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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2020 - * 106
Amendment No. (req. for Amendments *)

Filing by NYSE Arca, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☑ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to modify the NYSE Arca Options Fee Schedule

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@theice.com
Telephone * (212) 656-2225 Fax (212) 656-8101

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 12/01/2020
By David De Gregorio
(Name *)

(Title *)
Senior Counsel

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

David De Gregorio,

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	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 * Add Remove View	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 Advance Notice by Clearing Agencies * Add Remove View	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, security-based swap submission, or advance notice 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 Add Remove View Exhibit Sent As Paper Document ☐	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.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	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.
Exhibit 4 - Marked Copies Add Remove View	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 Add Remove View	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 Add Remove View	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 criteria to qualify for a Market Maker Incentive For Penny Issues. The Exchange proposes to implement the fee change effective December 1, 2020.

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 amend the Fee Schedule to modify the criteria to qualify for a Market Maker Incentive For Penny Issues. The Exchange proposes to implement the rule change on December 1, 2020.

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

2 17 CFR 240.19b-4.

The Exchange currently provides several incentives for OTP Holders and OTP Firms (collectively, "OTPs") designed to encourage OTPs to direct additional order flow to the Exchange to achieve more favorable pricing and higher credits. Among these incentives are enhanced posted liquidity credits based on achieving certain percentages of Total Industry Customer equity and ETF option average daily volume ("TCADV").[3]

Currently, Market Maker orders in Penny Issues that post liquidity and are executed on the Exchange earn a base credit of ($0.28) per contract, and may be eligible for increased credits based on the participant's activity. The Fee Schedule provides for three Penny Credit Tiers for Market Makers, with increasing minimum volume thresholds (as well as increasing credits) associated with each tier, ranging from per contract credits of ($0.28) to ($0.42) for Market Makers that achieve the Select Tier up to Super Tier II, respectively.[4] The Exchange also offers various incentives that increase the possible posting credit applied to a Market Maker's orders, such as cross asset incentives for activity on the NYSE Arca Equity Market. One such incentive is the Market Maker Incentive For Penny Issues (the "Incentive").

Currently, there are two components to the qualification for the Incentive, the first being at least 0.75% of TCADV from affiliated or appointed Order Flow Provider Customer posted interest in all issues. The second component of the qualification currently is an ADV from Market Maker posted interest equal to 0.70% of TCADV.

The Exchange proposes to modify the qualifying criteria for the Incentive to (1) lower the minimum volume threshold of the Market Maker posted interest component from 0.70% to 0.40% of TCADV, and (2) specify that volume from SPY[5] would be excluded from the qualifying volume for the credit.[6] The amount of the credit will remain the same, ($0.41) per contract. The Exchange believes this proposed change would still encourage OTP Holders to achieve the Incentive

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3 TCADV includes OCC calculated Customer volume of all types, including Complex Order Transactions and QCC transactions, in equity and ETF options. See Endnote 8 to the Fee Schedule.

4 See Fee Schedule, NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS, MARKET MAKER PENNY AND SPY POSTING CREDIT TIERS.

5 SPY is the trading acronym for SPDR S&P 500 ETF Trust.

6 See proposed Fee Schedule, NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS, Market Maker Incentive For Penny Issues.

with increased Market Maker posted interest in issues other than SPY,[7] which would bring increased liquidity and order flow to the Exchange for the benefit of all market participants.

The Exchange cannot predict with certainty whether any OTP Holders would qualify for the incentive under the modified criteria; however, the Exchange believes that the proposed Incentive would continue to encourage OTP Holders to increase Market Maker posted volume to qualify for this Incentive.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[8] in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,[9] 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."[10]

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.[11] Therefore, currently no exchange

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7 The Exchange notes that there are separate incentives specifically related to Market Maker posted interest in SPY.

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

9 15 U.S.C. 78f(b)(4) and (5).

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

11 The OCC publishes options and futures volume in a variety of formats, including daily and monthly volume by exchange, available at: https://www.theocc.com/market-data/volume/default.jsp.

possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, in August 2020, the Exchange had slightly more than 10% market share of executed volume of multiply-listed equity and ETF options trades.[12]

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 and rebates can have a direct effect on the ability of an exchange to compete for order flow, including with options exchanges that offer similar posting credits on Market Maker executions.[13]

The Exchange believes that the proposed modification to the criteria to qualify for the Incentive is reasonably designed to continue to incent OTP Holders to increase the amount and type of Market Maker posted interest sent to the Exchange. The Exchange notes that Market Makers are still eligible to qualify for Market Maker Penny and SPY Posting Credit Tiers based on a specified benchmark in posted interest in all issues from Market Maker posted interest.[14] By continuing to provide alternative methods to qualify for enhanced Penny posting credits, the Exchange believes OTP Holders will have increased opportunities to qualify for credits, which benefits all participants through increased volume to the Exchange.

To the extent that the proposed change attracts to the Exchange more Market Maker posted interest in both Penny and non-Penny issues, this increased 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 cannot predict with certainty whether any Market Makers would qualify for the Incentive under the modified criteria; however, the Exchange believes that OTP Holders would continue to be encouraged to increase Market

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12 Based on OCC data, the Exchange's market share in equity-based options was 9.59% for the month of August 2019 and 10.20% for the month of August 2020. See id.

13 See e.g., MIAX Pearl Fee Schedule, available at: https://www.miaxoptions.com/sites/default/files/fee_schedule-files/MIAX_PEARL_Fee_Schedule_11052020.pdf (regarding Market Maker Posting credits).

14 See supra note 4.

Maker posted volume to qualify for this Incentive.

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 proposal is based on the amount and type of business transacted on the Exchange, and OTP Holders can opt to avail themselves of the modified criteria to qualify for the Incentive or not. Moreover, the proposal is designed to incent OTP Holders to aggregate all Customer posting interest and Market Maker interest at the Exchange as a primary execution venue. To the extent that the proposed change attracts more Market Maker posting interest 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, therefore, 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 proposed rule change is not unfairly discriminatory because all similarly-situated market participants would be eligible to qualify for the Incentive pursuant to the modified criteria on an equal and non-discriminatory basis.

The proposal is based on the amount and type of business transacted on the Exchange, and Market Makers are not obligated to try to qualify for the Incentive, as modified, nor are they obligated to execute posted interest. Rather, the proposal is designed to encourage OTP Holders to utilize the Exchange as a primary trading venue for Customer posted interest and Market Maker posted interest (if they have not done so previously) or increase volume sent to the Exchange. To the extent that the proposed change attracts to the Exchange more Market Maker interest, including posted interest, 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 of orders, large and small."[15]

Intramarket Competition. The proposed change is designed to attract additional order flow (particularly Market Maker posted interest) to the Exchange. The Exchange believes that the proposed modification to the Incentive would continue to incent Market Makers to direct their posted interest to the Exchange. Greater liquidity benefits all market participants on the Exchange, and increased Market Maker interest would increase opportunities for execution of other trading interest. The proposed modification would be available to all similarly-situated market participants that execute Customer posted interest and also make markets, and, accordingly, would not impose a disparate burden on competition among market participants on the Exchange.

Intermarket Competition. The Exchange operates in a highly competitive market in which market participants can readily 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, currently no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, in August 2020, the Exchange had slightly more than 10% market share of executed volume of multiply-listed equity and ETF options trades.[17]

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15 See Reg NMS Adopting Release, supra note 8, at 37499.

16 The OCC publishes options and futures volume in a variety of formats, including daily and monthly volume by exchange, available at: https://www.theocc.com/market-data/volume/default.jsp.

17 Based on OCC data, the Exchange's market share in equity-based options was 9.59% for the month of August 2019 and 10.20% for the month of August 2020. See id.

The Exchange believes that the proposed modification to the criteria to qualify for the Incentive reflects this competitive environment because it modifies the Exchange's fees in a manner designed to encourage Market Makers to continue to direct trading interest (particularly Market Maker posted interest) to the Exchange, provide liquidity, and 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 opportunities for price improvement.

The Exchange believes that the proposed change could promote competition between the Exchange and other execution venues, including those that currently offer similar Market Maker posting credits, by encouraging additional orders to be sent to the Exchange for execution.

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 Act[18] and subparagraph (f)(2) of Rule 19b-4[19] 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.[20]

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

19 17 CFR 240.19b-4(f)(2).

20 15 U.S.C. 78s(b)(2)(B).

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.

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-NYSEARCA-2020-106)

[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 (the "Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on December 1, 2020, 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 criteria to qualify for a Market Maker Incentive For Penny Issues. The Exchange proposes to implement the fee change effective December 1, 2020. 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

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

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

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 criteria to qualify for a Market Maker Incentive For Penny Issues. The Exchange proposes to implement the rule change on December 1, 2020.

The Exchange currently provides several incentives for OTP Holders and OTP Firms (collectively, "OTPs") designed to encourage OTPs to direct additional order flow to the Exchange to achieve more favorable pricing and higher credits. Among these incentives are enhanced posted liquidity credits based on achieving certain percentages of Total Industry Customer equity and ETF option average daily volume ("TCADV").[4]

Currently, Market Maker orders in Penny Issues that post liquidity and are executed on the Exchange earn a base credit of ($0.28) per contract, and may be eligible for increased credits based on the participant's activity. The Fee Schedule provides for three Penny Credit Tiers for Market Makers, with increasing minimum volume thresholds (as well as increasing credits) associated with each tier, ranging from per contract credits of ($0.28) to ($0.42) for Market Makers that achieve the Select Tier up to Super Tier II,

4 TCADV includes OCC calculated Customer volume of all types, including Complex Order Transactions and QCC transactions, in equity and ETF options. See Endnote 8 to the Fee Schedule.

respectively.[5] The Exchange also offers various incentives that increase the possible posting credit applied to a Market Maker's orders, such as cross asset incentives for activity on the NYSE Arca Equity Market. One such incentive is the Market Maker Incentive For Penny Issues (the "Incentive").

Currently, there are two components to the qualification for the Incentive, the first being at least 0.75% of TCADV from affiliated or appointed Order Flow Provider Customer posted interest in all issues. The second component of the qualification currently is an ADV from Market Maker posted interest equal to 0.70% of TCADV.

The Exchange proposes to modify the qualifying criteria for the Incentive to (1) lower the minimum volume threshold of the Market Maker posted interest component from 0.70% to 0.40% of TCADV, and (2) specify that volume from SPY[6] would be excluded from the qualifying volume for the credit.[7] The amount of the credit will remain the same, ($0.41) per contract. The Exchange believes this proposed change would still encourage OTP Holders to achieve the Incentive with increased Market Maker posted interest in issues other than SPY,[8] which would bring increased liquidity and order flow to the Exchange for the benefit of all market participants.

The Exchange cannot predict with certainty whether any OTP Holders would qualify for the incentive under the modified criteria; however, the Exchange believes that

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5 See Fee Schedule, NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS, MARKET MAKER PENNY AND SPY POSTING CREDIT TIERS.

6 SPY is the trading acronym for SPDR S&P 500 ETF Trust.

7 See proposed Fee Schedule, NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS, Market Maker Incentive For Penny Issues.

8 The Exchange notes that there are separate incentives specifically related to Market Maker posted interest in SPY.

the proposed Incentive would continue to encourage OTP Holders to increase Market Maker posted volume to qualify for this Incentive.

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 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]

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

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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").

equity and ETF options trades.[12] Therefore, currently no exchange possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, in August 2020, the Exchange had slightly more than 10% 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, changes to exchange transaction fees and rebates can have a direct effect on the ability of an exchange to compete for order flow, including with options exchanges that offer similar posting credits on Market Maker executions.[14]

The Exchange believes that the proposed modification to the criteria to qualify for the Incentive is reasonably designed to continue to incent OTP Holders to increase the amount and type of Market Maker posted interest sent to the Exchange. The Exchange notes that Market Makers are still eligible to qualify for Market Maker Penny and SPY Posting Credit Tiers based on a specified benchmark in posted interest in all issues from

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12 The OCC publishes options and futures volume in a variety of formats, including daily and monthly volume by exchange, available at: https://www.theocc.com/market-data/volume/default.jsp.

13 Based on OCC data, the Exchange's market share in equity-based options was 9.59% for the month of August 2019 and 10.20% for the month of August 2020. See id.

14 See e.g., MIAX Pearl Fee Schedule, available at: https://www.miaxoptions.com/sites/default/files/fee_schedule-files/MIAX_PEARL_Fee_Schedule_11052020.pdf (regarding Market Maker Posting credits).

Market Maker posted interest.[15] By continuing to provide alternative methods to qualify for enhanced Penny posting credits, the Exchange believes OTP Holders will have increased opportunities to qualify for credits, which benefits all participants through increased volume to the Exchange.

To the extent that the proposed change attracts to the Exchange more Market Maker posted interest in both Penny and non-Penny issues, this increased 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 cannot predict with certainty whether any Market Makers would qualify for the Incentive under the modified criteria; however, the Exchange believes that OTP Holders would continue to be encouraged to increase Market Maker posted volume to qualify for this Incentive.

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 proposal is based on the amount and type of business transacted on the Exchange, and OTP Holders can opt to avail themselves of the modified criteria to qualify for the Incentive or not. Moreover, the proposal is designed to incent OTP Holders to aggregate all Customer posting interest and Market Maker interest at the Exchange as a primary execution venue. To the extent that the proposed change attracts more Market Maker posting interest to the Exchange, this increased order flow would continue to make the Exchange a more competitive venue for, among other things, order

[15] See supra note 5.

execution. Thus, the Exchange believes the proposed rule change would improve market quality for all market participants on the Exchange and, therefore, 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 proposed rule change is not unfairly discriminatory because all similarly-situated market participants would be eligible to qualify for the Incentive pursuant to the modified criteria on an equal and non-discriminatory basis.

The proposal is based on the amount and type of business transacted on the Exchange, and Market Makers are not obligated to try to qualify for the Incentive, as modified, nor are they obligated to execute posted interest. Rather, the proposal is designed to encourage OTP Holders to utilize the Exchange as a primary trading venue for Customer posted interest and Market Maker posted interest (if they have not done so previously) or increase volume sent to the Exchange. To the extent that the proposed change attracts to the Exchange more Market Maker interest, including posted interest, 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."[16]

Intramarket Competition. The proposed change is designed to attract additional order flow (particularly Market Maker posted interest) to the Exchange. The Exchange believes that the proposed modification to the Incentive would continue to incent Market Makers to direct their posted interest to the Exchange. Greater liquidity benefits all market participants on the Exchange, and increased Market Maker interest would increase opportunities for execution of other trading interest. The proposed modification would be available to all similarly-situated market participants that execute Customer posted interest and also make markets, and, accordingly, would not impose a disparate

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[16] See Reg NMS Adopting Release, supra note 9, at 37499.

burden on competition among market participants on the Exchange.

Intermarket Competition. The Exchange operates in a highly competitive market in which market participants can readily 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 August 2020, the Exchange had slightly more than 10% market share of executed volume of multiply-listed equity and ETF options trades.[18]

The Exchange believes that the proposed modification to the criteria to qualify for the Incentive reflects this competitive environment because it modifies the Exchange's fees in a manner designed to encourage Market Makers to continue to direct trading interest (particularly Market Maker posted interest) to the Exchange, provide liquidity, and 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 opportunities for price improvement.

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17 The OCC publishes options and futures volume in a variety of formats, including daily and monthly volume by exchange, available at: https://www.theocc.com/market-data/volume/default.jsp.

18 Based on OCC data, the Exchange's market share in equity-based options was 9.59% for the month of August 2019 and 10.20% for the month of August 2020. See id.

The Exchange believes that the proposed change could promote competition between the Exchange and other execution venues, including those that currently offer similar Market Maker posting credits, by encouraging additional orders to be sent to the Exchange for execution.

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

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)[19] of the Act and subparagraph (f)(2) of Rule 19b-4[20] 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments

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[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).

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-2020-106 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-2020-106. 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-NYSEARCA-2020-106 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]

Eduardo A. Aleman
Deputy Secretary

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[22] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Additions underscored
Deletions [bracketed]

NYSE Arca Options Fees and Charges

Effective Date: [November 2] December 1, 2020

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NYSE Arca OPTIONS: TRADE-RELATED CHARGES FOR STANDARD OPTIONS[14]

Unless Professional Customer executions are specifically delineated, such executions will be treated as "Customer" executions for fee/credit purposes. Firms, Broker Dealers, and Market Makers are collectively referred to herein as "Non-Customers."

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Market Maker Incentive For Penny Issues[8,15]	
At least 0.75% of TCADV from Customer posted interest in all issues *and* an ADV from Market Maker posted interest in all issues other than SPY equal to [0.70%] 0.40% of TCADV	$0.41 Credit Applied to electronic executions of Market Maker posted interest in Penny Issues

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