SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79210; File No. SR-NYSE-2016-68)

November 1, 2016

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Its Price List

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on October 18, 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 change the manner by which rebates are payable, and level of such rebates, under the Liquidity Provider Incentive Program. 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

1 15 U.S.C.78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

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 to change the manner by which rebates are payable, and level of such rebates, under the Liquidity Provider Incentive Program.

Current Liquidity Provider Incentive Program

The Exchange proposes to change the manner by which rebates would be payable under the Liquidity Provider Incentive Program.[4] Pursuant to the Liquidity Provider Incentive Program, the Exchange currently pays Users 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 different bond issues (referred herein as "CUSIPs")[5] a User quotes. The rebate amount is tiered based on the number of CUSIPs quoted by a User, as follows:

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4 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).

5 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.

Number of CUSIPs	Monthly Rebate
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[6] for a calendar month.[7] The Exchange currently 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 current 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.

Revised Liquidity Provider Incentive Program

The Exchange proposes to replace the current requirements in the Liquidity Provider Incentive Program. As proposed, a daily rebate would be payable based on the number of CUSIPs on the NYSE Bonds Book for which a User meets the quoting requirements in one or more of three maturity classifications (referred to herein as "maturity buckets").

The proposed daily rebate amount is tiered based on the number of qualifying CUSIPs that meet quoting requirements, as follows:

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6 The Core Bond Trading Session commences at 8:00am ET and concludes at 5:00pm ET. See Rule 86(i)(2).

7 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.

Number of Qualifying CUSIPs	Daily Rebate
400 – 599	$500
600 – 799	$1,000
800 or more	$1,500

For a CUSIP to be included in the daily rebate calculation, the following three requirements must be met:

- First, a User must provide continuous two-sided quotes for a minimum of 100 bonds on either side of the market for at least eighty percent (80%) of the time during the Core Bond Trading Session each trading day. The Exchange will track throughout each trading day all CUSIPs a User quotes to determine the number CUSIPs that meet the size and time requirement noted above.
- Second, once the Exchange has determined the number of CUSIPs that meet the size and time requirement, the Exchange would next determine how many of such CUSIPs meet the spread requirement. In order for a CUSIP to be included in the daily rebate calculation, it must be among the CUSIPs in a particular Maturity Range for which a User's Maximum Daily Average Spread is:

Maturity Range	Maximum Daily Average Spread (in basis points) of all CUSIPs in Maturity Range
Less than 7 years	Equal to or less than 15
7 years but less than 12 years	Equal to or less than 10
12 years or more	Equal to or less than 10

To derive the Maximum Daily Average Spread, the Exchange will determine the average bid and offer spread for each CUSIP within each Maturity Range for every User that provides a quote in a CUSIP. The average bid and offer spread would be calculated by taking the difference of the Yield-To-Worst (YTW) of the average bid and the YTW of the average offer throughout each trading day. The Exchange will then aggregate the average spreads of all the CUSIPs in each Maturity Range. If the aggregate average spread of all the CUSIPs is less than or equal to the Maximum Daily Average Spread, as provided in the table above, all such CUSIPs would qualify for a rebate provided the CUSIPs also meet the Minimum Daily Average Modified Duration requirement described below. If the average spread of all the CUSIPs is greater than the Maximum Daily Average Spread, the Exchange would eliminate CUSIPs with the widest spreads until the average spread of the remaining CUSIPS is equal to or less than the Maximum Daily Average Spread.

- Finally, of the CUSIPs that met the average spread requirement, the Exchange would determine how many of such CUSIPs meet the duration[8] requirement. In order for a CUSIP to be included in the daily rebate calculation, it must be among the CUSIPs in a particular Maturity Range for which a User's Minimum Daily Average Modified Duration is:

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8 The duration of a bond is a measure of its price sensitivity to interest rates movements, based on the average time to maturity of its interest and principal cash flows. Duration enables investor [sic] to more easily compare bonds with different maturities and coupon rates by creating a simple rule: with every percentage change in interest rates, the bond's value will decline by its modified duration, stated as a percentage. Modified duration is the approximate percentage change in a bond's price for each 1% change in yield assuming yield changes do not change the expected cash flows. For example, an investment with a modified duration of 5 years will rise 5% in value for every 1% decline in interest rates and fall 5% in value for every 1% increase in interest rates. Bond duration measurements help quantify and measure exposure to interest rate risks. Bond portfolio managers increase average duration when they expect rates to decline, to get the most benefit, and decrease average duration when they expect rates to rise, to minimize the negative impact. See duration risk at http://www.sifma.org/education/glossary/#M.

Maturity Range	Minimum Daily Average Modified Duration of all CUSIPs in Maturity Range
Less than 7 years	Equal to or greater than 3.25
7 years but less than 12 years	Equal to or greater than 6.75
12 years or more	Equal to or greater than 14.50

To derive the Minimum Daily Average Modified Duration, the Exchange will determine the average Modified Duration for each CUSIP within each Maturity Range for every User that provides a quote in a CUSIP. The average Modified Duration would be determined by the midpoint of the average bid and the average offer for each CUSIP quoted by a User throughout each trading day. The Exchange will then aggregate the average Modified Duration of all the CUSIPs in each Maturity Range. If the aggregate average Modified Duration of all the CUSIPs is greater than or equal to the Minimum Daily Average Modified Duration, as provided in the table above, all such CUSIPs would qualify for a rebate. If the average Modified Duration of all the CUSIPs is less than the Minimum Daily Average Modified Duration, the Exchange would eliminate CUSIPs with the lowest average Modified Duration until the average Modified Duration of the remaining CUSIPS is equal to or greater than the Minimum Daily Average Modified Duration.

The Exchange would then aggregate the maximum number of CUSIPs across each Maturity Range that a User meets the requirements above to determine such User's daily rebate.

The following example illustrates the proposed rebate:

User A provides two-sided quotes for a minimum of 100 bonds in a total of 900 CUSIPs on trading day 1. The 900 CUSIPs are comprised as follows: 300 CUSIPs that mature in less than 7 years, 400 CUSIPs that mature in 7 years but less than 12 years and

200 CUSIPs that mature in 12 years or more. The Exchange will track the number of CUSIPs (of the 900 CUSIPs) that were quoted for a minimum of 100 bonds on either side of the market for at least 80% of the time during the Core Bond Trading Session. At the end of trading day 1, let us assume that of the 900 CUSIPs, the following met the size and time requirement within each maturity bucket: 150 CUSIPs that mature in less than 7 years, 325 CUSIPs that mature in 7 years but less than 12 years and 125 CUSIPs that mature in 12 years or more.

As noted above, the Exchange would next determine the number of CUSIPs in each maturity bucket that meet the Maximum Daily Average Spread requirement. Let's assume that for the 325 CUSIPs that mature in 7 years but less than 12 years, the average spread of all 325 CUSIPs in this maturity bucket equals 12 basis points. Given that the Maximum Daily Average Spread for this maturity bucket must be equal to or less than 10 basis points, the Exchange would remove CUSIPs from this maturity bucket starting with the CUSIP with the widest average spread until the Maximum Daily Average Spread requirement is equal to or less than 10 basis points. Let us assume that removing 10 CUSIPs with the widest average spread brings the aggregate average spread to 10 basis points. Therefore, of the 325 CUSIPs that mature in 7 years but less than 12 years, 315 of such CUSIPs would deem to meet the Maximum Daily Average Spread requirement.[9]

As provided above, the Exchange would next determine the number of CUSIPs within each maturity bucket that meet the Minimum Daily Average Modified Duration requirement. Continuing with the example above, let us assume that the aggregate

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9 If the average spread of all 325 CUSIPs had been 10 basis points then all 325 CUSIPs would have met the Maximum Daily Average Spread requirement and would qualify for the proposed daily rebate provided all 325 CUSIPs also meet the Minimum Daily Average Modified Duration requirement.

average Modified Duration of all 315 CUSIPs that mature in 7 years but less than 12 years is 6.50. Given that the Minimum Daily Average Modified Duration for this maturity bucket must be equal to or greater than 6.75, the Exchange would remove CUSIPs from this maturity bucket starting with the CUSIP with the lowest average Modified Duration until the Minimum Daily Average Modified Duration requirement is equal to or greater than 6.75. Let us assume that removing 15 CUSIPs with the lowest average Modified Duration brings the aggregate average Modified Duration to 6.75. Therefore, of the 315 remaining CUSIPs that mature in 7 years but less than 12 years, 300 of such CUSIPs would deem to meet the Minimum Daily Average Modified Duration requirement.[10]

Continuing with the example, let us assume the following represents the number of CUSIPs within each maturity bucket that meet the prescribed requirements at the end of trading day 1:

- 125 CUSIPs that mature in less than 7 years;
- 300 CUSIPs that mature in 7 years but less than 12 years; and
- 100 CUSIPs that mature in 12 years or more.

At the end of trading day 1, User A has met the prescribed quoting requirements in a total of 525 CUSIPs and would therefore qualify for a rebate of $500 for trading day 1.

The Exchange would make the determination of whether a User has met the prescribed quoting requirements each trading day to determine the amount of daily rebate

[10] If the aggregate average Modified Duration of all 315 CUSIPs that mature in 7 years but less than 12 years had been 6.75 then all 315 CUSIPs would have met the Minimum Daily Average Modified Requirement and would qualify for the proposed daily rebate.

for which a User qualifies. The Exchange would aggregate the daily rebate for each User and pay the total amount of the accumulated rebate to each User at the end of every month. The Exchange will continue to calculate each participating User's quoting performance on a daily basis.

Users who opt in to the Liquidity Provider Incentive Program are currently subject to a transaction fee for orders that provide liquidity to the NYSE Bonds Book of $0.50 per bond.[11] The Exchange proposes to eliminate the $0.50 per bond fee for providing liquidity. To reflect this change, the Exchange proposes to delete text from the Price List regarding the applicability of the $0.50 per bond fee for orders that provide liquidity to the NYSE Bonds Book.

The proposed rule change is intended to provide Users with a greater incentive to transact 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,[12] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[13] 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

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11 The Exchange recently adopted a fee waiver applicable to Users that provide liquidity in 800 or more qualifying CUSIPs quoted on the NYSE Bonds Book, and a fee cap of $5,000 per month applicable to all Users that do not attain the fee waiver. See Securities Exchange Act Release No. 78108 (June 21, 2016), 81 FR 41636 (June 27, 2016) (SR-NYSE-2016-42).

12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(4), (5).

dealers.

The Exchange believes that it is reasonable and equitable to amend the Liquidity Provider Incentive Program for the bonds trading platform, which would provide daily rebates to Users that meet unique quoting requirements. The Liquidity Provider Incentive Program is already available for Users and the Exchange is simply amending the quoting requirements which the Exchange believes could qualify greater number of Users for the proposed rebate. Further, the Exchange believes it is reasonable and equitable to adopt a daily rebate as an incentive for Users to provide liquidity on the Exchange's bond platform on a daily basis. The Exchange believes that the proposed quoting requirements to qualify for the daily rebate, which would be based on the average spread and average duration, are reasonable and would not unfairly discriminate between customers, issuers, and brokers or dealers because all member organizations that opt in to the Liquidity Provider Incentive Program would be subject to the same requirements. The Exchange further believes that the proposed quoting requirements are reasonable because they are designed to provide an incentive for member organizations to increase displayed liquidity at the Exchange, thereby increasing traded volume.

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 amending the Exchange's transaction fees and rebates for the Bonds system would create an incentive for bonds traders to direct their liquidity to the Exchange, and therefore would be an important element in the democratization of the fixed income market.[14] 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.[15] Achieving these recommendations and applying them to both the municipal and corporate bond markets would, in the Exchange's view, 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.

The Exchange believes the proposed fee change is consistent with these principles and the proposed amendment to the Liquidity Provider Incentive Program is intended to provide additional liquidity to the market and add competition to the existing group of liquidity providers. The Exchange believes that by requiring Users to quote within the prescribed parameters for a percentage of the regular trading day, and by paying them a daily rebate for providing liquidity in large number of bonds, the Exchange is rewarding aggressive liquidity providers in the market, and by doing so, the Exchange will encourage the additional utilization of, and interaction with, the NYSE and provide

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14 See SEC Report on the Municipal Securities Market, at 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.

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

customers with the premier venue for price discovery, liquidity, and competitive quotes.

Finally, the Exchange believes that the proposed rule change is equitable and not unfairly discriminatory in that it would apply uniformly to all Users accessing the NYSE Bonds system. All similarly situated Users would be subject to the same fee and rebate structure, and each User would have the ability to determine the extent to which the Exchange's proposed fee and rebate 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,[16] 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

[16] 15 U.S.C. 78f(b)(8).

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 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)[17] of the Act and subparagraph (f)(2) of Rule 19b-4[18] 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

[17] 15 U.S.C. 78s(b)(3)(A).

[18] 17 CFR 240.19b-4(f)(2).

19(b)(2)(B)[19] 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. Please include File Number SR-NYSE-2016-68 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-2016-68. 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

[19] 15 U.S.C. 78s(b)(2)(B).

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-2016-68 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.[20]

Brent J. Fields
Secretary

[20] 17 CFR 200.30-3(a)(12).