

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-99828; File No. SR-NYSEAMER-2024-19)

March 21, 2024

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change to Amend Rule 41 of the General Rules

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on March 20, 2024, NYSE American LLC (“NYSE American” 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 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 Rule 41 of the General Rules to permit direct debiting of undisputed or final fees or other sums due the Exchange by member organizations with one or more equity trading licenses and each applicant for an equities trading license. 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

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<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.

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 Rule 41 of the General Rules (Failure to Pay Exchange Fees) to permit direct debiting of undisputed or final fees or other sums due to the Exchange by member organizations with one or more equity trading licenses and each applicant for an equities trading license.

Rule 41 currently governs failure to pay Exchange fees, other than fines or monetary sanctions which are governed by Rule 8320 of the Exchange’s disciplinary rules.

The Exchange proposes to require member organizations that hold an equities trading license, and each applicant for an equities trading license, to provide one or more clearing account numbers that correspond to an account(s) at the National Securities Clearing Corporation (“NSCC”) for purposes of permitting the Exchange to collect through direct debit any undisputed or final fees and/or other sums due to the Exchange. The Exchange would, however, permit a member organization or applicant for a trading license to opt-out of the requirement to provide NSCC clearing account numbers and establish alternative payment arrangements. As proposed, the rule would be inapplicable to ATP Holders.<sup>4</sup> In addition, consistent with current Rule 41, the

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<sup>4</sup> Pursuant to Rule 900.2NY(5), “ATP” refers to an American Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange’s Trading Facilities. “ATP Holder” in turn refers to a natural person, sole proprietorship, partnership, corporation, limited liability company or other organization in good standing that has been issued an ATP. References to “member” and “member organization” as those terms are used in the Exchange’s rules are also deemed to be references to ATP Holders.

proposed change would not apply to disciplinary fines or monetary sanctions governed by Rule 8320. The proposed rule would also not apply to regulatory fees related to the Central Registration Depository (“CRD system”), which are collected by the Financial Industry Regulatory Authority, Inc. (“FINRA”).<sup>5</sup> The proposed change is based on the rules of other exchanges.<sup>6</sup>

Under the proposal, the Exchange would send a monthly invoice to each equities member organization, generally on the 5th business day of each month as is currently the practice, for the debit amount due to the Exchange for the prior month. The Exchange would also send files to NSCC each month by the 11<sup>th</sup> business day of the month in order to initiate the debit of the amount due to the Exchange as provided for in the prior month’s invoice. The Exchange anticipates that NSCC will process the debits on the day it receives the file or the following business day. Because member organizations would be provided with an invoice approximately 1 week before the debit date, member organizations will have adequate time to contact the Exchange with any questions concerning the invoice. If a member organization disagrees with the invoice in whole or in part, the Exchange would not commence the debit for the disputed

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<sup>5</sup> The CRD system is the central licensing and registration system for the U.S. securities industry. The CRD system enables individuals and firms seeking registration with multiple states and self-regulatory organizations to do so by submitting a single form, fingerprint card and a combined payment of fees to FINRA. Through the CRD system, FINRA maintains the qualification, employment and disciplinary histories of registered associated persons of broker-dealers. Certain of the regulatory fees provided in the Price List are collected and retained by FINRA via the CRD system for the registration of employees of member organizations of the Exchange that are not FINRA members. These fees would be excluded from direct debiting.

<sup>6</sup> See, e.g., MEMX LLC (“MEMX”) Rule 15.3(a) (Collection of Exchange Fees and Other Claims and Billing Policy) requires each MEMX member and all applicants for registration as members are required to provide one or more clearing account numbers that correspond to an account(s) at the NSCC for purposes of permitting the Exchange to debit certain fees, fines, charges and/or other monetary sanctions or other monies due to the Exchange. As noted, Rule 41 does not apply to disciplinary fines or monetary sanctions, and the proposal does not propose to change this. The MEMX rule also requires members to submit billing disputes within a certain time period. The Exchange currently has a similar policy set forth under “I” of the General section in its Equities Price List, available at [https://www.nyse.com/publicdocs/nyse/markets/nyse-american/NYSE\\_America\\_Equities\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-american/NYSE_America_Equities_Price_List.pdf). See generally note 7, *infra*.

amount until the dispute is resolved. Specifically, the Exchange would not include the disputed amount (or the entire invoice if it is not feasible to identify the disputed amounts) in the NSCC debit amount where the member organization provides written notification of the dispute to the Exchange by the later of the 15<sup>th</sup> of the month, or the following business day if the 15<sup>th</sup> is not a business day, and the amount in dispute is at least \$10,000 or greater.

Following receipt of the file from the Exchange, NSCC would proceed to debit the amounts indicated from the account of the member organization that clears the applicable transactions (“Clearing Member Organization,” i.e., either a member organization that is self-clearing or another member organization that provides clearing services on behalf of the member organization) and disburse such amounts to the Exchange. Where a member organization clears through another member organization, the Exchange understands that the estimated transaction fees owed to the Exchange are typically debited by the Clearing Member Organization on a daily basis using daily transaction detail reports provided by the Exchange to the Clearing Member Organization in order to ensure adequate funds have been escrowed. The Exchange notes that it is proposing to permit a member organization to designate one or more clearing account numbers that correspond to an account(s) at NSCC to permit member organizations that clear through multiple different clearing accounts to set up the billing process with the Exchange in a manner that is most efficient for internal reconciliation and billing purposes of the member organization.

The Exchange believes that the proposed debiting process would provide an efficient method of collecting undisputed or final fees and/or sums due to the Exchange consistent with the practice on other exchanges.<sup>7</sup> Moreover, the Exchange believes that it is reasonable to permit

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<sup>7</sup> See note 6, *supra*. In addition to MEMX, IEX, Nasdaq, Nasdaq BX, and Nasdaq Phlx all provide for collection of fees and fines through direct debits. See IEX Rule 15.120; Nasdaq Rule Equity 7, Section 70; Nasdaq BX Rule Equity 7, Section 111; & Nasdaq Phlx Rule Equity 7, Section 2.

member organizations and applicants for equities trading licenses to opt-out of the requirement to provide an NSCC account number to permit direct debiting and instead establish alternative payment arrangements. Finally, the Exchange believes that it is also reasonable to provide for a \$10,000 limitation on pre-debit billing disputes since it would be inefficient to delay a direct debit for a de minimis amount. Member organizations would still be able to dispute billing amounts that are less than \$10,000 pursuant to the billing policy set forth in the Price List.<sup>8</sup>

To effectuate this change, the Exchange would add “Collection of and” before “Failure to Pay Exchange Fees” in the heading of Rule 41. The Exchange would also add the following new subsection (a) to Rule 41 (underlined):

(a) Collection of Exchange Fees. Each member organization that has one or more equity trading licenses, and each applicant for an equities trading license, shall be required to provide one or more clearing account numbers that correspond to an account(s) at the National Securities Clearing Corporation (“NSCC”) for purposes of permitting the Exchange to collect through direct debit any undisputed or final fees and/or other sums due to the Exchange; provided, however, that a member organization or applicant may request to opt-out of the requirement to provide an NSCC clearing account number and establish alternative payment arrangements. If a member organization disputes an invoice, the Exchange will not include the disputed amount in the debit if the member has disputed the amount in writing to the Exchange by the 15<sup>th</sup> of the

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<sup>8</sup> See note 6, *supra*.

month, or the following business day if the 15<sup>th</sup> is not a business day, and the amount in dispute is at least \$10,000 or greater. The Exchange will not debit fees related to the CRD system set forth in the Price List, which are collected and retained by FINRA.

The current two paragraphs of Rule 41 would become new subsection (b), which would be titled “Failure to Pay Exchange Fees.”

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>10</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposed direct debit process would provide member organizations with an efficient process to pay undisputed or final fees and/or sums due to the Exchange.

The Exchange believes that the proposal to debit NSCC accounts directly is reasonable because it would ease the administrative burden on member organizations of paying monthly invoices and avoiding overdue balances, and would provide efficient collection from all member organizations who owe monies to the Exchange. Moreover, the Exchange believes that the minimum time frame provided to member organizations to dispute invoices is reasonable and

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

adequate to enable member organizations to identify potentially erroneous charges. In addition, the Exchange believes that the \$10,000 limitation on pre-debit billing disputes is reasonable because it would be inefficient to delay a direct debit for a de minimis amount. The same \$10,000 limitation is in place on exchanges that have adopted direct debit rules.<sup>11</sup> Member organizations will still be able to dispute billing amounts that are less than \$10,000 pursuant to the Exchange's Price List. Finally, the Exchange believes that it is reasonable to permit member organizations or applicants to request to opt-out of the requirement to provide NSCC account information and instead establish alternative payment arrangements with the Exchange.

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 Act. The proposed rule change would apply uniformly to all member organizations that have one or more trading licenses and to all applicants for equities trading licenses, and will not disproportionately burden or otherwise impact any single member organization.

The Exchange does not believe that the proposal will create an intermarket burden on competition since the Exchange will only debit fees (other than de minimis fees below \$10,000) that are undisputed by the member organization and member organizations will have a reasonable opportunity to dispute the fees both before and after the direct debit process. In addition, member organizations will have a reasonable opportunity to opt-out of the requirement to provide clearing account information and instead adopt alternative payment arrangements.

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<sup>11</sup> See note 7, supra.

The Exchange also does not believe that the proposal will create an intramarket burden on competition, since the proposed direct debit process will be applied equally to all member organizations. Moreover, other exchanges utilize a similar process which the Exchange believes is generally familiar to member organizations. Consequently, the Exchange does not believe that the proposal raises any new or novel issues that have not been previously considered by the Commission in connection with direct debit and billing policies of other exchanges. Further, this proposal is expected to provide a cost savings to the Exchange in that it would alleviate administrative processes related to the collection of monies owed to the Exchange. In addition, the debiting process would mitigate against member organization accounts becoming overdue.

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 Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup> 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>14</sup> normally does not become

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b4(f)(6)(iii),<sup>15</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

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>16</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 (<https://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-NYSEAMER-2024-19 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.

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<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>16</sup> 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to file number SR-NYSEAMER-2024-19. 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright

protection. All submissions should refer to file number SR-NYSEAMER-2024-19 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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