

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 25		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2023 - * 11 Amendment No. (req. for Amendments *)	
Filing by NYSE Arca, Inc. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
Initial * <input checked="" type="checkbox"/>		Amendment * <input type="checkbox"/>		Withdrawal <input type="checkbox"/>	
Section 19(b)(2) * <input type="checkbox"/>		Section 19(b)(3)(A) * <input checked="" type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		Rule			
		<input type="checkbox"/> 19b-4(f)(1)		<input type="checkbox"/> 19b-4(f)(4)	
		<input checked="" type="checkbox"/> 19b-4(f)(2)		<input type="checkbox"/> 19b-4(f)(5)	
		<input type="checkbox"/> 19b-4(f)(3)		<input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Proposal to modify the NYSE Arca Options Fee Schedule</div>					
Contact Information Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action. First Name * Le-Anh Last Name * Bui Title * Counsel, NYSE Group Inc. E-mail * Le-Anh.Bui@ice.com Telephone * (212) 656-2225 Fax (212) 656-8101					
Signature Pursuant to the requirements of the Securities Exchange of 1934, NYSE Arca, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized. Date 01/31/2023 (Title *) By Patrick Troy Associate General Counsel (Name *) <div>NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.</div> <div>Patrick TroyDigitally signed by Patrick Troy Date: 2023.01.31 16:53:43 -05'00'</div>					

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information *

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19b-4 NYSE Arca Firm Fee Cap and F

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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Ex. 1 19b-4 NYSE Arca Firm Fee Cap

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

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Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

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Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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Ex. 5 19b-4 NYSE Arca Firm Fee Cap

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) proposes to modify the NYSE Arca Options Fee Schedule (“Fee Schedule”) regarding the Firm and Broker Dealer Monthly Fee Cap and the Ratio Threshold Fee. The Exchange proposes to implement the fee change effective February 1, 2023.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change would have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Le-Anh Bui
Counsel
NYSE Group, Inc.
(212) 656-2225

Peter Armstrong
Manager, Options
NYSE Group, Inc.
(415) 318-1924

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

- (a) Purpose

The purpose of this filing is to (1) modify the Firm and Broker Dealer Monthly Fee Cap (the “Monthly Fee Cap”) and (2) extend the waiver of the Ratio Threshold Fee. The Exchange proposes to implement the rule change on February 1, 2023.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Firm and Broker Dealer Monthly Fee Cap

The Exchange proposes to modify the Monthly Fee Cap, which currently provides that combined Firm proprietary fees and Broker Dealer fees for transactions in standard option contracts cleared in the customer range for Manual executions and QCC transactions are capped at \$150,000 per month.³

The Exchange proposes to raise the Monthly Fee Cap to \$200,000 per month. Accordingly, the Exchange proposes to modify the Fee Schedule to replace \$150,000 with \$200,000 in the description of the Monthly Fee Cap. Strategy executions, royalty fees, and firm trades executed via a Joint Back Office agreement will continue to be excluded from fees to which the Monthly Fee Cap would apply. Once a Firm or Broker Dealer has reached the Monthly Fee Cap, an incremental service fee of \$0.01 per contract for Firm or Broker Dealer Manual transactions will continue to apply, except for the execution of a QCC order.

The Exchange believes that the proposed change, despite increasing the amount of the Monthly Fee Cap, would continue to incent Firms and Broker Dealers to direct order flow to the Exchange to receive the benefits of a fee cap on Manual and QCC transactions.

Ratio Threshold Fee

The Exchange proposes to further extend the waiver of the Ratio Threshold Fee that was originally implemented in connection with the Exchange's migration to the Pillar platform.⁴

The Ratio Threshold Fee is based on the number of orders entered as compared to the number of executions received in a calendar month and is intended to deter OTP Holders from submitting an excessive number of orders that are not executed.⁵ Because order to execution ratios of 10,000 to 1 or greater have the potential residual effect of exhausting system resources, bandwidth, and capacity, such ratios may create latency and impact other OTP Holders' ability to receive timely executions.⁶ In connection with the Exchange's migration to the Pillar platform, the Exchange implemented a waiver of the Ratio Threshold Fee (the "Waiver") that took effect beginning in the month in which the

³ See Fee Schedule, NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS, FIRM AND BROKER DEALER MONTHLY FEE CAP.

⁴ See Securities Exchange Act Release No. 94095 (January 28, 2022), 87 FR 6216 (February 3, 2022) (SR-NYSEArca-2022-04) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Arca Options Fee Schedule).

⁵ See Fee Schedule, RATIO THRESHOLD FEE; see also Securities Exchange Act Release No. 60102 (June 11, 2009), 74 FR 29251 (June 19, 2009) (SR-NYSEArca-2009-50).

⁶ See id.

Exchange began its migration to the Pillar platform and would remain in effect for the three months following the month during which the Exchange completed its migration to the Pillar platform. As the Exchange completed the migration in July 2022, the Waiver was originally due to expire on October 31, 2022. The Exchange previously filed to extend the Waiver until January 31, 2023,⁷ and now proposes to extend the Waiver for an additional three months, until April 30, 2023.

The Exchange believes that extending the Waiver would allow the Exchange additional time to continue to work with OTP Holders to monitor traffic rates and order to execution ratios, without imposing a financial burden on OTP Holders based on their order to execution ratios. The extension of the Waiver would also allow the Exchange to continue to evaluate system performance as OTP Holders continue to adapt to trading on the Pillar platform. The Exchange thus proposes to modify the Fee Schedule to provide that the Waiver would extend through April 30, 2023.⁸

(b) 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 Sections 6(b)(4) and (5) of the Act,¹⁰ 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 Rule Change is Reasonable

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.”¹¹

⁷ See Securities Exchange Act Release No. 96252 (November 7, 2022), 87 FR 68210 (November 14, 2022) (SR-NYSEARCA-2022-74) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify the NYSE Arca Options Fee Schedule).

⁸ See proposed Fee Schedule, RATIO THRESHOLD FEE.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

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

There are currently 16 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.¹² Therefore, no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, in December 2022, the Exchange had less than 13% market share of executed volume of multiply-listed equity and ETF options trades.¹³

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, competitive forces constrain options exchange transaction fees. Stated otherwise, modifications to exchange transaction fees can have a direct effect on the ability of an exchange to compete for order flow.

The proposed increase to the Monthly Fee Cap is reasonable because the Exchange believes the fee cap, although higher, would continue to incent Firms and Broker Dealers to direct order flow to the Exchange to receive the benefits of capped fees. The Exchange also believes the proposed change is reasonable because the proposed fee cap amount would be applicable to all Firms and Broker Dealers and would continue to offer Firms and Broker Dealers the opportunity to qualify for capped fees on Manual and QCC transactions, which similar benefit is not offered by at least one other options exchange.¹⁴

The Exchange believes that the proposed extension of the Waiver is reasonable because it is designed to lessen the impact of the migration on OTP Holders and would allow OTP Holders to continue to adjust to trading on the Pillar platform without incurring excess Ratio Threshold Fees while the Exchange continues to evaluate Pillar system performance. To the extent the proposed rule change encourages OTP Holders to maintain their trading activity on the Exchange, the Exchange believes the proposed change would sustain the Exchange's overall competitiveness and its market quality for all market participants. In the backdrop of the competitive environment in which the Exchange operates, the proposed rule change is a reasonable attempt by the Exchange to mitigate the impacts of the Pillar migration without affecting its competitiveness.

¹² 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>.

¹³ 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 Exchange's market share in equity-based options decreased from 13.30% for the month of December 2021 to 12.42% for the month of December 2022.

¹⁴ See, e.g., BOX Options Fee Schedule, available at: <https://boxoptions.com/fee-schedule/>.

Finally, to the extent the proposed changes continue to attract greater volume and liquidity, the Exchange believes the proposed changes would improve the Exchange's overall competitiveness and strengthen its market quality for all market participants. In the backdrop of the competitive environment in which the Exchange operates, the proposed rule change is a reasonable attempt by the Exchange to increase the depth of its market and improve its market share relative to its competitors. The Exchange's fees are constrained by intermarket competition, as OTP Holders may direct their order flow to any of the 16 options exchanges. Thus, OTP Holders have a choice of where they direct their order flow, including their Manual and QCC transactions. The proposed rule changes are designed to continue to incent OTP Holders to direct liquidity and, in particular, Firm and Broker Dealer transactions to the Exchange. In addition, to the extent OTP Holders are incentivized to aggregate their trading activity at the Exchange, that increased liquidity could promote market depth, price discovery and improvement, and enhanced order execution opportunities for market participants.

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

The Exchange believes the proposed rule change is an equitable allocation of its fees and credits because the proposal is based on the amount and type of business transacted on the Exchange. The Exchange believes that the proposed modification of the Monthly Fee Cap is equitable because it would apply to all Firms and Broker Dealers equally and would continue to provide for the same fee cap amount for all Firms and Broker Dealers. To the extent the proposed change does not discourage Firms and Broker Dealers from continuing to direct order flow to the Exchange to achieve the benefits of capped fees and instead continues to encourage increased liquidity to the Exchange, all market participants would benefit from enhanced opportunities for price improvement and order execution.

The proposed extension of the Waiver is an equitable allocation of fees and credits because the Waiver would continue to apply to all OTP Holders. All OTP Holders would have the opportunity to continue adjusting to the Pillar platform without incurring Ratio Threshold Fees, while the Exchange continues to evaluate post-migration system performance. Thus, the Exchange believes the proposed rule change would continue to mitigate the impact of the migration process for all market participants on the Exchange, thereby sustaining market-wide quality.

The Proposed Rule Change is not Unfairly Discriminatory

The Exchange believes that the proposed change to the Monthly Fee Cap is not unfairly discriminatory because the fee cap, as proposed, would continue to be available to all similarly situated Firms and Broker Dealers, any of which could continue to be incented to direct order flow to the Exchange to qualify for the fee cap. Moreover, the proposed change to the Monthly Fee Cap is not unfairly discriminatory because it would continue to apply the same fee cap amount to all Firms and Broker Dealers. The Exchange notes that offering the Monthly Fee Cap to Firms and Broker Dealers but not other market participants is not unfairly discriminatory because the Firm Fee Cap would not be

meaningful for Customers or Professional Customers because neither Customers nor Professional Customers pay transaction charges for Manual transactions or QCC transactions and is not unfairly discriminatory towards Market Makers, as Market Makers are generally charged a lower fee for Manual executions and have alternative avenues to reduce transaction fees.¹⁵

The Exchange believes the proposed extension of the Waiver is not unfairly discriminatory because it would apply to all OTP Holders on an equal and non-discriminatory basis. The Waiver, as proposed, would permit all OTP Holders to continue adapting to the Pillar platform, without incurring additional fees based on their monthly order to execution ratios, while the Exchange continues to evaluate post-migration system performance. The Exchange thus believes that the proposed change would support continued trading opportunities for all market participants, thereby promoting just and equitable principles of trade, removing impediments to and perfecting the mechanism of a free and open market and a national market system and, in general, protecting investors and the public interest. believes the proposed change is not unfairly discriminatory because it is based on the amount and type of business transacted on the Exchange.

To the extent that the proposed change continues to attract Manual and QCC transactions to the Exchange, this increased order flow would continue to make the Exchange a more competitive venue for order execution. Thus, the Exchange believes the proposed rule change would improve market quality for all market participants on the Exchange and, as a consequence, attract more order flow to the Exchange, thereby improving market-wide quality and price discovery. The resulting increased volume and liquidity would provide more trading opportunities and tighter spreads to all market participants and thus would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest.

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

4. 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. Instead, as discussed above, the Exchange believes that the proposed change 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 all market participants. 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

¹⁵ See generally Fee Schedule (various incentives available to Market Makers for posted monthly volume, including on executions in penny issues, non-penny issues, and SPY).

of orders, large and small.”¹⁶

Intramarket Competition. With respect to the modification of the Monthly Fee Cap, the Exchange believes that the proposed change (even though it would raise the amount of the fee cap) would not impose any burden on competition that is not necessary or appropriate because it is intended to continue to incentivize Firms and Broker Dealers to direct order flow to the Exchange to be eligible for the benefits of capped fees on Manual and QCC transactions, thereby promoting liquidity on the Exchange to the benefit of all market participants.

The Exchange does not believe the proposed extension of the Waiver would impose any burden on intramarket competition that is not necessary or appropriate because it would apply equally to all OTP Holders. All OTP Holders would continue to be eligible for the Waiver for an additional three months while the Exchange continues to assess system performance following the migration to Pillar.

Intermarket Competition. The Exchange operates in a highly competitive market in which market participants can readily favor one of the 16 competing option exchanges if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow to the Exchange. 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.¹⁷ Therefore, currently no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, in December 2022, the Exchange had less than 13% market share of executed volume of multiply-listed equity and ETF options trades.¹⁸

The Exchange believes that the proposed changes reflect this competitive environment because they modify the Exchange’s fees and rebates in a manner designed to continue to incent OTP Holders to direct trading interest (particularly Firm and Broker Dealer Manual and QCC transactions) to the Exchange, to provide liquidity and to attract order flow. To the extent that this purpose is achieved, all the Exchange’s market participants should benefit from the improved market quality and increased trading opportunities.

¹⁶ See Reg NMS Adopting Release, *supra* note 11, at 37499.

¹⁷ 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>.

¹⁸ 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 Exchange’s market share in equity-based options decreased from 13.30% for the month of December 2021 to 12.42% for the month of December 2022.

The Exchange further believes that the proposed change could promote competition between the Exchange and other execution venues, including those that do not offer a cap on Firm and Broker Dealer fees,¹⁹ by encouraging additional orders to be sent to the Exchange for execution.

The Exchange does not believe the proposed extension of the Waiver would impose any burden on intramarket competition that is not necessary or appropriate because it would apply equally to all OTP Holders. All OTP Holders would continue to be eligible for the Waiver for an additional three months while the Exchange continues to assess system performance following the migration to Pillar.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act²⁰ and subparagraph (f)(2) of Rule 19b-4²¹ 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) of the Act to determine whether the proposed rule change should be approved or disapproved.²²

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

¹⁹ See note 14, *supra*.

²⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

²¹ 17 CFR 240.19b-4(f)(2).

²² 15 U.S.C. 78s(b)(2)(B).

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of the Proposed Rule Change for Publication in the Federal Register

Exhibit 5 – Amendment to the Exchange's Fee Schedule

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSEARCA-2023-11)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify the NYSE Arca Options 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 January 31, 2023, 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 modify the NYSE Arca Options Fee Schedule (“Fee Schedule”) regarding the Firm and Broker Dealer Monthly Fee Cap and the Ratio Threshold Fee. The Exchange proposes to implement the fee change effective February 1, 2023. 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 (1) modify the Firm and Broker Dealer Monthly Fee Cap (the "Monthly Fee Cap") and (2) extend the waiver of the Ratio Threshold Fee. The Exchange proposes to implement the rule change on February 1, 2023.

Firm and Broker Dealer Monthly Fee Cap

The Exchange proposes to modify the Monthly Fee Cap, which currently provides that combined Firm proprietary fees and Broker Dealer fees for transactions in standard option contracts cleared in the customer range for Manual executions and QCC transactions are capped at \$150,000 per month.⁴

The Exchange proposes to raise the Monthly Fee Cap to \$200,000 per month. Accordingly, the Exchange proposes to modify the Fee Schedule to replace \$150,000 with \$200,000 in the description of the Monthly Fee Cap. Strategy executions, royalty fees, and firm trades executed via a Joint Back Office agreement will continue to be excluded from fees to which the Monthly Fee Cap would apply. Once a Firm or Broker Dealer has reached the Monthly Fee Cap, an incremental service fee of \$0.01 per contract for Firm or Broker Dealer Manual transactions will continue to apply, except for the execution of a QCC order.

⁴ See Fee Schedule, NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS, FIRM AND BROKER DEALER MONTHLY FEE CAP.

The Exchange believes that the proposed change, despite increasing the amount of the Monthly Fee Cap, would continue to incent Firms and Broker Dealers to direct order flow to the Exchange to receive the benefits of a fee cap on Manual and QCC transactions.

Ratio Threshold Fee

The Exchange proposes to further extend the waiver of the Ratio Threshold Fee that was originally implemented in connection with the Exchange's migration to the Pillar platform.⁵

The Ratio Threshold Fee is based on the number of orders entered as compared to the number of executions received in a calendar month and is intended to deter OTP Holders from submitting an excessive number of orders that are not executed.⁶ Because order to execution ratios of 10,000 to 1 or greater have the potential residual effect of exhausting system resources, bandwidth, and capacity, such ratios may create latency and impact other OTP Holders' ability to receive timely executions.⁷ In connection with the Exchange's migration to the Pillar platform, the Exchange implemented a waiver of the Ratio Threshold Fee (the "Waiver") that took effect beginning in the month in which the Exchange began its migration to the Pillar platform and would remain in effect for the three months following the month during which the Exchange completed its migration to the Pillar platform. As the Exchange completed the migration in July 2022, the Waiver was originally due to expire on October 31, 2022. The Exchange previously filed to extend the Waiver until January 31, 2023,⁸ and now proposes to extend the Waiver for an

⁵ See Securities Exchange Act Release No. 94095 (January 28, 2022), 87 FR 6216 (February 3, 2022) (SR-NYSEArca-2022-04) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Arca Options Fee Schedule).

⁶ See Fee Schedule, RATIO THRESHOLD FEE; see also Securities Exchange Act Release No. 60102 (June 11, 2009), 74 FR 29251 (June 19, 2009) (SR-NYSEArca-2009-50).

⁷ See id.

⁸ See Securities Exchange Act Release No. 96252 (November 7, 2022), 87 FR 68210

additional three months, until April 30, 2023.

The Exchange believes that extending the Waiver would allow the Exchange additional time to continue to work with OTP Holders to monitor traffic rates and order to execution ratios, without imposing a financial burden on OTP Holders based on their order to execution ratios. The extension of the Waiver would also allow the Exchange to continue to evaluate system performance as OTP Holders continue to adapt to trading on the Pillar platform. The Exchange thus proposes to modify the Fee Schedule to provide that the Waiver would extend through April 30, 2023.⁹

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,¹¹ 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 Rule Change is Reasonable

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,

(November 14, 2022) (SR-NYSEARCA-2022-74) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify the NYSE Arca Options Fee Schedule).

⁹ See proposed Fee Schedule, RATIO THRESHOLD FEE.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4) and (5).

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.”¹²

There are currently 16 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.¹³ Therefore, no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, in December 2022, the Exchange had less than 13% market share of executed volume of multiply-listed equity and ETF options trades.¹⁴

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, competitive forces constrain options exchange transaction fees. Stated otherwise, modifications to exchange transaction fees can have a direct effect on the ability of an exchange to compete for order flow.

The proposed increase to the Monthly Fee Cap is reasonable because the Exchange

¹² See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (S7-10-04) (“Reg NMS Adopting Release”).

¹³ 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>.

¹⁴ 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 Exchange’s market share in equity-based options decreased from 13.30% for the month of December 2021 to 12.42% for the month of December 2022.

believes the fee cap, although higher, would continue to incent Firms and Broker Dealers to direct order flow to the Exchange to receive the benefits of capped fees. The Exchange also believes the proposed change is reasonable because the proposed fee cap amount would be applicable to all Firms and Broker Dealers and would continue to offer Firms and Broker Dealers the opportunity to qualify for capped fees on Manual and QCC transactions, which similar benefit is not offered by at least one other options exchange.¹⁵

The Exchange believes that the proposed extension of the Waiver is reasonable because it is designed to lessen the impact of the migration on OTP Holders and would allow OTP Holders to continue to adjust to trading on the Pillar platform without incurring excess Ratio Threshold Fees while the Exchange continues to evaluate Pillar system performance. To the extent the proposed rule change encourages OTP Holders to maintain their trading activity on the Exchange, the Exchange believes the proposed change would sustain the Exchange's overall competitiveness and its market quality for all market participants. In the backdrop of the competitive environment in which the Exchange operates, the proposed rule change is a reasonable attempt by the Exchange to mitigate the impacts of the Pillar migration without affecting its competitiveness.

Finally, to the extent the proposed changes continue to attract greater volume and liquidity, the Exchange believes the proposed changes would improve the Exchange's overall competitiveness and strengthen its market quality for all market participants. In the backdrop of the competitive environment in which the Exchange operates, the proposed rule change is a reasonable attempt by the Exchange to increase the depth of its market and improve its market share relative to its competitors. The Exchange's fees are constrained by intermarket

¹⁵ See, e.g., BOX Options Fee Schedule, available at: <https://boxoptions.com/fee-schedule/>.

competition, as OTP Holders may direct their order flow to any of the 16 options exchanges. Thus, OTP Holders have a choice of where they direct their order flow, including their Manual and QCC transactions. The proposed rule changes are designed to continue to incent OTP Holders to direct liquidity and, in particular, Firm and Broker Dealer transactions to the Exchange. In addition, to the extent OTP Holders are incentivized to aggregate their trading activity at the Exchange, that increased liquidity could promote market depth, price discovery and improvement, and enhanced order execution opportunities for market participants.

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

The Exchange believes the proposed rule change is an equitable allocation of its fees and credits because the proposal is based on the amount and type of business transacted on the Exchange. The Exchange believes that the proposed modification of the Monthly Fee Cap is equitable because it would apply to all Firms and Broker Dealers equally and would continue to provide for the same fee cap amount for all Firms and Broker Dealers. To the extent the proposed change does not discourage Firms and Broker Dealers from continuing to direct order flow to the Exchange to achieve the benefits of capped fees and instead continues to encourage increased liquidity to the Exchange, all market participants would benefit from enhanced opportunities for price improvement and order execution.

The proposed extension of the Waiver is an equitable allocation of fees and credits because the Waiver would continue to apply to all OTP Holders. All OTP Holders would have the opportunity to continue adjusting to the Pillar platform without incurring Ratio Threshold Fees, while the Exchange continues to evaluate post-migration system performance. Thus, the Exchange believes the proposed rule change would continue to mitigate the impact of the migration process for all market participants on the Exchange, thereby sustaining market-wide

quality.

The Proposed Rule Change is not Unfairly Discriminatory

The Exchange believes that the proposed change to the Monthly Fee Cap is not unfairly discriminatory because the fee cap, as proposed, would continue to be available to all similarly situated Firms and Broker Dealers, any of which could continue to be incented to direct order flow to the Exchange to qualify for the fee cap. Moreover, the proposed change to the Monthly Fee Cap is not unfairly discriminatory because it would continue to apply the same fee cap amount to all Firms and Broker Dealers. The Exchange notes that offering the Monthly Fee Cap to Firms and Broker Dealers but not other market participants is not unfairly discriminatory because the Firm Fee Cap would not be meaningful for Customers or Professional Customers because neither Customers nor Professional Customers pay transaction charges for Manual transactions or QCC transactions and is not unfairly discriminatory towards Market Makers, as Market Makers are generally charged a lower fee for Manual executions and have alternative avenues to reduce transaction fees.¹⁶

The Exchange believes the proposed extension of the Waiver is not unfairly discriminatory because it would apply to all OTP Holders on an equal and non-discriminatory basis. The Waiver, as proposed, would permit all OTP Holders to continue adapting to the Pillar platform, without incurring additional fees based on their monthly order to execution ratios, while the Exchange continues to evaluate post-migration system performance. The Exchange thus believes that the proposed change would support continued trading opportunities for all market participants, thereby promoting just and equitable principles of trade, removing

¹⁶ See generally Fee Schedule (various incentives available to Market Makers for posted monthly volume, including on executions in penny issues, non-penny issues, and SPY).

impediments to and perfecting the mechanism of a free and open market and a national market system and, in general, protecting investors and the public interest. believes the proposed change is not unfairly discriminatory because it is based on the amount and type of business transacted on the Exchange.

To the extent that the proposed change continues to attract Manual and QCC transactions to the Exchange, this increased order flow would continue to make the Exchange a more competitive venue for order execution. Thus, the Exchange believes the proposed rule change would improve market quality for all market participants on the Exchange and, as a consequence, attract more order flow to the Exchange, thereby improving market-wide quality and price discovery. The resulting increased volume and liquidity would provide more trading opportunities and tighter spreads to all market participants and thus would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest.

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

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. Instead, as discussed above, the Exchange believes that the proposed change 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 all market participants. 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."¹⁷

Intramarket Competition. With respect to the modification of the Monthly Fee Cap, the Exchange believes that the proposed change (even though it would raise the amount of the fee cap) would not impose any burden on competition that is not necessary or appropriate because it is intended to continue to incentivize Firms and Broker Dealers to direct order flow to the Exchange to be eligible for the benefits of capped fees on Manual and QCC transactions, thereby promoting liquidity on the Exchange to the benefit of all market participants.

The Exchange does not believe the proposed extension of the Waiver would impose any burden on intramarket competition that is not necessary or appropriate because it would apply equally to all OTP Holders. All OTP Holders would continue to be eligible for the Waiver for an additional three months while the Exchange continues to assess system performance following the migration to Pillar.

Intermarket Competition. The Exchange operates in a highly competitive market in which market participants can readily favor one of the 16 competing option exchanges if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow to the Exchange. 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.¹⁸ Therefore, currently no exchange possesses significant pricing

¹⁷ See Reg NMS Adopting Release, *supra* note 12, at 37499.

¹⁸ 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->

power in the execution of multiply-listed equity and ETF options order flow. More specifically, in December 2022, the Exchange had less than 13% market share of executed volume of multiply-listed equity and ETF options trades.¹⁹

The Exchange believes that the proposed changes reflect this competitive environment because they modify the Exchange's fees and rebates in a manner designed to continue to incent OTP Holders to direct trading interest (particularly Firm and Broker Dealer Manual and QCC transactions) to the Exchange, to provide liquidity and to attract order flow. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market quality and increased trading opportunities.

The Exchange further believes that the proposed change could promote competition between the Exchange and other execution venues, including those that do not offer a cap on Firm and Broker Dealer fees,²⁰ by encouraging additional orders to be sent to the Exchange for execution.

The Exchange does not believe the proposed extension of the Waiver would impose any burden on intramarket competition that is not necessary or appropriate because it would apply equally to all OTP Holders. All OTP Holders would continue to be eligible for the Waiver for an additional three months while the Exchange continues to assess system performance following the migration to Pillar.

[Data/Market-Data-Reports/Volume-and-Open-Interest/Monthly-Weekly-Volume-Statistics.](#)

¹⁹ 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 Exchange's market share in equity-based options decreased from 13.30% for the month of December 2021 to 12.42% for the month of December 2022.

²⁰ See note 15, supra.

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)²¹ 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 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEARCA-2023-11 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-2023-11. This file number should

²¹ 15 U.S.C. 78s(b)(3)(A).

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 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-2023-11 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.²²

J. Matthew DeLesDernier,
Deputy Secretary.

²² 17 CFR 200.30-3(a)(12).

Additions underscored
Deletions [bracketed]

NYSE Arca Options Fees and Charges

Effective Date: [January 26] February 1, 2023

**FIRM AND BROKER
DEALER MONTHLY
FEE CAP**

[\$150,000] \$200,000 cap per month on combined Firm Proprietary Fees and Broker Dealer Fees for transactions in standard option contracts cleared in the customer range for Manual (Open Outcry) Executions, and QCC transactions executed by a Floor Broker from the Floor of the Exchange, exclusive of Strategy Executions, Royalty Fees and firm trades executed via a Joint Back Office agreement.⁹ Once a Firm or Broker Dealer has reached the Firm and Broker Dealer Monthly Fee Cap, an incremental service fee of \$0.01 per contract for Firm or Broker Dealer Manual transactions will apply, except for the execution of a QCC order, in which case there is no incremental service fee.

RATIO THRESHOLD	Monthly order to execution ratio:	Monthly Charge:
FEE ¹²	Between 10,000 and 14,999 to 1	\$5,000
	Between 15,000 and 19,999 to 1	\$10,000
	Between 20,000 and 24,999 to 1	\$20,000
	25,000 to 1 and greater	\$35,000

Effective beginning in the month during which the Exchange commences its migration to the Pillar platform, the Ratio Threshold Fee will be waived. Such waiver will remain in effect [for the six months following the month during which the migration is completed] through April 30, 2023.
