

thereunder applicable to a national securities exchange.<sup>12</sup> The Exchange proposes to modify only the Listing Rule's limit on OTC derivatives, and the proposed alternative limits are substantially similar to OTC derivatives limits for another issue of Managed Fund Shares that also invests principally in fixed-income securities.<sup>13</sup> The Commission approved a listing rule allowing that fund to similarly invest up to: (1) 50% of its assets in OTC derivatives to reduce currency, interest rate, or credit risk arising from the fund's investments; and (2) 20% of its assets in OTC derivatives other than OTC derivatives used to hedge the fund's portfolio against currency, interest rate, or credit risk.<sup>14</sup>

For the foregoing reason, the Commission finds that the proposed rule change, as modified by Amendment No. 1, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Exchange Act,<sup>15</sup> that the proposed rule change (SR-NYSEArca-2018-75), as modified by Amendment No. 1 be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

[FR Doc. 2018-27407 Filed 12-18-18; 8:45 am]

**BILLING CODE 8011-01-P**

<sup>12</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>13</sup> See Securities Exchange Act Release No. 80657 (May 11, 2017), 82 FR 22702 (May 17, 2017) (SR-NYSEArca-2017-09). The Commission also notes that the proposed alternative limits are consistent with derivatives requirements in listing rules for another issue of Managed Fund Shares. See Securities Exchange Act Release No. 84047 (September 6, 2018), 83 FR 46200 (September 12, 2018) (SR-NASDAQ-2017-128).

<sup>14</sup> See Securities Exchange Act Release No. 80657, *supra* note 13. The addition of duration risk to the uses of Hedging Derivative in the current proposal does not alter the Commission's analysis.

<sup>15</sup> 15 U.S.C. 78s(b)(2).

<sup>16</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84819; File No. SR-NYSEArca-2018-90]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Equities Fees and Charges

December 13, 2018.

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 December 3, 2018, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") 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 amend the NYSE Arca Equities Fees and Charges ("Fee Schedule"). The proposed rule change is available on the Exchange's website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend the Fee Schedule by increasing the credit

applicable to the Retail Order Step-Up Tier 2, as described below.

The Exchange currently has a Retail Order Step-Up Tier 2 credit of \$0.0035 per share for Retail Orders <sup>4</sup> that provide displayed liquidity during the month in Tape A, Tape B and Tape C Securities that applies to ETP Holders, including Market Makers, that provide liquidity an average daily share volume per month of 1.10% or more of the U.S. CADV, and execute an ADV of Retail Orders with a time-in-force designation of Day that add or remove liquidity during the month that is an increase of 0.35% or more of the U.S. CADV above their April 2018 ADV taken as a percentage of U.S. CADV. Retail Orders with a time-in-force designation of Day that remove liquidity from the Book are not charged a fee.<sup>5</sup> The Exchange proposes to increase the current credit for Retail Orders that provide displayed liquidity during the month in Tape A, Tape B and Tape C Securities to \$0.0038 per share. The Exchange is not proposing any other change to the Retail Order Step-Up Tier 2.

For all other fees and credits, tiered or basic rates apply based on a firm's qualifying levels.

###### 2. Statutory Basis

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

<sup>4</sup> A Retail Order is an agency order that originates from a natural person and is submitted to the Exchange by an ETP Holder, provided that no change is made to the terms of the order to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. See Securities Exchange Act Release No. 67540 (July 30, 2012), 77 FR 46539 (August 3, 2012) (SR-NYSEArca-2012-77).

<sup>5</sup> See Securities Exchange Act Release No. 83828 (August 10, 2018), 83 FR 40816 (August 16, 2018) (SR-NYSEArca-2018-58). An ETP Holder that qualifies for the Retail Order Step-Up Tier 2 also receives a credit of \$0.0035 per share for orders (not just Retail Orders) that provide displayed liquidity to the order book in Tape C Securities, and an incremental credit of \$0.0002 per share for orders that provide non-displayed liquidity to the order book in Tape C Securities. The incremental credit is in addition to the ETP Holder's or Market Maker's Tiered or Basic Rate credit(s). Pursuant to the Retail Order Step-Up Tier 2, ETP Holders and Market Makers pay a fee of \$0.0027 per share for orders that take liquidity from the order book in Tape C Securities.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

<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.

The Exchange believes that the amendment to the Retail Order Step-Up Tier 2 is reasonable, equitable and not unfairly discriminatory because the proposed amendment would apply uniformly to all similarly situated ETP Holders and Market Makers that send orders to the Exchange. The Exchange believes providing increased credits for Retail Orders that provide displayed liquidity in Tape A, Tape B and Tape C Securities will incentivize ETP Holders to send a greater number of such orders to the Exchange and therefore provide greater liquidity that supports the quality of price discovery and promotes market transparency. The Exchange further believes that the proposed increased credit would create an added financial incentive for ETP Holders to bring additional retail order flow to a public market. The Exchange believes that by recalibrating the credits for providing liquidity will attract additional order flow and liquidity to the Exchange, thereby contributing to price discovery on the Exchange and benefiting investors generally.

The Exchange believes the Retail Order Step-Up Tier 2 is equitable and not unfairly discriminatory because it is available to all ETP Holders and Market Makers on an equal basis and provides discounts that are reasonably related to the value to the Exchange's market quality associated with higher volumes. The Exchange does not believe that it is unfairly discriminatory to offer increased credits to ETP Holders and Market Makers as these participants would be subject to additional volume requirements.

The Exchange believes that the proposed rule change is equitable and not unfairly discriminatory because maintaining or increasing the proportion of Retail Orders in exchange-listed securities that are executed on a registered national securities exchange (rather than relying on certain available off-exchange execution methods) would contribute to investors' confidence in the fairness of their transactions and would benefit all investors by deepening the Exchange's liquidity pool, supporting the quality of price discovery, promoting market transparency and improving investor protection. This aspect of the proposed rule change also is consistent with the Act because all similarly situated ETP Holders would pay the same rate, as is currently the case, and because all ETP Holders would be eligible to qualify for the rates by satisfying the related threshold, where applicable. Furthermore, the submission of Retail Orders is optional for ETP Holders, in that an ETP Holder could choose

whether to submit Retail Orders and, if it does, the extent of its activity in this regard.

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

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

In accordance with Section 6(b)(8) of the Act,<sup>8</sup> the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed rule change would encourage the submission of additional liquidity to a public exchange, thereby promoting price discovery and transparency and enhancing order execution opportunities for ETP Holders and Market Makers. The Exchange believes that this could promote competition between the Exchange and other execution venues, including those that currently offer comparable transaction pricing, by encouraging additional orders to be sent to the Exchange for execution. The Exchange also believes that the proposed rule change is consistent with the Act because it strikes an appropriate balance between fees and credits, which will encourage submission of orders to the Exchange, thereby promoting competition.

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 or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges and to attract order flow to the Exchange. Because competitors are free to modify their own fees and credits in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. As a result of all of these considerations, the Exchange does not believe that the proposed changes will impair the ability of ETP Holders or competing order execution venues to maintain their competitive standing in the financial markets.

#### *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 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)<sup>11</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2018-90 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-NYSEArca-2018-90. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/>

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

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

<sup>11</sup> 15 U.S.C. 78s(b)(2)(B).

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

*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-2018-90 and should be submitted on or before January 9, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

[FR Doc. 2018-27408 Filed 12-18-18; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84814; File No. SR-BOX-2018-36]

### Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule on the BOX Options Market LLC ("BOX") Facility To Establish Separate Fees and Credits on PIP and COPIP Transactions for SPY Options

December 13, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 30, 2018, BOX Exchange LLC (the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and

III below, which Items have been prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change

The Exchange is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the Fee Schedule on the BOX Market LLC ("BOX") options facility. While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on December 1, 2018. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's internet website at <http://boxexchange.com>.

#### 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 Exchange 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 these 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 aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend Section I.B, PIP and COPIP Transactions and Section III, Liquidity Fees and Credits of the BOX Fee Schedule. Specifically, the Exchange proposes to establish separate fees and credits on PIP and COPIP Transactions for options overlying the Standard and Poor's Depository Receipts Trust ("SPY").<sup>5</sup>

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

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

<sup>5</sup> Options overlying Standard and Poor's Depository Receipts/SPDRs ("SPY") are based on the SPDR exchange-traded fund ("ETF"), which is designed to track the performance of the S&P 500 Index.

First, the Exchange proposes to establish PIP and COPIP Transaction<sup>6</sup> fees for options overlying SPY. Specifically, the Exchange proposes a \$0.05 fee for Professional Customers, Broker Dealers and Market Makers for SPY PIP or COPIP Orders. Public Customers will not be charged for SPY PIP or COPIP Orders. The Exchange notes that the proposed SPY fees are identical to the current PIP and COPIP Order fees. For SPY Improvement Orders, the Exchange proposes a \$0.05 fee for all account types. For SPY Primary Improvement Orders, the Exchange proposes to establish a flat per contract execution fee of \$0.02.

The Exchange notes that all SPY transactions executed through the PIP and COPIP auction mechanisms will be included in the calculation of Customer Volume in Multiply Listed Options Classes for purposes of the Primary Improvement Order tiered execution fee and BOX Volume Rebate in Section I.B of the BOX Fee Schedule. However, the tiered execution fee and rebates defined in Section I.B will not apply to executions in SPY. The Exchange believes that the proposed fees discussed above are reasonable as they are similar to another options exchange.<sup>7</sup>

Lastly, the Exchange proposes to establish liquidity fees and credits for SPY executions in the PIP or COPIP auction mechanisms. Currently, in Section III.A of the Fee Schedule, a Public Customer PIP or COPIP Order receives a "removal" credit while the corresponding Primary Improvement Order and any Improvement Order are charged an "add" fee. The Exchange proposes a \$0.45 fee for all SPY PIP and COPIP transactions that add liquidity and a \$0.45 credit for all SPY COPIP and PIP transactions that remove liquidity.

<sup>6</sup> Transactions executed through Price Improvement Period ("PIP") and the Complex Order Price Improvement Period ("COPIP") auction mechanisms. All COPIP transactions will be charged per contract per leg.

<sup>7</sup> See Nasdaq Phlx LLC ("Phlx") Pricing Schedule Section 3, Part C. Phlx assesses a \$0.05 per contract fee for all PIXL Initiating Orders in SPY (PIXL is Phlx's price improvement mechanism similar to BOX's PIP mechanism). Further, Phlx assesses a \$0.38 per contract fee to non-Customers when their PIXL Order is contra to an Initiating Order; unless the PIXL Order is a Public Customer, in which case the fee is \$0.00 per contract. Next, the Exchange believes the \$0.02 per contract Primary Improvement Order fee for SPY executions is reasonable when compared to Phlx's fees for similar transactions. The Exchange also notes the proposed SPY PIP and COPIP Order Fees are identical to the PIP and COPIP Order Fees that currently apply to all options. The Exchange is simply carving out a separate section for all SPY PIP and COPIP transactions.

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

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

<sup>2</sup> 17 CFR 240.19b-4.