January 11, 2018

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change to Modify the NYSE American 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 December 29, 2017, NYSE American LLC (“Exchange” or “NYSE American”) 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 modify the NYSE American Options Fee Schedule. The proposed 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 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.

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\(^3\) 17 CFR 240.19b-4.
A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this filing is to modify portions of the Fee Schedule, as described below, effective January 1, 2018.

Market Maker Sliding Scale-Electronic (“Sliding Scale”)

Section I.C. of the Fee Schedule sets forth the Sliding Scale of transaction fees charged to NYSE American Options Marker [sic] Makers (referred to as Market Makers herein), which fees decrease upon the Market Maker achieving higher monthly volumes.4 Currently, Market Makers that have monthly volume on the Exchange of 0.15% or less of total Industry Customer Equity and ETF Option Volume are charged a base rate of $0.25 per contract and, these same market participants, upon reaching certain volume thresholds, or Tiers, receive the same per contract reduction for volume in each respective tier, as set forth in the table below. In addition, the Exchange charges a lower per contract base rate (of $0.23) to Market Makers that participate in a Prepayment Program, with lower marginal rates applied to volumes in successive tiers.

<table>
<thead>
<tr>
<th>Tier</th>
<th>Market Maker Electronic Monthly Volume as a % of Industry Customer Equity and Exchange Traded Fund (“ETF”) Option</th>
<th>Rate per Contract</th>
<th>Rate per Contract if Monthly Volume from Posted Volume is more than .85% of Total Industry Customer Equity and ETF Option Volume or</th>
</tr>
</thead>
</table>

The Exchange proposes to replace the current table that describes the Sliding Scale with the table below, which modifies qualification thresholds and associated transaction fees for all Electronic Marker [sic] Maker volume:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Market Maker Electronic ADV as a % of TCADV</th>
<th>Rate per Contract for Non-Take Volume¹</th>
<th>Rate per Contract for Take Volume</th>
<th>Prepayment Program Participant Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.00% to 0.20%</td>
<td>$0.25</td>
<td>$0.25</td>
<td>$0.22</td>
</tr>
<tr>
<td>2</td>
<td>&gt; 0.20% to 0.65%</td>
<td>$0.22</td>
<td>$0.24</td>
<td>$0.17</td>
</tr>
<tr>
<td>3</td>
<td>&gt; 0.65% to 1.40%</td>
<td>$0.12</td>
<td>$0.17</td>
<td>$0.08</td>
</tr>
<tr>
<td>4</td>
<td>&gt; 1.40% to 2.00%</td>
<td>$0.09</td>
<td>$0.14</td>
<td>$0.05</td>
</tr>
<tr>
<td>5</td>
<td>&gt; 2.00%</td>
<td>$0.06</td>
<td>$0.09</td>
<td>$0.03</td>
</tr>
</tbody>
</table>

First, the Exchange proposes to restate the volume thresholds in terms of a Market
Maker’s average daily volume or ADV as a percent of the TCADV, a defined term,\(^5\) which is mathematically equivalent to a Market Maker’s monthly total volume as a percent of the Industry Customer equity and ETF Total Volume. This proposed change would add clarity and internal consistency to the Fee Schedule.\(^6\)

Second, as shown in the table above, the Exchange proposes to:

- Increase the minimum volume necessary to achieve each successive Tier;
- Differentiate the type of volume that qualifies for specific rates by applying different rates depending on whether the Market Maker volume is take or non-take volume;\(^7,8\) and
- Reduce the number of Tiers from 6 to 5.

Third, because the Exchange will be offering different rates depending on whether volume is make or take, the Exchange proposes to eliminate as unnecessary the minimum volume threshold for posted volume (of 0.85% of TCADV) to qualify for a reduced per contract

\(^5\) See Fee Schedule, supra note 4, Key Terms and Definitions (defining TCADV as “Total Industry Customer equity and ETF option average daily volume. TCADV includes OCC calculated Customer volume of all types, including Complex Order transactions and QCC transactions, in equity and ETF options”).

\(^6\) See, e.g., Fee Schedule, supra note 4, Section I.A. and I.E. (similarly expressing qualification thresholds in terms of percentage of TCADV).

\(^7\) For purposes of the Sliding Scale, “all eligible volume that does not remove liquidity” would be considered non-take volume; whereas any volume that removes liquidity would be considered take volume.” See proposed Fee Schedule, Section I.C., note 1. For example, any Market Maker transaction that interacts with resting liquidity is take volume.

rate. The Exchange proposes to continue to provide reduced rates to Market Makers that participate in the Prepayment Program.

The proposed changes are designed to incent Market Makers to transact more business on the Exchange, including by posting a more meaningful percentage of TCADV, executing more take volume, and committing to transact a certain amount of business on the Exchange by enrolling in the Prepayment Program.9

Prepayment Program

The Exchange also proposes to update the Prepayment Programs that it will offer beginning in 2018. In January 2015, the Exchange introduced two Prepayment Programs – for a 1- or 3-year term – to allow Market Makers to prepay a portion of the charges incurred for transactions executed on the Exchange.10 In 2016, the Exchange introduced a “Balance of the Year” program that allowed Market Makers to commit to prepay a portion of their transaction charges for some portion of the calendar year, for a maximum of three-quarters of the year.11 The terms of the current 3-Year, and the subsequently modified 1-Year, Prepayment Programs terminate at the end of 2017.12 The Exchange is proposing to modify the Prepayment Programs that it offers beginning in 2018 to encourage broader participation by Market Maker firms. Specifically, the Exchange proposes to eliminate reference to the 3 Year Prepayment Program,

9 See proposed Fee Schedule, Section I.C. See also Fee Schedule, supra note 4, Section I.D. (Prepayment Program) (describing the 1- and 3-Year Prepayment Programs, including requisite timelines for committing and prepaying as well as various conditions to opt out of the 3-Year Prepayment Program).


12 See Fee Schedule, Section I.D (Prepayment Programs), supra note 4.
which has expired, and to maintain the 1 Year and Balance of the Year Prepayment Programs, as described below.\textsuperscript{13}

The Exchange proposes to continue to offer the 1 Year Prepayment Program, without altering any aspects of the Program, including offering the same $3 million prepayment amount as was offered for 2017.\textsuperscript{14} Participants in the 1 Year Prepayment Program would continue to qualify its Affiliated (or Appointed) OFP to be eligible to receive the enhanced credit(s) under the American Customer Engagement (“ACE”) Program, including revised credits as proposed herein (and discussed further below).\textsuperscript{15} To enroll in the proposed 1 Year Prepayment Program, a Market Maker would have to notify the Exchange by the last business day before the start of the new (following) year and remit payment to the Exchange by the last business day of January the following year (i.e., the year in which the prepayments would be applied). Thus, any Market Maker that would like to participate in the 1 Year Prepayment Program for 2018 should notify the Exchange of its intent by December 29, 2017 and remit the $3 million prepayment by January 31, 2018.\textsuperscript{16}

Next, the Exchange is proposing to continue to offer a “Balance of the Year” Prepayment Program, without altering any material aspects of the Program. The Exchange would continue to

\textsuperscript{13} See proposed Fee Schedule, Section I.D (Prepayment Programs) (deleting all references to the 3 Year Prepayment Program, including reference to early termination and the ability to opt out; and updating references to 1-Year and Balance of the Year Prepayment Programs to reflect 2018 calendar year and other program updates as described herein).

\textsuperscript{14} See proposed Fee Schedule, Section I.D.

\textsuperscript{15} See Fee Schedule, Section I.E. (American Customer Engagement (“ACE”) Program – Standard Options), supra note 4.

\textsuperscript{16} See proposed Fee Schedule, Section I.D (Prepayment Programs) (modifying the description of the 1 Year Prepayment Programs to remove reference to a specific calendar year and instead maintain requirement [sic] that Market Makers would [sic] the Exchange of their commitment to the Program by sending an email the Exchange at optionsbilling@nyse.com).
require the following prepayments based on the quarter in which a Market Maker joined:

<table>
<thead>
<tr>
<th></th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayment Amount</td>
<td>$2,475,000</td>
<td>$1,800,000</td>
<td>$975,000</td>
</tr>
<tr>
<td>and Payment Schedule</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consistent with the current Balance of the Year Prepayment Program, a Market Maker that participates in the Balance of the Year Program would receive a credit equal to its prepayment amount (i.e., $2,475,000; $1,800,000; or $975,000, respectively) toward certain fees it incurs on the Exchange.17 As proposed, Marker [sic] Makers that enroll in the Balance of the Year Program would be required to notify the Exchange by the last business day before the start of the new (following) quarter (e.g., to participate for three-quarters of the year, notice must be given by the last business day of the first quarter of that year, etc.).18 In addition, consistent with 2017, participants must remit payment by the last business day in the first month of the respective quarter (i.e., the quarter in which prepayments will begin to apply). However, the Exchange proposes to remove reference to specific dates, which were tied to prior calendar years, to avoid having to revise the Fee Schedule on an annual basis. Thus, as proposed, the deadlines to participate in the Balance of the Year Prepayment Program for each quarter would

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17 See id. Similarly, just as with the 1-Year Prepayment Program, the Exchange would apply the prepayment as a credit against certain charges incurred on the Exchange. Once the prepayment credit has been exhausted, the Exchange would invoice the Market Maker at the appropriate rates. In the event that a Market Maker does not conduct sufficient activity to exhaust the entirety of their prepayment credit within the calendar year, there would be no refunds issued for any unused portion of their prepayment credit. See id.

18 See id. (providing that Market Makers would be required to notify the Exchange of their commitment to the Program by sending an email the Exchange at optionsbilling@nyse.com).
be the last business day in April, July and October, for the second, third and fourth quarter, respectively.

Finally, the Exchange proposes to make clear that any prepayments made pursuant to the 1 Year Prepayment Program 1 or the Balance of the Year Prepayment Program would apply to transactions effected using the BOLD Mechanism, pursuant to Section I.M. of the Fee Schedule.19

American Customer Engagement ("ACE") Program

Section I. E. of the Fee Schedule describes the Exchange’s ACE Program. The ACE Program features a base tier and five higher tiers expressed as a percentage of TCADV20 and provides two alternative methods by which Order Flow Providers (each an “OFP”) may receive per contract credits for Electronic Customer volume that the OFP, as agent, submits to the Exchange.21 The Exchange is proposing to modify certain credits offered in the ACE Program.

First, the Exchange proposes to delete the ACE credits for 3 Year Enhanced Customer Volume Credits, and any references thereto, to reflect that the 3 Year Prepayment Program has expired, as noted above.22 The Exchange believes these changes would add clarity, transparency and internal consistency to the Fee Schedule.

19 See id. The Exchange notes that after introducing fees associated with BOLD transactions in 2017, it modified various aspects of the Fee Schedule to account for these fees. However, the Exchange failed to make clear that payments under any of the Prepayment Programs would count towards BOLD transactions and seeks to correct this oversight with this proposed change. See id.

20 See Fee Schedule, Section I.E., supra note 4. The Exchange also proposes to make a grammatical change to the second sentence of the introductory paragraph by changing the word “is” to “are,” which should add clarity to the fee schedule. See proposed Fee Schedule, Section I.E.

21 The volume thresholds are based on an OFP’s Customer volume transacted Electronically as a percentage of TCADV as reported by the OCC. See OCC Monthly Statistics Reports, available here, http://www.theocc.com/webapps/monthly-volume-reports.

22 See proposed Fee Schedule, Section I. E.
Next, the Exchange proposes to modify the enhanced per contract credit applicable to Customer Complex Orders for 1 Year and Balance of the Year Prepayment Participants. Specially, the Exchange proposes to reduce the credit for Tier 1 from $0.20 to $0.19 per contract, while increasing the per contract credit for Tier 4 and 5, from $0.21 and $0.23, respectively, to $0.22 and $0.24, respectively.

The Exchange also proposes to modify the per contract credit applicable to Simple Orders on Customer volume for Tiers 3, 4 and 5. Specifically, the Exchange proposes to reduce the credit for Tier 3, 4, and 5 from $0.19, $0.20, and $0.22, respectively, to $0.17, $0.19, and $0.21, respectively. And, the Exchange proposes to increase the enhanced per contract credit applied to Simple Orders on Customer volume for Prepayment participants that qualify for Tier 5 from $0.23 to $0.24.

The proposed changes to credits payable on Customer volume are intended to encourage ATP Holders and their Affiliates and/or Appointed parties to participate in the Prepayment Programs, while still rewarding OFPs that direct significant amounts of Customer volume to the Exchange with credits on transactions.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act, 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.

Sliding Scale

24 15 U.S.C. 78f(b)(4) and (5).
The Exchange believes that the proposed modifications to the Sliding Scale are reasonable, equitable and not unfairly discriminatory for a number of reasons. First, the Sliding Scale is available to all Market Makers and is based on the amount of business transacted on – and is designed to attract greater volume to – the Exchange. In addition, the elimination of the alternative basis to qualify for a reduced rate by posting monthly volume of at least 0.85% TCADV (if not participating in a Prepayment Program) is not unfairly discriminatory because Market Makers that would like to receive a more favorable per contract rate under the Sliding Scale have the option to commit to one of the Prepayment Programs, which commitment increases liquidity on the Exchange to the benefit of all market participants. Moreover, all Market Makers will be subject to the proposal to impose differing rates depending on whether volume is make or take volume. The proposed adjustments are designed to encourage Market Makers to commit to directing their order flow to the Exchange, which would increase volume and liquidity, to the benefit of all market participants by providing more trading opportunities and tighter spreads. Further, the proposed Sliding Scale thresholds and rates are competitive with fees charged by other exchanges and are designed to attract (and compete for) order flow to the Exchange, which provides a greater opportunity for trading by all market participants. In addition, the proposed changes, which are designed to incent market participants to increase the orders sent directly to the Exchange, should provide liquidity that supports the quality of price discovery and promotes market transparency to the benefit of all market participants. Finally, the Exchange notes that other exchanges have established transaction fees for Market Makers based on maker and taker activity.

Prepayment Program

See MIAx and Cboe fee schedules, supra note 8.

See id.
The Exchange believes that the proposed modifications to the Prepayment Programs are reasonable, equitable and not unfairly discriminatory for a number of reasons. First, all of the Prepayment Programs offered on the Exchange are optional and Market Makers can elect to participate (or elect not to participate). Given the expiration of the 3 Year Prepayment Program, the Exchange believes that the goals of the Prepayment Program continue to be served by continuing to offer the 1 Year and Prepayment Program as well as the Balance of the Year Program. The Exchange believes that continuing to offer these Programs would provide Market Makers with the flexibility to join annually or at various points in the year, which may encourage broader participation in the Prepayment Programs. The Exchange anticipates that the potential greater capital commitment and resulting liquidity on the Exchange would benefit all market participants (including non-Market Makers). Moreover, the Exchange notes that other options exchanges likewise offer Prepayment Programs to market makers that may be joined after the start of the year.\textsuperscript{27} The Exchange also notes that, similar to the Sliding Scale, the Prepayment Program is designed to incent Market Makers to commit to directing their order flow to the Exchange, which would benefit all market participants by expanding liquidity, providing more trading opportunities and tighter spreads, even to those market participants that are not eligible for the Programs. Thus, the Exchange believes the Prepayment Program, as modified, is reasonable, equitable and not unfairly discriminatory to others.

In addition, the Exchange believes that the proposal to replace specific dates with the term “last business day” removes impediments to and perfects the mechanism of a free and open market by eliminating redundant annual rule filings when the Exchange is not changing its fees.

\textsuperscript{27} See, e.g., Cboe fee schedule, supra note 8, at p. 18, footnote 10 (a market maker may be permitted to pay a pro-rated amount of the $2.4 million if, for example, they join the program mid-year).
The Exchange further believes that the proposal removes impediments to and perfects the mechanism of a free and open market by reducing potential confusion among market participants and the investing public who may see a rule filing and mistake it for a fee change when in fact a fee is not changing. The proposed change is also reasonable, equitable and not unfairly discriminatory as it is designed to add clarity to the Fee Schedule to the benefit of all market participants.

The Exchange believes that the proposed change to make clear that fees associated with BOLD transactions would be applied against prepayments made under the Balance of the Year Program would add clarity, transparency and internal consistency to the Fee Schedule.

**ACE Program**

The Exchange believes the proposed changes to the ACE Program are reasonable, equitable and not unfairly discriminatory for a number of reasons. First, the proposed changes to increase three of the credits associated with participants in one of the Prepayment Programs are designed to incent market participants to increase the orders sent directly to the Exchange and therefore provide liquidity that supports the quality of price discovery and promotes market transparency to the benefit of all market participants. The Exchange believes that the proposed fee change would directly relate to the activity of a Market Maker and the activity of an affiliated ATP Holder on the Exchange, thereby encouraging increased trading activity. The Exchange believes that the proposal to amend the credits associated with various Tiers of the ACE Program is reasonable because it provides ATP Holders affiliated with an NYSE American Options Market Maker with additional incentives to participate in the Prepayment Program. The Exchange believes that the proposal to slightly reduce the credits for Simple Orders not associated with participants in one of the Prepayment Programs are likewise reasonable,
equitable and not unfairly discriminatory because such credits are within the range offered by competing options exchanges.28

The Exchange’s proposed grammatical change (see supra note 19) is reasonable, equitable and not unfairly discriminatory as it is designed to add clarity to the Fee Schedule to the benefit of all market participants.

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

In accordance with Section 6(b)(8) of the Act,29 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 changes relating to the Sliding Scale, the Prepayment Program, and the ACE Program may increase both intermarket and intramarket competition by incenting participants to direct their orders to the Exchange, which would enhance the quality of quoting and may increase the volume of contracts traded on the Exchange. To the extent that there is an additional competitive burden on non-NYSE American Market Makers, the Exchange believes that this is appropriate because Market Makers have heightened obligations that other market participants do not and the proposal should incent market participants to direct additional order flow to the Exchange, and thus provide additional liquidity that enhances the quality of its markets and increases the volume of contracts traded here. To the extent that this purpose is achieved, all of the Exchange’s market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on the Exchange.

28 See id., Volume Incentive Program, at p. 3 (offering per contracts credits ranging from $0.09-$0.14 for simple orders).
Given the robust competition for volume among options markets, many of which offer the same products, implementing programs to attract order flow similar to the ones being proposed in this filing, are consistent with the above-mentioned goals of the Act. 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)\(^{30}\) of the Act and subparagraph (f)(2) of Rule 19b-4\(^{31}\) 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)\(^{32}\) of the Act to determine whether the proposed rule change should be approved or disapproved.

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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-NYSEAMER-2017-42 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-NYSEAMER-2017-42. 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. 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-NYSEAMER-2017-42 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.\textsuperscript{33}

\begin{flushright}
Eduardo A. Aleman \\
Assistant Secretary
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\textsuperscript{33} 17 CFR 200.30-3(a)(12).