SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83032; File No. SR-NYSEArca-2018-20)

April 11, 2018

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

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 March 30, 2018, 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Arca Equities Fees and Charges (“Fee Schedule”) to (i) revise the requirements to qualify for the Step-Up Tier; (ii) adopt a new pricing tier, BBO Setter Tier; (iii) delete the Tape A and Tape C Tier; (iv) eliminate the credits associated with indications of interest (“IOIs”); (v) delete obsolete language related to an Exchange Traded Product (“ETP”) Incentive Program; and (vi) modify the credit the Exchange provides for orders with the Self Trade Prevention (“STP”) Cancel Both (“STPC”) and STP Decrement and Cancel (“STPD”) Modifiers. The Exchange proposes to implement the fee changes effective April 2, 2018. The proposed rule change is available on the Exchange’s

\(^3\) 17 CFR 240.19b-4.
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 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, as described below, to (i) revise the requirements for the Step-Up Tier; (ii) adopt a new pricing tier, BBO Setter Tier; (iii) delete the Tape A and Tape C Tier; (iv) eliminate the credits associated with IOIs; (v) delete obsolete language related to an ETP Incentive Program; and (vi) modify the credit the Exchange provides for orders with the STPC and STPD Modifiers. The Exchange proposes to implement the fee changes on April 2, 2018.

**Step-Up Tier**

In September 2016, the Exchange filed a proposed rule change to adopt a new Step-Up pricing tier that was intended to incentivize ETP Holders and Market Makers to increase order flow and provide additional liquidity.\(^4\) In September 2017, the Exchange filed a proposed rule change to adopt a second way by which an ETP Holder or Market Maker could qualify for the

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Step-Up Tier. \(^5\) Currently, to qualify for the Step-Up Tier, ETP Holders and Market Makers, on a daily basis, measured monthly must: (i) directly execute providing average daily volume that is an increase of no less than 0.15\% of US CADV\(^6\) for that month over the ETP Holder’s or Market Maker’s providing average daily volume in July 2016, and (ii) sets a new NYSE Arca Best Bid or Offer with at least 25\% in each of the ETP Holder’s or Market Maker’s Tape A, Tape B and Tape C providing ADV. ETP Holders and Market Makers can alternatively qualify for the Step-Up Tier if such ETP Holder or Market Maker, on a daily basis, measured monthly: (i) directly execute providing average daily volume that is an increase of no less than 0.15\% of US CADV for that month over the ETP Holder’s or Market Maker’s providing average daily volume in July 2016, and (ii) sets a new NYSE Arca Best Bid or Offer with at least 20\% in the ETP Holder’s or Market Maker’s Tape A providing ADV, at least 25\% in the ETP Holder’s or Market Maker’s Tape B providing ADV, and at least 30\% in the ETP Holder’s or Market Maker’s Tape C providing ADV, and (iii) directly execute taking average daily volume of at least 15 million shares. ETP Holders and Market Makers that qualify for the Step-Up Tier receive a credit of $0.0029 per share for orders that provide liquidity to the Book in Tape A and Tape C Securities and $0.0028 per share for orders that provide liquidity to the Book in Tape B Securities.

The Step-Up Tier has not encouraged ETP Holders and Market Makers to increase their activity to qualify for this pricing tier as significantly as the Exchange had anticipated that it would. As a result, the Exchange proposes to revise the current requirements to qualify for the

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\(^6\) 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 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.
Step-Up Tier. As proposed, ETP Holders and Market Makers would qualify for the Step-Up Tier if they directly execute providing average daily volume per month of 0.50% or more but less than 0.70% of the US CADV, and directly execute providing ADV that is an increase of no less than 0.10% of US CADV for that month over the ETP Holder’s or Market Maker’s providing ADV in Q1 2018. ETP Holders and Market Makers that qualify for the Step-Up Tier would receive a credit of $0.0030 per share for orders that provide displayed liquidity to the Book in Tape A Securities, $0.0023 per share for orders that provide displayed liquidity to the Book in Tape B Securities, and $0.0031 per share for orders that provide displayed liquidity in Tape C Securities.

The goal of the Step-Up Tier remains the same, i.e., to incentivize ETP Holders and Market Makers to increase the orders sent directly to NYSE Arca and therefore provide liquidity that supports the quality of price discovery and promotes market transparency. The Exchange believes that the proposed new qualifying requirement for the Step-Up Tier will provide an incentive for ETP Holders or Market Makers that are active traders on the Exchange to increase the orders sent to the Exchange that would provide liquidity.

**BBO Setter Tier**

The Exchange proposes a new pricing tier - BBO Setter Tier - for securities with a per share price of $1.00 or above.

As proposed, a new BBO Setter Tier credit of $0.0004 per share for orders that set a new NYSE Arca BBO in Tape A and Tape C Securities and $0.0002 per share for orders that set a new NYSE Arca BBO in Tape B Securities would apply to ETP Holders and Market Makers that directly execute providing ADV per month of 0.70% or more of the US CADV, and provided

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7 See *supra*, note 5, at 43634.
that an ETP ID\textsuperscript{8} associated with an ETP Holder or Market Maker, on a daily basis, measured monthly (1) directly executes providing ADV of at least 0.20\% of US CADV, (2) sets a new NYSE Arca BBO with at least 0.10\% of US CADV; and (3) sets a new NYSE Arca BBO of at least 40\% of that ETP Holder’s or Market Maker’s ETP ID providing ADV. The proposed credit would be in addition to the ETP Holder’s or Market Maker’s Tiered or Basic Rate credit(s), and for Tape B and Tape C Securities, the proposed credit would be in addition to any capped credit.\textsuperscript{9}

For example, assume an ETP Holder or Market Maker qualifies for the Tape C Tier 1 credit of $0.0032 per share for orders that provide liquidity to the Book. Assume further that the same ETP Holder or Market Maker also qualifies for the Tape C Tier 2 incremental credit of $0.0002 per share. Pursuant to the Tape C Tier 2 pricing tier, the ETP Holder or Market Maker’s credit cannot exceed $0.0033 per share. In this example, the ETP Holder or Market Maker’s credit would be capped at $0.0033 per share. Assume further that the ETP Holder or Market Maker has an ETP ID that qualifies for the proposed BBO Setter Tier, which would provide an additional credit of $0.0004 per share to the qualifying ETP ID, and combined with the ETP Holder or Market Maker’s credit of $0.0033 per share, the ETP Holder or Market Maker in this example would receive a total credit of $0.0037 per share for orders that set a new NYSE Arca BBO. The ETP ID’s orders that do not set a new NYSE Arca BBO would not receive the proposed BBO Setter Tier credit.

\textsuperscript{8} ETP Holders enter orders and order instructions by using communication protocols that map to the order types and modifiers described in Exchange rules. The Exchange makes available ports that communicate with the Exchange using Pillar phase I protocols and Pillar phase II protocols. For purposes of the BBO Setter Tier, references to ETP ID means an ETP ID when using Pillar phase I protocols to communicate with the NYSE Arca Marketplace or an MPID when using Pillar phase II protocols to communicate with the NYSE Arca Marketplace.

\textsuperscript{9} The Exchange does not have any capped credits for trading in Tape A Securities.
Tape A and Tape C Tier

In July 2017, the Exchange filed a proposed rule change to adopt a new pricing tier - Tape A and Tape C Tier - as an incentive for ETP Holders and Market Makers to provide liquidity in Tape A and Tape C Securities. The Tape A and Tape C Tier has not encouraged ETP Holders and Market Makers to increase their activity to qualify for this pricing tier as significantly as the Exchange had anticipated they would. As a result, the Exchange proposes to remove this pricing tier from the Fee Schedule.

IOI Credit

In August 2008, the Exchange filed a proposed rule change to adopt credits that apply to indications of interest (“IOIs”) submitted by ETP Holders that result in routed and executed orders. IOIs are non-displayed indications of symbol, size and side, which do not interact with the NYSE Arca Book. At their discretion, participating ETP Holders may send an IOI to the Exchange, which in turn considers the IOI when determining potential destinations for outbound routes. The purpose for adopting IOI Credits was to incentivize ETP Holders to participate in the Exchange’s IOI program and provide additional liquidity to the marketplace. The IOI Credits have not incentivized ETP Holders to participate in the IOI program as anticipated by the Exchange. As a result, the Exchange proposes to eliminate the credits associated with IOIs by deleting IOI Credit Tier 2 and IOI Credit Tier 3 entirely and renaming IOI Credit Tier 1 as IOI Credit. With this proposed rule change, the Exchange would no longer provide credits


associated with IOIs. The Exchange proposes to reflect the elimination of the credits by adopting rule text on the Fee Schedule that would replace the current tiered credits with “No Credit.”

ETP Incentive Program

The Exchange proposes to amend the Fee Schedule to reflect the termination of a pilot program designed to incentivize quoting and trading in Exchange Traded Products (“ETPs”) and to add competition among existing qualified Market Makers (“ETP Incentive Program”). The ETP Incentive Program was also designed to enhance the market quality for ETPs by incentivizing Market Makers to take Lead Market Maker (“LMM”) assignments in certain lower-volume ETPs by offering an alternative fee structure for such LMMs. The ETP Incentive Program was established in 2013. The Exchange subsequently filed to extend it in 2014, in 2015, and finally in 2016. However, the Exchange did not extend the program and

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12 With respect to equities traded on the Exchange, the term Market Maker refers to an ETP Holder that acts as a Market Maker pursuant to NYSE Arca Rule 7-E. See NYSE Arca Rule 1.1(z). An ETP Holder is a sole proprietorship, partnership, corporation, limited liability company, or other organization in good standing that has been issued an ETP. See NYSE Arca Rule 1.1(o).

13 With respect to equities traded on the Exchange, the term Lead Market Maker refers to registered Market Maker that is the exclusive Designated Market Maker in listings for which the Exchange is the primary listing market. See NYSE Arca Rule 1.1(w).

14 The LMM program was designed to incentivize firms to take on the LMM designation and foster liquidity provision and stability in the market. In order to accomplish this, the Exchange provided LMMs with an opportunity to receive incrementally higher transaction credits and incur incrementally lower transaction fees compared to standard liquidity maker-taker rates.


it expired on July 31, 2017. The Exchange proposes to remove reference to the ETP Incentive
Program from the Fee Schedule.

STP Modifier

The Exchange currently provides STP Modifiers that allow ETP Holders entering orders
to elect to prevent those orders from executing against other orders entered on the Exchange by
the same ETP Holder. In connection with the STP functionality, the Exchange adopted credits
and fees for orders returned to an ETP Holder using the STP Modifiers. Currently, ETP
Holders entering an incoming order with either the STP Cancel Both (“STPC”) or the STP
Decrement and Cancel (“STPD”) Modifier are charged $0.0030 per share for orders returned to
the ETP Holder. The ETP Holder’s corresponding resting order marked with any of the STP
Modifiers that interacts with an incoming STPC or STPD Modifier is credited $0.0029 per share
for orders returned to the ETP Holder. The Exchange proposes to modify the credit from
$0.0029 per share to $0.0030 per share for an ETP Holder’s resting order that is returned to the
ETP Holder. The Exchange is not proposing any change to the fees and credits applicable to
orders with the STP Cancel Newest and the STP Cancel Oldest Modifiers.

On incoming orders marked with the STPD Modifier, both orders are cancelled back to
the ETP Holder if the orders are equivalent in size. If the orders are not equivalent in size, the
equivalent size is cancelled back to the ETP Holder and the larger order is decremented by the

one of the STP Modifiers controls the billing treatment of both interacting orders marked
size of the smaller order with the balance remaining on the NYSE Arca Book. For billing purposes, only the size of the portion of the orders cancelled back to the ETP Holder is charged or credited. On incoming orders marked with the STPC Modifier, the entire size of both orders is cancelled back to ETP Holder. However, for billing purposes, incoming orders marked with the STPC Modifier are only charged or credited up to the equivalent size of both orders.\textsuperscript{21}

2. **Statutory Basis**

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,\textsuperscript{22} in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,\textsuperscript{23} 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 revised Step-Up Tier is equitable because it is open to all ETP Holders and Market Makers on an equal basis and provides credits that are reasonably related to the value to an exchange’s market quality associated with higher volumes. As stated above, the Exchange believes that the Step-Up Tier is intended to incentivize market participants to increase the orders sent directly to NYSE Arca and therefore provide liquidity that supports the quality of price discovery and promotes market transparency. Moreover, the addition of the Step-Up Tier would benefit market participants whose increased order flow provides meaningful added levels of liquidity thereby contributing to the depth and market quality on the Exchange. The Exchange believes that the proposed change is equitable and not unfairly discriminatory because providing incentives for orders that are executed on a registered

\textsuperscript{21} See supra, note 19.

\textsuperscript{22} 15 U.S.C. 78f(b).

\textsuperscript{23} 15 U.S.C. 78f(b)(4) and (5).
national securities exchange 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.

The Exchange believes that the proposed NBBO Setter Tier is reasonable because it provides an opportunity for ETP Holders and Market Makers that qualify to receive an incremental per share credit if the ETP ID associated with an ETP Holder or Market Maker meets certain trading qualifications and establishes the BBO on the Exchange. Thus the credit provides incentive to members to provide aggressively priced orders that improve the market by setting the BBO on the Exchange. The Exchange believes that it is reasonable to adopt higher credit to Tape A and Tape C securities because it desires to improve the market on the Exchange in those securities in terms of setting the BBO, which is currently not as robust as price setting in Tape B securities. The Exchange further believes that providing a credit for qualifying orders in Tape C securities beyond the Tape C Tier 2 cap is reasonable as it would create an additional incentive for participants to quote aggressively on the Exchange, which would benefit all investors by deepening the Exchange’s liquidity pool, improving displayed prices and promoting market transparency. The Exchange believes the proposed pricing tier is equitable and not unfairly discriminatory because the per share credit(s) under the BBO Setter Tier would be available to all ETP Holders’ and Market Makers’ ETP IDs on an equal basis and provides an incremental credit for activity that improves the Exchange’s market quality through increased activity and by encouraging the setting of the BBO. In this regard, the BBO Setter Tier is

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24 This is similar to programs currently in place on other exchanges. See NBBO Program, Nasdaq Stock Market, at https://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2.
intended to encourage higher levels of liquidity provision into the price discovery process and is consistent with the overall goals of enhancing market quality.

The Exchange believes that it is reasonable to delete obsolete pricing tiers from the Fee Schedule because ETP Holders and Market Makers have not increased their activity to qualify for the Tape A and Tape C Tier as significantly as the Exchange anticipated they would. The Exchange believes that it is equitable and not unfairly discriminatory to eliminate the Tape A and Tape C Tier because, as proposed, such pricing tier would be eliminated entirely – ETP Holders and Market Makers would no longer be able to qualify for this pricing tier. This aspect of the proposed rule change would result in the removal of obsolete text from the Fee Schedule and therefore add greater clarity to the Fee Schedule.

The Exchange believes that it is reasonable to eliminate the credits that apply to IOIs submitted by ETP Holders that result in routed and executed orders because the IOI Credits have not incentivized ETP Holders to participate in the IOI program as anticipated by the Exchange. The Exchange believes that it is equitable and not unfairly discriminatory to eliminate the IOI Credits because, as proposed, such credits would be eliminated entirely - ETP Holders would no longer be able to qualify for such credits.

The Exchange believes it is equitable, reasonable and not unfairly discriminatory to remove reference to the ETP Pilot from the Fee Schedule because the ETP Pilot expired in July 2017 and deleting rules that no longer apply will bring clarity to the Fee Schedule. The Exchange believes the proposed rule change will make the Fee Schedule clearer and eliminate potential investor confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and in general, protecting investors and the public interest.
The Exchange believes it is reasonable to modify the credit provided to an ETP Holder’s resting STP order that is returned to the ETP Holder. The Exchange believes standardizing the fees and credits applicable to orders marked with the STPC and STPD Modifier would encourage ETP Holders to increase their utilization of the STP functionality in order to better manage order flow and prevent undesirable or unexpected executions with themselves. The Exchange further believes the proposed increased credit is equitable and not unfairly discriminatory because it would be available to all similarly situated ETP Holders on an equal basis.

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, the Exchange believes that the proposal to add new pricing tiers would encourage the submission of additional liquidity to a public exchange, thereby promoting price discovery and transparency and enhancing order execution opportunities for ETP Holders and Market Makers. In addition, the removal of pricing tiers and fee credits, and deletion of obsolete text from the Fee Schedule would not have any impact on inter- or intra-market competition because the proposed change would result in a streamlined Fee Schedule. Also, the Exchange believes the proposed increased credit for resting STP orders returned to an ETP Holder would encourage ETP Holders to increase their utilization of the STP functionality in order to better manage order flow and prevent undesirable or unexpected executions with

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themselves and thus would enhance order execution opportunities for ETP Holders. The Exchange believes that this could promote competition between the Exchange and other execution venues, including those that currently offer similar STP functionality and comparable transaction pricing.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges and to attract order flow to the Exchange. 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 believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. As a result of all of these considerations, the Exchange does not believe that the proposed changes will impair the ability of ETP Holders or competing order execution venues to maintain their competitive standing in the financial markets.

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) of the Act and subparagraph (f)(2) of Rule 19b-4 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) 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. Please include File Number SR-NYSEArca-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-NYSEArca-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 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. 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-NYSEArca-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.29

Eduardo A. Aleman
Assistant Secretary