

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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2011-072 and should be submitted on or before July 5, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

Cathy H. Ahn,

Deputy Secretary.

[FR Doc. 2011-14671 Filed 6-13-11; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64627; File No. SR-NYSEArca-2011-35]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services To Replace Numerical Thresholds With Percentage Thresholds for Tier Volume Requirements, Add a New Volume Tier and Increase the Credit That Lead Market Makers Receive for Execution of Orders That Provide Undisplayed Liquidity Using Post No Preference Blind Orders

June 8, 2011.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on June 1, 2011, 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. NYSE Arca filed the proposal pursuant to Section 19(b)(3)(A)<sup>4</sup> of the Act and Rule 19b-4(f)(2)<sup>5</sup> thereunder. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services (the "Schedule") to: (i) Replace numerical thresholds with percentage thresholds for tier volume requirements (ii) add a new volume tier and (iii) increase the credit that Lead Market Makers ("LMMs") receive for execution of orders that provide undisplayed liquidity using Post No Preference Blind (PNP B) orders. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, <http://www.nyse.com>, and the Commission's Web site at <http://www.sec.gov>.

#### 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

Effective June 1, 2011, NYSE Arca proposes to make several changes to the Schedule, which are discussed in greater detail below.

###### Tier Volume Requirements: Replacing Numerical Thresholds With Percentage Thresholds

The Exchange proposes to change the Tier 1 and Tier 2 volume requirements from numerical thresholds (e.g., 50 Million shares) to percentage thresholds of average U.S. consolidated daily volumes (e.g., 0.70% of the volumes). Volume requirements to reach the tiered

pricing levels will adjust each calendar month based on U.S. average daily consolidated share volume in Tape A, Tape B, Tape C securities ("U.S. ADV") for that given month. U.S. ADV is equal to the volume reported by all exchanges and trade reporting facilities to the Consolidated Tape Association ("CTA") Plan for Tapes A, B and C securities, however, U.S. ADV does not include trades on days when the market closes early. The percentage approach is in line with those adopted by NASDAQ Stock Market LLC and EDGX for liquidity providers.<sup>6</sup>

Transactions that are not reported to the Consolidated Tape, such as odd-lots and Crossing Session 2 transactions, are not included in U.S. ADV. The Exchange currently makes this data publicly available on a T + 1 basis from a link at <http://www.nyxdata.com/US-and-European-Volumes>.

Currently, a customer's eligibility for Tier 1 and Tier 2 is based on its achieving certain levels of liquidity provision that vary depending on overall trading volumes during the month. Thus, a customer qualifies for the Tier 1 or Tier 2 pricing based on the U.S. ADV for that given month as follows:

(i) When U.S. ADV is 8 billion shares or less, the requirement for adding liquidity is 50 million shares (for Tier 1) and 20 million shares (for Tier 2) average daily volume in Tape A, Tape B, and Tape C combined;

(ii) when U.S. ADV is greater than 8 billion up to 10 billion shares, the requirement for adding liquidity is 55 million shares (for Tier 1) and 25 million shares (for Tier 2) average daily volume in Tape A, Tape B, and Tape C combined;

(iii) when U.S. ADV is greater than 10 billion up to 11 billion shares, the requirement for adding liquidity is 65 million shares (for Tier 1) and 30 million shares (for Tier 2) average daily volume in Tape A, Tape B, and Tape C combined;

(iv) when U.S. ADV is greater than 11 billion up to 12 billion shares, the requirement for adding liquidity is 75 million shares (for Tier 1) and 35 million shares (for Tier 2) average daily volume in Tape A, Tape B, and Tape C combined;

<sup>6</sup> See Securities Exchange Act Release No. 64453 (May 10, 2011), 76 FR 28252 (May 16, 2011); and Securities Exchange Act Release No. 64452 (May 10, 2011), 76 FR 28252 (May 16, 2011). See Nasdaq Stock Market LLC Price List—Trading & Connectivity, "Add and Remove Rates" at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2#rebates> and EDGX Exchange Fee Schedule, n. 1 at <http://www.directedge.com/Membership/FeeSchedule/EDGXFeeSchedule.asp>.

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(2).

(v) when U.S. ADV is greater than 12 billion up to 13 billion shares, the requirement for adding liquidity is 85 million shares (for Tier 1) and 40 million shares (for Tier 2) average daily

volume in Tape A, Tape B, and Tape C combined;

(vi) when U.S. ADV is greater than 13 billion shares, the requirement for adding liquidity is 95 million shares (for Tier 1) and 45 million shares (for Tier

2) average daily volume in Tape A, Tape B, and Tape C combined.

NYSE Arca's current rate per share structure for customers (excluding Lead Market Makers) is provided in the table below.

Tier	Current tier requirements and pricing	Tape A			
	Arca daily adding requirement (1) in shares in excess of:	Rebate for adding	Fee for removing	Routing to NYSE (2)	Routing to other venues
Tier 1 .....	50–95 Million shares .....	\$(0.0030)	\$0.0030	\$0.21/ \$0.23	\$0.0030
Tier 2 .....	20–45 Million shares .....	(0.0029)	0.0030	0.21/ 0.23	0.0030
All Others .....	Below 20 Million shares .....	(0.0021)	0.0030	0.21/ 0.25	0.0030

Tier	Current tier requirements and pricing	Tape C		
	Arca daily adding requirement (1) in shares in excess of:	Rebate for adding	Fee for removing	Routing to other venues
Tier 1 .....	Arca daily adding requirement (1) in shares in excess of:..			
Tier 1 .....	50–95 Million shares .....	\$(0.0030)	\$0.0030	\$0.0030
Tier 2 .....	20–45 Million shares .....	(0.0029)	0.0030	0.0030
All Others .....	Below 20 Million shares .....	(0.0021)	0.0030	0.0035

Tier	Current tier requirements and pricing	Tape B		
	Arca daily adding requirement (1) in shares in excess of:	Rebate for adding	Fee for removing	Routing to other venues
Tier 1 .....	50–95 Million shares .....	\$(0.0023)	\$0.0028	\$0.0029
Tier 2 .....	20–45 Million shares .....	(0.0022)	0.0028	0.0029
All Others .....	Below 20 Million shares .....	(0.0022)	0.0030	0.0035

1. Depending on U.S. Consolidated ADV as described in the previous text.

2. In Tape A securities, the routing fee to the NYSE using NYSE Arca's Primary Sweep Order is \$0.21 per 100 shares, otherwise the standard routing fee applies as noted in the table. The Primary Sweep Order (PSO) is a market or limit order that sweeps the NYSE Arca Book and routes any remaining balance to the primary listing market. All orders with a PSO designation should be marketable. Non-marketable orders will function as regular limit orders.

In order to adopt a requirement that is consistent from month to month, NYSE Arca is modifying the requirement so that it is directly tied to a customer's percentage of total U.S. ADV, with any customer providing liquidity that represents 0.70% or more of the total U.S. ADV becoming eligible for Tier 1 and 0.30% or more, but less than 0.70% of the total U.S. ADV becoming eligible for Tier 2. NYSE Arca is also introducing a new Tier 3 based on a customer providing liquidity that represents 0.20% or more, but less than 0.30% of total consolidated volume (which is discussed in greater detail below).

NYSE Arca is moving to the percentage approach for several reasons. The Exchange believes that it is a more straightforward way to communicate floating volume tiers and, as noted above, other exchanges have adopted a similar approach. The Exchange notes that the percentage approach allows tiers to move in sync with consolidated volume, whereas the current approach

has distinct break points and is set at varying percentages of consolidated volume. For example, under the current approach the Tier 1 level is set at 50 million shares of U.S. ADV when the consolidated volume level is below 8 billion U.S. ADV, whereas the proposed percentage approach will allow the Tier 1 level to move below 50 million shares of U.S. ADV to better accommodate customers in a lower volume environment, such as the industry has been recently experiencing. The Exchange also believes that the percentage approach will make the amount of liquidity provision required to achieve a given tier more manageable for customers and less prone to month-to-month changes than under the current approach. For example, under the current approach, if U.S. ADV increased from 7.95 billion to 8.05 billion, an increase of 1.25%, the Tier 1 provider requirement increases from 50 million ADV to 55 million ADV, an increase of 10%. In this case, the percentage change in customer tier

requirement is much greater than that of the market volumes. Moreover, under the percentage approach, to qualify for Tier 1, for example, the customer would be required to provide 0.70% of the total U.S. ADV, regardless of the volume during that month. The proposed change will ensure that a customer providing that level of liquidity will consistently receive the Tier 1 credits, whereas a customer providing that level of liquidity under the current schedule might receive the Tier 1 credits in some months but not in others as overall market volumes fluctuated.

#### New Volume Tier

As noted previously, the Exchange is proposing a new pricing tier, Tier 3, with respect to volumes representing 0.20% or more, but less than 0.30% of the total U.S. ADV, in order to create a tier for customers that provide a specified minimum level of liquidity less than currently contemplated by Tier 1 and Tier 2. Customers who qualify for Tier 3 will receive a credit of \$0.0025

per share for orders that provide liquidity to the Book for Tape A and Tape C Securities and \$0.0022 per share for orders that provide liquidity to the Book for Tape B Securities. Additionally, such customers will be charged a fee of \$0.0030 per share for orders that take liquidity from the Book for Tape A and Tape C Securities and \$0.0028 per share for orders that take liquidity from the Book for Tape B

Securities. Finally, such customers also will be charged a fee of \$0.0030 per share for orders routed outside the Book to any away market centers other than the NYSE for Tape A and Tape C Securities and \$0.0029 per share for orders routed outside the Book to any away market centers other than the NYSE for Tape B Securities. For all other fees and credits, basic rates apply. Tier 3 would be expected to benefit

customers whose order flow provides added levels of liquidity, but are currently not eligible for Tier 1 and Tier 2, thereby contributing to the depth and market quality of the Book. The new NYSE Arca rates per share for each Tier for customers (excluding Lead Market Makers) are provided in the table below.

Tier	Current tier requirements and pricing	Tape A				Tape C		
	Arca daily adding requirement as % of U.S. ADV of:	Rebate for adding	Fee for removing	Routing to NYSE (1)	Routing to other venues	Rebate for adding	Fee for removing	Routing to other venues
Tier 1 ..	0.70% or more.	\$(0.0030)	\$0.0030	\$0.21/\$0.23	\$0.0030	\$(0.0030)	\$0.0030	\$0.0030
Tier 2 ..	0.30% or more, but less than 0.70%.	(0.0029)	0.0030	0.21/0.23	0.0030	(0.0029)	0.0030	0.0030
Tier 3 ..	0.20% or more, but less than 0.30%.	(0.0025)	0.0030	0.21/0.23	0.0030	(0.0025)	0.0030	0.0030
All Others.	Below 0.20%.	(0.0021)	0.0030	0.21/0.25	0.0030	(0.0021)	0.0030	0.0035

Tier	Current tier requirements and pricing	Tape B		
	Arca daily adding requirement as % of U.S. ADV of:	Rebate for adding	Fee for removing	Routing to other venues
Tier 1 .....	0.70% or more .....	\$ (0.0023)	\$0.0028	\$0.0029
Tier 2 .....	0.30% or more, but less than 0.70% .....	(0.0022)	0.0028	0.0029
Tier 3 .....	0.20% or more, but less than 0.30% .....	(0.0022)	0.0028	0.0029
All Others .....	Below 0.20% .....	(0.0022)	0.0030	0.0035

1. In Tape A securities, the routing fee to the NYSE using NYSE Arca's Primary Sweep Order is \$0.21 per 100 shares, otherwise the standard routing fee applies as noted in the table. The Primary Sweep Order (PSO) is a market or limit order that sweeps the NYSE Arca Book and routes any remaining balance to the primary listing market. All orders with a PSO designation should be marketable. Non-marketable orders will function as regular limit orders.

**Lead Market Maker Rebates**

The Exchange also proposes to amend the Schedule to modify the structure of the transaction credits that it provides Lead Market Makers ("LMMs") for supplying undisplayed liquidity in the NYSE Arca marketplace primary listed securities in which they are registered as a LMM.

Currently, a LMM receives a rebate of \$0.0023 per share for executions made using the Post No Preference Blind (PNP B) order type when its interest is undisplayed. In return for LMMs meeting unique quoting obligations, NYSE Arca is proposing that LMMs receive a rebate of \$0.0030 per share for execution of orders that provide undisplayed liquidity using PNP B orders types in such a security.

PNP B Orders are undisplayed limit orders priced at or through the Protected

Best Bid and Offer (PBBO), with a tradable price set at the contra side of the PBBO. When the PBBO moves away from the price of the PNP B and the prices continue to overlap, the limit price of the PNP B will remain undisplayed and its tradable price will be adjusted to the contra side of the PBBO. When the PBBO moves away from the price of the PNP B and the prices no longer overlap, the PNP B shall convert to a displayed PNP limit order.

**2. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Securities Exchange Act of 1934 (the "Act"),<sup>7</sup> in general, and Section 6(b)(4)

of the Act,<sup>8</sup> in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities. The Exchange believes that the proposal does not constitute an inequitable allocation of fees, as all similarly situated member organizations and other market participants will be subject to the same fee structure, and access to the Exchange's market is offered on fair and non-discriminatory terms.

With respect to the replacement of share thresholds with percentage thresholds for certain of NYSE Arca's existing pricing tiers, NYSE Arca believes that the change is reasonable, because it will result in more predictability from month to month

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4).

with respect to the levels of liquidity provision required to receive the applicable pricing levels. Although the changes will make it easier to achieve applicable pricing tiers in some months and more difficult in other months, depending on overall market volumes, NYSE Arca believes the levels of activity required to achieve higher tiers are generally consistent with existing requirements for these tiers. Moreover, like existing pricing tiers tied to volume levels, as in effect at NYSE Arca and other markets, the proposed pricing tiers are equitable and non-discriminatory because they are open to all customers on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher volumes. NYSE Arca believes that the overall effect of the changes may make it easier for customers to receive higher rebates in months with lower trading volumes, thereby reducing prices for those customers that were previously unable to qualify for an enhanced credit, but that are able to do so under the revised pricing schedule.

Similarly, Tier 3, the proposed new pricing tier for customers providing liquidity that represents 0.20% or more, but less than 0.30% of the total U.S. ADV will provide customers with greater opportunities to receive a higher rebate. Accordingly, the proposed Tier 3 is equitable and non-discriminatory because it is open to all customers on an equal basis and provides discounts that are reasonably related to the value to an exchange's market quality associated with higher volumes.

With respect to the increase of the LMM rebate for undisplayed PNP B liquidity, NYSE Arca believes that the change is reasonable, because it will provide the LMM with incentives to increase liquidity in a security. Moreover, LMMs have unique quoting obligations including maintaining continuous two-sided quotes, NBBO requirements, minimum displayed size requirements, minimum quoted spread requirements and participation requirements for opening and closing auctions. The undisplayed PNP B orders add liquidity to the Book and enhance the possibility of price improvement; however, their undisplayed status does not contribute to the BBO. To the contrary, the rebate LMMs receive for displayed liquidity executions is much larger, which is consistent with the added transparency created through decreased quoted spreads and increased quoted sizes of the BBO.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can

readily favor competing venues if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. The Exchange believes that the proposed rule change reflects this competitive environment because it will broaden the conditions under which customers may qualify for higher liquidity provider credits.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)<sup>9</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>10</sup> thereunder, because it establishes a due, fee, or other charge imposed by the NYSE Arca.

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.

### **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](mailto:rule-comments@sec.gov). Please include File

Number SR-NYSEArca-2011-35 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number *SR-NYSEArca-2011-35*. 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number *SR-NYSEArca-2011-35* and should be submitted on or before July 5, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Cathy H. Ahn,**

*Deputy Secretary.*

[FR Doc. 2011-14660 Filed 6-13-11; 8:45 am]

**BILLING CODE 8011-01-P**

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).