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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-89607; File No. SR-NYSEArca-2020-75]

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

August 18, 2020.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on August 12, 2020, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission (“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 Equities Fees and Charges (“Fee Schedule”) to (1) adopt a step up tier for ETP Holders adding liquidity in Non-Displayed Limit Orders in Tapes A, B and C securities with a per share price at or above \$1.00; (2) adopt a step up tier for ETP Holders adding liquidity in Round Lots and Odd Lots in Tapes A, B and C securities with a per share price below \$1.00; and (3) amend the base rate for adding and removing liquidity in Round Lots and Odd Lots in Tapes A, B and C securities with a per share price below \$1.00. The proposed rule change is available on the Exchange’s website at

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend the Fee Schedule to (1) adopt a step up tier for ETP Holders⁴ adding liquidity in Non-Displayed Limit Orders⁵ in Tapes A, B and C securities with a per share price at or above \$1.00; (2) adopt a step up tier for ETP Holders adding liquidity in Round Lots and Odd Lots in Tapes A, B and C securities with a per share price below \$1.00; and (3) amend the base rate for adding and removing liquidity in Round Lots and Odd Lots in Tapes A, B and C securities with a per share price below \$1.00.

The proposed changes respond to the current competitive environment where order flow providers have a choice of where to direct liquidity-providing orders by offering further incentives for ETP Holders to send additional liquidity to the Exchange.

⁴ All references to ETP Holders in connection with this proposed fee change include Market Makers.

⁵ A Non-Displayed Limit Order is a limit order that is not displayed and does not route. See NYSE Arca Rule 7.31-E(d)(2).

The Exchange proposes to implement the fee changes effective August 12, 2020.⁶

Background

The Exchange operates in a highly competitive market. The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”⁷

As the Commission itself recognized, the market for trading services in NMS stocks has become “more fragmented and competitive.”⁸ Indeed, equity trading is currently dispersed across 13 exchanges,⁹ numerous alternative trading systems,¹⁰ and broker-dealer internalizers and wholesalers, all competing for order flow. Based on publicly-available information, no single exchange currently has more than 20% market share (whether including or excluding

⁶ The Exchange originally filed to amend the Fee Schedule on August 3, 2020 (SR-NYSEArca-2020-73). SR-NYSEArca-2020-73 was subsequently withdrawn and replaced by this filing.

⁷ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (File No. S7-10-04) (Final Rule) (“Regulation NMS”).

⁸ See Securities Exchange Act Release No. 51808, 84 FR 5202, 5253 (February 20, 2019) (File No. S7-05-18) (Transaction Fee Pilot for NMS Stocks Final Rule) (“Transaction Fee Pilot”).

⁹ See Cboe Global Markets, U.S Equities Market Volume Summary, available at https://markets.cboe.com/us/equities/market_share. See generally <https://www.sec.gov/fast-answers/divisionsmarketregmrexchangesshtml.html>.

¹⁰ See FINRA ATS Transparency Data, available at <https://otctransparency.finra.org/otctransparency/AtsIssueData>. A list of alternative trading systems registered with the Commission is available at <https://www.sec.gov/foia/docs/atlist.htm>.

auction volume).¹¹ Therefore, no exchange possesses significant pricing power in the execution of equity order flow. More specifically, the Exchange currently has less than 10% market share of executed volume of equities trading.¹²

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can move order flow, or discontinue or reduce use of certain categories of products. While it is not possible to know a firm's reason for shifting order flow, the Exchange believes that one such reason is because of fee changes at any of the registered exchanges or non-exchange venues to which a firm routes order flow. With respect to non-marketable order flow that would provide liquidity on an Exchange against which market makers can quote, ETP Holders can choose from any one of the 13 currently operating registered exchanges to route such order flow. Accordingly, competitive forces constrain exchange transaction fees that relate to orders that would provide liquidity on an exchange.

In response to the competitive environment described above, the Exchange has established incentives for ETP Holders who submit orders that provide liquidity on the Exchange. The proposed fee change is designed to attract additional order flow to the Exchange by offering a new pricing tier to incentivize ETP Holders to step up their liquidity-providing Non-Displayed Limit Orders in Tapes A, B and C securities, a new step up pricing tier for Round Lots and Odd Lots in Tapes A, B and C securities with a share price of less than \$1.00 ("Sub-Dollar Securities"), and by amending the base rate for adding and removing liquidity in Sub-Dollar Securities.

Proposed Rule Change

¹¹ See Cboe Global Markets, U.S. Equities Market Volume Summary, available at http://markets.cboe.com/us/equities/market_share/.

¹² See *id.*

Step Up Tier for Adding Liquidity in Non-Displayed Limit Orders

The Exchange proposes to adopt a step up tier that would offer credits to ETP Holders providing non-displayed liquidity to the Exchange in Tapes A, B and C securities.

As proposed, an ETP Holder that, during the billing month, sends orders that add liquidity to the Exchange in Non-Displayed Limit Orders and Mid-Point Liquidity Orders (“MPL Orders”)¹³ combined, and that has adding average daily volume (“ADV”) in Non-Displayed Limit Orders and MPL Orders combined as a percent of US Consolidated ADV (“CADV”)¹⁴ that is at least 0.02% more than the ETP Holder’s July 2020 Limit Non-Displayed Order ADV and MPL Order ADV combined as a percent of US CADV (“Non-Displayed and MPL Baseline”) would receive a credit for Non-Displayed Limit Orders, as follows:

- \$0.0004 per share for ETP Holders with at least 0.02% more but less than 0.05% than the ETP Holder’s Non-Displayed and MPL Baseline;
- \$0.0010 per share for ETP Holders with at least 0.05% more but less than 0.10% than the ETP Holder’s Non-Displayed and MPL Baseline;
- \$0.0015 per share for ETP Holders with at least 0.10% more but less than 0.15% than the ETP Holder’s Non-Displayed and MPL Baseline; and

¹³ An MPL Order is a limit order that is not displayed and does not route, with a working price at the midpoint of the PBBO. See NYSE Arca Rule 7.31-E(d)(3). The term “PBBO” refers to the Best Protected Bid and the Best Protected Offer on NYSE Arca.

¹⁴ US CADV means the 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. See Fee Schedule, footnote 3.

- \$0.0020 per share for ETP Holders with at least 0.15% more than the ETP Holder's Non-Displayed and MPL Baseline.

For example, assume an ETP Holder has an adding ADV in MPL Orders of 0.04% of US CADV and an adding ADV in Limit Non-Displayed Orders of 0.02% of US CADV, for a combined total of 0.06% of US CADV in the baseline month of July 2020. Assume further that the same ETP Holder has adding ADV in MPL Orders of 0.06% of US CADV and an adding ADV in Limit Non-Displayed Orders of 0.03% of US CADV for a combined total of 0.09% of US CADV in a billing month. The ETP Holder in the above example would then have a combined step up in MPL Orders and Limit Non-Displayed Orders of 0.03% of US CADV (0.09% - 0.06%), which would qualify the ETP Holder for a credit of \$0.0004 per share for Non-Displayed Limit Orders for that billing month.

The purpose of this proposed change is to incentivize ETP Holders to increase the liquidity-providing orders in Non-Displayed Limit Orders and MPL Orders they send to the Exchange, which would support the quality of price discovery on the Exchange and provide additional liquidity for incoming orders. As noted above, the Exchange operates in a competitive environment, particularly as it relates to attracting non-marketable orders, which add liquidity to the Exchange. Because the proposed tier requires an ETP Holder to increase the volume of its trades in orders that add liquidity over that ETP Holder's July 2020 baseline, the Exchange believes that the proposed credits would provide an incentive for all ETP Holders to send additional liquidity to the Exchange in order to qualify for it.

The Exchange does not know how much order flow ETP Holders choose to route to other exchanges or to off-exchange venues. Since the tier's requirements utilize an increase in volume from the most recent month, the Exchange does not know how many ETP Holders could qualify

for the proposed tiered credits based on their current trading profile on the Exchange, but the Exchange notes that, since the lowest step up is only an Adding ADV of 0.02% of US CADV in Non-Displayed Limit Orders and MPL Orders combined, the Exchange believes that a number of ETP Holders could qualify if they so choose. However, without having a view of ETP Holders' activity on other exchanges and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would result in any ETP Holder directing orders to the Exchange in order to qualify for the new tier.

Step Up Tier for Adding Liquidity in Sub-Dollar Securities

As described in greater detail below, the Exchange proposes to adopt a step up tier that would offer credits to ETP Holders adding liquidity in Sub-Dollar Securities. Currently, the Exchange charges a fee equal to 0.3% of the total dollar value for orders that take liquidity from the Book. The Exchange does not currently offer any credits to ETP Holders for adding liquidity to the Exchange in Sub-Dollar Securities.

As proposed, an ETP Holder that, during the billing month, on a daily basis, measured monthly, has an Adding ADV of 1 million shares with a per share price below \$1.00 ("Sub-Dollar Adding Orders"), and that directly executes providing volume in Sub-Dollar Adding Orders equal to at least 0.20% of the CADV with a per share price below \$1.00 ("Sub-Dollar CADV") over the ETP Holder's July 2020 Sub-Dollar Adding ADV taken as a percentage of Sub Dollar CADV ("Sub-Dollar Baseline"), would receive a credit for orders that provide liquidity to the Book in Sub-Dollar Adding Orders, as follows:

- 0.0005% of the total dollar value for an increase of at least 0.20% more but less than 0.50% of Sub-Dollar CADV over the Sub-Dollar Baseline;

- 0.0010% of the total dollar value for an increase of at least 0.50% more but less than 0.75% of Sub-Dollar CADV over the Sub-Dollar Baseline;
- 0.00125% of the total dollar value for an increase of at least 0.75% more but less than 1.0% of Sub-Dollar CADV over the Sub-Dollar Baseline; and
- 0.0015% of the total dollar value for an increase of at least 1.0% more of Sub-Dollar CADV over the Sub-Dollar Baseline.

For example, assume an ETP Holder has an adding ADV in Sub-Dollar Adding Orders of 1 million shares in the baseline month of July 2020 when the Sub-Dollar CADV was 1 billion shares, for an adding ADV in Sub-Dollar Adding Orders of 0.10% of Sub-Dollar CADV.

Assume further that the same ETP Holder has adding ADV in Sub-Dollar Adding Orders of 4 million shares in the billing month when the Sub-Dollar CADV was again 1 billion shares, for an adding ADV in Sub-Dollar Adding Orders of 0.40% of Sub-Dollar CADV. The ETP Holder in the above example would then have a step up in Sub-Dollar Adding Orders of 0.30% of Sub-Dollar CADV (0.40% - 0.10%), which would qualify the ETP Holder to receive a credit of 0.0005% of the total dollar value for orders that provide liquidity to the Book in Sub-Dollar Adding Orders for that billing month.

Base Rate for Adding and Removing Liquidity in Sub-Dollar Securities

As noted above, the Exchange currently does not provide any credit for orders that provide liquidity to the Book and charges a fee equal to 0.3% of the total dollar value for orders that take liquidity from the Book. With this proposed rule change, the Exchange proposes to adopt a base credit of \$0.00004 per share for adding liquidity in Sub-Dollar Securities and lower the base rate for removing liquidity in Sub-Dollar Securities to 0.295% of the total dollar value for orders that take liquidity from the Book.

In connection with this proposed fee change, the Exchange also proposes the following two changes to the Fee Schedule: 1) insert the word “fee” after “0.295%” to clarify the application of a fee for Sub-Dollar Securities; and 2) amend footnote 4 of the Fee Schedule by deleting the entire second sentence which currently states that “Rebates will not be paid for executions in securities priced under \$1.00.”

Trading in Sub-Dollar Securities has intensified in recent months, often affected in some way by the current macroeconomic turmoil. The purpose of this proposed change is to incentivize ETP Holders to increase the liquidity-providing orders in Sub-Dollar Securities they send to the Exchange, which would support the quality of price discovery on the Exchange and provide additional liquidity for incoming orders. The proposed credit for adding liquidity and lower fee for removing liquidity in Sub-Dollar Securities is intended to increase order flow that would interact with liquidity present on the Exchange.

As noted above, the Exchange operates in a competitive environment, particularly as it relates to attracting non-marketable orders, which add liquidity to the Exchange. Because, as proposed, the step up tier requires an ETP Holder to increase the volume of its trades in orders that add liquidity over that ETP Holder’s July 2020 baseline, the Exchange believes that the proposed credits would provide an incentive for all ETP Holders to send additional liquidity to the Exchange in order to qualify for it. The Exchange believes the proposed credit for orders that add liquidity combined with the lower base rate for orders that would remove liquidity would also incentivize ETP Holders to direct liquidity adding and removing orders in low priced securities to the Exchange.

U.S. equity market volumes have been remarkably high since the end of February 2020. Extreme volumes in recent weeks are reportedly driven by retail traders, leading to record off-

exchange (or TRF) market share; 5 of the 8 highest TRF market share days ever occurred in the 5 consecutive trading sessions between June 3 and June 9.¹⁵ The Exchange does not know how much order flow ETP Holders choose to route to other exchanges or to off-exchange venues. The Exchange believes the proposed credit for adding liquidity in Sub-Dollar Securities and the proposed lower fee for removing liquidity in Sub-Dollar Securities should serve as an incentive for ETP Holders to direct more of their orders in these securities to the Exchange.

Additionally, since the proposed step up tier's requirements utilize an increase in volume from the most recent month, the Exchange does not know how many ETP Holders could qualify for the proposed tiered credits based on their current trading profile on the Exchange, but the Exchange notes that, since the lowest step up is an Adding ADV of 0.20% of Sub-Dollar CADV, the Exchange believes that ETP Holders could qualify if they so choose. However, without having a view of ETP Holders' activity on other markets and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would result in any ETP Holder directing orders to the Exchange in order to qualify for the new tier. The Exchange cannot predict with certainty how many ETP Holders would avail themselves of this opportunity, but additional liquidity-providing orders would benefit all market participants because it would provide greater execution opportunities on the Exchange.

The proposed changes are not otherwise intended to address any other issues, and the Exchange is not aware of any significant problems that market participants would have in complying with the proposed changes.

¹⁵ See Data Insights, Market volume & off-exchange trading: more than a retail story, at <https://www.nyse.com/data-insights/market-volume-and-off-exchange-trading>.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹⁶ in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,¹⁷ 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 Proposed Fee Change is Reasonable

As discussed above, the Exchange operates in a highly fragmented and competitive market. The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹⁸

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow, or discontinue to reduce use of certain categories of products, in response to fee changes. With respect to non-marketable orders that provide liquidity on an Exchange, ETP Holders can choose from any one of the 13 currently operating registered exchanges to route such order flow. Accordingly, competitive forces reasonably constrain exchange transaction fees that relate to orders that would

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(4) and (5).

¹⁸ See Regulation NMS, 70 FR at 37499.

provide displayed liquidity on an exchange. Stated otherwise, changes to exchange transaction fees can have a direct effect on the ability of an exchange to compete for order flow.

Given this competitive environment, the proposal represents a reasonable attempt to attract additional order flow to the Exchange.

Step Up Tier for Adding Liquidity in Non-Displayed Limit Orders

Given the competitive environment, the proposed Step Up Tier for Adding Liquidity in Non-Displayed Limit Orders and MPL Orders combined would provide an incentive for ETP Holders to route additional liquidity providing orders to the Exchange in Tapes A, B and C securities.

As noted above, the Exchange operates in a highly competitive environment, particularly for attracting non-marketable order flow that provides liquidity on an exchange. The Exchange believes it is reasonable to provide a higher credit for orders that provide additional liquidity. The Exchange believes that requiring ETP Holders to have an Adding ADV in Non-Displayed Limit Orders and MPL Orders combined that is at least 0.02% of US CADV over that ETP Holder's July 2020 adding liquidity in Non-Displayed Limit Orders and MPL Orders combined taken as a percentage of US CADV in order to qualify for the proposed Step Up Tier is reasonable because it would encourage additional non-displayed liquidity on the Exchange and because market participants benefit from the greater amounts of liquidity and price improvement present on the Exchange.

Similarly, the Exchange believes that it is reasonable to provide an higher credit to ETP Holders that meet the requirements of the Step Up Tier that add additional liquidity in Non-

Displayed Limit Orders and MPL Orders. Since the proposed Step Up Tier would be new with a requirement for increased Adding ADV over the baseline month, no ETP Holder currently qualifies for the proposed pricing tier. While there are a number of ETP Holders that could qualify for the proposed higher credit, the Exchange has no way of knowing whether the proposed rule change would result in any ETP Holder qualifying for the tier without a view of ETP Holder activity on other exchanges and off exchange venues. The Exchange believes the proposed higher credit is reasonable as it would provide an additional incentive for ETP Holders to direct their order flow to the Exchange and provide meaningful added levels of liquidity in order to qualify for the higher credit, thereby contributing to depth and market quality on the Exchange.

Step Up Tier for Adding Liquidity in Sub-Dollar Securities

The Exchange believes the proposal to adopt the Step Up Tier for Adding Liquidity in Sub-Dollar Securities is reasonable as it would serve as an incentive to market participants to increase the orders in Sub-Dollar Securities sent directly to NYSE Arca and therefore provide liquidity that supports the quality of price discovery and promotes market transparency. The Exchange believes the proposed pricing tier is reasonable because it would allow ETP Holders to receive credits that were not previously available on the Exchange. Moreover, the addition of the proposed pricing tier would benefit market participants whose increased order flow would provide meaningful added levels of liquidity thereby contributing to the depth and market quality on the Exchange.

The Exchange notes that volume-based incentives and discounts have been widely adopted by exchanges,¹⁹ including the Exchange,²⁰ and are reasonable, equitable and non-discriminatory because they are open to all ETP Holders on an equal basis and provide additional credits that are reasonably related to the value to an exchange's market quality and associated higher levels of market activity.

Base Rate for Adding and Removing Liquidity in Sub-Dollar Securities

The Exchange believes that the proposed rate change for ETP Holders will incentivize submission of additional liquidity in Sub-Dollar Securities to a public exchange to qualify for the proposed credit of \$0.00004 per share for adding liquidity and lower fee of 0.295% of the total dollar value for removing liquidity, thereby promoting price discovery and transparency and enhancing order execution opportunities for ETP Holders. The Exchange believes that the proposed credit for orders that add liquidity to the Exchange is reasonable because it would incentivize ETP Holders to direct more order flow in Sub-Dollar Securities to the Exchange. The Exchange notes that the proposed credit would be greater than credits offered on other markets. For example, BZX and the Nasdaq Stock Market (“Nasdaq”) do not provide any credit for orders in Sub-Dollar Securities that add liquidity.²¹ While Cboe EDGX U.S. Equities

¹⁹ See e.g., Cboe BZX U.S. Equities Exchange (“BZX”) Fee Schedule, Footnote 1, Add Volume Tiers which provide enhanced rebates between \$0.0028 and \$0.0032 per share for displayed orders where BZX members meet certain volume thresholds.

²⁰ See e.g., Fee Schedule, Step Up Tier, Step Up Tier 2, Step Up Tier 3 and Step Up Tier 4, which provide enhanced rebates between \$0.0025 and \$0.0033 per share in Tape A Securities, between \$0.0022 and \$0.0034 per share in Tape B Securities, and between \$0.0025 and \$0.0033 per share in Tape C Securities for orders that provide displayed liquidity where ETP Holders meet certain volume thresholds.

²¹ See BZX Fee Schedule, at https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/. See also Nasdaq Price List, at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>.

Exchange (“EDGX”) offers a credit of \$0.00003 per share for orders in Sub-Dollar Securities that add liquidity, the credit proposed by this rule change would be greater but comparable than that offered by EDGX.²²

The Exchange further believes that the proposed revised fee for orders that remove liquidity from the Exchange is reasonable because it would incentivize ETP Holders to remove additional liquidity from the Exchange, thereby increasing the number of orders adding liquidity executed on the Exchange and improving overall liquidity on a public exchange, resulting in lower costs for ETP Holders that qualify for the rates. The Exchange notes that the proposed fee would be lower than comparable fees offered on other markets. For example, both BZX and Nasdaq currently charge a fee of 0.30% of total dollar value for removing liquidity in securities priced below \$1.00.²³

On the backdrop of the competitive environment in which the Exchange currently operates, the proposed rule change is a reasonable attempt to increase liquidity on the Exchange and improve the Exchange’s market share relative to its competitors.

The Proposed Fee Change is an Equitable Allocation of Fees and Credits

The Exchange believes its proposal equitably allocates its fees among its market participants by fostering liquidity provision and stability in the marketplace.

Step Up Tier for Adding Liquidity in Non-Displayed Limit Orders

The Exchange believes that the proposed Step Up Tier is equitable because the magnitude of the additional credit is not unreasonably high relative to the tiered credits for Non-

²² See EDGX Fee Schedule, at https://markets.cboe.com/us/equities/membership/fee_schedule/edgx/.

²³ See BZX Fee Schedule, at https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/. See also Nasdaq Price List, at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>.

Displayed Limit orders that add liquidity offered by, for example, the New York Stock Exchange, which range from \$0.0005 per share to \$0.0018 per share. The Exchange believes the proposed rule change would improve market quality for all market participants on the Exchange and, as a consequence, attract more liquidity to the Exchange, thereby improving market-wide quality and price discovery.

The Exchange believes that requiring ETP Holders to having an Adding ADV in Non-Displayed Limit Orders and MPL Orders combined in Tapes A, B and C CADV that is at least 0.02% of US CADV over that ETP Holder's July 2020 adding liquidity in Non-Displayed Limit Orders and MPL Orders taken as a percentage of US CADV in order to qualify for the proposed credits would also encourage additional displayed liquidity on the Exchange. Since the proposed Step Up Tier would be new, no ETP Holder currently qualifies for it, but without a view of ETP Holder activity on other exchanges and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would result in any ETP Holder qualifying for the tier.

The Exchange believes the proposed credit is reasonable as it would provide an additional incentive for ETP Holders to direct their order flow to the Exchange and provide meaningful added levels of liquidity in order to qualify for the higher credit, thereby contributing to depth and market quality and increased price improvement on the Exchange. The proposal neither targets nor will it have a disparate impact on any particular category of market participant. All ETP Holders would be eligible to qualify for the proposed credit if they increase their Adding ADV in Non-Displayed Limit Orders and MPL Orders combined over their own baseline of order flow.

The Exchange believes that offering a higher step up credit for providing liquidity if the step up requirements for Tape A, Tape B and Tape C securities are met, will continue to attract order flow and liquidity to the Exchange, thereby providing additional price improvement opportunities on the Exchange and benefiting investors generally. As to those market participants that do not presently qualify for the adding liquidity credits, the proposal will not adversely impact their existing pricing or their ability to qualify for other credits provided by the Exchange.

Step Up Tier for Adding Liquidity in Sub-Dollar Securities

The Exchange believes the proposed pricing tier is equitable because it would allow ETP Holders to receive credits that were not previously available on the Exchange. Moreover, the addition of the proposed Step Up Tier would benefit market participants whose increased order flow in Sub-Dollar Securities would provide meaningful added levels of liquidity thereby contributing to the depth and market quality on the Exchange. Given that the proposed Step Up Tier would be a new pricing tier that requires ETP Holders to step up, no ETP Holder currently qualifies for the proposed credit. And without having a view of ETP Holders' activity on other markets and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would result in any ETP Holders qualifying for this tier. However, the Exchange believes the proposed pricing tier, which requires an ETP Holder to increase the volume of its trades in orders that add liquidity over that ETP Holder's July 2020 baseline, would provide an incentive for ETP Holders to continue to submit liquidity-providing order flow, which would promote price discovery and increase execution opportunities for all ETP Holders. The proposed change would thereby encourage the submission of additional liquidity in Sub-Dollar Securities to a national securities exchange, thus promoting price discovery and transparency and

enhancing order execution opportunities for ETP Holders from the substantial amounts of liquidity present on the Exchange, which would benefit all market participants on the Exchange.

The Exchange believes that offering higher step up credits for providing liquidity if the step up requirements for Sub-Dollar securities are met, will attract increased order flow and liquidity to the Exchange, thereby providing additional price improvement opportunities on the Exchange and benefiting investors generally. As to those market participants that do not qualify for the adding liquidity credits by increasing order flow and liquidity, the proposal will not adversely impact their existing pricing or their ability to qualify for other credits provided by the Exchange.

Base Rate for Adding and Removing Liquidity in Sub-Dollar Securities

The Exchange believes that, for the reasons discussed above, the proposed change to the base rate for adding and removing liquidity in Sub-Dollar Securities would incentivize ETP Holders to direct a greater amount of liquidity to the Exchange to qualify for the proposed credit of \$0.00004 per share when adding liquidity and lower removing fee of 0.295% of total dollar value, thereby increasing the number of orders that are executed on the Exchange and improving overall liquidity on a public exchange. A number of ETP Holders currently transact in Sub-Dollar Securities and they would all qualify for the proposed increased credit for adding liquidity and lower fee for removing liquidity based on their current trading profile on the Exchange. The Exchange believes additional ETP Holders could qualify for the new rates if they choose to direct order flow in Sub-Dollar Securities to the Exchange.

The Exchange believes that the proposed rule change is equitable because maintaining or increasing the proportion of Sub-Dollar Securities that are executed on a registered national securities exchange (rather than relying on certain available off-exchange execution methods) 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 Proposed Fee Change is not Unfairly Discriminatory

The Exchange believes that the proposal is not unfairly discriminatory. In the prevailing competitive environment, ETP Holders are free to disfavor the Exchange's pricing if they believe that alternatives offer them better value.

The proposal is not unfairly discriminatory because it neither targets nor will it have a disparate impact on any particular category of market participant.

Step Up Tier for Adding Liquidity in Non-Displayed Limit Orders

The Exchange believes it is not unfairly discriminatory to provide additional per share step up credits for adding liquidity in Non-Displayed Limit Orders and MPL Orders, as the proposed credits would be provided on an equal basis to all ETP Holders that add liquidity by meeting the new proposed Step Up Tier's requirements. For the same reason, the Exchange believes it is not unfairly discriminatory to provide additional incrementally higher credits for increased adding ADV over the ETP Holder's July 2020 adding liquidity in Non-Displayed Limit Orders and MPL Orders combined taken as a percentage of US CADV because the proposed higher credits would equally encourage all ETP Holders to provide additional liquidity on the Exchange in Non-Displayed Limit Orders and MPL Orders. As noted, the Exchange believes that the proposed credit would provide an incentive for ETP Holders to send additional

liquidity to the Exchange in order to qualify for the additional credits. The Exchange also believes that the proposed change is not unfairly discriminatory because it is reasonably related to the value to the Exchange's market quality associated with higher volume. Finally, the submission of orders to the Exchange is optional for ETP Holders in that they could choose whether to submit orders to the Exchange and, if they do, the extent of its activity in this regard.

Step Up Tier for Adding Liquidity in Sub-Dollar Securities

The Exchange believes it is not unfairly discriminatory to provide additional per share step up credits for adding liquidity in Sub-Dollar Securities, as the proposed credits would be provided on an equal basis to all ETP Holders that add liquidity by meeting the new proposed Step Up Tier's requirements. For the same reason, the Exchange believes it is not unfairly discriminatory to provide additional incrementally higher credits for increased adding ADV over the ETP Holder's July 2020 adding liquidity in Sub-Dollar Securities taken as a percentage of US CADV because the proposed higher credits would equally encourage all ETP Holders to provide additional liquidity on the Exchange in Sub-Dollar Securities.

The proposed pricing tier would also serve as an incentive to ETP Holders to increase the level of orders sent directly to NYSE Arca in order to qualify for, and receive the proposed credits that were not previously available on the Exchange. The Exchange believes that the proposed pricing tier would provide an incentive for ETP Holders to send additional liquidity to the Exchange in order to qualify for the credits. The Exchange also believes that the proposed change is not unfairly discriminatory because it is reasonably related to the value to the Exchange's market quality associated with higher volume.

The Exchange believes that the proposed rule change is not unfairly discriminatory because maintaining or increasing the proportion of Sub-Dollar Securities that are executed on a

registered national securities exchange (rather than relying on certain available off-exchange execution methods) 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. Finally, the submission of orders in Sub-Dollar Securities to the Exchange is optional for ETP Holders in that they could choose whether to submit such orders to the Exchange and, if they do, the extent of its activity in this regard.

Base Rate for Adding and Removing Liquidity in Sub-Dollar Securities

The proposed credit for orders that add liquidity and revised fees for orders that remove liquidity from the Exchange are also not unfairly discriminatory because proposed increased credit and lower fee would be applied to all similarly situated ETP Holders who would all be eligible for the same fee and credit on an equal basis. Accordingly, no ETP Holder already operating on the Exchange would be disadvantaged by this allocation of fees and credits. Further, the Exchange believes the proposal would provide an incentive for ETP Holders to direct additional order flow in Sub-Dollar Securities to the Exchange, to the benefit of all market participants.

The Exchange also believes that the proposed change is not unfairly discriminatory because it is reasonably related to the value to the Exchange's market quality associated with higher volume. The Exchange believes the proposed increased credit and lower fee would incentivize ETP Holders to send more orders to the Exchange, which would support the quality of price discovery on the Exchange and provide additional liquidity for incoming orders. Further, the submission of orders to the Exchange is optional for ETP Holders in that they could

choose whether to submit orders to the Exchange and, if they do, the extent of its activity in this regard.

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,²⁴ 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, as discussed above, the Exchange believes that the proposed changes would encourage the submission of additional liquidity to a public exchange, thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities for ETP Holders. As a result, the Exchange believes that the proposed change furthers the Commission's goal in adopting Regulation NMS of fostering integrated competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."²⁵

Intramarket Competition. The proposed changes are designed to respond to the current competitive environment and to attract additional order flow to the Exchange. The Exchange believes that the proposed changes would continue to incentivize market participants to direct order flow to the Exchange. Greater liquidity benefits all market participants on the Exchange by providing more trading opportunities and encourages ETP Holders to send orders, thereby contributing to robust levels of liquidity, which benefits all market participants on the Exchange. The proposed credits and lower fees would be available to all similarly-situated market

²⁴ 15 U.S.C. 78f(b)(8).

²⁵ See Regulation NMS, 70 FR at 37498-99.

participants, and, as such, the proposed change would not impose a disparate burden on competition among market participants on the Exchange. As such, the Exchange believes the proposed amendments to its Fee Schedule would not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Intermarket Competition. The Exchange operates in a highly competitive market in which market participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. As noted above, the Exchange's market share of intraday trading (i.e., excluding auctions) is currently less than 10%. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges and with off-exchange venues. 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 does not believe its proposed fee change can impose any burden on intermarket competition.

The Exchange believes that the proposed change could promote competition between the Exchange and other execution venues, including those that currently offer similar order types and comparable transaction pricing, by encouraging additional orders to be sent to the Exchange for execution.

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)²⁶ of

²⁶ 15 U.S.C. 78s(b)(3)(A).

the Act and subparagraph (f)(2) of Rule 19b-4²⁷ 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)²⁸ 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-2020-75 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-NYSEArca-2020-75. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

²⁷ 17 CFR 240.19b-4(f)(2).

²⁸ 15 U.S.C. 78s(b)(2)(B).

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-2020-75 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

J. Matthew DeLesDernier,
Assistant Secretary.

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²⁹ 17 CFR 200.30-3(a)(12).