

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-71983; File No. SR-NSX-2014-11)

April 21, 2014

Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Its Fee and Rebate Schedule With Respect to Securities Priced at \$1.00 or Greater.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 15, 2014, National Stock Exchange, Inc. (“NSX<sup>®</sup>” or the “Exchange”) filed with the Securities and Exchange Commission (“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 the Substance of the Proposed Rule Change

The Exchange is proposing to amend its Fee and Rebate Schedule (the “Fee Schedule”) issued pursuant to Exchange Rule 16.1. Specifically, the Exchange is seeking to amend Section I. (Transaction Fees and Rebates) pertaining to the fees charged to Exchange Equity Trading Permit (“ETP”)<sup>3</sup> Holders for providing liquidity and the rebates paid to ETP Holders for removing liquidity in securities priced at \$1.00 or more.

The text of the proposed rule change is available on the Exchange’s website at <http://www.nsx.com>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Exchange Rule 1.5 defines “ETP” as the Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange’s trading facilities.

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 Exchange 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 these 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 is proposing to amend the current Fee Schedule, Section I. to: (i) change the fee structure applicable to ETP Holders providing liquidity on the Exchange in securities priced at \$1.00 and above, retiring the current tiered fee structure and adopting a single fee amount of \$0.0018 per executed share to be paid by ETP Holders for providing liquidity (a “Maker”) in any security priced at \$1.00 and above, across all Tapes<sup>4</sup> and irrespective of the order type used by the ETP Holder to add liquidity; and (ii) pay a per executed share rebate of \$0.0017 to ETP Holders removing liquidity in any security, across all Tapes and irrespective of any order types removed by the liquidity “Taker.”

Prior to these proposed changes, the Fee Schedule provided that, for securities prices at \$1.00 and above, the ETP Holder paid a per share fee for providing liquidity in an amount equal to or surpassing certain specified percentages of the ETP Holder’s total consolidated volume

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<sup>4</sup> The term “Tapes” refers to the designation assigned in the Consolidated Tape Association (“CTA”) Plan for reporting trades with respect to securities in Networks A, B and C. Tape A securities are those listed on the New York Stock Exchange, Inc.; Tape B securities are listed on NYSE MKT, formerly NYSE Amex, and regional exchanges. Tape C securities are those listed on the NASDAQ Stock Market LLC.

(“TCV”) in one day.<sup>5</sup> The term “TCV” was defined in the Fee Schedule as the total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan. Under the Fee Schedule prior to the instant amendment, there was a total of seven fee tiers based on specified percentages of TCV; the highest fee for adding liquidity was \$0.0018 per executed share, based on the ETP Holder adding less than 0.08% of TCV of liquidity in one day. The six additional tier levels operated to reduce the per share fee based on successively higher percentages of TCV adding liquidity in one day. The lowest fee of \$0.0012 per executed share applied to ETP Holders adding 0.52% or more of TCV of liquidity in one day. The Fee Schedule further provided that an ETP Holder providing liquidity through the use of certain “Zero Display” order types would pay a fee of \$0.0018 per executed share. With respect to the rebate paid to ETP Holders removing liquidity on the Exchange (“Takers”) in securities prices at \$1.00 and above, the Fee Schedule prior to the instant amendment provided for a rebate of \$0.0015 per executed share.<sup>6</sup>

The Exchange is now proposing to amend its transaction fees and rebates to adopt one fee in the amount of \$0.0018 per executed share, applicable to executions by ETP Holders adding liquidity in all securities priced at \$1.00 and above traded on the Exchange. The fee of \$0.0018 for adding liquidity will apply without regard to percentages of TCV or certain “dark” order types, which were considerations that impacted the fees in effect prior to the instant rule change. ETP Holders removing liquidity in securities priced at or above \$1.00 will receive a uniform rebate of \$0.0017 per executed share which will similarly be paid in all instances and without

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<sup>5</sup> See Exchange Act Release No. 71641(March 4, 2014); 79 FR 13353 (March 10, 2014) (SR-NSX-2014-05).

<sup>6</sup> The former Fee Schedule specifically included a transaction removing a Zero Display Mid-Point Peg Order and a Zero Display Market Peg Order from the NSX Book as subject to the \$0.0015 rebate for removing liquidity.

regard to the considerations that impacted the rebates paid to ETP Holders under the prior fee and rebate structure.

The Exchange submits that the instant proposal furthers its goals of maximizing the effectiveness of its business model, offering economic incentives to ETP Holders to access the Exchange and providing a high-quality and cost-effective execution venue. The Exchange also believes that offering a simplified fee and rebate structure will enhance efficiencies on the part of both the Exchange and ETP Holders and will operate to provide market participants with clarity and transparency into the Exchange's incentives for attracting liquidity to its market.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b) of the Act,<sup>7</sup> in general and, in particular, Section 6(b)(4) of the Act,<sup>8</sup> which requires that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and with Section 6(b)(5) of the Act,<sup>9</sup> which requires, among other things, that the rules of a national securities exchange not permit unfair discrimination between customers, issuers, brokers, or dealers, and be designed to promote just and equitable principles of trade, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange submits that its proposal to meets the requirement under Section 6(b)(4) of the Act that fees assessed by the Exchange be reasonable. Specifically, the Exchange proposes to adopt a uniform fee of \$0.0018 per executed share applicable to ETP Holders proving liquidity

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78(f)(b)(4).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

on the Exchange in securities priced at \$1.00 and above. The Exchange believes that the fee is reasonable. In fact, a fee of \$0.0018 per executed share was contained in the pre-amendment tiered fee structure, applicable to executions constituting added liquidity of less than 0.08% of the ETP Holder's TCV in one day. The Exchange believes that, while the prior Fee Schedule provided for lower per share fees as the ETP Holder's added liquidity increased as a percentage of TCV, it is reasonable for the Exchange to adopt a single tier-based fee amount within that structure and apply it to all executions adding liquidity. The Exchange states that it seeks to encourage more activity by liquidity providers, which in turn will result in more ETP Holders accessing the Exchange to remove liquidity. As noted by the Exchange, the fee will apply in a non-discriminatory manner to all ETP Holders that enter an order on the Exchange in any security priced at or above \$1.00.

The Exchange further submits that adopting a single uniform rebate of \$0.0017 per executed share for ETP Holders removing liquidity is a reasonable rebate and satisfies the requirements of Section 6(b)(4) of the Act. Specifically, the proposed rebate amount is an attempt by the Exchange to attract greater order flow by incentivizing ETP Holders to access the NSX market. Combined with the proposed restructuring of the fees that will be charged liquidity providers, the Exchange aspires to increase liquidity and improve price discovery. The Exchange notes that the proposed structure promotes clarity and transparency into the fees and rebates to which ETP Holders will be subject, thereby operating to increase marketplace efficiency and informed decision-making about a choice of execution venues.

The Exchange further submits that its proposal meets the requirements of Section 6(b)(5) of the Act. By seeking to attract more liquidity to the NSX market through the proposed amendment, the Exchange is seeking to improve execution quality, price discovery and cost-

effectiveness. The Exchange believes that this amendment will, therefore, further the purposes of Section 6(b)(5) in that it does not permit unfair competition between customers, issuers, brokers or dealers and is designed to promote just and equitable principles of trade, and remove impediments to and perfect the mechanism of a free and open market and a national market system.

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 Exchange Act. The Exchange believes, in fact, that the proposed change will operate to enhance rather than burden competition by continuing to position the Exchange as a cost-effective trading venue. By adopting a single fee of \$0.0018 per executed share for adding liquidity and a single rebate of \$0.0017 for removing liquidity, the Exchange seeks to provide a simplified fee and rebate structure that is transparent to ETP Holders and market participants. These are factors that operate to enhance rather than burden competition.

The Exchange submits that adopting a more streamlined fee and rebate structure for securities priced at or above \$1.00 will promote greater competition in the equity securities markets and incentivize increased liquidity and improved execution quality on the Exchange through an equitable allocation of reasonable economic incentives.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has not solicited or received written comments on the proposed rule change from ETP Holders or others.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has taken effect upon filing pursuant to Section 19(b)(3)(A)(ii)

of the Act<sup>10</sup> and subparagraph (f)(2) of Rule 19b-4.<sup>11</sup> 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.

#### 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-NSX-2014-11 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-NSX-2014-11. 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

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>11</sup> 17 CFR. 240.19b-4.

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-NSX-2014-11, 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>12</sup>

Kevin M. O'Neill  
Deputy Secretary

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