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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73557; File No. SR-NYSEArca-2014-131)

November 7, 2014

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Amending the NYSE Arca Options Fee Schedule Relating to Qualified Contingent Cross (“QCC”) Transactions Fees, Effective November 1, 2014

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 31, 2014, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) a proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 Options Fee Schedule relating to Qualified Contingent Cross transaction fees, effective November 1, 2014. 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 received on the proposed rule change. The text of those statements may be examined at the places

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 modify the Exchange's fees for QCC transactions. The Exchange proposes to implement the fee changes on November 1, 2014.

Currently, the Exchange charges \$0.10 per contract side for QCC transactions, regardless of whether a Customer is part of the transaction. The Exchange proposes to adopt a differentiated fee schedule and to instead charge \$0.00 per contract side for Customers and \$0.20 per contract side for non-Customers.

As is the case today, the Exchange would continue to offer a Floor Broker rebate of \$0.035 per contract side for executed QCC orders, but proposes to introduce one exception: there would be no Floor Broker rebate for executions of QCC orders where there are Customers on both sides of the transaction. For example, a QCC transaction where a Customer buying 1,000 ABC Dec 40 Calls trades with a different Customer selling 1,000 ABC Dec 40 Calls would be ineligible for the Floor Broker rebate. However, a QCC transaction with a Customer on only one side, executed by a Floor Broker, would continue to receive the rebate.

The Exchange believes that restructuring the QCC fees as proposed would allow OTP Holders and OTP Firms to compete on a more equal footing with other exchanges offering similar QCC fees.

The Exchange is also proposing a non-substantive, formatting change to the section of the fee schedule that applies to QCC transactions. The Exchange is proposing to re-format the "QUALIFIED CONTINGENT CROSS TRANSACTION FEES" section of the Fee Schedule as

a table with distinct rows and columns to make the Fee Schedule easier for participants to navigate.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>3</sup> in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,<sup>4</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 rates are reasonable, equitable and not unfairly discriminatory as they are consistent with those charged by other markets.<sup>5</sup> The Exchange believes that that proposed rates are likewise not unreasonable, inequitable or unfairly discriminatory because the same fee would be charged to all non-Customers alike. It is also not unreasonable, inequitable or unfairly discriminatory to impose no charge on Customers for QCC transactions because this change would enable non-Customers to better compete for (and, thus, to better attract) Customer business.

In addition, the Exchange believes that it is not unreasonable, inequitable or unreasonably discriminatory to exempt from the Floor Broker rebate those QCC transactions where there are Customers on both sides of the transaction. A rebate is the refunding of a portion of an assessed fee; however, when there are Customers on both sides of a QCC transaction, the Exchange is not assessing any fees. Accordingly, the Exchange believes that not offering a rebate for QCC

<sup>3</sup> 15 U.S.C. 78f(b).

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

<sup>5</sup> See e.g., NASDAQ OMX LLC [sic] Pricing Schedule, [available here](http://www.nasdaqtrader.com/Micro.aspx?id=PHLXPricing), <http://www.nasdaqtrader.com/Micro.aspx?id=PHLXPricing>.

transactions on which a fee that [sic] was never assessed in the first instance, cannot be viewed as unreasonable, inequitable or unreasonably discriminatory.

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>6</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 fee change is reasonably designed to be fair and equitable, and therefore, will not unduly burden any particular group of market participants trading on the Exchange vis-à-vis another group. The Exchange believes the proposed change to offer QCC transactions to Customers free of charge may enhance the competitive position of Non-Customers and allow OTP Holders and OTP Firms to compete more effectively for Customer QCC orders. In addition, the Exchange believes that the proposed changes will enhance the competitiveness of the Exchange relative to other exchanges which offer comparable differentiated fees for QCC transactions.<sup>7</sup>

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 fee 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.

<sup>6</sup> 15 U.S.C. 78f(b)(8).

<sup>7</sup> See supra n. 5.

**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>8</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>9</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>10</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-2014-131 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.

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(2).

<sup>10</sup> 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to File Number SR-NYSEArca-2014-131. 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 offices 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-2014-131, 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>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).