

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72719; File No. SR-NYSEMKT-2014-61)

July 30, 2014

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE MKT Equities Price List and the NYSE Amex Options Fee Schedule, Related to Co-location Services

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on July 23, 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 the NYSE MKT Equities Price List (“Price List”) and, through NYSE Amex Options LLC (“NYSE Amex Options”), to amend the NYSE Amex Options Fee Schedule (“Fee Schedule”), related to co-location services. The Exchange proposes to implement the fee change effective July 28, 2014. The text of 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

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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.

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 the Price List and the Fee Schedule related to co-location services. The Exchange proposes to implement the fee change effective July 28, 2014.<sup>4</sup> The proposed change is intended to, among other things, streamline the offerings available to Users in the data center, make the Price List and Fee Schedule easier to understand and administer, and eliminate references to services that would be discontinued because they are no longer utilized by Users.<sup>5</sup>

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<sup>4</sup> The Securities and Exchange Commission (“Commission”) initially approved the Exchange’s co-location services in Securities Exchange Act Release No. 62961 (September 21, 2010), 75 FR 59299 (September 27, 2010) (SR-NYSEAmex-2010-80) (the “Original Co-location Approval”). The Exchange operates a data center in Mahwah, New Jersey (the “data center”) from which it provides co-location services to Users.

<sup>5</sup> For purposes of the Exchange’s co-location services, the term “User” includes (i) member organizations, as that term is defined in the definitions section of the General and Floor Rules of the NYSE MKT Equities Rules, and ATP Holders, as that term is defined in NYSE Amex Options Rule 900.2NY(5); (ii) Sponsored Participants, as that term is defined in Rule 123B.30(a)(ii)(B) – Equities and NYSE Amex Options Rule 900.2NY(77); and (iii) non-member organization and non-ATP Holder broker-dealers and vendors that request to receive co-location services directly from the Exchange. See, e.g., Securities Exchange Act Release Nos. 65974 (December 15, 2011), 76 FR 79249 (December 21, 2011) (SR-NYSEAmex-2011-81) and 65975 (December 15, 2011), 76 FR 79233 (December 21, 2011) (SR-NYSEAmex-2011-82). As specified in the Price List and the Fee Schedule, a User that incurs co-location fees for a particular co-location service pursuant thereto would not be subject to co-location fees for the same co-location service charged by the Exchange’s affiliates New York Stock Exchange LLC and NYSE Arca, Inc. See Securities Exchange Act Release No. 70176 (August 13, 2013), 78 FR 50471 (August 19, 2013) (SR-NYSEMKT-2013-67).

### Cages

A User is able to purchase a cage to house its cabinets within the data center. A cage would typically be purchased by a User that has several cabinets within the data center and that wishes to arrange its cabinets contiguously while also enhancing privacy around its cabinets. The Exchange charges fees for cages based on the size of the cage, which directly corresponds to the number of cabinets housed therein.<sup>6</sup> The Exchange proposes to amend the Price List and Fee Schedule to reflect that a User must have at least two cabinets in the data center to purchase a cage. Existing pricing for cages would not change.

### LCN CSP Access

The Exchange's "Liquidity Center Network" ("LCN") is a local area network that is available in the data center. A User is currently able to act as a content service provider (a "CSP" User) and deliver services to another User in the data center (a "Subscribing" User).<sup>7</sup> These services could include, for example, order routing/brokerage services and/or data delivery services. LCN CSP connections allow the CSP User to send data to, and communicate with, all the properly authorized Subscribing Users at once, via a specific, dedicated LCN connection (an "LCN CSP" connection). The Price List and Fee Schedule include related pricing.

The Exchange proposes to discontinue the one gigabit ("Gb") LCN CSP connection offering, which is no longer utilized by Users, and to remove references to related pricing from the Price List and Fee Schedule. The 10 Gb LCN CSP connection offering would remain available, as would the related pricing in the Price List and Fee Schedule. Also, a CSP User

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<sup>6</sup> See Securities Exchange Act Release Nos. 67664 (August 15, 2012), 77 FR 50733 (August 22, 2012) (SR-NYSEMKT-2012-10); and 67665 (August 15, 2012), 77 FR 50734 (August 22, 2012) (SR-NYSEMKT-2012-11).

<sup>7</sup> Id.

would remain able to deliver its services to a Subscribing User via direct cross connect, as is currently the case and as was the case prior to the introduction of the LCN CSP connection offering.

#### Bundled Network Access

A User is currently able to select from three “bundled” connectivity options, at various bandwidths (i.e., one, 10 and 40 Gb), when connecting to the data center. The Exchange proposes to discontinue “bundled” connectivity options that are no longer utilized by Users and to remove references to related pricing from the Price List and Fee Schedule. In particular, the Exchange would discontinue (1) “Option 2” completely, (2) the 10 Gb LX and 40 Gb bandwidth “bundles” under “Option 1,” and (3) the one Gb, 10 Gb LX and 40 Gb “bundles” under Option 3. Current “Option 3” would be renumbered as “Option 2.”

#### Initial Install Services

When a User selects a new cabinet in the data center it is charged the “Initial Install Services” fee (\$800 per dedicated cabinet or \$400 for per eight-rack unit in a partial cabinet), which includes initial racking of equipment in the cabinet, provision of a certain number of cables (10 per dedicated cabinet or five per eight-rack unit in a partial cabinet), and a certain number of hours of labor (four per dedicated cabinet or two per eight-rack unit in a partial cabinet).<sup>8</sup>

The Exchange proposes that the Initial Install Services would no longer limit the number of cables that are included and that references to those limits would be removed from the Price List and Fee Schedule. A User would therefore be provided with the number of cables required

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<sup>8</sup> The Exchange explained the Initial Install Services fee when it introduced partial cabinet offerings. See Securities Exchange Act Release No. 71131 (December 18, 2013), 78 FR 77750 (December 24, 2013) (SR-NYSEMKT-2013-103).

to provision the cabinet for initial installation. The existing limit on the number of labor hours included would remain.

#### Hot Hands and Related Services

The Exchange currently offers a “Hot Hands Service,” which allows Users to use on-site data center personnel to maintain User equipment.<sup>9</sup> The applicable fee in the Price List and Fee Schedule for Hot Hands Service is \$200 per hour if scheduled during normal business hours (i.e., on non-Exchange holidays, Monday to Friday, 9 am to 5 pm) and if scheduled at least one day in advance. A higher fee applies if, for example, the Hot Hands Service is scheduled during extended business hours (i.e., Monday to Friday, 5 pm to 9 am, Exchange holidays, and weekends, if scheduled at least one day in advance) or if the Hot Hands Service is “expedited” (i.e., if not scheduled at least one day in advance).

The Exchange proposes to consolidate all the current categories of Hot Hands Service under a single Hot Hands Service category and charge a single rate of \$100 per half hour. The proposed \$100 per half hour charge would be equivalent to the existing \$200 per hour rate in the Price List and Fee Schedule, except that it would reflect a charge for Hot Hands Service in half hour increments. The other existing rates that currently apply to Hot Hands Service during extended business hours or for expedited Hot Hands Service would be discontinued.

Several other related services described in the Price List and Fee Schedule are available to Users, for which the same \$200 per hour rate applies as is currently applicable for the standard Hot Hands Service, as follows:<sup>10</sup>

- “Rack and Stack”

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<sup>9</sup> See Original Co-location Approval.

<sup>10</sup> Id.

- Installation of one server in a User’s cabinet. This service encompasses handling, unpacking, tagging, and installation of the server as well as one network connection within the User’s rack.
- “Install and Document Cable”
  - Labor charges to install and document the fitting of cable(s) in a User’s cabinet(s) in excess of the cables included in the cabinet Initial Install Services fee (as described above); and
- “Technician Support Service – Non Emergency”
  - Network technician equipped to support User network troubleshooting activity and to provide all necessary testing instruments to support the User request. One prior day’s notice is required.

The Exchange proposes to perform these services under the single Hot Hands Service category proposed above, at the proposed Hot Hands Service rate of \$100 per half hour. Because of the elimination of the limit on the number of cables included with the Initial Install Services fee, the “Install and Document Cable” service that would be subsumed into the Hot Hands Service fee would apply to additional labor hours needed to complete an initial install above the amount of time included in the Initial Install Services fee (i.e., greater than four hours per dedicated cabinet or two hours per eight-rack unit in a partial cabinet).

Several other related services described in the Price List and Fee Schedule are available to Users in the data center for which the service fee is different than the current \$200 per hour Hot Hands Service fee, as follows:<sup>11</sup>

- “Power Recycling” – \$50 per reset.

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<sup>11</sup> Id.

- Reboot of power on one server or switch as well as observing and reporting on the status of the reboot back to the User.
- “Equipment Maintenance Call Escalation” – \$100 per call.
  - Hardware maintenance-break fix services.
- “Technician Support Service - Emergency” – \$325 per hour.
  - Network technician equipped to support User network troubleshooting activity and to provide all necessary testing instruments to support the User request. Two hour notice is required.

The Exchange also proposes to perform these services under the single Hot Hands Service category proposed above, similarly at the proposed Hot Hands Service rate of \$100 per half hour.

#### Obsolete Dates

Certain services in the data center that are described in the Price List and Fee Schedule identify introductory dates during which discounted pricing had been in effect. These dates have passed. The Exchange proposes to eliminate the obsolete references to these dates. This proposed change would have no impact on pricing.

#### General

As is the case with all Exchange co-location arrangements, (i) neither a User nor any of the User’s customers would be permitted to submit orders directly to the Exchange unless such User or customer is a member organization, an ATP Holder, a Sponsored Participant or an agent thereof (e.g., a service bureau providing order entry services); (ii) use of the co-location services proposed herein would be completely voluntary and available to all Users on a non-

discriminatory basis;<sup>12</sup> and (iii) a User would only incur one charge for the particular co-location service described herein, regardless of whether the User connects only to the Exchange or to the Exchange and one or both of its affiliates.<sup>13</sup>

The proposed change is not otherwise intended to address any other issues relating to co-location services and/or related fees, and the Exchange is not aware of any problems that Users 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,<sup>14</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>15</sup> 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 the Exchange offers the services described herein as a convenience to Users, but in doing so incurs certain costs, including costs related to the data center facility, hardware and equipment and costs related

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<sup>12</sup> As is currently the case, Users that receive co-location services from the Exchange will not receive any means of access to the Exchange's trading and execution systems that is separate from, or superior to, that of other Users. In this regard, all orders sent to the Exchange enter the Exchange's trading and execution systems through the same order gateway, regardless of whether the sender is co-located in the data center or not. In addition, co-located Users do not receive any market data or data service product that is not available to all Users, although Users that receive co-location services normally would expect reduced latencies in sending orders to, and receiving market data from, the Exchange.

<sup>13</sup> See SR-NYSEMKT-2013-67, supra note 5 at 50471. The Exchange's affiliates have also submitted the same proposed rule change to propose the changes described herein. See SR-NYSE-2014-37 and SR-NYSEArca-2014-81.

<sup>14</sup> 15 U.S.C. 78f(b).

<sup>15</sup> 15 U.S.C. 78f(b)(4) and (5).



to personnel required for initial installation and ongoing monitoring, support and maintenance of such services. The Exchange believes that the proposed change is consistent with the Act because it would permit the Exchange to streamline the offerings available to Users in the data center, make the Price List and Fee Schedule easier to understand and administer, and eliminate references in the Price List and Fee Schedule to services that would be discontinued because they are no longer utilized by Users.

The Exchange believes that it is reasonable to require that a User have a minimum of two cabinets in the data center in order to purchase a cage because a User with one cabinet typically would not be interested in placing a cage around a single cabinet, due to the lack of necessity and the added cost that the User would incur. The Exchange also believes that this is reasonable because the existing monthly cage fees reflect the opportunity cost to the Exchange of giving up floor space in the data center for the cage's physical footprint and the value of such space to the User, in that such floor space otherwise could be utilized for additional cabinets for the same or other Users or other Exchange purposes. Placing just a single cabinet in a cage would not be consistent with this opportunity cost. However, existing pricing for cages would not change, and requiring a minimum of two cabinets also would not result in a price increase for a cage, because the price for the cage would not increase until a User's number of cabinets reaches the next pricing tier for cages (i.e., 15-28 cabinets).

The Exchange believes that it is reasonable to discontinue the services in the data center that are no longer utilized by Users and to remove references to related pricing from the Price List and Fee Schedule because the resulting Price List and Fee Schedule would be more streamlined and easier to read, understand and administer. This would also contribute to a more efficient process for managing the various services offered to Users, which would improve the

utilization of the data center resources, both with respect to personnel and infrastructure (i.e., hardware, software, etc.).

The Exchange believes that it is reasonable to eliminate the limit on the number of cables that are included in the Initial Install Services fee because it would assist Users in meeting the growing needs of their business operations. Some Users require fewer cables than the current limits, while other Users require more. However, the Exchange generally anticipates that, on average, these amounts would be consistent with the amounts currently specified in the Price List and Fee Schedule. The existing limits on labor hours would remain. Therefore, a User whose cable requirements result in labor hours that exceed the amount included in the Initial Install Services fee would be required to utilize Hot Hands Service and pay the corresponding fee.

The Exchange believes that it is reasonable to charge a single rate of \$100 per half hour for Hot Hands Service, including for Hot Hands Service during extended business hours and for expedited Hot Hands Service. The proposed \$100 per half hour charge would be equivalent to the existing \$200 per hour rate in the Price List and Fee Schedule, except that it would reflect billing for Hot Hands Service in half hour increments. This is reasonable because it would consolidate several similar services under one category with a single applicable rate, thereby eliminating the need for Users to identify the type of Hot Hands Service they are requesting, the timing for the request, or for the Exchange to monitor and record the initiation time of the corresponding performance of the service. The Exchange believes that charging \$100 per half hour is reasonable because it would represent an overall decrease compared to the several, current Hot Hands Service categories (i.e., during extended business hours and for expedited Hot Hands Service).

The Exchange believes that it is reasonable to perform other related services under the

Hot Hands Service category, for which the same \$200 per hour rate currently applies for the standard Hot Hands Service, because this would simplify the descriptions of the various categories of services available to Users. However, despite the proposed change, the applicable rate would remain consistent with the current rate in the Price List and Fee Schedule (i.e., \$100 per half hour instead of \$200 per full hour), as would the actual performance of these services, because the data center personnel would be the same as the personnel performing Hot Hands Service.

The Exchange also believes that it is reasonable to perform various other related services under the proposed single Hot Hands Service category, at the proposed rate of \$100 per half hour, despite different fees currently applying to such services. This would contribute to further simplifying the descriptions of the various categories of services available to Users and make the Price List and Fee Schedule easier to understand and administer. The applicable base rate would decrease for Technician Support Service - Emergency. The current premium that is factored into the \$325 per hour rate to account for the “emergency” nature of the service request would be eliminated, which is reasonable because it would address the needs of Users to have their requirements attended to in the data center via the Hot Hands Service, even when time is of the essence for resolution. In contrast, the base rate for “Power Recycling” would increase from \$50 per reset to \$100 per half hour. The Exchange believes that this is reasonable because several of the other services in the data center to which Users have access would decrease in cost as a result of this proposal (i.e., Hot Hands Service during extended business hours and for expedited Hot Hands Service as well as the Technician Support Service – Emergency). On balance, therefore, rates charged to Users would decrease as a result of the proposed change, even if a User pays a slightly higher fee for “Power Recycling” under the single Hot Hands Service category. Also,

while the current rate in the Price List and Fee Schedule for “Equipment Maintenance Call Escalation” is \$100 per call, this service may only take a half hour to complete, in which case the resulting fee charged to a User may be comparable to the current base rate in the Price List and Fee Schedule. Despite the proposed change, the actual performance of these services would remain the same, because the data center personnel would be the same as the personnel performing Hot Hands Service.

The Exchange believes that it is reasonable to eliminate references in the Price List and Fee Schedule to dates that have already passed because these references are obsolete and no longer have an impact on pricing.

As with fees for existing co-location services, the fees proposed herein would be charged only to those Users that voluntarily select the related services, which would be available to all Users. Accordingly, the Exchange believes that the proposed change is equitable and not unfairly discriminatory because it will result in fees being charged only to Users that voluntarily select to receive the corresponding services and because those services will be available to all Users. Furthermore, the Exchange believes that the services and fees proposed herein are not unfairly discriminatory and are equitably allocated because, in addition to the services being completely voluntary, they are available to all Users on an equal basis (i.e., the same products and services are available to all Users).

For the reasons above, the proposed change would not unfairly discriminate between or among market participants that are otherwise capable of satisfying any applicable co-location fees, requirements, terms and conditions established from time to time by the Exchange.

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,<sup>16</sup> the Exchange believes that the proposed rule change will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not intended to address a competitive issue with other exchanges that offer co-location or related services, or competitive issues between Users of these services in the data center, but rather to streamline the offerings available to Users in the data center and eliminate references to services that are no longer utilized by Users, thereby making the Price List and Fee Schedule easier to understand and administer.

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. In such an environment, the Exchange must continually review, and consider adjusting, its services and related fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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)<sup>17</sup> of

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<sup>16</sup> 15 U.S.C. 78f(b)(8).

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

the Act and subparagraph (f)(2) of Rule 19b-4<sup>18</sup> 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)<sup>19</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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEMKT-2014-61 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-2014-61. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

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<sup>18</sup> 17 CFR 240.19b-4(f)(2).

<sup>19</sup> 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 20549-1090, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet website at [www.nyse.com](http://www.nyse.com). 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-2014-61 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.<sup>20</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>20</sup> 17 CFR 200.30-3(a)(12).