

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101019; File No. SR-NYSEARCA-2024-72)

September 13, 2024

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

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on August 30, 2024, 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 and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the NYSE Arca Options Fee Schedule (“Fee Schedule”) regarding certain transaction fees. The Exchange proposes to implement the fee change effective August 30, 2024.<sup>4</sup> 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.

<sup>4</sup> On August 1, 2024, the Exchange filed to amend the Fee Schedule (NYSEARCA-2024-63) and withdrew such filing on August 15, 2024 (SR-NYSEArca-2024-68), which latter filing the Exchange withdrew on August 30, 2024.

## 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 amend the Fee Schedule to modify certain transaction fees. The Exchange proposes to implement the fee change effective August 30, 2024.

Currently, the Exchange assesses a fee for orders executed by taking liquidity from the disseminated market (“Take Liquidity Fee,” or “Take Fee”). For non-Customers and Professional Customers, the Exchange currently charges a per contract Take Fee of \$1.10 for executions in non-Penny issues (the “non-Penny Take Fee”).<sup>5</sup> The Exchange proposes to increase the non-Penny Take Fee for non-Customers to \$1.20 per contract,<sup>6</sup> which is within the range of fees charged by competing option exchanges.<sup>7</sup> The Exchange believes that, despite this

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<sup>5</sup> For purposes of this fee filing, “non-Customers” include: Lead Market Makers, NYSE Arca Market Makers, and Firm and Broker Dealers. The Exchange notes that this definition of “non-Customers” does not include Professional Customers.

<sup>6</sup> See proposed Fee Schedule, TRANSACTION FEE FOR ELECTRONIC EXECUTIONS - PER CONTRACT (increasing the non-Penny Take Fee for non-Customer from \$1.10 to \$1.20). The Exchange notes that Professional Customers are not impacted by this proposal and will continue to be assessed a non-Penny Take Fee of \$1.10. See *id.* Also not impacted by this proposal are the per contract Take Fees for executions in Penny issues (the “Penny Take Fee”), which Penny Take Fee will continue to be \$0.50 for both non-Customers and Professional Customers and \$0.49 for Customers. See *id.*

<sup>7</sup> See, e.g., the Nasdaq Options Market LLC (“NOM”) Pricing Schedule at Options 7, Section 2(1), available at: <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules/nasdaq-options-7> (assessing per contract Take Fees in non-Penny issues of \$1.25 for non-Customers and \$0.85 for both Professionals and Customers); and Nasdaq BX, Pricing Schedule at Options 7, Section 2(1), available at: <https://listingcenter.nasdaq.com/>

proposed increase, its pricing structure will remain attractive because the Exchange will continue to offer discounts on non-Penny Take Fees to non-Customers that meet certain minimum monthly volume qualifications in average electronic executions per day.<sup>8</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,<sup>10</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 proposed changes to the Fee Schedule are reasonable, equitable, and not unfairly discriminatory. As a threshold matter, the Exchange is subject to significant competitive forces in the market for options securities transaction services that constrain its pricing determinations in that 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

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[rulebook/bx/rules/bx-options-7](#) (assessing per contract Take Fees in non-Penny issues of \$1.25 for non-Customers, including Professionals, and \$0.85 [sic] for Customers).

<sup>8</sup> The qualifying volume for Take Fee discounts applies to executions in all issues (Penny and non-Penny) of liquidity taking interest or a combination of liquidity taking and liquidity adding (i.e., posted) interest on behalf of Professional Customers and Non-Customer execution. See, e.g., Fee Schedule, Take Fee Discount Qualification for Non-Penny Issues (providing a (\$0.02) per contract Take Fee discount to OTP Holders (including non-Customers and Professional Customers) that execute “[a]t least 0.65% of TCADV from Professional Customer and Non-Customer Liquidity Removing interest in all issues, plus at least 0.15% of TCADV from posted interest in all issues and all account types”; or “[a]t least 1.50% of TCADV from Professional Customer and Non-Customer Liquidity Removing interest in all issues”). The TCADV (or Total Industry Customer equity and ETF option average daily volume) includes OCC calculated Customer volume of all types, including Complex Order Transactions and QCC transactions, in equity and ETF options. See Fee Schedule, Endnote 8.

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

<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

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.”<sup>11</sup>

There are currently 17 registered options exchanges competing for order flow. Based on publicly-available information, and excluding index-based options, no single exchange has more than 16% of the market share of executed volume of multiply-listed equity and ETF options trades.<sup>12</sup> Therefore, currently no exchange possesses significant pricing power in the execution of multiply-listed equity & ETF options order flow. More specifically, in June of 2024, the Exchange had 14.19% market share of executed volume of multiply-listed equity & ETF options trades.<sup>13</sup> In such a low-concentrated and highly competitive market, no single options exchange possesses significant pricing power in the execution of option order flow. Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. As such, the proposal represents a reasonable attempt by the Exchange to remain competitive despite increasing its non-Penny Take Fee for non-Customers.

The Exchange believes that the proposed increase to its non-Penny Take Fee for non-Customers is reasonable, equitable, and not unfairly discriminatory because it is within the range of fees charged by competing option exchanges.<sup>14</sup> Moreover, the proposed non-Penny Take Fee

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<sup>11</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (S7-10-04) (“Reg NMS Adopting Release”).

<sup>12</sup> The OCC publishes options and futures volume in a variety of formats, including daily and monthly volume by exchange, available here: <https://www.theocc.com/Market-Data/Market-Data-Reports/Volume-and-Open-Interest/Monthly-Weekly-Volume-Statistics>.

<sup>13</sup> Based on a compilation of OCC data for monthly volume of equity-based options and monthly volume of equity-based ETF options, see id., the Exchanges market share in equity-based options increased from 12.23% for the month of June 2023 to 14.19 % for the month of June 2024.

<sup>14</sup> See supra note 7.

increase will continue to be offset by Take Fee discounts that are intended to improve overall market quality on the Exchange by incentivizing market participants to bring additional order flow and, in turn, provide more trading opportunities to the benefit of all market participants.<sup>15</sup>

The proposed fee change is equitable and not unfairly discriminatory because it will apply uniformly to all similarly-situated participants. Specifically, non-Customers will be subject to the increased non-Penny Take Fee (from \$1.10 to \$1.20 per contract) while both Professional Customers and Customers will continue to pay \$1.10 and \$0.85 per contract, respectively. Although the proposed fee increase applies solely to non-Customers, the Exchange notes that resulting fees are in line with or below the fees charged by other options exchanges.<sup>16</sup> As such, to the extent that the Exchange offers more favorable pricing on non-Customer order flow than competing options venues, OTP Holders may direct their order flow to the Exchange, which promotes competition. Furthermore, the Exchange believes that the increased fees would generate additional revenue to offset operational costs and would facilitate the provision of the existing volume-based rebates (described herein).<sup>17</sup>

The Exchange believes that maintaining the non-Penny Take Fee for Professional Customers (and Customers) at the current rate is equitable and not unfairly discriminatory. Professional Customers are a different type of market participant than non-Customers Firm, Broker Dealers and Market Makers. Specifically, Professional Customers are not brokers or dealers in securities; they are persons (or entities) that place more than 390 orders per day on

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<sup>15</sup> See supra note 8 (regarding the potential (\$0.02) per contract non-Penny Take Fee discount available to non-Customers (and Professional Customers) that meet certain minimum volume thresholds).

<sup>16</sup> See supra note 7.

<sup>17</sup> See supra note 8 (regarding the potential (\$0.02) per contract non-Penny Take Fee discount available to non-Customers (and Professional Customers) that meet certain minimum volume thresholds).

average for their own beneficial account.<sup>18</sup> Per the Fee Schedule, Professional Customers are treated as Customers unless otherwise specified.<sup>19</sup> As proposed, the rate differential between Professional Customers and Customers remains same and continues to be is in line with or below the fees charged by other options exchanges.<sup>20</sup> The Exchange believes this proposal is equitable because, although the non-Penny Take Fee for Professional Customers will be lower than for non-Customers, it will enable the Exchange to remain competitive while continuing to encourage OTP Holders to direct additional Professional Customer order flow to the Exchange.<sup>21</sup>

Finally, the Exchange has historically provided more favorable pricing to Customers. Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. As such, the Exchange believes that maintaining the non-Penny Take Fee for Customers is consistent with the Act, which rate is within the range of fees charged by competing option exchanges.<sup>22</sup>

#### 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 would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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<sup>18</sup> See Rule 1.1 (Customer and Professional Customer).

<sup>19</sup> See Fee Schedule, TRANSACTION FEE FOR ELECTRONIC EXECUTIONS - PER CONTRACT (per the preamble to this section, “[u]nless Professional Customer executions are specifically delineated, such executions will be treated as ‘Customer’ executions for fee/credit purposes”).

<sup>20</sup> See supra note 7.

<sup>21</sup> See id.

<sup>22</sup> See id.

In terms of intra-market competition, as discussed herein, the Exchange does not believe that its proposal will place any category of market participant at a competitive disadvantage because it will apply uniformly to all similarly-situated participants (i.e., non-Customers). Although the fee change results in non-Customers paying a higher non-Penny Take Fee than Professional Customers (and Customers), the resulting fees are commensurate with the fees assessed on these market participants on competing options exchanges. Professional Customers are a different type of market participant than non-Customers as they are not brokers or dealers in securities; rather they are persons (or entities) that place more than 390 orders per day on average for their own beneficial account. As such, the Exchange believes the changes, taken together with existing discounts, will continue to encourage trading activity on the Exchange.

In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. As noted herein, the proposed fee change is competitive as it is within the range of fees charged by competing option exchanges.<sup>23</sup> If the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain

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<sup>23</sup> See id.

their competitive standing in the financial markets.

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>24</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>25</sup> thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>26</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 (<https://www.sec.gov/rules/sro.shtml>); or

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<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f)(2).

<sup>26</sup> 15 U.S.C. 78s(b)(2)(B).



- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-NYSEARCA-2024-72 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-2024-72. 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 a.m. and 3 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-2024-72 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

**Vanessa A. Countryman,**

*Secretary.*

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<sup>27</sup> 17 CFR 200.30-3(a)(12).