

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-68848; File No. SR-NYSEARCA-2013-09)

February 6, 2013

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Proposing to Amend the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services

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 January 29, 2013, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) 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 amend the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services (“Fee Schedule”) to (i) eliminate the Tape B Step Up Tier and (ii) modify the rebate for Mid-Point Passive Liquidity (“MPL”) Orders that provide liquidity in Tape C Securities. The text of the proposed rule 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.

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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.

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 the Fee Schedule to (i) eliminate the Tape B Step Up Tier and (ii) modify the rebate for MPL Orders that provide liquidity in Tape C Securities. The Exchange proposes to implement the fee changes on February 1, 2013.

The Tape B Step Up Tier currently provides for a \$0.0026 per share fee for orders of qualifying ETP Holders that take liquidity from the Book in Tape B Securities. The Exchange has determined to eliminate the Tape B Step Up Tier because it generally has not incentivized ETP Holders to submit additional liquidity in Tape B Securities as intended.<sup>4</sup>

Currently, under Tier 1,<sup>5</sup> Tier 2,<sup>6</sup> and the Basic Rates<sup>7</sup> of the Fee Schedule, the Exchange offers a \$0.0015 credit per share for MPL Orders<sup>8</sup> that provide liquidity in Tape C Securities,

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<sup>4</sup> See Securities Exchange Act Release No. 66568 (March 9, 2012), 77 FR 15819, 15822 (March 16, 2012) (SR-NYSEArca-2012-17).

<sup>5</sup> Tier 1 rates are available to ETP Holders and Market Makers that provide liquidity an average daily share volume per month of 0.70% or more of the US consolidated average daily volume ("CADV") or (2) that (a) provide liquidity an average daily share volume per month of 0.15% or more of the US CADV and (b) are affiliated with an OTP Holder or OTP Firm that provides an ADV of electronic posted executions (including all account types) in Penny Pilot issues on NYSE Arca Options of at least 100,000 contracts, of which at least 25,000 contracts must be for the account of a market maker.

except that for certain Tape C Securities deemed “Active Tape C Securities,” a \$0.0025 credit per share is offered. The Active Tape C Securities are:

<u>Company Name</u>	<u>Symbol</u>
Cisco Systems, Inc.	CSCO
Dell Inc.	DELL
Facebook, Inc.	FB
Intel Corporation	INTC
Microsoft Corporation	MSFT
Micron Technology Inc.	MU
Oracle Corporation	ORCL
Research In Motion Limited	RIMM
SIRIUS XM Radio Inc.	SIRI
Zynga, Inc.	ZNGA

The Exchange proposes to remove the distinction between MPL Orders that provide liquidity in Active Tape C Securities and MPL Orders that provide liquidity in other Tape C Securities by eliminating the Active Tape C Securities MPL Order credit. At the same time, the Exchange proposes to increase the existing credits for MPL Orders that provide liquidity in all Tape C Securities from \$0.0015 to \$0.0020 per share. The Exchange believes that the proposed change will increase the liquidity available on the Exchange in Tape C Securities generally, and

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<sup>6</sup> Tier 2 rates are available to ETP Holders and Market Makers that provide liquidity an average daily share volume per month of 0.30% or more, but less than 0.70% of the US CADV.

<sup>7</sup> Basic Rates are applicable when tier rates do not apply. The Exchange notes that the Active Tape C Securities are erroneously referred to as the “Most Active Tape C Securities” in the Basic Rate section of the Fee Schedule. See SR-NYSEArca-2012-104, Exhibit 5, at 26, available at <http://www.sec.gov/rules/sro/nysearca/2012/34-67986-ex5.pdf>. The changes proposed herein will remove the erroneous reference.

<sup>8</sup> See Rules 7.31(h)(4) and (5). 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. See Securities Exchange Act Release No. 67986 (October 4, 2012), 77 FR 61803 (October 11, 2012) (SR-NYSEArca-2012-104) (“2012 Release”).

therefore could increase the potential price improvement to incoming marketable orders submitted to the Exchange in Tape C Securities.

The proposed change is not otherwise intended to address any other problem, and the Exchange is not aware of any significant problem that the affected market participants would have in complying with the proposed change.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”),<sup>9</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>10</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 eliminating the Tape B Step Up Tier is reasonable because such tier has generally not incentivized ETP Holders to submit additional liquidity in Tape B Securities as intended.<sup>11</sup> The Exchange believes that removal of the Tape B Step Up Tier is equitable and not unfairly discriminatory because it would be eliminated for all ETP Holders.

In addition, the Exchange believes that the proposed change to have the same credit apply to liquidity providing MPL Orders in Active Tape C Securities and MPL Orders that provide liquidity in other Tape C Securities is reasonable because the Exchange believes that it will incentivize ETP Holders to submit more liquidity providing MPL Orders to the Book for all Tape C Securities, thereby increasing the liquidity available on the Exchange in Tape C

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

<sup>10</sup> 15 U.S.C. 78f(b)(4).

<sup>11</sup> See note 4, supra.

Securities generally, and therefore could increase the potential price improvement and benefit all market participants. The Exchange also believes the change to the MPL Order credit in Tape C Securities is reasonable because the \$0.0025 credit for just the Active Tape C Securities has not generally incentivized ETP Holders to submit additional liquidity in Active Tape C Securities as intended.<sup>12</sup> The Exchange, however, believes that that the increased \$0.0020 MPL credit in all Tape C Securities will have the desired effect of incentivizing ETP holders to increase liquidity in Tape C Securities because ETP Holders will not be limited to Active Tape C Securities only to receive the higher MPL credit. The Exchange believes the proposed change also is equitable and not unfairly discriminatory because it will apply uniformly to all ETP Holders and all MPL Orders in Tape C Securities will be eligible for the credit.

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 change reflects this competitive environment.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. In particular, the removal of the Tape B Step Up Tier will not impose a burden on competition because the tier will be removed in its entirety and generally has not encouraged liquidity as intended. In addition, because the Tape B Step Up Tier did not operate as intended – which was to increase liquidity in Tape B Securities – the Exchange does not believe that firms will be

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<sup>12</sup> See 2012 Release, supra note 8.

adversely affected as they generally were not availing themselves of that tier in any event. Eliminating the Active Tape C Securities MPL Order credit and replacing it with a MPL Order credit in all Tape C Securities will not impose a burden in competition because now all Tape C Securities will eligible for the credit, albeit at a slightly reduced level than for Active Tape C Securities.

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>13</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>14</sup> thereunder, because it establishes a due, fee, or other charge imposed by NYSE Arca.

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)<sup>15</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(2).

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

#### 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-NYSEArca-2013-09 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEArca-2013-09. 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; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2013-09 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>16</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).