirements in order to qualify for the proposed new credit. However, without having a view of ETP Holders' activity on other markets and off-exchange venues, the Exchange has no way of knowing whether these proposed rule changes would result in any ETP Holders qualifying for any of these proposed new credits.

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,¹⁶ in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,¹⁷ 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 Proposed Fee Change is Reasonable

The Exchange operates in a highly competitive market. The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(4) and (5).

Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹⁸

As the Commission itself recognized, the market for trading services in NMS stocks has become “more fragmented and competitive.”¹⁹ Indeed, equity trading is currently dispersed across 13 exchanges,²⁰ 31 alternative trading systems,²¹ and numerous broker-dealer internalizers and wholesalers, all competing for order flow. Based on publicly-available information, no single exchange has more than 18% market share (whether including or excluding auction volume).²² Therefore, no exchange possesses significant pricing power in the execution of equity order flow. More specifically, for the first five months of 2019, the Exchange averaged less than 9% market share of executed volume of equity trades (excluding auction volume).²³ The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow, or discontinue to reduce use of

¹⁸ See Regulation NMS, 70 FR at 37499.

¹⁹ See Transaction Fee Pilot, 84 FR at 5253.

²⁰ See Cboe U.S. Equities Market Volume Summary at https://markets.cboe.com/us/equities/market_share.

²¹ See FINRA ATS Transparency Data (June 3, 2019), available at <https://otctransparency.finra.org/otctransparency/AtsIssueData>. Although 54 alternative trading systems were registered with the Commission as of May 31, 2019, only 31 are currently trading. A list of alternative trading systems registered with the Commission is available at <https://www.sec.gov/foia/docs/atlist.htm>.

²² See Cboe Global Markets U.S. Equities Market Volume Summary (June 28, 2019), available at http://markets.cboe.com/us/equities/market_share/.

²³ Based on Cboe U.S. Equities Market Volume Summary, the Exchange’s market share of intraday trading (excluding auctions) for the months of January 2019, February 2019, March 2019, April 2019 and May 2019 was 9.01%, 8.33%, 9.02%, 8.73% and 8.8%, respectively.

certain categories of products, in response to fee changes. Accordingly, competitive forces reasonably constrain exchange transaction fees. Stated otherwise, changes to exchange transaction fees can have a direct effect on the ability of an exchange to compete for order flow.

The Exchange believes the proposed MPL Orders Step Up Tiers 1 and 2 are reasonable because the higher credits under the proposed MPL Orders Step Up Tiers would provide an incentive for ETP Holders to route additional liquidity-providing MPL Orders to the Exchange. As noted above, the Exchange operates in a highly competitive environment, particularly for attracting order flow that provides liquidity on an exchange. The Exchange believes it is reasonable to continue to provide a higher credit for orders that provide liquidity if an ETP Holder meets the qualification for the proposed MPL Orders Step Up Tiers.

Because the proposed MPL Orders Step Up Tiers would be new with a requirement to increase MPL Adding ADV, no ETP Holder currently qualifies for the proposed new pricing tiers. The Exchange believes the proposed increased credits are reasonable as they would provide an additional incentive for ETP Holders to qualify for these new tiers and direct their order flow to the Exchange and provide meaningful added levels of liquidity, thereby contributing to the depth and market quality on the Exchange.

The Exchange notes that there are currently two firms that qualify for the credits associated with MPL Orders under current Tier 1, while five other firms currently qualify for the credits associated with MPL Orders under current Tier 2. The Exchange further notes that there are 12 firms that currently have MPL Adding ADV of at least 500,000 shares and if these firms were to submit more of their liquidity-providing MPL Orders to the Exchange, each could qualify for the proposed increased credits. However, without having a view of ETP Holders' activity on other markets and off-exchange venues, the Exchange has no way of knowing

whether this proposed rule change would result in any ETP Holders qualifying for these tiers. The Exchange believes the proposed higher credits would provide an incentive for ETP Holders to submit additional adding liquidity to qualify for the higher credits.

The Exchange believes that the proposed new credit for displayed liquidity providing orders in Tapes A and C Securities under current Tier 3 is reasonable because it provides for an incentive for ETP Holders to route additional displayed liquidity-providing order flow to the Exchange, which will promote price discovery and increase execution opportunities for all ETP Holders. The proposed pricing is structured similarly to the Exchange's current Tier 2, which likewise provides for a per share credit for orders that provide liquidity in Tape A and C Securities, and provides for a higher per share credit for orders that provide displayed liquidity if the ETP Holder meets the additional qualifying requirements.²⁴ The Exchange further believes that the proposed change to Tier 3 is reasonable because an ETP Holder that otherwise qualifies for the tier would still be eligible for the current per share credit of \$0.0025 per share for orders that provide liquidity. The proposed additional credit is designed to provide an incentive for such ETP Holder to route additional displayed providing liquidity to the Exchange, which would be eligible for the higher credit.

On the backdrop of the competitive environment in which the Exchange currently operates, the proposed rule change is a reasonable attempt by the Exchange to increase its liquidity and improve its market share relative to its competitors.

²⁴ If an ETP Holder qualifies for Tier 2, the per share credit for orders that provide liquidity in Tape A and C Securities is \$0.0029 per share. That that ETP Holder both meets the Tier 2 qualifying requirements plus the additional requirements, the per share credit for orders that provide displayed liquidity in Tape A and C Securities is \$0.0031 per share.

The Proposed Fee Change is an Equitable Allocation of Credits and Fees

The Exchange believes the proposed fee change is an equitable allocation of its fees and credits. The Exchange believes that the proposed increased credit under the MPL Orders Step Up Tiers 1 and 2 is equitable because the magnitude of the additional credit is not unreasonably high in comparison to the credit paid with respect to other pricing tiers on the Exchange, and in comparison to the credits paid by other exchanges for orders that provide midpoint liquidity. For example, ETP Holders currently receive credits in Tape A, Tape B and Tape C Securities that range between \$0.0010 per share and \$0.0020 per share under Tier 1, Tier 2 and Basic Rates.

With respect to credits paid by the Exchange's competitors, the Nasdaq Stock Market LLC provides a credit of \$0.0025 per share for MPL orders in Tape A, Tape B and Tape C Securities that add non-displayed midpoint liquidity on that market for members that add greater than 5 million shares of midpoint liquidity and add 8 million shares on non-displayed liquidity.²⁵

The Exchange believes that the proposed new credit for liquidity providing orders in Tapes A and C Securities under current Tier 3 is also equitable because the proposal would continue to encourage ETP Holders to route displayed liquidity to the Exchange in Tape A and C Securities, thereby contributing to robust levels of liquidity, which benefits all market participants.

The Exchange notes that there are currently 4 firms qualifying for Tier 3 and another 4 firms within 0.1% of qualifying for Tier 3. Based on current participation on the Exchange, one firm would qualify for the new credit and six firms are within 0.1% of qualifying for it. Without having a view of an ETP Holder's activity on other markets and off-exchange venues, the Exchange believes the proposed new credit would provide an incentive for market participants to

²⁵ See Rebate to Add Non-Displayed Midpoint Liquidity, at <http://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>.

increase liquidity in order to qualify for the proposed credit, thereby encouraging submission of additional liquidity to the Exchange. The proposed change will thereby encourage the submission of additional liquidity to a national securities exchange, thus promoting price discovery and transparency and enhancing order execution opportunities for ETP Holders from the substantial amounts of liquidity present on the Exchange. All ETP Holders would benefit from the greater amounts of liquidity that will be present on the Exchange, which would provide greater execution opportunities.

The Exchange believes the proposed rule change would improve market quality for all market participants on the Exchange and, as a consequence, attract more liquidity to the Exchange thereby improving market-wide quality. The proposal neither targets nor will it have a disparate impact on any particular category of market participant. ETP Holders that currently qualify for credits associated with MPL Orders will continue to receive credits when they provide liquidity to the Exchange. With the proposed new MPL Orders Step Up Tiers, all ETP Holders would be eligible to qualify for the higher credit if they increase their MPL Adding ADV over their own baseline of order flow. The Exchange believes that recalibrating the credits for providing liquidity will continue to attract order flow and liquidity to the Exchange, thereby providing additional price improvement opportunities on the Exchange and benefiting investors generally. As to those market participants that do not presently qualify for the credits associated with MPL Orders, the proposal will not adversely impact their existing pricing or their ability to qualify for other credits provided by the Exchange.

The Proposed Fee Change is not Unfairly Discriminatory

The Exchange believes it is not unfairly discriminatory to provide increased per share credits as the proposed increased credits would be provided on an equal basis to all ETP Holders

that add liquidity by meeting the requirements of the proposed MPL Orders Step Up Tiers. Further, the Exchange believes the proposed increased per share credits would incentivize ETP Holders that meet the current tiered requirements to send more of their MPL Orders to the Exchange to qualify for increased credits. The Exchange also believes that the proposed change is not unfairly discriminatory because it is reasonably related to the value of the Exchange's market quality associated with higher volume. The proposed increased per share credits would apply equally to all ETP Holders as each would be required to provide liquidity in MPL Orders for Tape A, Tape B and Tape C Securities combined during the billing month equal to at least 2 million shares over the ETP Holder's May 2019 MPL Adding ADV in order to qualify for MPL Orders Step Up Tier 1 and at least 1 million shares over the ETP Holder's May 2019 MPL Adding ADV in order to qualify for MPL Orders Step Up Tier 2 regardless of whether an ETP Holder currently meets the requirement of another pricing tier.

Similarly, the Exchange believes it is not unfairly discriminatory to provide a higher new credit for liquidity providing orders in Tapes A and C Securities under current Tier 3 because the proposed credit would be provided on an equal basis to all ETP Holders that add liquidity by meeting the Tier 3 requirements. Further, the Exchange believes the proposed credit would incentivize ETP Holders to send more orders to the Exchange to qualify for the higher credit.

Finally, the submission of orders to the Exchange is optional for ETP Holders in that they could choose whether to submit orders to the Exchange and, if they do, the extent of its activity in this regard. 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,²⁶ 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, as discussed above, the Exchange believes that the proposed changes would encourage the submission of additional liquidity to a public exchange, thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities for ETP Holders. As a result, the Exchange believes that the proposed change furthers the Commission's goal in adopting Regulation NMS of fostering integrated competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."²⁷

Intramarket Competition. The proposed changes are designed to attract additional order flow to the Exchange. The Exchange believes that the proposed increased credits would continue to incentivize market participants to direct more orders to the Exchange, and in particular, liquidity providing MPL Orders. Greater liquidity benefits all market participants on the Exchange by providing more trading opportunities and encourages ETP Holders, to send orders, thereby contributing to robust levels of liquidity, which benefits all market participants on the Exchange. The proposed credits would be available to all similarly-situated market participants, and, as such, the proposed change would not impose a disparate burden on competition among market participants on the Exchange.

Intermarket Competition. The Exchange operates in a highly competitive market in which market participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. The

²⁶ 15 U.S.C. 78f(b)(8).

²⁷ Regulation NMS, 70 FR at 37498-99.

Exchange notes that for the months of January 2019, February 2019, March 2019, April 2019 and May 2019, the Exchange's market share of intraday trading (excluding auctions) was 9.01%, 8.33%, 9.02%, 8.73% and 8.8%, respectively.²⁸ In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges and with off-exchange venues. 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 does not believe its proposed fee change can impose any burden on intermarket competition.

The Exchange believes that the proposed change 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.

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)²⁹ of the Act and subparagraph (f)(2) of Rule 19b-4³⁰ 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

²⁸ See note 12, *supra*.

²⁹ 15 U.S.C. 78s(b)(3)(A).

³⁰ 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)³¹ 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-2019-53 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-2019-53. 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

³¹ 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 offices of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2019-53, 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.³²

Jill M. Peterson
Assistant Secretary

³² 17 CFR 200.30-3(a)(12).