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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83780; File No. SR-NYSEARCA-2018-56]

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

August 6, 2018

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 July 31, 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 Substance of the Proposed Rule Change

The Exchange proposes to modify the NYSE Arca Options Fee Schedule ("Fee Schedule"). The Exchange proposes to implement the fee change effective August 1, 2018. The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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1 15 U.S.C.78s(b)(1).

2 15 U.S.C. 78a.

3 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this filing is to modify the Fee Schedule, effective August 1, 2018, to modify or eliminate the criteria for achieving various credits.

The Exchange currently provides a number of incentives for OTP Holders and OTP Firms (collectively, "OTPs") designed to encourage OTPs to direct additional order flow to the Exchange to achieve more favorable pricing and higher credits. Among these incentives are enhanced posted liquidity credits based on achieving certain percentages of NYSE Arca Equity daily activity, also known as "cross-asset pricing." In addition, certain of the qualifications for achieving these incentives are more tailored to specific activity (i.e., posting in Penny Pilot issues only, or cross-asset pricing based only on levels of Retail Orders on the NYSE Arca Equity Market). Similarly, because the Exchange allows Order Flow Providers ("OFPs") to aggregate their volume executed on NYSE Arca with affiliated or Appointed Market Makers, OFPs may encourage an increased level of activity from these participants to qualify for various incentives, including higher credits for Customer orders.[4] The Exchange proposes to modify certain of the thresholds for achieving posting credits on the Exchange as described below.

Pursuant to the Customer Penny Pilot Posting Tiers (the "Penny Credit Tiers", each a "Penny Tier"), Customer orders that post liquidity and are executed on the Exchange earn a base credit of $0.25 per contract, with the ability to earn increased credits (up to $0.50) based on the participant's activity. Currently, there are eight (8) Penny Credit Tiers, with increasing minimum volume thresholds associated with each tier.

The Exchange proposes to eliminate Penny Tier 4, which would remove the $0.46 per contract credit for OTPs that achieve at least 0.60% of TCADV from Customer posted interest in all issues, plus executed Average Daily Volume ("ADV") of Retail Orders of 0.1% ADV of U.S. Equity Market Share Posted and Executed on NYSE Arca Equity Market. Consistent with this change, the Exchange proposed to renumber the remaining higher Tiers (i.e., to re-number current Penny Tiers 5-8 to Penny Tiers 4-7). The Exchange also proposes to modify certain minimum volume thresholds in new Penny Tiers 5 and 6. In new Penny Tier 5, in the alternative qualification, an OTP would earn the $0.48 per contract credit by achieving at least 0.75% (up from 0.50%) of TCADV from Customer posted interest in all issues, plus at least 0.45% of TCADV from Market Maker Total Electronic Volume.[5] As proposed, in the new Penny Tier 6, an OTP would

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4 Per the Fee Schedule, "[u]nless Professional Customer executions are specifically delineated, such executions will be treated as 'Customer' executions for fee/credit purposes. See Fee Schedule, NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS.

5 Per the Fee Schedule, the "Total Industry Customer equity and ETF option average daily volume ('TCADV') includes OCC calculated Customer volume of all types, including Complex Order Transactions and QCC transactions, in equity

earn the $0.49 per contract credit by achieving at least 0.75% (up from 0.50%) of TCADV from Customer posted interest in all issues, plus at least 0.60% of TCADV from Market Maker Total Electronic Volume.

The Exchange also offers a Customer Incentive Program (the "Incentive Program"), which offers OTPs the ability to earn one additional credit by achieving the minimum thresholds listed.[6] The Exchange now proposes to eliminate one of the alternatives. Specifically, the Exchange would no longer provide an additional $0.03 per contract credit for achieving executed ADV of retail orders of 0.10% ADV of U.S. Equity Market Share Posted and Executed on NYSE Arca Equity Market.

The Exchange also offers increasing credits to be applied to executions of Customer posted interest in non-Penny Pilot issues based on minimum volume thresholds through the Customer Posting Credit Tiers in Non-Penny Pilot Issues ("Non-Penny Credit Tiers", each a "Non-Penny Tier"). The Exchange proposes to eliminate one Non-Penny Tier (the current Tier A), which would remove the $0.83 per contract credit for OTPs that achieve at least 0.70% of TCADV from Customer posted interest in all issues, plus executed ADV of Retail Orders of 0.1% ADV of U.S. Equity Market Share Posted and Executed on NYSE Arca Equity Market. Consistent with this change, the Exchange proposes to re-title the balance of the Non-Penny Tiers (i.e., to re-title current Non-Penny Tiers B - F to Non-Penny Tiers A through E).

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and ETF options." See Fee Schedule, endnote 8.

6 The Exchange proposes to make a non-substantive change to the second alternative basis for the Incentive Program by replacing reference to "Total Industry Customer equity and ETF option ADV" with the defined abbreviation of "TCADV," which would add clarity and internal consistency to the Fee Schedule. See proposed Fee Schedule, Customer Incentive Program.

Additionally, the Exchange proposes to modify the minimum volume threshold required to achieve new Tier B, such that an OTP would earn the $0.94 per contract credit by achieving at least 0.75% (up from 0.50%) of TCADV from Customer posted interest in all issues, plus an ADV from Market Maker Total Electronic Volume equal to 0.45% of TCADV. The Exchange also proposes to modify the minimum volume threshold for the new Tier D, such that an OTP would earn the $1.00 per contract credit by achieving at least 0.75% (up from 0.50%) of TCADV from Customer posted interest in all issues, plus an ADV from Market Maker Total Electronic Volume equal to 0.60% of TCADV.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[7] in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,[8] 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 minimum threshold qualification for certain of the Penny, and Non-Penny, Credit Tiers and the Incentive Program are reasonable, equitable, and not unfairly discriminatory because, among other things, the proposed changes would streamline the available means for an OTP to qualify for credits on the Exchange, while still offering OTPs incentives to direct volume to the Exchange. The Exchange notes that it proposes to remove certain tiers from the various

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7 15 U.S.C. 78f(b).

8 15 U.S.C. 78f(b)(4) and (5).

posting credit programs because such tiers are underutilized. The proposed changes, therefore, should provide more meaningful criteria for OTPs to qualify for (and seek to achieve higher) credits by posting desired volume on the Exchange. The Exchange believes that the proposed changes would continue to attract Customer (and Professional Customer) orders to the Exchange, which results in increased liquidity to the benefit of all participants by offering greater price discovery, increased transparency, and an increased opportunity to trade on the Exchange.

The Exchange also believes the proposed changes are reasonable, equitable and not unfairly discriminatory because the modified minimum volume thresholds for the Penny, and Non-Penny, Tiers and the Incentive Program would be available to all similarly-situated market participants on an equal and non-discriminatory basis. The Exchange believes the proposed modifications are reasonable, equitable and not unfairly discriminatory because they encourage participants to enhance their order flow to qualify for the various incentives, including encouraging more participants to have affiliated or appointed order flow directed to the Exchange. Further, encouraging OFPs to send higher volumes of Customer (and Professional Customer) orders to the Exchange would also contribute to the Exchange's depth of book as well as to the top of book liquidity.

The proposed changes to the various posting credit incentives offered on the Exchange are also reasonable as they are consistent with similar such programs offered on other exchanges.[9]

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9 See e.g., NASDAQ Options Market, Chapter XV Options Pricing, Sec. 2, Fees and Rebates, available here, http://nasdaq.cchwallstreet.com/NASDAQTools/PlatformViewer.asp?selectednode=chp_1_1_15&manual=%2Fnasdaq%2Fmain%2Fnasdaq-optionsrules%2F

Finally, the Exchange believes the proposed non-substantive changes to the Fee Schedule (see supra note 6) are reasonable, equitable, and not unfairly discriminatory because it would add clarity, transparency and internal consistency to the Fee Schedule.

(setting forth various rebates per executed contract, including for adding Customer and Professional Customer volume).

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

In accordance with Section 6(b)(8) of the Act, 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 changes would encourage competition, including by attracting additional liquidity to the Exchange, which would continue to make the Exchange a more competitive venue for, among other things, order execution and price discovery. The Exchange does not believe that the proposed change would impair the ability of any market participants or competing order execution venues to maintain their competitive standing in the financial markets. Further, the incentive would be available to all similarly-situated participants, and, as such, the proposed change would not impose a disparate burden on competition either among or between classes of market participants and may, in fact, encourage competition. The Exchange notes that the proposed rule change merely modifies existing posting tiers that offer additional credits to OTPs that (opt to) meet certain volume thresholds. The proposed change does not impose any new burden or requirement on OTPs, as achieving the modified tiers is voluntary (i.e., an OTP that does not does not seek to achieve additional credits by meeting the modified volume thresholds has no obligation to do so).

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)[10] of the Act and subparagraph (f)(2) of Rule 19b-4[11] 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)[12] 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:

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[10] 15 U.S.C. 78s(b)(3)(A).

[11] 17 CFR 240.19b-4(f)(2).

[12] 15 U.S.C. 78s(b)(2)(B).

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-2018-56 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-2018-56. 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 the 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-2018-56 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.[13]

Eduardo A. Aleman
Assistant Secretary

[13] 17 CFR 200.30-3(a)(12).

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