June 15, 2022

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change to Amend Certain Transaction Fees and Credits in the NYSE American Equities Price List and Fee Schedule

Pursuant to Section 19(b)(1)\(^1\) of the Securities Exchange Act of 1934 (the “Act”)\(^2\) and Rule 19b-4 thereunder,\(^3\) notice is hereby given that, on June 1, 2022, NYSE American LLC (“NYSE American” or the “Exchange”) 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 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 certain transaction fees and credits in the NYSE American Equities Price List and Fee Schedule (“Price List”) pertaining to its Standard Rates and Retail Order Rates for transactions in securities at or above $1, as well as its transaction fees and credits and monthly credits applicable to Electronic Designated Market Makers (“eDMM”) in assigned securities. The Exchange proposes to implement the fee changes effective June 1, 2022. The proposed 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.

\(^3\) 17 CFR 240.19b-4.
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.

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 certain transaction fees and credits in its Price List pertaining to its Standard Rates and Retail Order Rates for transactions in securities at or above $1, as well as its transaction fees and credits and monthly credits applicable to Electronic Designated Market Makers (“eDMM”) in assigned securities.

The proposed changes respond to the current competitive environment where order flow providers have a choice of where to direct liquidity-providing and liquidity-removing orders by offering further incentives for ETP Holders to send additional adding and removing liquidity to the Exchange.

The Exchange proposes to implement the fee changes effective June 1, 2022.

**Competitive Environment**

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. 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.”

While Regulation NMS has enhanced competition, it has also fostered a “fragmented” market structure where trading in a single stock can occur across multiple trading centers. When multiple trading centers compete for order flow in the same stock, the Commission has recognized that “such competition can lead to the fragmentation of order flow in that stock.” Indeed, cash equity trading is currently dispersed across 16 exchanges, numerous alternative trading systems, and broker-dealer internalizers and wholesalers, all competing for order flow. Based on publicly-available information, no single exchange currently has more than 17% market share. Therefore, no exchange possesses significant pricing power in the execution of cash equity order flow. More specifically, the Exchange currently has less than 1% market share of executed volume of cash equities trading.

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

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9 See id.
reduce use of certain categories of products. While it is not possible to know a firm’s reason for shifting order flow, the Exchange believes that one such reason is because of fee changes at any of the registered exchanges or non-exchange venues to which the firm routes order flow. Accordingly, competitive forces compel the Exchange to use exchange transaction fees and credits because market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

**Proposed Rule Change**

The Exchange proposes the following changes to its Price List.

**Proposed Increase to Tier 2 Fee for Orders Removing Liquidity**

Regarding its Standard Rates in securities at or above $1, the Exchange proposes to increase the fee for Tier 2 orders removing liquidity. The current Tier 2 pricing available to ETP Holders with Adding ADV of at least 700,000 shares includes a fee of $0.0027 per share for orders removing liquidity from the Exchange. The Exchange proposes to increase this fee to $0.0028 per share.

The Exchange proposes this change in part because it would be consistent with the applicable rate on other marketplaces. For instance, Nasdaq PSX charges a $0.0029 per share fee for removing liquidity for firms meeting certain requirements; otherwise, its fee for removing liquidity is $0.0030 per share.\(^\text{10}\) The Exchange’s proposed fee increase to $0.0028 from $0.0027 for removing liquidity from the Exchange would still be competitive with respect to Nasdaq PSX.

As noted, the Exchange operates in a highly competitive environment. The Exchange does not know how much order flow ETP Holders choose to route to other exchanges or to off-

exchange venues. Without having a view of ETP Holder’s activity on other exchanges and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would have an effect on the number of orders any ETP Holder will direct to the Exchange.

The Exchange does not propose any other changes to its Standard Rates in securities at or above $1.

**Proposed Increase to Credit for Retail Orders that Add Liquidity**

Regarding its Retail Order Rates in securities at or above $1, the Exchange proposes to increase the credit for orders that add liquidity to the Exchange to $0.0032 per share, from the current level of $0.0030 per share.

The Exchange proposes this change in part because it would be consistent with the applicable rate on other marketplaces. For instance, the base credit for retail orders adding liquidity on Cboe BZX and Cboe EDGX is $0.0032 per share.\(^\text{11}\) The Exchange’s affiliate NYSE Arca Equities similarly offers a credit of $0.0032 per share for retail orders adding liquidity.\(^\text{12}\)

In addition, the proposed change is intended to encourage greater participation from ETP Holders and to promote additional liquidity in Retail Orders. The competition for retail order flow between exchanges and off-exchange venues is fierce, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable. The Exchange believes that the proposed increase credit for orders that add liquidity to the Exchange could lead to more ETP Holders choosing to route their Retail Orders to the


Exchange for execution rather than to a competing exchange.

That said, the Exchange does not know how much Retail Order flow ETP Holders choose to route to other exchanges or to off-exchange venues. 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 sending more of their Retail Orders to the Exchange. The Exchange cannot predict with certainty how many ETP Holders would avail themselves of this opportunity, but additional Retail Orders would benefit all market participants because it would provide greater execution opportunities on the Exchange.

The proposed rule change is designed to be available to all ETP Holders on the Exchange and is intended to provide ETP Holders a greater incentive to direct more of their Retail Orders to the Exchange. As is the case currently, the Retail Order Rates would remain optional for ETP Holders.

The Exchange does not propose any other changes to its Retail Order Rates.

**Proposed Modifications to Optional Monthly Credit Per Security for eDMMs**

Regarding the fees and credits applicable to eDMMs on transactions in assigned securities, the Exchange proposes to modify the eDMM optional monthly credit per security. Currently, the Exchange offers eDMMs an optional monthly credit per security (“Credit Per Security”) up to a maximum credit of $550 per month per assigned security, provided that eDMMs agree to a credit of $0.0030 per share for orders adding displayed liquidity instead of the otherwise-applicable credit of $0.0045 per share.

The Exchange proposes to modify both the available Credit Per Security levels as well as the credit to which eDMMs must agree to be eligible for the Credit Per Security. The Exchange proposes that for eDMMs agreeing to a $0.0020 credit per share for orders adding displayed liquidity, the Exchange would increase the available Credit Per Security to $350 (from $250) for
an eDMM quoting at the National Best Bid or Offer (“NBBO”) for a minimum average of 40% of the time, and would increase the available Credit Per Security to $850 (from $550) for an eDMM quoting at the NBBO for a minimum average of 50% of the time.

The proposed changes respond to the current competitive environment where order flow providers have a choice of where to direct liquidity-providing orders by offering further incentives for eDMMs to increase quoting on, and send additional displayed liquidity to, the Exchange. The Exchange believes that providing Exchange eDMMs with the option to receive a lower per share transaction credit for increased quoting and adding displayed liquidity in exchange for new higher monthly rebates across all eDMM assigned securities would foster liquidity provision and stability in the marketplace and lessen eDMM reliance on transaction fees, to the benefit of the marketplace and all market participants.

The Exchange does not propose any other changes to its rates to eDMMs on transactions in assigned securities, including any changes to the rates applicable to eDMMs that do not elect to receive the optional Credit Per Security.

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,\(^\text{13}\) in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,\(^\text{14}\) in particular, because it provides for the equitable allocation of reasonable dues, fees, and other

\(^{13}\) 15 U.S.C. 78f(b).

\(^{14}\) 15 U.S.C. 78f(b)(4) and (5).
charges among its members, issuers and other persons using its facilities, is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade, and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Proposed Fee Change Is Reasonable

As discussed above, the Exchange operates in a highly fragmented and 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 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.”15

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 certain categories of products, in response to fee changes. ETP Holders can choose from any one of the 16 currently operating registered exchanges, and numerous off-exchange venues, to route such order flow. Accordingly, competitive forces constrain exchange transaction fees that relate to orders on an exchange. Stated otherwise, changes to exchange transaction fees can have a direct effect on the ability of an exchange to compete for order flow.

Given this competitive environment, the proposal represents a reasonable attempt to attract additional order flow to the Exchange by adjusting the incentives for market participants, including eDMMs, to send additional displayed liquidity to the Exchange.

Proposed Increase to Tier 2 Fee for Orders Removing Liquidity

15 See Regulation NMS, supra note 4, 70 FR at 37499.
The Exchange believes that its proposal to increase its Tier 2 fee for orders removing liquidity from the Exchange is reasonable because it would be consistent with the applicable rate on other marketplaces. As noted above, Nasdaq PSX, one of the Exchange’s competitors, charges a fee of $0.0029 per share fee for removing liquidity for firms meeting certain requirements; otherwise, its fee for removing liquidity is $0.0030 per share. The Exchange’s proposed fee increase to $0.0028 from $0.0027 for removing liquidity from the Exchange would potentially increase revenue while still being an advantageous fee when compared to Nasdaq PSX.

As noted, the Exchange operates in a highly competitive environment. The Exchange does not know how much order flow ETP Holders choose to route to other exchanges or to off-exchange venues. Without having a view of ETP Holder’s activity on other exchanges and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would have an effect on the number of orders any ETP Holder will direct to the Exchange. The Exchange nevertheless believes that the proposed fee increase is a reasonable attempt to increase revenue within the fierce competitive environment.

**Proposed Increase to Credit for Retail Orders that Add Liquidity**

The Exchange believes that the proposed increase to the credit for Retail Orders that add liquidity to the Exchange is reasonable.

The Exchange operates in a fiercely competitive environment, particularly with regard to retail orders. As noted above, several of the Exchange’s competitors offer base credits for retail orders adding liquidity that are higher (i.e., $0.0032 credit per share) than the Exchange’s current credit ($0.0030 credit per share). The Exchange believes that this proposal to increase its credit for Retail Orders adding liquidity to the Exchange represents a reasonable attempt to attract
additional Retail Orders to the Exchange, thereby increasing liquidity on the Exchange and improving the Exchange’s market share relative to its competitors. In addition, the Exchange believes that attracting higher volumes of Retail Orders to be transacted on the Exchange by ETP Holders would benefit all market participants by offering greater price discovery and an increased opportunity to trade on the Exchange.

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 Holder sending more of their Retail Orders to the Exchange, nor can the Exchange predict with certainty how many ETP Holders would avail themselves of this opportunity. Additional Retail Orders on the Exchange would benefit all market participants because they would provide greater execution opportunities on the Exchange.

**Proposed Modifications to Optional Monthly Credit Per Security for eDMMs**

The Exchange believes that the proposed modifications to eDMMs rates are reasonable. Providing eDMMs with the option to receive a lower per share transaction credit for adding displayed liquidity in exchange for higher monthly rebates per assigned liquidity, up to a maximum credit of $850 per month across all eDMM assigned securities, is reasonable because it would foster liquidity provision and stability in the marketplace and lessen eDMM reliance on transaction fees, to the benefit of the marketplace and all market participants. Moreover, the proposal is reasonable because it would balance the increased risks and heightened quoting and other obligations that eDMMs on the Exchange have and that other market participants do not. The Exchange also believes that increasing the maximum credit to $850 (from $550) per month for the Credit Per Security is reasonable and will provide a further incentive for eDMMs to quote...
and trade a greater number of securities on the Exchange and will generally allow the Exchange and eDMMs to better compete for order flow, and thus enhance competition.

The Proposed Change Is an Equitable Allocation of Fees and Credits

The Exchange believes its proposal equitably allocates its fees among its market participants by fostering liquidity provision and stability in the marketplace.

Proposed Increase to Tier 2 Fee for Orders Removing Liquidity

The Exchange believes that its proposal to increase its Tier 2 fee for orders removing liquidity from the Exchange equitably allocates fees and credits among market participants because all ETP Holders that participate on the Exchange may qualify for the proposed fee.

The proposed change also is equitable because it would be consistent with the applicable rates on other marketplaces. As noted above, Nasdaq PSX, one of the Exchange’s competitors, charges a fee of $0.0029 per share fee for removing liquidity for firms meeting certain requirements; otherwise, its fee for removing liquidity is $0.0030 per share.

Proposed Increase to Credit for Retail Orders that Add Liquidity

The Exchange believes that its proposal to increase the credit available for Retail Orders that add liquidity to the exchange equitably allocates its fees among market participants because all ETP Holders that participate on the Exchange may qualify for the proposed credit if they elect to send their Retail Orders to the Exchange and properly designate them as Retail Orders.

The Exchange further believes that the proposed change is equitable because it is reasonably related to the value to the Exchange’s market quality associated with higher volume in Retail Orders. The Exchange believes that increasing the credit available for orders designated as Retail Orders would attract additional order flow and liquidity to the Exchange, thereby contributing to price discovery on the Exchange and benefiting investors generally.
The Exchange believes that the proposed rule change is equitable because maintaining or increasing the proportion of Retail Orders in exchange-listed securities that are executed on a registered national securities exchange (rather than relying on certain available off-exchange execution methods) would contribute to investors’ confidence in the fairness of their transactions and would benefit all investors by deepening the Exchange’s liquidity pool, supporting the quality of price discovery, promoting market transparency, and improving investor protection.

**Proposed Modifications to Optional Monthly Credit Per Security for eDMMs**

The Exchange believes that it is equitable to offer eDMMs the option to receive a lower per share transaction credit for adding displayed liquidity in exchange for monthly rebates per assigned security because it would balance the increased risks and heightened quoting and other obligations that eDMMs on the Exchange have and that other market participants do not have. As such, it is equitable to offer eDMMs the option to receive a flat per security credit based on the eDMM’s quoting in that symbol, coupled with a lower transaction fee.

The proposed change is also equitable because it would apply equally to all eDMM firms, who would have the option to elect (or not elect) to participate on a monthly basis.

Moreover, the Exchange believes that the proposal is equitable because eDMMs would be required to meet the prescribed quoting requirements in order to qualify for the payments, as described above. All eDMMs would be eligible to elect to receive a Credit Per Security and could do so by notifying the Exchange and meeting the per symbol quoting requirement.

**The Proposed Fee Change Is Not Unfairly Discriminatory**

The Exchange believe that the proposed rule is not unfairly discriminatory, for the following reasons.

**Proposed Increase to Tier 2 Fee for Orders Removing Liquidity**
The Exchange believes that its proposal to increase its Tier 2 fee for orders removing liquidity from the Exchange does not permit unfair discrimination because the proposed fee would be applied to all similarly situated ETP Holders and other market participants, who would all be eligible for the same rates on an equal basis. Accordingly, no ETP Holder already operating on the Exchange would be disadvantaged by this allocation of fees and credits.

In addition, the Exchange notes that 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, they can choose the extent of their activity in this regard.

**Proposed Increase to Credit for Retail Orders that Add Liquidity**

The Exchange believes that its proposal to increase the credit for Retail Orders that add liquidity to the Exchange is not unfairly discriminatory because it would apply to all ETP Holders on an equal and non-discriminatory basis, and all similarly-situated ETP Holders would earn the same credits and pay the same fees for Retail Orders executed on the Exchange. In addition, the submission of Retail Orders is optional for ETP Holders in that they could choose whether to submit Retail Orders to the Exchange and, if they do, they can choose the extent of their activity in this regard.

The Exchange believes that the proposed change is not unfairly discriminatory because maintaining or increasing the proportion of Retail Orders in exchange-listed securities that are executed on a registered national securities exchange (rather than relying on certain available off-exchange execution methods) would contribute to investors’ confidence in the fairness of their transactions and would benefit all investors by deepening the Exchange’s liquidity pool, supporting the quality of price discovery, promoting market transparency, and improving investor protection.
Proposed Modifications to Optional Monthly Credit Per Security for eDMMs

The Exchange believes it is not unfairly discriminatory to offer eDMMs the option to receive a flat per security credit coupled with a lower transaction fee for orders that provide displayed liquidity in assigned securities as the proposed credits would be provided on an equal basis to all such participants. The proposed modified Credit Per Security levels would apply equally to all eDMM firms, who would have the option to elect (or not elect) to participate on a monthly basis. Further, the Exchange believes the proposed incremental credits would incentivize eDMMs that meet the proposed quoting requirements to send more orders to the Exchange to qualify for a higher Credit Per Security.

The proposal neither targets nor will it have a disparate impact on any particular category of market participant. The proposal does not permit unfair discrimination because the proposed thresholds would be applied to all similarly situated eDMMs, who would all be eligible for the same credit on an equal basis. Accordingly, no eDMM already operating on the Exchange would be disadvantaged by this allocation of fees.

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, 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 fee change would encourage the submission of additional liquidity to a public exchange, thereby promoting market depth, price discovery, and transparency and enhancing

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order execution opportunities for market participants. 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.”

_Intramarket Competition._ The Exchange believes the proposed change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is designed to attract additional orders to the Exchange. The Exchange believes that the proposed changes would incentivize market participants to direct their orders to the Exchange. Greater overall order flow, trading opportunities, and pricing transparency benefit all market participants on the Exchange by enhancing market quality and continuing to encourage ETP Holders to send orders, thereby contributing towards a robust and well-balanced market ecosystem.

_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. As noted above, the Exchange currently has less than 1% market share of executed volume of equities trading. In such an environment, the Exchange must continually adjust its fees and credits 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.

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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)\textsuperscript{18} of the Act and subparagraph (f)(2) of Rule 19b-4\textsuperscript{19} 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)\textsuperscript{20} 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:

\textsuperscript{19} 17 CFR 240.19b-4(f)(2).
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-2022-24 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-2022-24. 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-2022-24, 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{21}

J. Matthew DeLesDernier,
Assistant Secretary.

\textsuperscript{21} 17 CFR 200.30-3(a)(12).