

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-96879; File No. SR-NYSEAMER-2023-13)

February 10, 2023

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify the NYSE American 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 February 9, 2023, NYSE American LLC (“NYSE American” 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 modify the NYSE American Options Fee Schedule (“Fee Schedule”) regarding the Firm Monthly Fee Cap. The Exchange proposes to implement the fee change effective February 9, 2023.⁴ 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.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ The Exchange previously filed to amend the Fee Schedule on January 31, 2023 (SR-NYSEAMER-2023-10) and withdrew such filing on February 9, 2023.

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 the Firm Monthly Fee Cap. The Exchange proposes to implement the rule change on February 9, 2023.

The Firm Monthly Fee Cap is set forth in Section I.I. of the Fee Schedule.⁵ Currently, a Firm’s fees associated with Manual transactions are capped at \$150,000 per month per Firm.

The Exchange proposes to raise the Firm Monthly Fee Cap to \$200,000 per month per Firm. To effect this change, the Exchange proposes to modify Section I.I. to replace references to a \$150,000 cap with references to a \$200,000 cap.⁶ The Exchange also proposes to increase the incremental service fee—which is charged for Manual transactions once the Firm Monthly Fee Cap has been reached—from \$0.01 to \$0.02 and to extend the proposed incremental service fee of \$0.02 per contract to also apply to QCC transactions entered by Floor Brokers from the

⁵ See Fee Schedule, Section I.I., Firm Monthly Fee Cap, available at: https://www.nyse.com/publicdocs/nyse/markets/american-options/NYSE_American_Options_Fee_Schedule.pdf.

⁶ The Exchange also proposes a conforming change to footnote 4 in Section I.A. (Rates for Options transactions) of the Fee Schedule, which cross-references the Firm Monthly Fee Cap as set forth in Section I.I. The Exchange likewise proposes to modify footnote 4 to replace the reference to a \$150,000 cap with a reference to a \$200,000 cap.

Trading Floor (i.e., manual QCC transactions). Royalty Fees and fees or volumes associated with Strategy Executions will continue to be excluded from the calculation of fees towards the Firm Monthly Fee Cap. Firm Facilitation Manual trades will also continue to be executed at the rate of \$0.00 per contract regardless of whether a Firm has reached the Firm Monthly Fee Cap.

The Exchange believes that the proposed change, despite increasing the amount of the Firm Monthly Fee Cap and the incremental service fee for Manual transactions and QCC transactions, would continue to incentivize Firms to direct order flow to the Exchange to receive the benefits of a cap on their Manual transaction fees.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,⁸ 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

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4) and (5).

promoting market competition in its broader forms that are most important to investors and listed companies.”⁹

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.¹⁰ 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 8% market share of executed volume of multiply-listed equity and ETF options trades.¹¹

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, changes to exchange transaction fees can have a direct effect on the ability of an exchange to compete for order flow.

The proposed change to the Firm Monthly Fee Cap is reasonable because the Exchange believes the fee cap would continue to incentivize Firms to direct order flow to the Exchange to

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

¹⁰ 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>.

¹¹ Based on a compilation of OCC data for monthly volume of equity-based options and monthly volume of ETF-based options, see id., the Exchange’s market share in equity-based options was 6.77% for the month of December 2021 and 7.11% for the month of December 2022.

receive the benefits of capped fees for their Manual transactions (including manual QCC transactions), even though the proposed change would increase the amount of the fee cap and the incremental service charge applicable to Manual transactions (including manual QCC transactions) after a Firm has reached the fee cap. The Exchange also believes the proposed change is reasonable because the proposed fee cap amount would be applicable to all Firms and the proposed incremental service charge would be applicable to all Manual transactions (including manual QCC transactions) executed by a Firm once it reaches the fee cap. In addition, although the proposed change would establish a higher fee cap amount, it would continue to offer Firms the ability to qualify for capped fees on Manual transactions (including manual QCC transactions), which the Exchange believes provides Firms with a benefit not offered by at least one other options exchange.¹²

To the extent that the proposed change continues to attract volume to the Exchange, this order flow would continue to make the Exchange a more competitive venue for order execution, which, in turn, promotes just and equitable principles of trade and removes impediments to and perfects the mechanism of a free and open market and a national market system. The Exchange notes that all market participants stand to benefit from any increase in volume, which could promote market depth, facilitate tighter spreads and enhance price discovery, particularly to the extent the proposed change encourages market participants to utilize the Exchange as a primary trading venue, and may lead to a corresponding increase in order flow from other market participants.

¹² See, e.g., BOX Options Fee Schedule, available at: <https://boxoptions.com/fee-schedule/> (no cap on Firm manual transaction fees).

Finally, to the extent the proposed change continues to attract greater volume and liquidity, the Exchange believes the proposed change 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 market participants can choose to direct their order flow to any of the 16 options exchanges. The Exchange believes that proposed rule change is designed to continue to incentivize market participants to direct liquidity to the Exchange, and, to the extent they continue to be 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 all 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. The proposed change is equitable because the increased Firm Monthly Fee Cap would be available to all Firms equally. The proposed change is also equitable because the increased incremental service charge would apply equally to all Firms that achieve the fee cap and would now also apply to manual QCC transactions executed by Firms once they have reached the fee cap. The Exchange also believes that the proposed rule change is equitable with respect to non-Firm market participants because the Firm Monthly Fee Cap would not be as meaningful for Customers or Professional Customers and because Market Makers are offered other incentives to reduce transaction fees.¹³ The Exchange believes that the proposed changes, although they

¹³ Customers are not subject to a fee for Manual transactions, and neither Customers nor

increase the fee cap and incremental service charge amounts, would not discourage Firms from directing order flow to the Exchange. To the extent that the proposed change achieves its purpose in continuing to incent Firms to aggregate their executions at the Exchange as a primary execution venue and attracting more volume to the Exchange, this increased order flow would continue to make the Exchange a more competitive venue for, among other things, 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 Proposed Rule Change is not Unfairly Discriminatory

The Exchange believes that the modification of the Firm Monthly Fee Cap is not unfairly discriminatory because the fee cap and incremental service charge amounts, as proposed, would continue to be applicable to all similarly situated Firms, any of which could continue to be incentivized to direct order flow to the Exchange to qualify for the fee cap. The Exchange notes that offering the Firm Monthly Fee Cap, as proposed, to Firms but not to other market participants is not unfairly discriminatory because the Firm Monthly Fee Cap would not be as meaningful for Customers or Professional Customers and because Market Makers are offered other incentives to reduce transaction fees.¹⁴

Thus, to the extent the proposed change continues to attract Manual transactions (including manual QCC transactions) to the Exchange, the Exchange believes the proposed rule change would improve market quality for all market participants on the Exchange and, as a

Professional Customers pay transaction fees for QCC transactions. See Fee Schedule at Sections I.A. and I.F. The Exchange offers various incentives to Market Makers, including the Market Maker Sliding Scale and Prepayment Program. See id. at Sections I.C. and I.D.

¹⁴ See note 13, supra.

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 changes 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."¹⁵

Intramarket Competition. The proposed change is designed to continue to attract order flow to the Exchange, which could increase the volumes of contracts traded on the Exchange. Greater liquidity benefits all market participants on the Exchange, and the Exchange believes that the proposed modification of the Firm Monthly Fee Cap (even though it would raise the

¹⁵ See Reg NMS Adopting Release, supra note 9, at 37499.

amount of the fee cap and incremental service charge) would not impose any burden on competition that is not necessary or appropriate because it is intended to continue to incentivize Firms to direct order flow to the Exchange to be eligible for the benefits of capped fees on Manual transactions, thereby promoting liquidity on the Exchange to the benefit of all market participants.

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.¹⁶ 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 8% market share of executed volume of multiply-listed equity and ETF options trades.¹⁷

The Exchange believes that the proposed rule change reflects this competitive environment because it modifies the Exchange's fees in a manner designed to continue to incent market participants to direct trading interest to the Exchange, to provide liquidity and to attract order flow. To the extent that Firms are incentivized to utilize the Exchange as a primary trading venue for all transactions, all of the Exchange's market participants should benefit from the improved market quality and increased opportunities for price improvement. The Exchange notes

¹⁶ See note 10, *supra*.

¹⁷ See note 11, *supra*.

that it operates in a highly competitive market in which market participants can readily favor competing venues, including those that do not offer a cap on Firm fees.¹⁸ In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges.

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)¹⁹ of the Act and subparagraph (f)(2) of Rule 19b-4²⁰ 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)²¹ of the Act to determine whether the proposed rule change should be approved or disapproved.

¹⁸ See note 12, *supra*.

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(2).

²¹ 15 U.S.C. 78s(b)(2)(B).

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-NYSEAMER-2023-13 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-NYSEAMER-2023-13. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld 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-NYSEAMER-2023-13, 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

Sherry R. Haywood

Assistant Secretary

²² 17 CFR 200.30-3(a)(12).