

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87952; File No. SR-NYSE-2019-73)

January 13, 2020

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Price List to Extend a Waiver of New Firm Application Fees for Certain Applications and of Bond Trading License Fees and to Discontinue the Liquidity Provider Incentive Program and the Agency Order Rebate 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 December 31, 2019, 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, 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 proposes to amend its Price List to (1) extend a fee waiver for new firm application fees for applicants seeking only to obtain a bond trading license (“BTL”) for 2020; (2) waive the BTL fee for 2020; and (3) discontinue the Liquidity Provider Incentive Program and the Agency Order Rebate Program. The Exchange proposes to implement the fee changes effective January 2, 2020. 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.

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 its Price List to (1) extend a fee waiver for new firm application fees for applicants seeking only to obtain a BTL for 2020; (2) waive the BTL fee for 2020;⁴ and (3) discontinue the Liquidity Provider Incentive Program and the Agency Order Rebate Program. The Exchange proposes to implement the fee changes effective January 2, 2020.

The Exchange currently charges a New Firm Fee ranging from \$2,500 to \$20,000, depending on the type of firm, which is charged per application for any broker-dealer that applies to be approved as an Exchange member organization. The Exchange proposes to amend the Price List to waive the New Firm Fee for 2020 for new member organization applicants that are seeking only to obtain a BTL and not trade equities at the Exchange. The proposed waiver of the

⁴ The Exchange initially filed to adopt the fee waiver and waive the BTL fee in 2015. See Securities Exchange Act Release No. 74031 (January 12, 2015), 80 FR 2462 (January 16, 2015) (SR-NYSE-2014-78). The Exchange has filed to extend the fee waiver and waive the BTL fee for each calendar year since 2017. See Securities Exchange Act Release Nos. 79710 (December 29, 2016), 82 FR 1395 (January 5, 2017) (SR-NYSE-2016-89); 82418 (December 28, 2017), 83 FR 568 (January 4, 2018) (SR-NYSE-2017-70); and 84899 (December 20, 2018), 83 FR 67395 (December 28, 2018) (SR-NYSE-2018-65).

New Firm Fee would be available only to applicants seeking approval as a new member organization, including carrying firms, introducing firms, or non-public organizations, which would be seeking to obtain a BTL at the Exchange and not trade equities. Further, if a new firm that is approved as a member organization and has had the New Firm Fee waived converts a BTL to a full trading license within one year of approval, the New Firm Fee would be charged in full retroactively. The Exchange believes that charging the New Firm Fee retroactively within a year of approval is appropriate because it would discourage applicants to claim that they are applying for a BTL solely to avoid New Firm Fees.

Additionally, the Exchange currently charges a BTL fee of \$1,000 per year. The Exchange proposes to amend the Price List to waive the BTL fee for 2020 for all member organizations.

The Exchange believes that the proposed fee changes would provide increased incentives for bond trading firms that are not currently Exchange member organizations to apply for Exchange membership and a BTL. The Exchange believes that having more member organizations trading on the Exchange's bond platform would benefit investors through the additional display of liquidity and increased execution opportunities in Exchange-traded bonds at the Exchange.

The Exchange proposes to discontinue the Liquidity Provider Incentive Program and the Agency Order Rebate Program because both programs are underutilized by member organizations. The Liquidity Provider Incentive Program, a voluntary rebate program, was

adopted by the Exchange in 2016.⁵ Pursuant to the program, the Exchange pays Users⁶ of NYSE Bonds a monthly [sic], tiered rebate provided Users who opt into the program meet specified quoting requirements. Under the program, the rebate payable is based on the number of CUSIPs⁷ a User quotes. The Agency Order Rebate Program was adopted by the Exchange in 2017.⁸ Pursuant to the program, the Exchange pays a monthly rebate to a User that submits an average of 400 resting limit orders of any size per trading day⁹ during the month and that are submitted as Agency Orders¹⁰ by the User. The Exchange proposes to remove both the Liquidity Provider Incentive Program and the Agency Order Rebate Program from the Price List.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section

⁵ See Securities Exchange Act Release No. 77591 (April 12, 2016), 81 FR 22656 (April 18, 2016) (SR-NYSE-2016-26). See also Securities Exchange Act Release Nos. 77812 (May 11, 2016), 81 FR 30594 (May 17, 2016) (SR-NYSE-2016-34); 78108 (June 21, 2016), 81 FR 41636 (June 27, 2016) (SR-NYSE-2016-42); 79210 (November 1, 2016), 81 FR 78213 (November 7, 2016) (SR-NYSE-2016-68); 80934 (June 15, 2017), 82 FR 28173 (June 20, 2017) (SR-NYSE-2017-27); and 84100 (September 12, 2018), 83 FR 47230 (September 18, 2018) (SR-NYSE-2018-39).

⁶ Rule 86(b)(2)(I) defines a User as any Member or Member Organization, Sponsored Participant, or Authorized Trader that is authorized to access NYSE Bonds.

⁷ 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 <https://www.sec.gov/answers/cusip.htm>.

⁸ See Securities Exchange Act Release No. 82343 (December 18, 2017), 82 FR 60782 (December 22, 2017) (SR-NYSE-2017-68).

⁹ A trading day is any day that NYSE Bonds is available for trading, as determined by Securities Industry and Financial Market Association (“SIFMA”), which annually provides recommendations for early and full market closes that the bond market, including NYSE Bonds, follows. See note 8, *supra*.

¹⁰ An Agency Order is any order submitted by a User that it represents as agent on NYSE Bonds. See note 8, *supra*.

6(b) of the Act,¹¹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹² 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 it is reasonable to waive the New Firm Fee and the annual BTL fee for 2020 to provide an incentive for bond trading firms to apply for Exchange membership and a BTL. The Exchange believes that providing an incentive for bond trading firms that are not currently Exchange member organizations to apply for membership and a BTL would encourage market participants to become members of the Exchange and bring additional liquidity to a transparent bond market. To the extent the existing New Firm Fees or the BTL fee serves as a disincentive for bond trading firms to become Exchange member organizations, the Exchange believes that the proposed fee change could expand the number of firms eligible to trade bonds on the Exchange. The Exchange believes creating incentives for bond trading firms to trade bonds on the Exchange protects investors and the public interest by increasing the competition and liquidity on a transparent market for bond trading. The proposed waiver of the New Firm Fee and BTL fee is equitable and not unfairly discriminatory because it would be offered to all market participants that wish to trade at the Exchange the narrower class of debt securities only.

The Exchange believes that the proposed rule change to eliminate the Liquidity Provider Incentive Program and the Agency Order Rebate Program from the Price List is reasonable because both programs are underutilized and have generally not incentivized member

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4), (5).

organizations to bring liquidity and increase trading on the Exchange. Of the 31 member organizations that currently have the ability to trade on NYSE Bonds, only 5 have established connectivity to NYSE Bonds in the past year. Of those 5 members, only one firm participated in the Liquidity Provider Incentive Program, and did so for only a short period of time, from May 2019 through October 2019. With respect to the Agency Order Rebate Program, no member organization ever participated in that program. The Exchange does not anticipate any member organization to participate in either the Liquidity Provider Incentive Program or the Agency Order Rebate Program in the near future. Therefore, the Exchange believes it is reasonable to eliminate both programs. The Exchange believes eliminating underutilized incentive programs would simplify the Price List. The Exchange further believes that removing reference to the incentive programs from the Price List would also add clarity to the Price List. The Exchange believes that eliminating the Liquidity Provider Incentive Program and the Agency Order Rebate Program from the Price List is equitable and not unfairly discriminatory because both programs would be eliminated in their entirety and would no longer be available to any member organization.

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 furtherance of the purposes of the Act. Debt securities typically trade in a decentralized over-the-counter (“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 reducing the cost of being approved as and operating as an Exchange member

¹³ 15 U.S.C. 78f(b)(8).

organization that solely trades bonds at the Exchange, which the Exchange believes will enhance market quality through the additional display of liquidity and increased execution opportunities in Exchange-traded bonds at the Exchange. The Exchange believes that elimination of the Liquidity Provider Incentive Program and the Agency Order Rebate Program from the Price List would not affect intramarket competition because both programs have generally not incentivized member organizations to add liquidity or increase trading on the Exchange.

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. 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 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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)¹⁴ of 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 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 No. SR-NYSE-2019-73 on the subject line.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(2).

¹⁶ 15 U.S.C. 78s(b)(2)(B).

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090.

All submissions should refer to File No. SR-NYSE-2019-73. 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, D.C. 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 No. SR-NYSE-2019-73, 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

J. Matthew DeLesDernier
Assistant Secretary

¹⁷ 17 CFR 200.30-3(a)(12).