

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-78108; File No. SR-NYSE-2016-42)

June 21, 2016

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend its Price List to Adopt a Fee Waiver and a Fee Cap Related to the Liquidity Provider Incentive Program on the NYSE Bonds<sup>SM</sup> System

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 June 7, 2016, New York Stock Exchange LLC (“NYSE” 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 its Price List to adopt a fee waiver and a fee cap related to the Liquidity Provider Incentive Program on the NYSE Bonds<sup>SM</sup> system. 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 it received on the proposed rule change. The text of those statements may be examined at the

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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.

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 to adopt a fee waiver and a fee cap related to the Liquidity Provider Incentive Program on the NYSE Bonds system recently implemented by the Exchange.<sup>4</sup> Pursuant to the Liquidity Provider Incentive Program, a voluntary rebate program, the Exchange pays Users<sup>5</sup> of NYSE Bonds a monthly rebate provided Users who opt into the rebate program meet specified quoting requirements. Under the program, the rebate payable is based on the number of CUSIPs<sup>6</sup> a User quotes. The rebate amount is tiered based on the number of CUSIPs quoted by a User, as follows:

<b>Liquidity Provider Incentive Program</b>	
<b>Number of CUSIPs</b>	<b>Monthly Rebate</b>
400 – 599	\$10,000
600 – 799	\$20,000
800 or more	\$30,000

To qualify for a rebate, a User is required to provide continuous two-sided quotes for at least eighty percent (80%) of the time during the Core Bond Trading Session for an entire

<sup>4</sup> See Securities Exchange Act Release Nos. 77591 (April 12, 2016), 81 FR 22656 (April 18, 2016) (SR-NYSE-2016-26); and 77812 (May 11, 2016), 81 FR 30594 (May 17, 2016) (Sr-NYSE-2016-34).

<sup>5</sup> Rule 86(b)(2)(M) [sic] defines a User as any Member or Member Organization, Sponsored Participant, or Authorized Trader that is authorized to access NYSE Bonds.

<sup>6</sup> CUSIP stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most financial instruments, including: stocks of all registered U.S. and Canadian companies, commercial paper, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and managed by Standard & Poor’s—facilitates the clearance and settlement process of securities. See <http://www.sec.gov/answers/cusip.htm>.

calendar month.<sup>7</sup> The Exchange calculates each participating User's quoting performance beginning each month on a daily basis, up to and including the last trading day of a calendar month, to determine at the end of each month each User's monthly average. Under the program, Users must provide a two-sided quote for a minimum of hundred (100) bonds per side of the market with an average spread of half-point (\$0.50) or less in CUSIPs whose average maturity is at least five (5) years as of the date the User provides a quote. In order for a CUSIP to qualify for inclusion in the rebate calculation, a User must provide continuous two-sided quotes in a CUSIP, whether it's for eighty percent (80%) or fifty percent (50%) of the time, as applicable, for a minimum of hundred (100) bonds per side of the market that has an average spread of half-point (\$0.50) or less and whose average maturity is at least five (5) years as of the date the User provides the quote.

Users that opt in to the Liquidity Provider Incentive Program are subject to a transaction fee for orders that provide liquidity to the NYSE Bonds Book of \$0.50 per bond.<sup>8</sup> In order to further incentivize Users to provide liquidity on the NYSE Bonds system, the Exchange proposes to adopt a fee waiver and a fee cap. As proposed, the fee waiver would apply to Users that provide liquidity in 800 or more qualifying CUSIPs quoted on the NYSE Bonds Book. Additionally, the Exchange proposes to adopt a fee cap of \$5,000 per month that would apply to all Users that do not attain the fee waiver, i.e., Users that provide liquidity in the 400 – 599

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<sup>7</sup> For the first calendar month after a User opts in, the User is required to provide continuous two-sided quotes for fifty percent (50%) of the time during the Core Bond Trading Session.

<sup>8</sup> For orders that take liquidity from the NYSE Bonds Book, the current tiered fees apply, i.e., \$0.50 per bond for executions of one to 10 bonds, \$0.20 per bond for executions of 11 to 25 bonds and \$0.10 per bond for executions of 26 bonds or more, with a maximum fee of \$100 per execution. Users that do not opt in to the Liquidity Provider Incentive Program are subject to the Exchange's standard fees and rebates, as currently provided on the Price List.

qualifying CUSIP tier and in the 600 - 799 qualifying CUSIP tier. The Exchange is not proposing any change to the level of fees or rebates applicable to the Liquidity Provider Incentive Program. The proposed rule change is intended to provide Users with a greater incentive to provide liquidity on the NYSE Bonds system.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>10</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 changes to the Liquidity Provider Incentive Program are reasonable and equitable as they are intended to further incentivize Users to provide liquidity to the NYSE Bonds system. The proposed fee waiver for Users that provide liquidity in 800 or more qualifying CUSIPs and the proposed fee cap for Users that provide liquidity in the 400 – 599 qualifying CUSIP tier and in the 600 – 799 qualifying CUSIP tier, are both reasonable amendments to the Exchange’s fee schedule and do not unfairly discriminate between customers, issuers, and brokers or dealers because all member organizations that opt in to the Liquidity Provider Incentive Program would benefit from the proposed fee changes. The Exchange believes that the proposed fee changes are also reasonable because they are designed to provide an incentive for member organizations to increase displayed liquidity at the Exchange, thereby increasing traded volume.

The Exchange is proposing to adopt a pricing model whereby Users providing liquidity in

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

<sup>10</sup> 15 U.S.C. 78f(b)(4), (5).

a minimum number of qualifying CUSIPs to the NYSE Bonds system would not pay a fee, and Users that do not qualify for the fee waiver would benefit by the proposed fee cap. The proposed rule change will therefore benefit all Users that provide liquidity to the NYSE Bonds system.

The Exchange further believes that the proposed rule change is equitable and not unfairly discriminatory in that it will apply uniformly to all Users accessing the NYSE Bonds system. Each User will have the ability to determine the extent to which the Exchange's proposed structure will provide it with an economic incentive to use the NYSE Bonds system, and model its business accordingly.

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

In accordance with Section 6(b)(8) of the Act,<sup>11</sup> 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 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 creating additional incentives to engage in bonds transactions on the Exchange and rewarding market participants for actively quoting and providing liquidity in the only transparent bond market, which the Exchange believes will enhance market quality.

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.

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<sup>11</sup> 15 U.S.C. 78f(b)(8).

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 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)<sup>12</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>13</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>14</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

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

<sup>13</sup> 17 CFR 240.19b-4(f)(2).

<sup>14</sup> 15 U.S.C. 78s(b)(2)(B).

#### 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-NYSE-2016-42 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSE-2016-42. 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 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-NYSE-2016-42, 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>15</sup>

Robert W. Errett  
Deputy Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).