



**SECURITIES AND EXCHANGE COMMISSION**  
**[Release No. 34-76438; File No. SR-NYSEARCA-2015-108]**

**Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Options Fee Schedule**

November 13, 2015

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 November 2, 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 Options Fee Schedule (“Fee Schedule”). The Exchange proposes to implement the fee changes effective November 2, 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this filing is to amend the Fee Schedule in a number of different ways, effective November 2, 2015. Specifically, the Exchange proposes to increase certain Take Liquidity Fees charged; to introduce new posting credits; and to modify the Take Fee Discount Qualification, as described below.

Transaction Fees For Taking Liquidity in Penny Pilot Issues

The Exchange proposes to modify the fees paid by Market Makers, Lead Market Makers, Firms and Broker Dealers, and Professional Customers (collectively, "Non-Customers") for Taking Liquidity in Penny Pilot Issues ("Take Fees"). Currently, Non-Customers pay Take Fees of \$0.50 per contract for electronic executions. The Exchange proposes to raise that fee to \$0.52 per contract, which is within the range of fees charged by competing option exchanges.<sup>4</sup>

Customer Monthly Posting Credit Tiers for Penny Pilot Issues

The Exchange is proposing to add a new tier to the Customer Monthly Posting Credit Tiers for Penny Pilot Issues ("Posting Credit Tiers," each a "Tier"), which currently has six

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<sup>4</sup> For example, MIAX charges \$0.55 for executions [sic] in the following penny pilot options: EEM, GLD, IWM, QQQ and SPY. See MIAX fee schedule, [available here](https://www.miaxoptions.com/sites/default/files/MIAX_Options_Fee_Schedule_10012015C.pdf), [https://www.miaxoptions.com/sites/default/files/MIAX\\_Options\\_Fee\\_Schedule\\_10012015C.pdf](https://www.miaxoptions.com/sites/default/files/MIAX_Options_Fee_Schedule_10012015C.pdf). BOX assesses fees greater than \$0.55 to Non-customers [sic] for executions in penny pilot options. See BOX Options fee schedule, [available here](http://boxexchange.com/assets/BOX_Fee_Schedule.pdf), [http://boxexchange.com/assets/BOX\\_Fee\\_Schedule.pdf](http://boxexchange.com/assets/BOX_Fee_Schedule.pdf). In addition, NOM recently proposed to charge non-NOM Market Makers \$0.55 for executions in the following penny pilot options: EEM, GLD, IWM, QQQ, and SPY; and charge all other account types \$0.50 for removing liquidity in these symbols. See File SR-NASDAQ- 2015 [sic].

Tiers. The Exchange currently offers incremental Posting Credit Tiers for Posted Electronic Customer and Professional Customer Executions in Penny Pilot Issues based on escalating levels of business executed on the Exchange and also on the NYSE Arca Equity Market. The Exchange proposes to add a new Tier that will replace Tier 6; current Tier 6 will have the same posting requirements, but will become Tier 7.

To qualify for proposed Tier 6, Order Flow Providers (“OFPs”) must achieve at least 0.50% of Total Industry Customer equity and ETF option Average Daily Volume (“ADV”) from Customer and Professional Customer Posted Orders in all Issues Plus Executed ADV of 0.70% of U.S. Equity Market Share Posted and Executed on NYSE Arca Equity Market.<sup>5</sup> OFPs that meet the qualifications for Tier 6 would receive a credit of \$0.48 per contract applied to posted electronic Customer and Professional Customer executions in Penny Pilot issues. The Exchange believes this proposed change would provide additional incentive to direct Customer (and Professional Customer) order flow to the Exchange, which benefits all market participants through increased liquidity and enhanced price discovery. The Exchange also notes that cross-asset incentives are not new or novel, as the Exchange currently offers them (see, e.g., Tier 4), and proposed Tier 6 offers incentives similar to those recently introduced on a competing option exchange.<sup>6</sup>

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<sup>5</sup> The qualification level of U.S. Equity Market Share Posted and Executed on NYSE Arca Equity Market corresponds to Tier 1 on the NYSE Arca Equities Inc., Schedule of Fees and Charges for Exchange Services, available here, [https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Marketplace\\_Fees.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf).

<sup>6</sup> Specifically, NOM recently added a new tier that is eligible for a \$0.51 per contract rebate provided that “Participant (1) adds Customer, Professional, Firm, Non-NOM Market Maker and/or Broker-Dealer liquidity in Penny Pilot Options and/or Non-Penny Pilot Options above 0.85% of total industry customer equity and ETF option ADV contracts per day in a month and (2) the Participant has added liquidity in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.00% or more of

### Customer and Professional Customer Incentive Program

The Exchange is proposing two modifications to the Customer and Professional Customer Incentive Program, which provides four alternatives to earn credits. Currently, if an OTP Holder or OTP Firm (each an “OTP”) executes at least 0.75% of Total Industry Customer equity and ETF option ADV from Customer and Professional Customer Posted Orders in both Penny Pilot and non-Penny Pilot Issues, of which at least 0.25% of Total Industry Customer equity and ETF option ADV is from Customer and Professional Customer Posted Orders in non-Penny Pilot Issues, that OFP qualifies for an additional \$0.03 Credit on Customer and Professional Customer Posting Credits. The Exchange proposes to increase the 0.75% minimum volume requirement to 1.00% and to increase the applicable additional credit to \$0.04.

The Exchange also proposes a fifth alternative to qualify for additional credits under the Customer and Professional Customer Incentive Program. The Exchange proposes that an OTP that has an executed ADV of 0.70% of U.S. equity market share posted and executed on NYSE Arca Equity Market<sup>7</sup> would qualify for an additional \$0.03 credit on Customer and Professional Customer posting credits.

### Take Liquidity Discount for Certain Market Participants

Lastly, the Exchange proposes modifications to the Discount in Take Liquidity Fees for Professional Customer, Market Maker, Firm and Broker Dealer Liquidity Removing Orders (the “Take Fee Discount”) for OTPs. Currently, the Take Fee Discount is applied if the OTP meets both qualifications of at least 1.00 % of Total Industry Customer equity and ETF option ADV from Customer and Professional Customer Posted Orders in all Issues AND at least 2.00% of Total Industry Customer equity and ETF option ADV from Professional Customer, Market

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Consolidated Volume during the month.” See File No. SR-NASDAQ-2015-115.

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

Maker, Firm, and Broker Dealer Liquidity Removing Orders in all Issues. The Take Fee Discount applied to orders meeting both qualifications is \$0.02 in Penny Pilot issues, and \$0.06 in non-Penny Pilot issues.

The Exchange proposes to modify the qualifications such that meeting either qualification (rather than both) would enable an OTP to receive the discount, which would make the Discount easier to achieve. The Exchange also proposes to increase the Take Fee Discount for applicable orders in Penny Pilot Issues from \$0.02 to \$0.04, and to discontinue the Take Fee Discount applied to executions in non-Penny Pilot issues. Thus, as proposed, a discount of \$0.04 in Penny Pilot issues would be applied if the OTP executes at least 1.00 % of Total Industry Customer equity and ETF option ADV from Customer and Professional Customer Posted Orders in all Issues, OR executes at least 2.00% of Total Industry Customer equity and ETF option ADV from Professional Customer, Market Maker, Firm, and Broker Dealer Liquidity Removing Orders in all Issues.

## 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.

The Exchange believes that the proposed Take Fees for Non-Customers reasonable, equitable and not unfairly discriminatory because they are competitive with fees charged by other exchanges and are designed to attract (and compete for) order flow to the Exchange, which

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

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

provides a greater opportunity for trading by all market participants.<sup>10</sup> In addition, the increased Take Fees are reasonable because the fees would generate revenue that would help to support the credits offered for posting liquidity, which are available to all market participants. Moreover, the Exchange believes the proposed change does not unfairly discriminate because it applies equally to all Non-Customers who are removing liquidity.

The Exchange believes the introduction of a new Tier in the Customer and Professional Customer Monthly Posting Credit Tiers and Qualifications for Executions in Penny Pilot Issues is reasonable, equitable and not unfairly discriminatory because it is designed to attract additional Customer (and Professional Customer) electronic equity and ETF option volume to the Exchange, which additional liquidity would benefit all participants by offering greater price discovery, increased transparency, and an increased opportunity to trade on the Exchange. Additionally, the Exchange believes the proposed credits available on this new Tier are reasonable because they would incent OTPs to submit Customer (and Professional Customer) electronic equity and ETF option orders to the Exchange and would result in credits that are reasonably related to the Exchange's market quality that is associated with higher volumes. The Exchange also notes that cross-asset incentives are not new or novel, as the Exchange currently offers them (see, e.g., Tier 4), and proposed Tier 6 offers incentives similar to those recently introduced on a competing option exchange.<sup>11</sup>

The Exchange believes the proposed modifications to the Customer and Professional Customer Incentive Program are reasonable, equitable and not unfairly discriminatory because they are designed to attract additional Customer (and Professional Customer) electronic equity and ETF option volume to the Exchange, which additional liquidity would benefit all participants

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<sup>10</sup> See supra n. 4.

<sup>11</sup> See supra n. 6.

by offering greater price discovery, increased transparency, and an increased opportunity to trade on the Exchange. Additionally, the Exchange believes the proposed credits available in the new (fifth) alternative would provide additional incentive to OTPs to submit Customer (and Professional Customer) electronic equity and ETF option orders to the Exchange and would result in credits that are reasonably related to the Exchange's market quality that is associated with higher volumes. In addition, the proposed fifth alternative would attract additional posted order flow to NYSE Arca Equities, so as to provide additional opportunities for all ETP Holders to trade on NYSE Arca Equities.

The Exchange believes the changes to the take Fee Discount for Non-Customers are reasonable, equitable and non-discriminatory because it makes the Discount easier to achieve which would incentivize OTPs to execute large volumes of orders on the Exchange, which benefits all market participants through increased liquidity and enhanced price discovery. The Exchange believes the elimination of the Discount for Non-Penny Issues encourages OTPs to bring more business to the Exchange in Penny Pilot issues, which are generally the most active issues, to the benefit of Customers and Non-Customers alike. The Exchange believes the Take Fee Discount is reasonable, equitable, and not unfairly discriminatory because it continues to apply to all participants other than Customers, who pay a much lower Take Liquidity Fee, and because it is available to all firms that provide Customer and Professional Customer orders. The Exchange also notes that the proposed Take Fee discount is consistent with those offered on competing options exchanges.<sup>12</sup>

For these reasons, the Exchange believes that the proposal is consistent with the Act.

B. Self-Regulatory Organization's Statement on Burden on Competition

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<sup>12</sup> See, e.g., BATS Options Exchange fee schedule (Non-Customer Penny Pilot Take Volume Tiers), available here, [http://www.batsoptions.com/support/fee\\_schedule/](http://www.batsoptions.com/support/fee_schedule/).

In accordance with Section 6(b)(8) of the Act,<sup>13</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 incentive will continued [sic] to encourage competition, including by attracting additional liquidity and a wider variety of business to the Exchange, which would continue to make the Exchange a more competitive venue for, among other things, order execution and price discovery. The also [sic] Exchange believes the proposed fee modifications do not impose an undue burden on competition because the changes offset an increase in fees for some transactions with a variety of means to achieve credits and discounts. The Exchange does not believe that the proposed changes would impair the ability of any market participants or competing order execution venues to maintain their competitive standing in the financial markets.

The increases in Take Liquidity fees will impact all affected order types (i.e., Professional Customers, Firm, Broker Dealers) in issues at the same rate. The proposed changes to the Customer Monthly Posting Credit Tiers, and the proposed modification to the Customer Incentives are designed to attract additional volume, in particular posted electronic Customer (and Professional Customer) executions, to the Exchange, which would promote price discovery and transparency in the securities markets thereby benefitting competition in the industry. As stated above, the Exchange believes that the proposed change would impact all similarly situated OTPs that post electronic Customer (and Professional Customer) executions on the Exchange equally, and as such, the proposed change would not impose a disparate burden on competition either among or between classes of market participants.

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<sup>13</sup> 15 U.S.C. 78f(b)(8).



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 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>14</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>15</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>16</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

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(2).

<sup>16</sup> 15 U.S.C. 78s(b)(2)(B).

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-2015-108 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-2015-108. 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 Section, 100 F Street, NE, Washington, DC 20549-1090. 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-2015-108 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Brent J. Fields,**  
*Secretary.*

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

