SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72106; File No. SR-NSX-2014-12)

May 6, 2014

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Fee and Rebate Schedule to Change Certain Fees Applicable to Liquidity Providers, Eliminate a Rebate and Adopt a Fee for Removing Liquidity, and Reducing a Fee for Routed Orders, All With Respect to Securities Priced at $1.00 or Greater

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that, on April 30, 2014, National Stock Exchange, Inc. ("NSX®" or 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 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 is proposing to amend its Fee and Rebate Schedule (the "Fee Schedule") issued pursuant to Exchange Rule 16.1. Specifically, the Exchange is seeking to amend Section I. (Transaction Fees and Rebates) to provide that Exchange Equity Trading Permit ("ETP")[3] Holders will be charged a fee for providing liquidity and for removing liquidity in securities priced at $1.00 or greater. The Exchange proposes to eliminate rebates paid to ETP Holders removing liquidity in securities priced at $1.00 or greater. The Exchange also proposes to amend Section II. of the Fee Schedule (Other Services), subsection A., Order Routing (All Tapes), to

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

2 17 CFR 240.19b-4.

3 Exchange Rule 1.5 defines "ETP" as the Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange's trading facilities.

reduce the fee for orders in securities priced at $1.00 or greater that are routed to other trading centers.

The text of the proposed rule change is available on the Exchange's website at http://www.nsx.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 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 parts 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 is proposing to amend the Fee Schedule, Section I. to change the fee and rebate structure applicable to ETP Holders providing and removing liquidity on the Exchange in securities priced at $1.00 and above across all Tapes.[4] Specifically, the Exchange proposes to: (i) reduce the fee charged to ETP Holders providing liquidity (a "Maker") from $0.0018 per

[4] The term "Tapes" refers to the designation assigned in the Consolidated Tape Association ("CTA") Plan for reporting trades with respect to securities in Networks A, B and C. Tape A securities are those listed on the New York Stock Exchange, Inc.; Tape B securities are listed on NYSE MKT, formerly NYSE Amex, and regional exchanges. Tape C securities are those listed on the NASDAQ Stock Market LLC.

executed share to $0.0001. An ETP Holder providing liquidity through the use of any Zero Display Reserve Order will be charged a fee of $0.0002.[5]

The Exchange is also proposing to eliminate rebates to ETP Holders removing liquidity ("Taker") in securities priced at $1.00 or greater and is proposing to instead charge ETP Holders removing liquidity a fee of $0.0001 per executed share. An ETP Holder removing any Zero Display Reserve Order will be charged a fee of $0.0002 per executed share.

The Exchange believes that its proposal to eliminate rebates for removing liquidity in securities priced at $1.00 or greater and instead charge fees to Takers of liquidity, combined with its proposal to reduce the fees charged to ETP Holders providing liquidity from $0.0018 to $0.0001, or $0.0002 when providing liquidity through the use of Zero Display Reserve Orders, advances its goal of providing market participants with a high-quality and cost-effective execution venue. The proposed pricing model also represents a determination by the Exchange that it is reasonable and appropriate to move away from a pricing structure for securities priced at $1.00 and above that employs a rebate to draw Takers to the Exchange.

The Exchange further believes that its proposal to lower the per share fee for executions of orders adding liquidity from $0.0018 to $0.0001, or $0.0002 for executions through the use of Zero Display Reserve Orders, will incentivize ETP Holders to provide more liquidity which, in turn, will enhance opportunities for price improvement and better overall execution quality (i.e.,

5 Exchange Rule 11.11(c)(2)(A) defines a Zero Display Reserve Order as a Reserve Order with zero display quantity. The price of a Zero Display Reserve Order may be set or "pegged" to track the buy-side of the Protected Best Bid or Offer ("BBO"), the sell side of the Protected BBO, or the midpoint of the Protected BBO. The PBBO is defined in Exchange Rule 1.5P.(3) as the better of: (a) the Protected National Best Bid or Offer; or (b) the displayed top of the NSX Book.

market participants seeking to remove liquidity will benefit from the anticipated higher execution rates at better prices resulting from more available liquidity posted on the NSX Book[6]).

The Exchange also proposes to amend Section II.A. of the Fee Schedule, Order Routing (All Tapes), to reduce the fee for orders in securities priced at $1.00 or greater that are routed to other trading centers from $0.0025 to $0.0020. The Exchange believes that, in conjunction with its proposal to reduce fees to liquidity providers and eliminate rebates and charge fees to Takers, this reduction in the fee for routed orders is an appropriate amendment that will operate to draw more liquidity to the Exchange while operating to reduce costs incurred by ETP Holders.

The Exchange submits that the proposed Fee Schedule changes will operate to provide an economic incentive to ETP Holders to post more liquidity on the NSX Book and draw more Takers to access such liquidity. The Exchange anticipates that increased activity by liquidity providers and liquidity removers will result in improved price discovery, enhanced price improvement, and better overall execution quality while at the same time providing a cost effective execution venue.

2. <u>Statutory</u> <u>Basis</u>

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b) of the Act,[7] in general and, in particular, Section 6(b)(4) of the Act,[8] which requires that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its

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[6] The "NSX Book" is the electronic file of orders posted on the Exchange. (<u>See</u> Exchange Rules 1.5N.(1) and 1.5S.(4).

[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78(f)(b)(4) [sic].

facilities; and with Section 6(b)(5) of the Act,[9] which requires, among other things, that the rules of a national securities exchange not permit unfair discrimination between customers, issuers, brokers, or dealers, and be designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange submits that its proposals to change its pricing model in securities priced at $1.00 and above to reduce the fees charged to liquidity providers that post liquidity on the NSX Book, eliminate rebates and adopt fees for Takers, and reduce the fee for routed orders, meet the requirement of Section 6(b)(4) of the Act that fees assessed by the Exchange be reasonable. By proposing lower fees charged to "Makers" for adding liquidity, the Exchange seeks to expand its liquidity pool by incentivizing ETP Holders to post more liquidity on the NSX Book. The Exchange anticipates that more liquidity will improve price discovery and execution quality and will draw more Takers to the Exchange.

In eliminating rebates to Takers and instead adopting a fee for removing liquidity, the Exchange is seeking to assure that there is equilibrium in its Fee Schedule by having the fees applicable to both "Makers" and "Takers" align. The Exchange aspires to provide a reasonable economic incentive for ETP Holders to post liquidity on the NSX Book, or seek to remove such liquidity. The Exchange believes that the proposed structure promotes marketplace efficiency and informed decision-making about a choice of execution venues. All ETP Holders posting liquidity, removing liquidity, or entering orders that are routed away, in securities priced at $1.00 and above, will be subject to the same fees. Accordingly, the Exchange submits that its proposal meets the requirements of Section 6(b)(4) of the Act.

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[9] 15 U.S.C. 78f(b)(5).

The Exchange further submits that its proposal meets the requirements of Section 6(b)(5) of the Act. By seeking to attract more liquidity to the NSX market through the proposed amendment, the Exchange aspires to improve execution quality, price discovery and cost-effectiveness. In addition, the Exchange submits that the amendments to the Fee Schedule will benefit market participants through a competitive pricing model that will be attractive to investors. These factors further the purposes of Section 6(b)(5) of the Act in that they do not to permit unfair discrimination between customers, issuers, brokers or dealers.

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 Exchange Act. The Exchange believes, in fact, that the proposed change will operate to enhance rather than burden competition by continuing to position the Exchange as a cost-efficient and high quality execution venue with a reasonable and transparent pricing structure.

Specifically, the Exchange believes that its pricing proposal will enhance competition by reducing the fees charged per executed share to ETP Holders for providing liquidity in securities priced at $1.00 or greater from $0.0018 to $0.0001, or $0.0002 for adding liquidity using Zero Display Reserve Orders. For liquidity "Takers" the Exchange is proposing to eliminate a rebate of $0.0017 per executed share and charge a fee of $0.0001, or $0.0002 for removing any Zero Display Reserve Order. The Exchange anticipates that eliminating the rebates paid to ETP Holders removing liquidity places it in a unique competitive position among equity exchanges. Similarly, the Exchange submits that its proposal to reduce the fee for routed orders from $0.0025 to $0.0020 enhances its position as a cost-efficient trading venue and supports the Exchange's belief that its proposed pricing model promotes rather than burdens competition.

The Exchange submits that the proposed fee changes aspire to enhance the Exchange's competitive position by offering a cost-efficient, high-quality execution venue that provides for pricing that responds to the concerns expressed by market participants and others about the impact of rebates on the selection of execution venue. The Exchange submits that its proposal poses no burden on competition and, in fact, seeks to foster greater competition among trading venues.

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

The Exchange has not solicited or received written comments on the proposed rule change from ETP Holders or others.

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

The proposed rule change has taken effect upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act[10] and subparagraph (f)(2) of Rule 19b-4.[11] 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

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10 15 U.S.C. 78s(b)(3)(A)(ii).

11 17 CFR.240.19b-4.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NSX-2014-12 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-NSX-2014-12. 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; 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-NSX-2014-12 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.[12]

Kevin M. O'Neill
Deputy Secretary

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