

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-74694; File No. SR-NYSEArca-2015-28)

April 9, 2015

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Modifying the NYSE Arca Options Fee Schedule to Adopt Fees for Certain Manual Transactions in Options Overlying IWM

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 3, 2015, 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 adopt fees for certain Manual transactions in options overlying IWM (the iShares Russell 2000 ETF). The Exchange proposes to implement the fee change effective April 3, 2015. 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.

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

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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.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this filing is to adopt fees for certain manual transactions in options overlying IWM (the iShares Russell 2000 ETF). The Exchange proposes to implement the fee change effective April 3, 2015.

Currently, manual trades in IWM are subject to the same fees as any other listed option that is traded manually. However, the Exchange is proposing to offer special pricing to encourage increased manual trading in the product and to offset losses of manual transactions associated with options in the iShares Russell Index (RUT), which is exclusively trading on another venue.

Accordingly, for Manual transactions in IWM executed by NYSE Arca Market Makers, Firms and Broker Dealers (collectively, the "IWM Participants"), the Exchange proposes to charge \$0.125 per contract.<sup>4</sup> The Exchange also proposes to offer IWM Participants certain incentives for increased monthly volumes of manual transactions in IWM. Specifically, the Exchange proposes to instead offer the enhanced rates of (a) \$0.075 for each contract in excess of 74,999 contracts; and (b) \$0.025 for each contract in excess of 99,999 contracts, for Manual

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<sup>4</sup> The Exchange notes that there is currently no Lead Market Maker ("LMM") in IWM and, thus, the proposed fee reduction does not apply to LMMs. In the event that the Exchange appoints an LMM in IWM, the Exchange would address how the proposed fee reduction would apply to the LMM in a subsequent filing.

executions in IWM transacted during the month.<sup>5</sup> As is the case today, Customers (including Professional Customers) will not be charged for manual transactions in IWM.

The Exchange notes that Firm Facilitations,<sup>6</sup> Strategy Executions<sup>7</sup> and Qualified Contingent Crosses are excluded from the proposed fee change and would not count towards calculations of the total monthly Manual transactions in IWM. Further, after calculating fees associated with Manual transactions in IWM, at the end of the month, the Exchange will round to the nearest penny when applicable.

## 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.

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<sup>5</sup> Id.

<sup>6</sup> As defined in the Fee Schedule, a Firm Facilitation is any transaction involving a Firm proprietary trading account that has a customer of that same Firm on the contra side of the transaction, or a broker dealer facilitating a Customer order, where the broker dealer and the Customer both clear through the same clearing firm and the broker dealer clears in the customer range. See Fee Schedule, Endnote 7, available here, [https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE\\_Arca\\_Options\\_Fee\\_Schedule.pdf](https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf)

<sup>7</sup> As set forth in the Fee Schedule, Strategy Executions are transactions involving (a) reversals and conversions, (b) box spreads, (c) short stock interest spreads, (d) merger spreads, and (e) jelly rolls. See id., “LIMIT OF FEES ON OPTIONS STRATEGY EXECUTIONS”.

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

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

Overall, the Exchange believes that the proposed changes to IWM pricing for Manual transactions are reasonable, equitable and not unfairly discriminatory because the reduced rates are based on the executions in IWM transacted on the Exchange. In addition, the Exchange believes the proposed fees are reasonable, equitable and not unfairly discriminatory because the fees are designed to incentivize IWM Participants to conduct Manual trades in IWM and apply equally to all IWM Participants.<sup>10</sup> The Exchange believes the proposed fee changes may result in an increase in volume and liquidity to the Exchange, which would provide more trading opportunities and tighter spreads, to the benefit of all market participants even non-IWM Participants, all of which perfects the mechanism for a free and open market and national market system.

For these 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,<sup>11</sup> 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. The Exchange believes the proposed fees associated with IWM are pro-competitive as they may attract more volume and liquidity to the Exchange through the proposed reduced rates, which would benefit all Exchange participants through increased opportunities to trade as well as enhancing price discovery.

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

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<sup>10</sup> Similarly, as noted above, supra n. 4, the proposed fee is reasonable, equitable and not unfairly discriminatory because there is currently no LMM in IWM and, therefore, no LMM is impacted by this proposed fee change.

<sup>11</sup> 15 U.S.C. 78f(b)(8).

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>12</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>13</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 19(b)(2)(B)<sup>14</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:

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(2).

<sup>14</sup> 15 U.S.C. 78s(b)(2)(B).

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-2015-28 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.

All submissions should refer to File Number SR-NYSEArca-2015-28. 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 such 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-2015-28 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>15</sup>

Brent J. Fields  
Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).