

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-83203; File No. SR-NYSEAMER-2018-20)

May 9, 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)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 30, 2018, NYSE American LLC (the “Exchange” or “NYSE American”) filed with the Securities and Exchange Commission (the “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 (“Fee Schedule”). The Exchange proposes to implement the fee change effective May 1, 2018. 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

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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.

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 purpose of this filing is to modify the Fee Schedule, effective May 1, 2018. Specifically, the Exchange proposes to modify the Monthly Excessive Bandwidth Utilization Fees (“EBUF”).

Currently, EBUF is assessed to an ATP Holder for submitting orders in an order-to-execution ratio greater than 10,000 over the course of a calendar month (“Orders Fee”), or for submitting in excess of 3 billion messages (either orders or quotes) without executing at least one contract for every 1,500 - 5,000 messages (“Messages Fee”).<sup>4</sup> If an ATP Holder is liable for either or both fees in a given month, that firm is only charged the greater of the two fees.

The Exchange has found that firms may have assessable behavior for an anomaly that takes place over the course of a day or two, or that occurs late in the month before the anomalous behavior can be fully diagnosed and mitigated. Because the firms recognize this as affecting their own efficiency, they address such issues quickly and work with Exchange staff to improve their messaging behavior. The Exchange notes that in a recent period of high volatility, firms were quick to address potential EBUF charges. To encourage a collegial effort in resolving such anomalies, the Exchange proposes that

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<sup>4</sup> Currently, the Exchange has set the ratio at 1 contract for every 5,000 messages.

the EBUF only be charged for the second and any subsequent instance in a rolling 12-month period. In other words, EBUF would not be assessed for the first occurrence in a rolling 12-month period.

The Exchange also proposes to modify the calculation basis for the Messages Fee. Currently, the Exchange charges an ATP Holder a fee of \$0.005 per 1,000 messages (including orders or quotes) in excess of 3 billion messages in a calendar month if the ATP Holder does not execute at least one contract for every 5,000 messages entered. In order for the Exchange to have flexibility to adjust the threshold level to reflect market conditions and current business activity, the Exchange proposes to amend the current rule text in the Fee Schedule to remove reference to the current threshold level of 3 billion messages and replace it with language providing that the level “would be no less than 2 billion messages and no more than 10 billion messages.” The Exchange is not proposing to change the current level, which would remain at 3 billion messages. If the Exchange were to change the level, the Exchange would announce any such change by Trader Update and the revised threshold would be applicable for the next calendar month.

The Exchange also proposes to modify the manner in which the Messages Fee is calculated to encourage quote quality. Specifically, the Exchange proposes to exclude from the Messages to Contracts Traded Ratio calculation any quotes that sets or matches the National Best Bid-Offer (“NBBO”) market at the time the quotes are received. The Exchange believes that such exclusion will encourage Market Makers to submit tighter quotes without the risk that such quotes would result in increased fees. The proposed revised calculation would also keep Market Makers from submitting wide quotes to avoid excessive messaging.

Additionally, the Exchange proposes to exclude from the Messages to Contracts Traded Ratio calculation any quote in a Specialist's or e-Specialist's allocated issues. Specialists and e-Specialists have a heightened Regulatory obligation to make markets in their allocated issues.<sup>5</sup> Unlike other Market Makers, Specialists and e-Specialists cannot relinquish issues from their allocation without the approval of the Exchange.<sup>6</sup>

The Exchange notes that failure to mitigate excessive message traffic by a Specialist or e-Specialist can be addressed by the Exchange by disqualification due to operational change warranting immediate action.<sup>7</sup>

During the period of recent volatility and activity, the Exchange noted a significantly higher number of messages generated without a proportional amount of executed volume, especially in less active-option issues. Concurrently, the Exchange saw no degradation in system performance because of prudent upgrades and expansion of the trading system in the past year. Thus, the Exchange believes that the proposed modifications would continue to encourage market participants to be rational and efficient in the use of the Exchange's system capacity. The Exchange believes that the proposed modifications should also reduce the possibility of charging ATP Holders a Messages Fee for messages designed to help maintain accurate and liquid markets with

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<sup>5</sup> Specialists (and e-Specialists) must provide continuous two-sided quotations throughout the trading day in its appointed issues for 90% of the time the Exchange is open for trading in each issue. See NYSE American Rule 925.1NY.

<sup>6</sup> While Directed Order Market Makers ("DMM") also have a 90% quoting obligation in their DMM issues, DMM issues may be added or dropped at any time, consistent with NYSE American Rule 923NY(c).

<sup>7</sup> The Exchange notes that failure to mitigate excessive message traffic by a Specialist or e-Specialist can be addressed by the Exchange by disqualification due to operational change warranting immediate action. See NYSE American Rule 927NY(b)(2).

narrower spreads.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,<sup>9</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 discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed modifications to the Fees are reasonable, equitable, and not unfairly discriminatory because the proposed changes would continue to encourage market participants to be rational and efficient in the use of the Exchange's system capacity, which would benefit all market participants. The Exchange believes that assessing the Fees only after the second instance in a rolling twelve month period is reasonable because it would encourage participants to work with the Exchange staff to mitigate the issues while not having a deleterious effect on market quality or participation.

The Exchange believes setting the threshold for the Messages Fee to be within a range is reasonable because it would provide the Exchange with flexibility to respond to changing market and business conditions in an expeditious manner which the Exchange believes would help perfect the mechanism for a free and open national market system, and generally help protect investors and the public interest.

The proposed adjustments to the manner in which the Messages Fee is calculated

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

<sup>9</sup> 15 U.S.C. 78f(b)(4) and (5).

are reasonable because the proposed changes would encourage Market Makers to submit tighter quotes without the risk that such quotes would result in increased fees. The proposed adjustments are also not unfairly discriminatory as the proposed changes would apply to all similarly situated market participants that are subject to the Messages Fee on an equal basis while encouraging quotes that are competitive and that increase the overall quality of markets.

Finally, the Exchange believes the exclusion of Specialist and e-Specialist quotes in their appointed issues is reasonable, equitable and not unfairly discriminatory because Specialists and e-Specialists have a heightened quoting obligation than other market participants and cannot relinquish allocation of their issues as easily as Market Makers are able to increase or decrease their appointments.

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

In accordance with Section 6(b)(8) of the Act,<sup>10</sup> 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 the proposed changes to the Excessive Bandwidth Utilization Fees would not place an unfair burden on competition because the proposed changes are designed to encourage efficient use of Exchange's system capacity and would apply to all market participants that are subject to the Fees.

To the extent that these purposes are achieved, the Exchange believes that the proposed changes would enhance the quality of the Exchange's markets and increase the volume of orders directed to the Exchange. In turn, all the Exchange's market

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<sup>10</sup> 15 U.S.C. 78f(b)(8).

participants would benefit from the improved market liquidity. If the proposed changes make the Exchange a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become ATP Holders.

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)<sup>11</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>12</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

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

19(b)(2)(B)<sup>13</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEAMER-2018-20 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEAMER-2018-20. 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

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<sup>13</sup> 15 U.S.C. 78s(b)(2)(B).

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-2018-20 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>14</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).