

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75123; File No. SR-NYSEArca-2015-49)

June 9, 2015

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services to Modify the Credits for Mid-Point Passive Liquidity Orders.

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 May 29, 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 amend the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services (the “Fee Schedule”) to modify the credits for Mid-Point Passive Liquidity (“MPL”) Orders. The Exchange proposes to implement the fee changes on June 1, 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.

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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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend the Fee Schedule to modify the credits applicable to MPL Orders.<sup>4</sup> The Exchange proposes to implement the fee changes on June 1, 2015.

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

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<sup>4</sup> An MPL Order is a Passive Liquidity Order executable only at the midpoint of the Protected Best Bid and Offer. See Rule 7.31(h)(5) [sic]. A Passive Liquidity Order is an order to buy or sell a stated amount of a security at a specified, undisplayed price. See Rule 7.31(h)(4) [sic].

<sup>5</sup> Tier 1 applies to ETP Holders and Market Makers (1) that provide liquidity an average daily share volume per month of 0.70% or more of the US 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 (excluding mini options) of at least 100,000 contracts, of which at least 25,000 contracts must be for the account of a market maker. Tier 2 applies 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. Basic Rates apply when tier rates do not apply. US CADV means United States Consolidated Average Daily Volume for transactions reported to the Consolidated Tape, excluding odd lots through January 31, 2014 (except for purposes of Lead Market Maker pricing), and excludes

The Exchange proposes to modify the credits under Tier 1, Tier 2 and Basic Rates for MPL Orders that provide liquidity and establish different credits based on the Average Daily Volume (“ADV”) of provided liquidity in MPL Orders for Tape A, Tape B and Tape C Securities combined (“MPL Adding ADV”). The proposed changes would apply to ETP Holders and Market Makers that are eligible for Tier 1 or Tier 2 fees and credits, and to the Basic Rates. The proposed changes would apply to securities with a per share price of \$1.00 or above.

For ETP Holders and Market Makers that have MPL Adding ADV during the billing month of at least 3 million shares, the credit per share would be \$0.0015 for Tape A Securities, \$0.0020 for Tape B Securities and \$0.0025 for Tape C Securities (“MPL Adding ADV Category 1”).

For ETP Holders and Market Makers with MPL Adding ADV during the billing month of at least 1.5 million shares but less than 3 million shares, the credit per share would be \$0.0015 for Tape A, Tape B and Tape C Securities (“MPL Adding ADV Category 2”).

For ETP Holders and Market Makers with MPL Adding ADV during the billing month of less than 1.5 million shares, the credit per share would be \$0.0010 for Tape A, Tape B and Tape C Securities (“MPL Adding ADV Category 3”).

The current \$0.0030 fee for MPL Orders in Tape A, B and C securities that remove liquidity from the Exchange would not change as a result of this proposal. In addition, MPL Orders removing liquidity from the Exchange that are designated as Retail Orders are not currently subject to a fee, which the Exchange is not proposing to change.

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volume on days when the market closes early and on the date of the annual reconstitution of the Russell Investments Indexes. Transactions that are not reported to the Consolidated Tape are not included in US CADV.

The Exchange also proposes to add the defined term, “MPL” in place of Mid-Point Passive Liquidity” throughout the Fee Schedule.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</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 change to the credits for MPL Orders is reasonable because it would align the level of the credits to the level of volume provided.

The Exchange believes that the higher credits in MPL Adding ADV Category 1 for Tape B and Tape C securities, of \$0.0020 and \$0.0025, respectively, is reasonable because the higher credits would incentivize ETP Holders to submit the additional liquidity required for MPL Adding ADV Category 1 through MPL Orders in Tape B and Tape C Securities. The Exchange believes that for MPL Adding ADV Category 1, the credit for Tape A securities of \$0.0015 is reasonable because it is unchanged from the current credit.

Similarly, the credit of \$0.0015 in MPL Adding ADV Category 2, which is the same as the current per share credit for MPL Orders, is reasonable because it would apply to ETP Holders and Market Makers that provide a lower MPL Adding ADV, of more than 1.5 million shares but less than 3 million shares, than MPL Adding ADV Category 1, but higher [sic] than the MPL Adding ADV required for the higher credits in MPL Adding ADV Category 1 [sic] for

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

Tape B and Tape C Securities. The lowest credit, of \$0.0010 per share, in MPL Adding ADV Category 3, is reasonable because it would apply equally to the ETP Holders and Market Makers that provide the lowest MPL Adding ADV of less than 1.5 million shares.

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.<sup>8</sup> The Exchange believes that by correlating the level of the credit to the level of MPL Adding Volume, this proposed fee structure would incentivize ETP Holders to submit more liquidity providing MPL Orders to the Exchange, thereby increasing the potential price improvement to incoming marketable orders submitted to the Exchange.

The Exchange believes that the proposed change is also equitable and not unfairly discriminatory because the proposed credits would be available to all ETP Holders and Market Makers to qualify for and would apply equally to MPL Orders from all ETP Holders and Market Makers.

Finally, the Exchange notes that certain other exchanges also structure pricing based on midpoint pricing, including with respect to applicable volume thresholds that must be satisfied in order to qualify for such pricing, and that the pricing levels proposed by the Exchange are competitive with those exchanges.<sup>9</sup>

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<sup>8</sup> See, e.g., Securities Exchange Act Release No. 54511 (September 26, 2006), 71 FR 58460, 58461 (October 3, 2006) (SR-PCX-2005-53).

<sup>9</sup> For example, the Nasdaq Stock Market LLC (“NASDAQ”) provides a non-tier credit for midpoint liquidity of \$0.0014 for Tape A and B securities and \$0.0010 per share for Tape C securities. See NASDAQ Rule 7018.

The Exchange believes that the changes to replace the term, “Mid-Point Passive Liquidity” with the defined term, “MPL” throughout the fee schedule is reasonable because it will make the Fee Schedule clearer and easier to understand.

Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange’s statement regarding the burden on competition. 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.

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>10</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. Instead, the Exchange believes that the proposed change will encourage competition, including by attracting additional liquidity to the Exchange, which will make the Exchange a more competitive venue for, among other things, order execution and price discovery. In general, ETP Holders impacted by the proposed change may readily adjust their trading behavior to maintain or increase their credits in a favorable manner, and will therefore not be disadvantaged in their ability to compete. Specifically, all ETP Holders have the ability to submit MPL Orders and ETP Holders could readily choose to submit additional MPL Orders on the Exchange in order to qualify for the proposed credits for MPL Orders.

Also, the Exchange does not believe that the proposed change will impair the ability of

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

ETP Holders or competing order execution venues to maintain their competitive standing in the financial markets. In this regard, the Exchange notes that certain aspects of the proposed change are similar to, and competitive with, pricing structures and applicable fees and credits applicable on another exchange.<sup>11</sup>

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee or credit levels at a particular venue to be unattractive. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. The credits proposed herein are based on objective standards that are applicable to all ETP Holders and reflect the need for the Exchange to offer significant financial incentives to attract order flow. For these reasons, the Exchange believes that the proposed rule change reflects this competitive environment and is therefore consistent with the Act.

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

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<sup>11</sup> See supra note 9.

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

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

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:

##### 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-2015-49 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-NYSEArca-2015-49. 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

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



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 will also be available for inspection and copying at the NYSE's principal office and on its Internet website at [www.nyse.com](http://www.nyse.com). 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-2015-49, 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>

Robert W. Errett  
Deputy Secretary

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