

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74031; File No. SR-NYSE-2014-78)

January 12, 2015

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Its Price List Relating to Fees for Bond Trading License Firms

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that on December 29, 2014, New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “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 its Price List, effective January 1, 2015, to (i) waive new firm application fees for applicants seeking only to obtain a bond trading license (“BTL”) for 2015 and 2016; (ii) establish a separate Regulatory Fee for member organizations that solely operate under a BTL; and (iii) waive the BTL fee for 2015 and 2016. 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.

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, effective January 1, 2015, to (i) waive new firm application fees for applicants seeking only to obtain a BTL for 2015 and 2016; (ii) establish a separate Regulatory Fee for member organizations that solely operate under a BTL; and (iii) waive the BTL fee for 2015 and 2016.

The Exchange proposes to waive the New Firm Fee for 2015 and 2016 for new member organization applicants that are seeking only to obtain a BTL and not trade equities at the Exchange. The Exchange currently charges a New Firm Fee ranging from \$2,500 to \$20,000, depending on the type of firm, that is charged per application for any broker-dealer that applies to be approved as an Exchange member organization. The proposed waiver of the 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, that would be seeking to obtain a BTL at the Exchange and not trade equities. As further proposed, if 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 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.

The Exchange also proposes to establish a separate Regulatory Fee for member organizations that operate solely under a BTL. Currently, all member organizations are subject to a monthly gross FOCUS revenue fee, which is calculated based on a firm's gross FOCUS revenues. This fee is intended to cover the Exchange's costs to regulate its members.⁴ Because member organizations with a BTL are only eligible to trade on the Exchange's bond platform, the Exchange does not believe that the regulatory costs associated with this membership are as high as they are for member organizations that trade equities at the Exchange. Moreover, the Exchange notes that Exchange member organizations that do business with the public, including trading bonds, must be members of the Financial Industry Regulatory Authority, Inc. ("FINRA") and therefore are separately subject to regulation by FINRA. To more closely align the regulatory fee for BTLs with the Exchange's associated regulatory cost, the Exchange proposes to set an annual regulatory fee for member organizations that solely operate under a BTL of \$500.00.

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 2015 and 2016. The Exchange also proposes a non-substantive change to the Price List to specify that the BTL fee is an annual fee.

⁴ The current Regulatory Fee is \$0.12 per \$1,000 in Gross FOCUS revenue, subject to annual minimums for certain classes of member organizations. The Exchange proposes a non-substantive change to the Fee Schedule to delete the Regulatory Fee that was in effect before April 1, 2013.

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 proposed change is not otherwise intended to address any other issues, and the Exchange is not aware of any problems that members and member organizations 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,⁵ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁶ 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 2015 and 2016 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 the only transparent bond market. The proposed waiver of the New Firm Fee and

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4), (5).

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. 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 provide an incentive for additional bonds trading firms to apply for Exchange membership, and therefore is not unfairly discriminatory. 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 the only transparent market for bond trading.

The Exchange believes that the proposed Regulatory Fee for member organizations that operate solely under a BTL is reasonable because the proposed change would more closely align the regulatory costs associated with member organizations that only trade bonds on the Exchange with the fee charged to such member organizations. In addition, the Exchange believes that the proposed Regulatory Fee for BTLs is reasonable because it is expected to generate revenues that will be less than or equal to the Exchange's regulatory costs with respect to regulating member organizations that solely trade bonds at the Exchange. The Exchange believes that this is consistent with the Commission's previously stated view that regulatory fees be used for regulatory purposes and not to support the Exchange's business side.

The Exchange further believes that the proposed Regulatory Fee for member organizations that operate solely under a BTL is equitable and not unfairly discriminatory because it would be applied equally to all market participants that wish to trade at the Exchange the narrower class of debt securities only. In particular, the Exchange does not believe that it is unfairly discriminatory to charge member organizations that only trade bonds a different Regulatory Fee than what is charged to member organizations that trade equities at the Exchange

because of the relatively low volume of trading on the bonds platform as compared to the volume of trading on the Exchange's equities platform. The Exchange believes that the current Regulatory Fee for member organizations serves as a disincentive for broker-dealers that trade bonds, but do not trade equities at the Exchange, to become Exchange member organizations for purposes of trading bonds. The Exchange further notes that if a member organization that only has a BTL at the Exchange is conducting business with the public, that member organization must be a member of FINRA and therefore is separately subject to regulation by FINRA.

Finally, recognizing the statements of Commissioners who have expressed concern about the state of the U.S. corporate and municipal bond markets as well as recommendations outlined in the Commission's release of its Report on the Municipal Securities Market (Report), the Exchange believes that expanding the number of member organizations eligible to trade bonds at the Exchange would be an important element in the democratization of the fixed income market.⁷ As highlighted in SEC Chair White's statement during the SEC's 2013 Roundtable on Fixed Income Markets, the Report makes recommendations that include 1) improving pre- and post-trade transparency; 2) promoting the use of transparent and open trading venues, and 3) requiring dealers to seek "best execution" for customers and to provide customers with relevant pricing information in connection with their transactions.⁸ Achieving these recommendations and applying them to both the municipal and corporate bond markets would, in the Exchange's view,

⁷ See SEC Report on the Municipal Securities Market, [July 2012](http://www.sec.gov/news/studies/2012/munireport073112.pdf), <http://www.sec.gov/news/studies/2012/munireport073112.pdf>; "SEC's Gallagher Says Retail Bond Investors Fighting 'Headwinds'", Jesse Hamilton, Bloomberg News. Sep 20, 2012. See <http://www.bloomberg.com/news/2012-09-19/sec-s-gallagher-says-retail-bond-investors-fighting-headwinds-.html>.

⁸ See Opening remarks of Chairman Mary Jo White at SEC Roundtable on Fixed Income Markets. <http://www.sec.gov/News/Speech/Detail/Speech/1365171515300>.

assist in lowering the systemic risk that is anticipated to increase as interest rates rise and the closed network of bond trading comes under pressure as retirement and pension managers seek to adjust their positions.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,⁹ 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 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 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

⁹ 15 U.S.C. 78f(b)(8).

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)¹⁰ of the Act and subparagraph (f)(2) of Rule 19b-4¹¹ 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)¹² 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

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(2).

¹² 15 U.S.C. 78s(b)(2)(B).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2014-78 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-NYSE-2014-78. 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 Section, 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 will also be available for website viewing and printing at the NYSE's principal office and on its Internet website at 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-NYSE-2014-78 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.¹³

Brent J. Fields
Secretary

¹³ 17 CFR 200.30–3(a)(12).