

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68021; File No. SR-NYSE-2012-50)

October 9, 2012

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Implementing Changes to Certain Fees and Credits Within the New York Stock Exchange LLC Price List

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that, on September 26, 2012, New York Stock Exchange LLC (the “Exchange” or “NYSE”) 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 Substance of the Proposed Rule Change

The Exchange proposes to make changes to certain fees and credits within its Price List, which the Exchange proposes to become operative on October 1, 2012. The text of 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 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to make changes to certain fees and credits within its Price List, which the Exchange proposes to become operative on October 1, 2012.

Transaction Fees

The Exchange currently provides a per share credit per transaction when adding liquidity to the Exchange in a security with a per share price of \$1.00 or more (displayed and non-displayed orders) of \$0.0015, or \$0.0010 if it is a non-displayed reserve order. The Exchange proposes to add two additional per share credits that would apply in lieu of the current adding liquidity credit, if certain thresholds are met:

- First, the Exchange proposes to provide a \$0.0018 per share credit per transaction when adding displayed liquidity to the Exchange if either (i) the member organization has average daily volume ("ADV") that adds liquidity to the Exchange during the billing month ("Adding ADV," which shall exclude any liquidity added by a Designated Market Maker ("DMM")) that is at least 1.5% of consolidated average daily volume in NYSE-listed securities during the billing month ("NYSE CADV"), and executes market at-the-close ("MOC") and limit at-the-close ("LOC") orders of at least 0.375% of NYSE CADV, or (ii) the member organization has Adding ADV that is at least 0.8% of NYSE CADV, executes MOC and LOC orders of at least 0.12% of NYSE CADV, and adds liquidity to the Exchange as a Supplemental Liquidity Provider ("SLP") for all assigned SLP

securities in the aggregate (including shares of both a SLP proprietary trading unit (“SLP-Prop”) and a SLP market maker (“SLMM”) of the same member organization) of more than 0.25% of NYSE CADV.

- Second, the Exchange proposes to provide a \$0.0017 per share credit per transaction when adding displayed liquidity to the Exchange if the member organization has Adding ADV that is at least 0.20% of NYSE CADV and executes MOC and LOC orders of at least 0.10% of NYSE CADV.

Currently, the transaction fee for certain transactions in stocks with a per share price of \$1.00 or more depends on the characteristics of the transaction, including order type.³ Those transactions that do not have a specified per share charge based on their characteristics (“all other” transactions) are currently subject to an equity per share charge of \$0.0023 per transaction for non-floor broker transactions or \$0.0022 per transaction for Floor broker transactions. The Exchange proposes to increase this charge, such that for all other non-floor broker transactions (i.e., when taking liquidity from the Exchange), the Exchange proposes to increase the per share charge from \$0.0023 to \$0.0025 per transaction. The Exchange proposes to raise the per share charge for all other floor broker transactions from \$0.0022 to \$0.0024 per transaction.

In addition, the Exchange proposes to raise the credit per share for executions of orders sent to a floor broker for representation on the Exchange when adding liquidity to the NYSE Display Book system from \$0.0017 to \$0.0019 per transaction.

³ For example, the Exchange charges \$0.0005 per share (subject to a monthly cap) for at the opening or at the opening only orders, \$0.0055 per share per transaction for all MOC and LOC orders from any member organization executing an ADV of MOC/LOC activity on the Exchange in that month of at least 14 million shares, and \$0.0095 per share per transaction for all other MOC and LOC orders.

Lastly, the Exchange proposes to include an additional credit per share of \$0.0002 for member organizations and floor brokers that provide displayed liquidity to the Exchange in the following ten active securities (“Active Securities”), which were selected based on year-to-date CADV:

<u>Company Name</u>	<u>Symbol</u>
Bank of America Corp.	BAC
Citigroup Inc.	C
Ford Motor Company.....	F
General Electric.....	GE
JPMorgan Chase & Co.....	JPM
Nokia Corporation.....	NOK
PFIZER Inc.	PFE
Sprint Nextel Corporation.....	S
AT&T Inc.....	T
Wells Fargo & Co.	WFC

The credit will apply to transactions in the Active Securities and is in addition to any other credit for floor and non-floor transactions.⁴

DMMs

The Exchange proposes to increase the per share charge for DMMs that take liquidity from the Exchange from \$0.0023 to \$0.0025.

DMMs are currently eligible for a per share credit when adding liquidity in More Active Securities⁵ if the More Active Security has a stock price of \$1.00 or more, the DMM meets both the More Active Securities Quoting Requirement⁶ and the More Active Securities Quoted Size

⁴ The credit will not apply to transactions in the Active Securities in the Retail Liquidity Program.

⁵ “More Active Securities” are those with an ADV in the previous month equal to or greater than one million shares.

⁶ A DMM meets the “More Active Securities Quoting Requirement” when a More Active Security has a stock price of \$1.00 or more and the DMM quotes at the National Best Bid

Ratio Requirement,⁷ and the DMM's providing liquidity meets certain thresholds, as follows:

- \$0.0026 per share if the DMM's providing liquidity is 10% or less of the NYSE's total intraday adding liquidity in each such security for that month⁸;
- \$0.0030 per share if the DMM's providing liquidity is more than 10% but less than or equal to 20% of the NYSE's total intraday adding liquidity in each such security for that month; and
- \$0.0029 per share if the DMM's providing liquidity is more than 20% of the NYSE's total intraday adding liquidity in each such security for that month.⁹

The Exchange proposes to change the level of providing liquidity for DMMs to be eligible for the credits. Specifically, DMMs would be eligible for a per share credit when adding liquidity in More Active Securities if the More Active Security has a stock price of \$1.00 or more, the DMM meets both the More Active Securities Quoting Requirement and the More Active Securities Quoted Size Ratio Requirement, and the DMM's providing liquidity meets certain thresholds, as follows:

or Offer ("NBBO") in the applicable security at least 10% of the time in the applicable month.

⁷ A DMM meets the "More Active Securities Quoted Size Ratio Requirement" when the DMM Quoted Size for an applicable month is at least 15% of the NYSE Quoted Size. The "NYSE Quoted Size" is calculated by multiplying the average number of shares quoted on the NYSE at the NBBO by the percentage of time the NYSE had a quote posted at the NBBO. The "DMM Quoted Size" is calculated by multiplying the average number of shares of the applicable security quoted at the NBBO by the DMM by the percentage of time during which the DMM quoted at the NBBO.

⁸ The NYSE total intraday adding liquidity is totaled monthly and includes all NYSE adding liquidity, excluding NYSE open and NYSE close volume, by all NYSE participants, including SLPs, customers, Floor brokers and DMMs.

⁹ The Exchange notes that the \$0.0029 per-share credit is applicable to all of the member organization's adding liquidity in each such security for that month, not just the incremental liquidity that is more than 30% of the NYSE's total intraday adding liquidity.

- \$0.0026 per share if the DMM's providing liquidity is 15% or less of the NYSE's total intraday adding liquidity in each such security for that month;
- \$0.0030 per share if the DMM's providing liquidity is more than 15% but less than or equal to 30% of the NYSE's total intraday adding liquidity in each such security for that month; and
- \$0.0029 per share if the DMM's providing liquidity is more than 30% of the NYSE's total intraday adding liquidity in each such security for that month.

Lastly, the Exchange proposes to include an additional credit per share of \$0.0002 for DMMs that provide displayed liquidity to the Exchange in the Active Securities. The credit will apply to transactions in the Active Securities and is in addition to any other credit for DMMs.

SLPs

The Exchange proposes to increase the credit per share for SLPs that add liquidity to the Exchange in securities with a per share price of \$1.00 or more, if the SLP (i) meets the 10% average or more quoting requirement in an assigned security pursuant to Rule 107B (quotes of an SLP-Prop and an SLMM of the same member organization shall not be aggregated) and (ii) adds liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same member organization) of an ADV of more than 0.22% of NYSE CADV from \$0.0021 to \$0.0023 per transaction, and from \$0.0016 to \$0.0018 per transaction for non-displayed reserve orders.

The Exchange proposes to include an additional credit per share of \$0.0025 per transaction for SLPs that add liquidity to the Exchange in securities with a per share price of \$1.00 or more, if the SLP (i) meets the 10% average or more quoting requirement in an assigned security pursuant to Rule 107B (quotes of an SLP-Prop and an SLMM of the same member

organization shall not be aggregated), (ii) adds liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same member organization) of an ADV of more than 0.22% of NYSE CADV, (iii) adds liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same member organization) of an ADV during the billing month that is at least a 0.18% increase over the SLP's September 2012 Adding ADV ("SLP Baseline ADV"), and (iv) has a minimum provide ADV for all assigned SLP securities of 12 million shares.

Lastly, the Exchange proposes to include an additional credit per share of \$0.0002 for SLPs that provide displayed liquidity to the Exchange in the Active Securities. The credit will apply to transactions in the Active Securities and is in addition to any other credit for SLPs.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),¹⁰ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹¹ in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers, or dealers.

The Exchange believes the two new transaction fee credits and the increased credit for executions of orders in securities with a per share price of \$1.00 or more sent to the floor broker for representation on the Exchange when adding liquidity to the NYSE Display Book system are reasonable because they encourage additional displayed liquidity on the Exchange. The Exchange believes the new credits are equitable and not unfairly discriminatory because they are open to all member organizations on an equal basis, provide discounts that are reasonably related

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4).

to the value to the Exchange's market quality associated with higher volumes, and, in the case of the \$0.0018 per share credit, the Exchange has provided alternative methods for achieving the credit.

The Exchange believes that increasing the per share charge for floor broker and non-floor broker transactions in securities with a per share price of \$1.00 or more is reasonable in light of the increased credits the Exchange is proposing in order to increase liquidity on the Exchange. The Exchange believes that the additional credit for transactions in Active Securities is reasonable because it will encourage liquidity and competition in actively traded securities on the Exchange. The Exchange believes the new charges and credits for member organizations and floor brokers are equitably allocated and not unfairly discriminatory because similarly situated member organizations and floor brokers will be subject to the same fee structure, and it allocates a higher rebate to member organizations and floor brokers that make significant contributions to market quality and that contribute to price discovery by providing higher volumes of liquidity.

The Exchange believes that increasing the per share charge for DMMs that take liquidity from the Exchange is reasonable in light of the changes to the DMM credits the Exchange is proposing, which are designed to attract liquidity to the Exchange. The Exchange believes that the additional credit for DMM transactions in Active Securities is reasonable because it will encourage greater liquidity and competition in actively traded securities on the Exchange. The Exchange recognizes that the credit for a DMM whose providing liquidity is currently between 10-15% of the NYSE's total intraday adding liquidity will decrease from \$0.0030 to \$0.0026. The Exchange believes that this change is reasonable, equitable, and not unfairly discriminatory because it would result in credits being applied that are more representative of the amount of liquidity added by such a DMM. In this regard, the Exchange believes that a DMM that meets

both the More Active Securities Quoting Requirement and the More Active Securities Quoted Size Ratio Requirement is likely to also be providing liquidity that is reasonably close to, but not greater than, 15% of the NYSE's total intraday adding liquidity in each such security for that month. In contrast, the Exchange believes that a DMM whose providing liquidity is greater than 15% of the NYSE's total intraday adding liquidity would be adding liquidity above the amount associated with meeting both the More Active Securities Quoting Requirement and the More Active Securities Quoted Size Ratio Requirement. Accordingly, the Exchange considers it reasonable, equitable and not unfairly discriminatory to provide a higher credit for a DMM whose providing liquidity is greater than 15% of the NYSE's total intraday adding liquidity in each such security for that month. Additionally, the Exchange believes that reducing the credit for DMMs that provide relatively less liquidity (10-15%) is reasonable, equitable, and not unfairly discriminatory, because it would offset the cost of providing a higher credit to DMMs that provide more liquidity (20-30%). The Exchange also believes that increasing the credit for a DMM whose providing liquidity is between 20-30% of the NYSE's total intraday adding liquidity is reasonable, equitable, and not unfairly discriminatory, because it will increase the incentive for DMMs to provide liquidity but still promote multiple sources of liquidity by decreasing the credit slightly when the DMM provides liquidity that is more than 30% of the NYSE's total intraday adding liquidity. The Exchange believes that the proposed changes are equitable and not unfairly discriminatory because all similarly situated DMMs will be subject to the same fee structure.

The Exchange believes that increasing the credit per share for SLPs that add liquidity to the Exchange with a per share price of \$1.00 or more if the SLP meets certain requirements is reasonable because the incentives are reasonably related to an SLP's liquidity obligations. The

Exchange believes the new SLP credit for adding liquidity is reasonable because it provides an added incentive for SLPs to provide liquidity in their assigned securities. The Exchange believes that the additional credit for SLP transactions in Active Securities is reasonable because it will encourage liquidity and competition in actively traded securities on the Exchange. The Exchange believes the credits are equitable and not unfairly discriminatory because they are open to all SLPs on an equal basis and provide discounts that are reasonably related to the value to the Exchange's market quality associated with higher volumes.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its 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.

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.

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)¹² of the Act and subparagraph (f)(2) of Rule 19b-4¹³ thereunder, because it establishes a due, fee, or other charge imposed by the NYSE.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(2).

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. Please include File Number SR-NYSE-2012-50 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSE-2012-50. 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 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; 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-2012-50 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.¹⁴

Kevin M. O'Neill
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).