

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-79559; File No. SR-NYSEMKT-2016-115)

December 14, 2016

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Change Modifying the NYSE Amex Options Fee Schedule

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 December 1, 2016, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) 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 modify the NYSE Amex Options Fee Schedule (“Fee Schedule”). The Exchange proposes to implement the fee change effective December 1, 2016. The proposed 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 received on the proposed rule change. The text of those statements may be examined at the

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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.

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 purpose of this filing is to amend Section III. C. of the Fee Schedule to adjust the monthly Rights Fees assessed on Specialists, e-Specialists, Directed Order Market Markers (each a "DOMM"), and to provide alternative means to qualify for a discount on the Rights Fees. The Exchange proposes to implement these changes effective on December 1, 2016.

Currently, the Exchange charges a Rights Fee on each issue in the allocation of an e-Specialist, DOMM, and Specialist.<sup>4</sup> The monthly Rights Fee ranges from \$75 to \$1,500 and is based on the Average National Daily Customer Contracts ("CADV") per issue. With one exception, the more active an issue, the higher the Rights Fee assessed. The exception is that the Exchange currently charges a higher rate for the lowest-volume issues (i.e., less than 201 CADV) to offset the Exchange's revenue with the cost of listing and maintaining these low-volume issues.

Proposed Modification to the Rights Fees

The Exchange proposes to align the Rights Fees with the economic benefit of being the e-Specialist, DOMM, or Specialist in a given issue, based on trading activity in an issue. The Exchange therefore proposes that some rates would decrease (for lower-volume issues) and others would increase (for higher-volume issues). Using the same CADV levels currently in

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<sup>4</sup> See Fee Schedule, Section III. C. (e-Specialist, DOMM and Specialist Monthly Rights Fees) (describing how the Rights Fee is assessed and setting forth the current rates), available [here](https://www.nyse.com/publicdocs/nyse/markets/amex-options/NYSE_Amex_Options_Fee_Schedule.pdf), [https://www.nyse.com/publicdocs/nyse/markets/amex-options/NYSE\\_Amex\\_Options\\_Fee\\_Schedule.pdf](https://www.nyse.com/publicdocs/nyse/markets/amex-options/NYSE_Amex_Options_Fee_Schedule.pdf).

place, the Exchange proposes to amend the Rights Fees as follows:

<b>e-Specialist, DOMM, and Specialist Rights Fee</b>		
<b>Average National Daily Customer Contracts Per Issue</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
0 to 200	\$250	\$50
201 to 2,000	\$75	\$60
2,001 to 5,000	\$200	\$150
5,001 to 15,000	\$375	\$375
15,001 to 100,000	\$750	\$1,250
Over 100,000	\$1,500	\$2,000

As shown in the chart above, the Exchange proposes to significantly decrease the Rights Fee for the lowest-volume issues (i.e., between 0-200 contracts) to better account for the costs to each e-Specialist, DOMM, and Specialist, irrespective of costs and revenue to the Exchange associated with listing an issue. The Exchange also proposes to slightly decrease the Rights Fee for option issues trading between 201-2,000 CADV and trading between 2,001-5,000 CADV to better align with the cost to the Exchange associated with such issues. The Exchange believes the proposed reduction in the Rights Fee for issues trading under 5,001CADV would create an incentive for Specialists and e-Specialists to request appointments in these lower-volume issues, which may result in increased liquidity to the benefit of market participants. Similarly, the Exchange believes the proposed reductions would encourage DOMMs to seek to transact more in these less active issues (i.e., to make order flow arrangements with Customers to direct orders in these issues to them), which in turn should increase volume on the Exchange.

In addition, the Exchange proposes to increase the Rights Fees associated with the two most active CADV categories of issues to better reflect the economic benefits of being an e-Specialist, DOMM, or Specialist in more actively-traded issues (i.e., option issues trading more than 5,000 CADV). The Exchange believes the proposed modifications to the Rights Fees are

appropriate as an e-Specialist, DOMM, or Specialist would have an opportunity to interact with fewer than 201 contracts per day to cover the proposed \$50 per month Rights Fees and would have the opportunity to interact with more than 100,000 contracts per day to cover the proposed \$2,000 per month Rights Fee.

Proposed Discounts to the Rights Fees

The Exchange proposes two alternative methods for Specialists, e-Specialists, and DOMMs to qualify for a discount on the monthly Rights Fees. First, as proposed, any Specialist, e-Specialist, or DOMM that participates in the Prepayment Program (outlined in Section I.D. of the Fee Schedule) would be eligible for a 20% discount to their monthly Rights Fees.

Alternatively, the Exchange proposes that any Specialist, e-Specialist, or DOMM that achieves one of the Tiers in the Amex Customer Engagement (“ACE”) Program (outlined in Section I.E. of the Fee Schedule) would be eligible for a discount on their Rights Fees, as set forth in the table below.

<b><u>Rights Fee Discount</u></b>	
<b><u>ACE Tier</u></b>	<b><u>Discount on Rights Fees</u></b>
<u>Base</u> <sup>5</sup>	<u>0%</u>
<u>1</u>	<u>0%</u>
<u>2</u>	<u>0%</u>
<u>3</u>	<u>20%</u>
<u>4</u>	<u>30%</u>
<u>5</u>	<u>40%</u>

In the event that an e-Specialist, DOMM, or Specialist qualified for both discounts in a given month, only the larger discount would be applied. For instance, a Specialist in one of the

<sup>5</sup> The Exchange notes that it is proposing to add a Base Tier to the ACE Program in a separate fee filing, also for December 1, 2016. Thus, reference to a Base Tier herein is designed to align with that proposed change. See File No. SR-NYSEMKT-2016-114.

Prepayment Programs would be eligible to receive a 20% discount on the Rights Fees every month or, if that same Specialist also qualifies for ACE Tier 4, making it eligible for a 30% discount in a given month, the Specialist would receive a 30% discount to the Rights Fees for that month in lieu of the 20% discount.

## 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 (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 modifications to the Rights Fees are reasonable, equitable and not unfairly discriminatory for a number of reasons. First, the Rights Fees apply solely to e-Specialists, DOMMs, and Specialists (other Market Makers are not subject to this Fee) and are assessed to account for the enhanced allocation opportunities and economic benefits that inure to these market participants. Second, the monthly Rights Fees are directly related to the number of allocations in the appointment of each e-Specialist, DOMM, or Specialist, which appointments are completely voluntary. Any e-Specialist, DOMM, or Specialist can opt to relinquish any issue in its allocation to reduce its total Rights Fee. In addition, the proposed Rights Fees would be more closely aligned with the economic benefit of being e-Specialist, DOMM, or Specialist in a given issue. For example, an e-Specialist, DOMM, or Specialist would have an opportunity to interact with fewer than 201 contracts per day to cover the proposed \$50 per month Rights Fee and would have the opportunity to interact with more than

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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).

100,000 contracts per day to cover the proposed \$2,000 per month Rights Fee. Further, e-Specialists, DOMMs, and Specialists trading issues with similar activity levels would be subject to the same Rights Fees.

The Exchange believes the proposed reduction in the Rights Fee for issues trading under 5,001CADV is reasonable, equitable and not unfairly discriminatory because it would create an incentive for Specialists and e-Specialists to request appointments in these lower-volume issues, which may result in increased liquidity to the benefit of market participants. Similarly, the Exchange believes the proposed reductions would encourage DOMMs to seek to transact more in these less active issues (i.e., to make order flow arrangements with Customers to direct orders in these issues to them), which in turn should increase volume on the Exchange.

The Exchange also believes the proposed discounts on the Rights Fees available to e-Specialists, DOMMs, and Specialists are reasonable, equitable and not unfairly discriminatory for a number of reasons. First, the proposed discounts would reduce the overhead costs of e-Specialists, DOMMs, and Specialists (by reducing the monthly Rights Fees), which would, in turn, enhance their ability to provide liquidity to the benefit of all market participants. Second, because Market Makers that are not e-Specialists, DOMMs, or Specialists are not subject to the Rights Fees (as such fees are assessed to account for the enhanced allocation opportunities and economic benefits that inure to these market participants), the proposed discount would not disadvantage Market Makers. In addition, all e-Specialists, DOMMs, and Specialists (as well as any other Market Makers) are eligible to participate in the Prepayment Program, which would enable them to qualify for the proposed 20% discount on the Rights Fees. Further, the proposed discounts available upon satisfying certain Tiers of the ACE Program are not discriminatory as they are open to all e-Specialists, DOMMS, and Specialists, as well as all other Market Makers

who may arrange for “appointment” status with an Order Flow Provider (“OFP”).

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

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>8</sup> the Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed modifications on the Rights Fees would not impose an unfair burden on competition because the proposed Rights Fees would more closely align with the economic benefit of being e-Specialist, DOMM, or Specialist in a given issue. Because other Market Makers are not subject to the Rights Fee, the proposed discount would not disadvantage Market Makers. Instead, the proposed ACE-related discounts would operate to incent each e-Specialist, DOMM, or Specialist to achieve higher ACE Tiers to reduce its own Rights Fee. The Exchange believes that the proposed discounts would encourage e-Specialists, DOMMs, or Specialists to quote and trade competitively in their issues and would reduce the burden on competition among e-Specialists, DOMMs, or Specialists in the most actively-traded issues because e-Specialists, DOMMs, or Specialists that achieve the discounts would have reduced overhead.

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

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

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>9</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>10</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>11</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

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

<sup>11</sup> 15 U.S.C. 78s(b)(2)(B).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEMKT-2016-115 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-NYSEMKT-2016-115. 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-NYSEMKT-2016-115, 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>12</sup>

Robert W. Errett  
Deputy Secretary

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