SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101576; File No. SR-NYSEARCA-2024-91)

November 12, 2024

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Service for Virtual Control Circuits in the Connectivity Fee Schedule

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 October 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 service for virtual control circuits in the Connectivity Fee Schedule. 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 it received on the proposed rule change. The text of those statements may be examined at the

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

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

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 existing service for virtual control circuits ("VCCs") in the Connectivity Fee Schedule.

A VCC (previously called a "peer to peer" connection) is a unicast connection through which two participants can establish a connection between two points over dedicated bandwidth, to be used for any purpose. At the Mahwah, New Jersey data center ("MDC")[4] the Exchange offers VCCs between two Users.[5] The recurring monthly fees are based upon the bandwidth requirements per VCC connection between two Users.[6]

However, not all VCCs are between two Users in the MDC. Although all VCCs have at least one end that is a User inside the MDC, the other party may be a non-User outside of the MDC at a remote access center, or the VCC can be between a User in the MDC and the same

4 Through its Fixed Income and Data Services ("FIDS") (previously ICE Data Services) business, Intercontinental Exchange, Inc. ("ICE") operates the MDC. The Exchange and the New York Stock Exchange LLC, NYSE American LLC, NYSE Chicago, Inc. and NYSE National, Inc. (together, the "Affiliate SROs") are indirect subsidiaries of ICE.

5 For purposes of the Exchange's colocation services, a "User" means any market participant that requests to receive colocation services directly from the Exchange. See Securities Exchange Act Release No. 76010 (September 29, 2015), 80 FR 60197 (October 5, 2015) (SR-NYSEArca-2015-82). As specified in the Fee Schedule, a User that incurs colocation fees for a particular colocation service pursuant thereto would not be subject to colocation fees for the same colocation service charged by the Affiliate SROs. Each Affiliate SRO has submitted substantially the same proposed rule change to propose the change described herein. See SR-NYSE-2024-69, SR-NYSEAMER-2024-64, SR-NYSECHX-2024-31, and SR-NYSENAT-2024-28.

6 See Securities Exchange Act Release No. 80310 (March 24, 2017), 82 FR 15763 (March 30, 2017) (SR-NYSEArca-2016-89).

User outside of the MDC at a remote access center. A VCC that goes outside of the MDC herein is called a "MDC VCC."

Accordingly, the Exchange proposes to amend the Connectivity Fee Schedule to delete "between two Users" after "Virtual Control Circuit." Fees for the service would not change and, as now, connectivity to a VCC would require the permission of the non-billed party before the Exchange would establish the connection.

As background, Users require wired circuits to connect into and out of the MDC. A User's equipment in the MDC's colocation hall connects to a circuit leading out of the MDC, which connects to the User's equipment in their back office or another data center.

Before 2013, all such circuits were provided by ICE's predecessor, NYSE Euronext. In response to customer demand for more connectivity options, in 2013, the MDC opened two "meet-me-rooms" to telecommunications service providers ("Telecoms"),[7] to enable Telecoms to offer circuits into the MDC in competition with NYSE Euronext. Currently, 16 Telecoms operate in the meet-me-rooms and provide circuit options to Users requiring connectivity into and out of the MDC.

In addition, FIDS provides two different types of circuits, Optic Low Latency and Optic Access. Optic Access,[8] which is more similar to the MDC VCC, is a circuit between the MDC and the FIDS access centers at five third-party owned data centers: (1) 111 Eighth Avenue, New York, NY; (2) 32 Avenue of the Americas, New York, NY; (3) 165 Halsey, Newark, NJ; (4) Secaucus, NJ; and (5) Carteret, NJ.

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7 Telecommunication service providers that choose to provide circuits at the MDC are referred to as "Telecoms." Telecoms are licensed by the Federal Communications Commission ("FCC") and are not required to be, or be affiliated with, a member of the Exchange or an Affiliate SRO.

8 The "Optic Low Latency" circuits are lower latency. See Securities Exchange Act Release No. 99166 (December 14, 2023), 88 FR 88178 (December 20, 2023) (SR-NYSEARCA-2023-83).

Ultimately, the MDC VCCs are similar to the Optic Access FIDS circuits in that, like Optic Access, the MDC VCCs run between the MDC and five FIDS access centers as well as, in the case of the MDC VCCs, additional U.S. FIDS access centers. They are smaller than the Optic Access FIDS circuits, however. While the Exchange has no visibility into how a User utilizes its connections, the Exchange believes that the Optic Access FIDS circuit is used for items that require more bandwidth, like market data, while the MDC VCCs are used for items that require smaller amounts of bandwidth, such as messaging, pre- and post-trade data, or clearing information, as determined by the User. Accordingly, if a User wants a smaller connection to a U.S. access center, or wants to reach an access center that Optic Access does not reach, the MDC VCCs are a viable option.

General

The proposed rule change would not apply differently to distinct types or sizes of market participants. Rather, it would apply to all Users equally. As is currently the case, the Fee Schedule would be applied uniformly to all Users. FIDS does not expect that the proposed rule change will result in new Users.

The proposed change is not otherwise intended to address any other issues relating to co-location services and/or related fees, and the Exchange is not aware of any problems that customers would have in complying with the proposed change.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[9] in general, and furthers the objectives of Section 6(b)(5) of the Act,[10] in particular,

[9] 15 U.S.C. 78f(b).

[10] 15 U.S.C. 78f(b)(5).

because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[11] because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers, or dealers.

The Proposed Change is Reasonable

The Exchange believes that the proposed rule change is reasonable.

Although all VCCs have at least one end that is a User inside the MDC, the other party may be a non-User outside of the MDC at a remote access center, or the VCC can be between a User in the MDC and the same User outside of the MDC at a remote access center. Accordingly, the proposed change is reasonable because it would make the Connectivity Fee Schedule more accurately reflect the usage of VCCs. It would ensure that the description of VCCs was complete, accessible and transparent, and thereby provide market participants with greater clarity.

In considering the reasonableness of proposed services and fees, the Commission's market-based test considers "whether the exchange was subject to significant competitive forces

[11] 15 U.S.C. 78f(b)(4).

in setting the terms of its proposal . . . , including the level of any fees."[12] If the Exchange meets that burden, "the Commission will find that its proposal is consistent with the Act unless 'there is a substantial countervailing basis to find that the terms' of the proposal violate the Act or the rules thereunder."[13] Here, the Exchange is subject to significant competitive forces in setting the terms on which it offers its proposal, in particular because substantially similar substitutes are available, and the third-party vendors are not at a competitive disadvantage created by the Exchange.

MDC VCCs would compete with circuits currently offered by the 16 third-party Telecoms that have installed their equipment in the MDC's two meet-me-rooms. The Telecom circuits are reasonable substitutes for the MDC VCCs. The Commission has recognized that products do not need to be identical to be considered substitutable; it is sufficient that they be substantially similar.[14] The MDC VCCs, the FIDS circuits, and the circuits provided by the Telecoms all perform the same function: connecting into and out of the MDC. The providers of the MDC VCCs, VCCs between Users, FIDS circuits and Telecom circuits design them to perform with particular combinations of latency, bandwidth, price, termination point, and other factors that they believe will attract Users, and Users choose from among these competing services on the basis of their business needs.

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12 Securities Exchange Act Release No. 90209 (October 15, 2020), 85 FR 67044, 67049 (October 21, 2020) (Order Granting Accelerated Approval to Establish a Wireless Fee Schedule Setting Forth Available Wireless Bandwidth Connections and Wireless Market Data Connections) (SR-NYSE-2020-05, SR-NYSEAMER-2020-05, SR-NYSEArca-2020-08, SR-NYSECHX-2020-02, SR-NYSENAT-2020-03, SR-NYSE-2020-11, SR-NYSEAMER-2020-10, SR-NYSEArca-2020-15, SR-NYSECHX-2020-05, SR-NYSENAT-2020-08) ("Wireless Approval Order"), citing Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74781 (December 9, 2008) ("2008 ArcaBook Approval Order"). See NetCoalition v. SEC, 615 F.3d 525 (D.C. Cir. 2010).

13 Wireless Approval Order, supra note 12, at 67049, citing 2008 ArcaBook Approval Order, supra note 12, at 74781.

14 See 2008 ArcaBook Approval Order, supra note 12, at 74789 and note 295 (recognizing that products need not be identical to be substitutable).

The MDC VCCs are sufficiently similar substitutes to the circuits offered by the 16 Telecoms even though the MDC VCCs all terminate in one of the U.S. remote access centers, while circuits from the 16 Telecoms could terminate in those locations or additional locations. While neither the Exchange nor FIDS knows the end point of any particular Telecom circuit, the Exchange understands that the Telecoms can offer circuits terminating in any location, including the remote access centers where the MDC VCCs would terminate. Moreover, the Telecoms may offer smaller circuits that are the same as or similar size to the MDC VCCs. Ultimately, Users can choose to configure their pathway leading out of colocation in the way that best suits their business needs, which may include connecting to the User's equipment at one of the U.S. remote access center locations that serve as termination points for MDC VCCs, or connecting first to one of those remote access centers with a FIDS- or Telecom-supplied circuit and then further connecting to another remote location using a telecommunication provider-supplied circuit.

Neither the MDC VCCs, Optic Access circuits, nor the Optic Low Latency circuits have a distance or latency advantage over the Telecoms' circuits within the MDC. FIDS has normalized (a) the distance between the meet-me-rooms and the colocation halls and (b) the distance between the rooms where the FIDS circuits and the MDC VCCs exit the MDC and the colocation halls. As a result, a User choosing whether to use the MDC VCCs or Telecom circuits does not face any difference in the distances or latency within the MDC.

The Exchange also believes that the MDC VCCs do not have any latency or bandwidth advantage over the Telecoms' circuits outside of the MDC. The Exchange believes that the Telecoms operating in the meet-me-rooms offer circuits with a variety of latency and bandwidth specifications, some of which may exceed the specifications of the proposed MDC VCCs.[15] The

[15] The specifications of FIDS's competitors' circuits are not publicly known. The Exchange understands that FIDS has gleaned any information it has about its competitors through anecdotal communications, by

Exchange believes that Users consider these latency and bandwidth factors – as well as other factors, such as price and termination point – in determining which offerings will best serve their business needs.

In sum, the Exchange does not believe that there is anything about the MDC VCCs that would make the Telecoms' circuits inadequate substitutes.

Nor does the Exchange have a competitive advantage over any third-party competitors by virtue of the fact that it owns and operates the MDC's meet-me-rooms. In most cases, circuits coming out of the MDC are provided by the Telecoms.[16] Currently, 16 Telecoms operate in the meet-me-rooms and provide a variety of circuit choices. It is in the Exchange's best interest to set the fees that Telecoms pay to operate in the meet-me-rooms at a reasonable level[17] so that market participants, including Telecoms, will maximize their use of the MDC. By setting the meet-me-room fees at a reasonable level, the Exchange encourages Telecoms to participate in the meet-me-rooms and to sell circuits to Users for connecting into and out of the MDC. These Telecoms then compete with each other by pricing such circuits at competitive rates. These competitive rates for circuits help draw in more Users and Hosted Customers to the MDC, which directly benefits the Exchange by increasing the customer base to whom the Exchange can sell its colocation services, which include cabinets, power, ports, and connectivity to many third-party data feeds, and because having more Users and Hosted Customers leads, in many cases, to greater participation on the Exchange. In this way, by setting the meet-me-room fees at a level

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observing customers' purchasing choices in the competitive market, and from its own experience as a purchaser of circuits from telecommunications providers to build FIDS's own networks.

16 Note that in the case of wireless connectivity, a User in colocation still requires a fiber circuit to transport data. If a Telecom is used, the data is transmitted wirelessly to the relevant pole, and then from the pole to the meet-me-room using a fiber circuit.

17 See Securities Exchange Act Release No. 98000 (July 26, 2023), 88 FR 50244 (August 1, 2023) (SR-NYSEARCA-2023-47).

attractive to telecommunications firms, the Exchange spurs demand for all of the services it sells at the MDC, while setting the meet-me-room fees too high would negatively affect the Exchange's ability to sell its services at the MDC.[18] Accordingly, there are real constraints on the meet-me-room fees the Exchange charges, such that the Exchange does not have an advantage in terms of costs when compared to third parties that enter the MDC through the meet-me-rooms to provide services to compete with the Exchange's services.

If the Exchange were to set the price of the MDC VCCs too high, Users would likely respond by choosing one of the many alternative options offered by the 16 Telecoms. Conversely, if the Exchange were to offer the MDC VCCs at prices aimed at undercutting comparable Telecom circuits, the Telecoms might reassess whether it makes financial sense for them to continue to participate in the MDC's meet-me-rooms. Their departure might negatively impact User participation in colocation and on the Exchange. As a result, the Exchange is not motivated to undercut the prices of Telecom circuits.

For these reasons, the proposed change is reasonable.

The Proposed Change Is Equitable

The Exchange believes that the proposed change provides for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers, or dealers because it is not designed to permit unfair discrimination between market participants. The proposed change would apply equally to all types and sizes of market participants. It would clarify that all VCCs, irrespective of whether between two Users, a User and non-User outside of

[18] See id. at 50246. Importantly, the Exchange is prevented from making any alteration to its meet-me-room services or fees without filing a proposal for such changes with the Commission.

the VCC, or the same User, are subject to the same size and cost provisions. In addition, the Exchange believes that the proposal is equitable because only market participants that voluntarily select to receive MDC VCCs would be charged for them.

Moreover, the proposed change would ensure that the Connectivity Fee Schedule accurately reflects the usage of VCCs. It would ensure that the description of VCCs was complete, accessible and transparent, and provide market participants with greater clarity.

The Proposed Change Is Not Unfairly Discriminatory

The Exchange believes its proposal is not unfairly discriminatory. The proposed change does not apply differently to distinct types or sizes of market participants. Rather, it applies to all market participants equally. The purchase of any proposed service is completely voluntary and the Fee Schedule will be applied uniformly to all market participants.

In addition, the Exchange believes that the proposal is equitable because only market participants that voluntarily select to receive MDC VCCs would be charged for them. The MDC VCCs are available to all market participants on an equal basis, and all market participants that voluntarily choose to purchase a MDC VCC are charged the same amount as all other market participants purchasing that type of MDC VCC.

For the reasons above, the proposed change does not unfairly discriminate between or among market participants that are otherwise capable of satisfying any applicable co-location fees, requirements, terms, and conditions established from time to time by the Exchange.

For these reasons, the Exchange believes that the proposal is consistent with the Act.

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

The Exchange believes that the proposal will not impose any burden on competition that

is not necessary or appropriate in furtherance of the purposes of Section 6(b)(8) of the Act.[19] The proposed rule change is designed to ensure that the provision on VCCs clarifies that all VCCs, irrespective of whether between two Users, a User and non-User outside of the VCC, or the same User, are subject to the same size and cost provisions. It is not meant to address intramarket or intermarket competition.

The proposed change would enhance competition in the market for circuits transmitting data into and out of colocation at the MDC by adding VCCs, in addition to the 16 Telecoms that also sell circuits to Users and the FIDS circuits. The MDC VCCs do not have any latency, bandwidth, or other advantage over the Telecoms' circuits. The proposal would not burden competition in the sale of such circuits, but rather, enhance it by providing Users with an additional choice for their circuit needs.

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 Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[20] and Rule 19b-4(f)(6) thereunder.[21] Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of

19 15 U.S.C. 78f(b)(8).

20 15 U.S.C. 78s(b)(3)(A)(iii).

21 17 CFR 240.19b-4(f)(6).

investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.[22]

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)[23] 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
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEARCA-2024-91 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.

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22 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

23 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to file number SR-NYSEARCA-2024-91. 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-SR-NYSEARCA-2024-91 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.[24]

Sherry R. Haywood,

Assistant Secretary.

[24] 17 CFR 200.30-3(a)(12).