

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80934; File No. SR-NYSE-2017-27)

June 15, 2017

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Its Price List Regarding the Liquidity Provider Incentive Program

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 June 1, 2017, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II 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 regarding the Liquidity Provider Incentive Program. 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 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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 its Price List regarding the Liquidity Provider Incentive Program.⁴ Specifically, the Exchange proposes to change the manner by which rebates would be payable under the Liquidity Provider Incentive Program.

Currently, pursuant to the Liquidity Provider Incentive Program, the Exchange pays Users⁵ of NYSE Bonds a daily rebate based on the number of CUSIPs⁶ on the NYSE Bonds Book for which a User meets the quoting requirements in one or more of three maturity classifications.

The daily rebate amount is tiered based on the number of qualifying CUSIPs that meet quoting requirements, as follows:

⁴ See Securities Exchange Act Release Nos. 77591 (April 12, 2016), 81 FR 22656 (April 18, 2016) (SR-NYSE-2016-26); 77812 (May 11, 2016), 81 FR 30594 (May 17, 2016) (SR-NYSE-2016-34); and 79210 (November 1, 2016), 81 FR 78213 (November 7, 2016) (SR-NYSE-2016-68).

⁵ Rule 86(b)(2)(M) defines a User as any Member or Member Organization, Sponsored Participant, or Authorized Trader that is authorized to access NYSE Bonds. For purposes of the Liquidity provider Incentive Program, a User is a Member or Member Organization that is authorized to access NYSE Bonds.

⁶ CUSIP stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most financial instruments, including: stocks of all registered U.S. and Canadian companies, commercial paper, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and managed by Standard & Poor's—facilitates the clearance and settlement process of securities. See <http://www.sec.gov/answers/cusip.htm>.

Number of Qualifying CUSIPs	Daily Rebate
400 – 599	\$500
600 – 799	\$1,000
800 or more	\$1,500

For a CUSIP to be included in the daily rebate calculation, a User is required to provide continuous two-sided quotes for a minimum of 100 bonds for at least 80% of the day's Core Bond Trading Session⁷, and satisfy the average spread and average duration requirement.⁸ The Exchange makes the determination of whether a User has met the prescribed quoting requirements each trading day to determine the amount of daily rebate for which a User qualifies. The Exchange then aggregates the daily rebate for each User and pays the total amount of the accumulated rebate to each User at the end of every month.

The Exchange proposes to change the Liquidity Provider Incentive Program to allow a User to enter quotes and orders under a Unique User ID to potentially qualify for more rebates. In connection with this proposal, the Exchange proposes to replace the term 'User' with 'Unique User' and adopt a definition of the term 'Unique User' in the Price List related to the Liquidity Provider Incentive Program. The term 'Unique User' would mean a User, a trading desk of a User, or a customer⁹ of a User, on whose behalf a member or member organization enters quotes or orders under a Unique User ID that such User requests from and is provided by the Exchange. At the request of a User, the Exchange will assign a separate Unique User ID to each trading desk or customer of such User. A User may request any number of Unique User IDs from the

⁷ The Core Bond Trading Session commences at 8:00am ET and concludes at 5:00pm ET. See Rule 86(i)(2).

⁸ See Quoting Requirements under NYSE Bonds System, Liquidity Provider Incentive Program, on the Exchange Price List at https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf.

⁹ A customer may be, for example, a hedge fund that is not a member or member organization and therefore unable to access the NYSE Bonds.

Exchange. The proposed change would permit a User, based on a Unique User ID, that meets the quoting requirements under the Liquidity Provider Incentive Program to qualify for the rebates.

To illustrate, consider that ABC Securities (“ABC”), a NYSE User, has two separate trading desks, the Electronic Market Making Desk and the ETF Trading Desk, that operate independently of each other. Each of these desks has its own unique trading strategy. Under the proposal, at the User’s request, the Exchange would assign each desk a Unique User ID, and monitor the quoting activity associated with each Unique User ID to calculate the appropriate rebate attributable to each desk independently. Under the proposal, ABC would be eligible to receive two separate rebate amounts based on the performance of each independent trade desk.

The Exchange is not proposing any other change to the manner in which rebates are calculated or the level of the rebates payable under the Liquidity Provider Incentive Program. The Exchange notes that to the extent a member or member organization delineates its activity, the member or member organization, as a result, may or may not qualify for the rebate.

The proposed rule change is intended to promote greater participation in the Liquidity Provider Incentive Program and provide participants with an incentive to transact more on the NYSE Bonds system.

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

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4), (5).

discriminate between customers, issuers, brokers or dealers.

The Exchange believes that it is reasonable and equitable to amend the Liquidity Provider Incentive Program for the bonds trading platform, which would provide daily rebates based on activity associated with a Unique User ID that meets the Liquidity Provider Incentive Program's stated quoting requirements. The Liquidity Provider Incentive Program is already available to Users and the Exchange is proposing to change the program to permit participation in the Liquidity Provider Incentive Program based on Unique User IDs for providing quotes and trades to the Exchange, rather than based solely on the quoting and trading activity of individual Users.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to allow a member or member organization to qualify for rebates based on quotes and orders associated with a Unique User ID that a member or member organization requests. The purpose of the proposed rule change is to potentially permit Users to earn more rebates. The Exchange believes that providing additional opportunities to member and member organizations to earn rebates would encourage such participants to provide increased displayed liquidity on the Exchange for the benefit of all trading participants.

The Exchange believes that the current quoting requirements to qualify for the daily rebate, which are based on the average spread and average duration, would continue to apply to each Unique User ID under the proposal, and therefore would not unfairly discriminate between customers, issuers, and brokers or dealers because all Users that opt in to the Liquidity Provider Incentive Program would be subject to the same requirements. The Exchange further believes that the proposed amendment is reasonable because it is designed to provide an incentive for member organizations to increase displayed liquidity at the Exchange, thereby increasing traded volume.

The Exchange believes the proposed amendment to the Liquidity Provider Incentive Program is intended to provide additional liquidity to the market and add competition to the existing group of liquidity providers. The Exchange believes that by providing Users with the ability to earn increased rebates, the Exchange is rewarding aggressive liquidity providers in the market, and by doing so, the Exchange will encourage the additional utilization of, and interaction with, the NYSE and provide customers with the premier venue for price discovery, liquidity, and competitive quotes.

Finally, the Exchange believes that the proposed rule change is equitable and not unfairly discriminatory in that it would apply uniformly to all Users of the NYSE Bonds system. Each User that is a member or member organization has the ability to request any number of Unique User IDs from the Exchange and each Unique User ID would equally qualify for the rebate under the program. All similarly situated Users would be subject to the same fee and rebate structure, and each User would have the ability to determine the extent to which the Exchange's proposed fee and rebate structure will provide it with an economic incentive to use the NYSE Bonds system, and model its business accordingly.

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

In accordance with Section 6(b)(8) of the Act,¹² 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. Debt securities typically trade in a decentralized OTC dealer market that is less liquid and transparent than the equities markets. The Exchange believes that the proposed change would increase competition with these OTC venues by enabling increased participation to engage in bonds transactions on the Exchange and rewarding market

¹² 15 U.S.C. 78f(b)(8).

participants for actively quoting and providing liquidity in the only transparent bond market, which the Exchange believes will enhance market quality.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues that are not transparent. In such an environment, the Exchange must continually review, and consider adjusting its fees and rebates to remain competitive with other exchanges as well as with alternative trading systems and other venues that are not required to comply with the statutory standards applicable to exchanges. As a result of these considerations, the Exchange does not believe that the proposed change 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

Because the proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁵ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁶ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately on filing. The Exchange states that waiver of the operative delay would be consistent with the protection of investors and the public interest because the proposed rule change would allow the Exchange, within 30 days after filing the proposed rule change, to expand the Liquidity Provider Incentive Program by allowing Users to identify additional Unique User IDs for purposes of calculating the rebate. The Exchange believes that the proposed rule change would increase the opportunity for participants to earn rebates under the Liquidity Provider Incentive Program and thereby incentivize member organizations to increase displayed bond liquidity on the Exchange. The Commission believes the waiver of the operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.¹⁷

At any time within 60 days of the filing of the 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

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹⁷ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

Commission shall institute proceedings 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 e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2017-27 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-NYSE-2017-27. 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 such 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-NYSE-2017-27, 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.¹⁸

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Assistant Secretary

¹⁸ 17 CFR 200.30-3(a)(12).