SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100350; File No. SR-NYSEARCA-2024-50)

June 14, 2024

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 3, 2024, NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Arca Equities Fees and Charges ("Fee Schedule") to provide an additional calculation for purposes of determining whether an ETP Holder qualifies for fees and credits that pertain to providing liquidity under certain pricing tiers. The Exchange proposes to implement the fee change effective June 3, 2024. 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.

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

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

2 17 CFR 240.19b-4.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend the Fee Schedule to provide an additional calculation for purposes of determining whether an ETP Holder qualifies for fees and credits that pertain to providing liquidity under certain pricing tiers. More specifically, the proposed additional calculation would apply to the following pricing tiers in Section VII. of the Fee Schedule: Adding Tiers,[3] Limit Non-Display Step Up Tier and Tape C Tiers for Adding.[4] The Exchange proposes to implement the fee change effective June 3, 2024.

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."[5]

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3 Adding Tiers refers to Tiers 1 through 5 under the Adding Tiers pricing tier table on the Fee Schedule.

4 Tape C Tiers for Adding refers to Tiers 1 through 3 under the Tape C Tiers for Adding pricing tier table on the Fee Schedule.

5 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").

While Regulation NMS has enhanced competition, it has also fostered a "fragmented" market structure where trading in a single stock can occur across multiple trading centers. When multiple trading centers compete for order flow in the same stock, the Commission has recognized that "such competition can lead to the fragmentation of order flow in that stock."[6] Indeed, equity trading is currently dispersed across 16 exchanges,[7] numerous alternative trading systems,[8] 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.[9] Therefore, no exchange possesses significant pricing power in the execution of equity order flow. More specifically, the Exchange currently has less than 12% market share of executed volume of equities trading.[10]

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 the firm routes order flow. Accordingly, competitive forces compel the Exchange to use exchange transaction fees and

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6 See Securities Exchange Act Release No. 61358, 75 FR 3594, 3597 (January 21, 2010) (File No. S7-02-10) (Concept Release on Equity Market Structure).

7 See Cboe U.S Equities Market Volume Summary, available at https://markets.cboe.com/us/equities/market_share.

8 *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/atslist.htm.

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

10 See id.

credits because market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

Proposed Rule Change

The Exchange currently provides ETP Holders with various tiered credits for executing orders that add liquidity to the Exchange and charges them various fees for executing orders that remove liquidity from the Exchange, as set forth in Section VII. of the Fee Schedule, titled "Tier Rates - Round Lots and Odd Lots. The fees and credits enumerated in Section VII. apply all securities priced at $1 or more that are executed on the Exchange. ETP Holders may qualify for tiers of discounted fees and premium credits based, in part, upon the volume of their activities on the Exchange as a percentage of total "Consolidated Average Daily Volume" or "CADV."

Pursuant to Section I. of the Fee Schedule, the term "CADV" means, unless otherwise stated, the United States consolidated average daily volume of transactions reported to a securities information processor ("SIP"). Transactions that are not reported to a SIP are not included in the CADV. If CADV is preceded by a reference to a Tape or to Sub-Dollar, then CADV would refer to all consolidated average daily volume of transactions reported to a SIP for all securities in that Tape or to all Sub-Dollar securities. Per the Fee Schedule, trade activity on days when the market closes early and on the date of the annual reconstitution of the Russell Investment Indexes does not count toward volume tiers.[11] For purposes of determining trade related fees and credits based on CADV, the Exchange may exclude any day that (1) the Exchange is not open for the entire trading day and/or (2) a disruption affects an Exchange system that lasts for more than 60 minutes during regular trading hours.[12]

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11 See Fee Schedule, Footnote 1.

12 Id.

Generally, the ratio of consolidated volumes in securities priced at or above $1 ("dollar plus volume") relative to consolidated volumes inclusive of securities priced below a dollar is usually stable from month to month, such that "CADV" has been a reasonable baseline for determining tiered incentives for ETP Holders that execute dollar plus volume on the Exchange. However, there have been a few months where volumes in securities priced below a dollar ("sub-dollar volume") have been elevated, thereby impacting the ratio mentioned above.

Anomalous rises in sub-dollar volume stand to have a material adverse impact on ETP Holders' qualifications for pricing tiers/incentives because such qualifications depend upon ETP Holders achieving threshold percentages of volumes as a percentage of CADV, and an extraordinary rise in sub-dollar volume stands to elevate CADV. As a result, ETP Holders may find it more difficult, if not practically impossible, to qualify for or to continue to qualify for their existing incentives during months where there are such rises in sub-dollar volumes, even if their dollar plus volumes have not diminished relative to prior months.

The Exchange believes that it would be unfair for ETP Holders that execute significant dollar plus volumes on the Exchange to fail to achieve or to lose their existing incentives for such volumes due to anomalous behavior that is extraneous to them. Therefore, the Exchange wishes to amend the Fee Schedule to help avoid extraordinary spikes in sub-dollar volumes from adversely affecting an ETP Holder's qualification of incentives for their dollar plus stock executions.

Accordingly, the Exchange proposes to amend footnote 1 of the Fee Schedule to state that, for purposes of calculating an ETP Holder's qualifications for fees and credits that pertain to providing liquidity, the Exchange will calculate an ETP Holder's equity volume and total equity CADV twice for the following tiers: Adding Tiers, Limit Non-Display Step Up Tier and

Tape C Tiers for Adding. First, the Exchange will calculate an ETP Holder's equity volume and total equity CADV inclusive of volume that consists of executions in securities priced less than $1. Second, the Exchange will calculate an ETP Holder's equity volume and total equity CADV exclusive of volume that consists of executions in securities priced less than $1. As proposed, the Exchange will then assess which of these two calculations would qualify the ETP Holder for the most advantageous fees and credits for the month and then the Exchange will apply those to the ETP Holder. Another market recently amended its rules to provide its members with a similar remedy.[13]

Although the Exchange wishes to avoid extraordinary spikes in sub-dollar volumes from adversely affecting an ETP Holder's qualification of incentives for their dollar plus stock executions, the Exchange proposes to limit the application of the proposed calculation to efficiently allocate the Exchange's limited resources for incentives. Specifically, as noted above, the Exchange proposes to apply the proposed calculation excluding sub-dollar volumes to the incentives that pertain to providing liquidity under the Adding Tiers, the Limit Non-Display Step Up Tier and the Tape C Tiers for Adding. The Exchange wishes to impose such limitations in order to limit the cost impact on the Exchange, while still providing some relief to ETP Holders in months with extraordinary spikes in sub-dollar volumes. It is appropriate for the Exchange to devote to incentive programs in a meaningful way and to reallocate these incentives periodically in a manner that best achieves the Exchange's overall mix of objectives.

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

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[13] See Securities Exchange Act Release No. 99535 (February 14, 2024), 89 FR 13125 (SR-NASDAQ-2024-005) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Equity 7, Section 118).

complying with the proposed changes.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[14] in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,[15] 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.

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."[16] As a threshold matter, the Exchange is subject to significant competitive forces in the market for equity securities transaction services that constrain its pricing determinations in that market.

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for equity security transaction services. The Exchange is only one of several equity venues to which market participants may direct their order flow. Competing equity exchanges offer similar tiered pricing structures to that of the Exchange, including credits and fees that apply based upon members achieving certain volume

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14 15 U.S.C. 78f(b).

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

16 See Regulation NMS, supra note 6, 70 FR at 37499.

thresholds. 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 or reduce use of certain categories of products, in response to fee changes. Accordingly, the Exchange's fees are reasonably constrained by competitive alternatives and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

The Exchange believes that the proposal to amend the Fee Schedule is reasonable and equitable because, in its absence, ETP Holders may experience material adverse impacts on their ability to qualify for certain incentives during a month with an anomalous rise in sub-dollar volumes. The Exchange does not wish to penalize ETP Holders that execute significant volumes on the Exchange due to anomalous and extraneous trading activities of a small number of firms in sub-dollar securities. The proposed rule would seek to provide a means for ETP Holders that provide liquidity to avoid such a penalty by determining whether calculating ETP Holder equity volume and total equity CADV to include or exclude sub-dollar volume would result in ETP Holders qualifying for the most advantageous fees and credits, and then applying the calculations that would result in the incentives for providing liquidity that are most advantageous to each ETP Holder. The Exchange believes it is reasonable to limit the proposal by applying the proposed calculation to incentives that pertain to providing liquidity to a limited number of pricing tiers because the pricing tiers that are the subject of this proposed rule change are those that are the most impacted by anomalous spikes in sub-dollar volumes, and by applying the additional calculation to those specified pricing tiers would alleviate burden on ETP Holders from being disadvantaged by trading over which it has little or no control. The Exchange believes that the proposed rule change is an equitable allocation and is not unfairly discriminatory because the

Exchange does not intend for the proposal to advantage any particular ETP Holders and the Exchange will apply the proposed calculation to all similarly situated ETP Holders.

On the backdrop of the competitive environment in which the Exchange currently operates, the proposed rule change is a reasonable attempt by the Exchange to maintain, if not improve its market share relative to its competitors.

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. The Exchange believes that it is subject to significant competitive forces, as described below in the Exchange's statement regarding the burden on competition.

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,[17] 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 does not believe that its proposal would place any category of Exchange participant at a competitive disadvantage. The Exchange intends for its proposed changes to the fees and credits to reallocate its limited resources more efficiently and to align them with the Exchange's overall mix of objectives. The proposed rule change is intended to help avoid pricing disadvantages due to anomalous spikes in sub-dollar volumes and is not intended to provide a competitive advantage to any one particular ETP Holder. The proposed calculation would be available to all similarly-situated market participants, and, as

[17] 15 U.S.C. 78f(b)(8).

such, the proposed changes would not impose a disparate burden on competition among market participants on the Exchange.

Intermarket Competition. 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 more favorable. As noted above, the Exchange's market share of intraday trading (i.e., excluding auctions) is currently less than 12%. In such an environment, the Exchange must continually review, and consider adjusting its fees and credits to remain competitive with other exchanges and with off-exchange venues. Because competitors are free to modify their own fees and credits in response, 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 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 has become effective upon filing pursuant to Section 19(b)(3)(A)[18] of the Act and paragraph (f) thereunder. At any time within 60 days of the filing of the 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

[18] 15 U.S.C. 78s(b)(3)(A).

interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEARCA-2024-50 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-2024-50. This file number should be included on the subject line if email 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 (https://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. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSEARCA-2024-50, and should be submitted on or before [INSERT 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[19]

Sherry R. Haywood,

Assistant Secretary.

[19] 17 CFR 200.30-3(a)(12).