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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88709; File No. SR-NYSEARCA-2020-33]

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

April 21, 2020.

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 April 14, 2020, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) 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 Equities Fees and Charges (“Fee Schedule”) to (1) eliminate an alternative method to qualify for Tier 2, (2) eliminate the incremental credit applicable under Tape B Tier 2, and (3) eliminate the Cross-Asset Tier 1 and Tape C Tier 3 pricing tiers. The Exchange proposes to implement the fee changes effective May 1, 2020. 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.

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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.

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) eliminate an alternative method to qualify for Tier 2, (2) eliminate the incremental credit applicable under Tape B Tier 2, and (3) eliminate the Cross-Asset Tier 1 and Tape C Tier 3 pricing tiers. The Exchange proposes to implement the fee changes effective May 1, 2020.

ETP Holders<sup>4</sup> currently qualify for Tier 2 fees and credits by providing liquidity an average daily share volume per month of 0.30% or more, but less than 0.70% of US consolidated average daily volume (“US CADV”).<sup>5</sup> In June 2016, the Exchange adopted an alternative way for ETP Holders to qualify for Tier 2 fees and credits. Pursuant to the alternative method, an ETP Holder could also qualify for Tier 2 fees and credits if the

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

<sup>5</sup> US CADV means 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.

ETP Holder provides liquidity of 0.10% or more of the US CADV per month, and is affiliated with an OTP Holder or OTP Firm that provides an ADV of electronic posted Customer and Professional Customer executions in all issues on NYSE Arca Options (excluding mini options) of at least 1.50% of total Customer equity and ETF option ADV as reported by The Options Clearing Corporation (“OCC”).<sup>6</sup> The Exchange proposes to eliminate the alternative method for ETP Holders to qualify for Tier 2 fees and credits and remove it from the Fee Schedule. The Exchange has observed that historically, few ETP Holders have qualified under the alternative method, with little associated volume, and the alternative method has not served to meaningfully increase activity on the Exchange or improve the quality of the market. Since July 2019, no ETP Holder affiliated with an OTP Holder or OTP Firm has qualified for Tier 2 fees and credits under the alternative method.<sup>7</sup> The Exchange is not proposing any other change to the fees and credits applicable under Tier 2.

Additionally, in June 2018, the Exchange adopted an incremental credit under Tape B Tier 2 pricing tier pursuant to which ETP Holders can receive an incremental credit of \$0.0001 per share for orders that provide liquidity to the order book in Tape B securities when such ETP Holder meets the requirements of Tape B Tier 2 and executes adding ADV in Tape B securities during a billing month equal to at least 0.40% of Tape B CADV over the ETP Holder’s Q1 2018 Tape B adding ADV taken as a percentage of Tape B CADV.<sup>8</sup> The Exchange proposes to eliminate the incremental credit applicable

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<sup>6</sup> See Securities Exchange Act Release No. 78065 (June 14, 2016), 81 FR 39976 (June 20, 2016) (SR-NYSEArca-2016-85).

<sup>7</sup> There are currently 53 firms that are both ETP Holders and OTP Holders.

<sup>8</sup> See Securities Exchange Act Release No. 83418 (June 12, 2018), 83 FR 28282 (June 18, 2018) (SR-NYSEArca-2018-41).

under Tape B Tier 2 and remove it from the Fee Schedule. Since July 2019, no ETP Holder has qualified for the incremental credit under Tape B Tier 2.<sup>9</sup> The Exchange is not proposing any other change to the fees and credits applicable under Tape B Tier 2.

Finally, the Exchange proposes to eliminate the Cross-Asset Tier 1 and the Tape C Tier 3 pricing tiers.

Under Cross-Asset Tier 1, ETP Holders can receive a per share credit of \$0.0030 per share in Tape A, Tape B and Tape C securities when an ETP Holder (1) provides liquidity of 0.30% or more of the US CADV per month, (2) is affiliated with an OTP Holder or OTP Firm that provides an ADV of electronic posted Customer executions in all issues on NYSE Arca Options (excluding mini options) of at least 0.80% of total Customer equity and ETF option ADV as reported by OCC, and (3) executes an ADV of Retail Orders<sup>10</sup> that provide liquidity during the month that is 0.10% or more of the US CADV.<sup>11</sup>

Under Tape C Tier 3, ETP Holders can receive a credit of \$0.0002 per share in Tape C securities when an ETP Holder (1) directly executes providing volume in Tape C securities during the billing month that is equal to at least 0.40% of US Tape C CADV over the ETP Holder's fourth quarter 2016 Tape C Adding ADV taken as a

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<sup>9</sup> There are currently 5 ETP Holders that could qualify for the incremental credit under Tape B Tier 2.

<sup>10</sup> A Retail Order is an agency order that originates from a natural person and is submitted to the Exchange by an ETP Holder, provided that no change is made to the terms of the order to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. See Securities Exchange Act Release No. 67540 (July 30, 2012), 77 FR 46539 (August 3, 2012) (SR-NYSEArca-2012-77).

<sup>11</sup> See Securities Exchange Act Release No. 76084 (October 6, 2015), 80 FR 61529 (October 13, 2015) (SR-NYSEArca-2015-87).

percentage of Tape C CADV, and (2) executes providing volume in Tape B securities during the billing month that is equal to at least 3.5% of Tape B CADV. Under the Tape C Tier 3 pricing tier, ETP Holders are also charged a fee of \$0.0029 per share for orders that take liquidity from the Book in Tape C securities.<sup>12</sup>

The Exchange proposes to eliminate each of the Cross-Asset Tier 1 and Tape C Tier 3 pricing tiers and remove it from the Fee Schedule because each of the pricing tiers have been underutilized by ETP Holders. The Exchange has observed that historically, few ETP Holders have qualified for the fees and credits under each of these pricing tiers. These pricing tiers have not served to meaningfully increase activity on the Exchange or improve the quality of the market. Since July 2019, not a single ETP Holder has qualified under any of the two pricing tiers that the Exchange proposes to eliminate.<sup>13</sup>

With the proposed elimination of Cross-Asset Tier 1, the Exchange proposes to rename current Cross-Asset Tier 2 as Cross-Asset Tier 1 and rename current Cross-Asset Tier 3 as Cross-Asset Tier 2.

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.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section

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<sup>12</sup> See Securities Exchange Act Release No. 80665 (May 11, 2017), 82 FR 22687 (May 17, 2017) (SR-NYSEArca-2017-51).

<sup>13</sup> As noted above, there are currently 53 firms that are both ETP Holders and OTP Holders that could qualify for the Cross-Asset Tier 1 pricing tier and 2 ETP Holders that could qualify for the Tape C Tier 3 pricing tier.

6(b) of the Act,<sup>14</sup> in general, and furthers the objectives of Sections 6(b)(4) and(5) of the Act,<sup>15</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 rule change to eliminate the alternative method to qualify for Tier 2, eliminate the incremental credit under Tape B Tier 2, and eliminate the Cross-Asset Tier 1 and Tape C Tier 3 pricing tiers is reasonable because each of the pricing tiers that are the subject of this proposed rule change have been underutilized and have generally not incentivized ETP Holders to bring liquidity and increase trading on the Exchange. Since July 2019, no ETP Holder has availed itself of any of the pricing tiers that the Exchange is proposing to eliminate. The Exchange does not anticipate any ETP Holder in the near future to qualify for any of the tiers that are the subject of this proposed rule change. The Exchange believes it is reasonable to eliminate requirements and credits, and even entire pricing tiers when such incentives become underutilized. The Exchange believes eliminating underutilized incentive programs would also simplify the Fee Schedule. The Exchange further believes that removing reference to the pricing tiers that the Exchange proposes to eliminate from the Fee Schedule would also add clarity to the Fee Schedule. The Exchange believes that eliminating requirements and credits, and even entire pricing tiers from the Fee Schedule when such incentives become ineffective is equitable and not unfairly discriminatory because the requirements, and credits, and even entire pricing tiers would be eliminated in their entirety and would no longer be available to any ETP Holder.

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<sup>14</sup> 15 U.S.C. 78f(b).

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

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,<sup>16</sup> 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.

*Intramarket Competition.* The Exchange's proposal to eliminate certain requirements and credits, and pricing tiers in their entirety, will not place any undue burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act given that, since July 2019, not a single ETP Holder has qualified for any of the fees and credits under any of the pricing tiers that are the subject of this proposed rule change. To the extent the proposed rule change places a burden on competition, any such burden would be outweighed by the fact that none of the pricing tiers proposed for deletion have served their intended purpose of incentivizing ETP Holders to more broadly participate on the Exchange. Moreover, ETP Holders can choose to trade on other venues to the extent they believe that the credits provided are too low or the qualification criteria are not attractive.

*Intermarket Competition.* The Exchange believes the proposed rule change does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a highly competitive market in which market participants can readily choose to send their orders to other exchanges and off-exchange venues if they deem fee levels at those other venues to be

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<sup>16</sup> 15 U.S.C. 78f(b)(8).

more favorable. Market share statistics provide ample evidence that price competition between exchanges is fierce, with liquidity and market share moving freely from one execution venue to another in reaction to pricing changes. 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 this proposed fee change would impose any burden on intermarket competition.

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>17</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>18</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

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(2).

19(b)(2)(B)<sup>19</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-2020-33 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-2020-33. 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

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<sup>19</sup> 15 U.S.C. 78s(b)(2)(B).

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-2020-33 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>20</sup>

J. Matthew DeLesDernier,  
Assistant Secretary.

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<sup>20</sup> 17 CFR 200.30-3(a)(12).

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