

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72148; File No. SR-NYSEMKT-2014-43)

May 12, 2014

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending its Price List to Account for Recent Changes to the Securities Eligible to be Traded on the Exchange Pursuant to a Grant of Unlisted Trading Privileges

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 April 29, 2014, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) 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 its Price List to account for recent changes to the securities eligible to be traded on the Exchange pursuant to a grant of unlisted trading privileges (“UTP”). The Exchange proposes to implement the fee change effective May 5, 2014. The text of the proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, on the Commission’s website at www.sec.gov, 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Price List to account for recent changes to the securities eligible to be traded on the Exchange pursuant to UTP. The Exchange proposes to implement the fee change effective May 5, 2014.

Securities traded on the Exchange pursuant to UTP are subject to a pilot program (the “UTP Pilot Program”) set forth in the 500 series rules.⁴ The current UTP Pilot Program is limited to securities listed on the Nasdaq Stock Market, LLC (“Nasdaq Securities”) and includes only a single Exchange Traded Fund (“ETF”), the Invesco PowerShares QQQ™ (the “QQQ™”).⁵

The Exchange recently submitted a proposal for immediate effectiveness to expand the UTP Pilot Program to permit additional securities beyond Nasdaq Securities to be traded on the Exchange pursuant to UTP.⁶ In addition to Nasdaq Securities, the new definition of “UTP

⁴ See Securities Exchange Act Release No. 62479 (July 9, 2010), 75 FR 41264 (July 15, 2010) (SR-NYSEAmex-2010-31).

⁵ The UTP Pilot Program is currently scheduled to expire on the earlier of Securities and Exchange Commission (“Commission”) approval to make the pilot permanent or July 31, 2014. See Securities Exchange Act Release No. 71363 (January 21, 2014), 79 FR 4373 (January 27, 2014) (SR-NYSEMKT-2014-01).

⁶ See Securities Exchange Act Release No. 71952 (April 16, 2014), 79 FR 22558 (April 22, 2014) (SR-NYSEMKT-2014-32).

Securities” would include certain “Exchange Traded Products” (“ETPs”), including ETFs;⁷ Exchange Traded Notes (“ETNs”);⁸ Exchange Traded Vehicles (“ETVs”);⁹ or any other security, other than a single equity option or a security futures product, whose value is based, in whole or in part, upon the performance of, or interest in, an underlying instrument.

The Exchange now proposes to amend its Price List to account for these changes. The Exchange proposes to add a new section to the Price List that would apply to transactions in ETPs traded on the Exchange pursuant to UTP, including QQQ. The rates in the existing section in the Price List for transactions in Nasdaq Securities would not change, but the section headings would be updated to reflect that such rates would only apply to non-ETPs traded on the Exchange pursuant to UTP. The proposed rates for ETPs would be identical to the existing rates in the Price List for Nasdaq Securities, except as follows:

- The fee for Mid-Point Passive Liquidity (“MPL”) orders that remove liquidity from the Exchange for securities priced \$1 or more would be \$0.0029 instead of the existing \$0.0030 fee for Nasdaq Securities;

⁷ An ETF is an open-end management investment company under the Investment Company Act of 1940 that has received certain exemptive relief from the Commission to allow secondary market trading in the ETF shares. An ETF typically holds a portfolio of securities that is intended to provide results that, before fees and expenses, generally correspond to the price and yield performance of an underlying benchmark index or an investment objective, or that, rather than seek to track the performance of an underlying index, are managed according to the investment objective of the ETF’s investment advisor.

⁸ An ETN is a senior unsecured debt obligation designed to track the total return of an underlying index, benchmark or strategy, minus investor fees. ETNs are registered under the Securities Act of 1933 and are redeemable to the issuer.

⁹ An ETV tracks the underlying performance of an asset or index, allowing the investors exposure to underlying assets such as futures contracts, commodities, and currencies without trading futures or taking physical delivery of the underlying asset. An ETV is traded intraday like an ETF. An ETV is an open-end trust or partnership unit that is registered under the Securities Act of 1933.

- The fee for “all other” transactions that remove liquidity from the Exchange for securities priced \$1 or more would be \$0.0029 instead of the existing \$0.0030 fee for Nasdaq Securities;
- The existing credits for adding liquidity in orders that originally display a minimum of 2,000 shares with a trading price of at least \$5.00 per share would not apply for ETPs;
- The credit for Designated Market Maker (“DMM”) transactions that add liquidity for securities priced \$1 or more would be \$0.0030 instead of the existing \$0.0040 credit for Nasdaq Securities;
- The fee for “all other” DMM transactions that remove liquidity for securities priced \$1 or more would be \$0.0029 instead of the existing \$0.0030 fee for Nasdaq Securities; and
- The credit for Supplemental Liquidity Provider (“SLP”) transactions that add liquidity for securities priced \$1 or more, if the SLP meets its quoting requirement pursuant to Rule 107B – Equities, would be \$0.0028 instead of the existing \$0.0030 credit for Nasdaq Securities.

The Exchange also proposes certain non-substantive changes to the Price List, such as updating subheadings and rule references.

The proposed change is not otherwise intended to address any other issues, and the Exchange is not aware of any problems that members and member organizations would have in complying with the proposed change.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹¹ 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 Exchange believes that the proposed change is reasonable because it would identify pricing applicable to ETPs traded on the Exchange pursuant to UTP, as a result of a recent, immediately effective proposal by the Exchange to expand the UTP Pilot Program to permit additional securities beyond Nasdaq Securities to be traded on the Exchange pursuant to UTP.¹² The Exchange believes that the proposed rates are reasonable because many of them would be identical to the existing rates in the Price List for Nasdaq Securities traded on the Exchange pursuant to UTP. Certain of the proposed fees would be slightly lower than the existing corresponding fees for Nasdaq Securities, which is reasonable because it would incentivize increased activity in ETPs that would be newly-traded on the Exchange pursuant to UTP. Similarly, certain of the proposed credits for DMMs and SLPs would be slightly lower than the existing corresponding credits for Nasdaq Securities, which is reasonable because it would account for certain lower fees that DMMs and SLPs would be charged and because the lower credits would be more consistent with credits available to other market participants' transactions in ETPs that would trade on the Exchange pursuant to UTP.

An existing credit for transactions in Nasdaq Securities that originally display a minimum

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4) and (5).

¹² See supra note 6.

of 2,000 shares with a trading price of at least \$5.00 per share would be eliminated for ETPs. The Exchange believes that this is reasonable because of the lower fees that would be available for transactions in ETPs traded on the Exchange pursuant to UTP, as compared to certain of the existing rates for Nasdaq Securities. The Exchange believes that these lower fees would act as an incentive for market participants to trade on the Exchange, such that this existing credit would not be needed to incentivize activity in the newly-traded ETPs. The Exchange also believes that it is reasonable for transactions in QQQ to be priced according the rates in the proposed new section of the Price List because it would result in transactions in QQQ being billed in the same manner as other ETPs traded on the Exchange pursuant to UTP.

The Exchange believes that the proposed change is equitable and not unfairly discriminatory because it would identify transaction fees and credits applicable to an expanded number of securities available to be traded on the Exchange pursuant to UTP, thereby encouraging the additional utilization of, and interaction with, the Exchange. The proposed pricing is also equitable and not unfairly discriminatory because it would attract additional volume to the Exchange and thereby contribute to a more competitive market on the Exchange in the trading of securities pursuant to UTP.

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.

For these 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,¹³ the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in

¹³ 15 U.S.C. 78f(b)(8).

furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed change would increase competition by encouraging the additional utilization of, and interaction with, the Exchange, thereby providing market participants with additional price discovery, increased liquidity through additional market making, more competitive quotes, and potentially greater price improvement for UTP Securities.

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 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 with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. 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 member organizations 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)¹⁴ of

¹⁴ 15 U.S.C. 78s(b)(3)(A).

the Act and subparagraph (f)(2) of Rule 19b-4¹⁵ 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)¹⁶ 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 proposal 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-NYSEMKT-2014-43 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-NYSEMKT-2014-43. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

¹⁵ 17 CFR 240.19b-4(f)(2).

¹⁶ 15 U.S.C. 78s(b)(2)(B).

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-NYSEMKT-2014-43 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.¹⁷

Kevin M. O'Neill
Deputy Secretary

¹⁷ 17 CFR 200.30-3(a)(12).