

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-84583; File No. SR-NYSE-2018-53)

November 14, 2018

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending its Price List as to Certain Credits Applicable to Supplemental Liquidity Providers

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 31, 2018, 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 modify (1) the incremental step up tier for Supplemental Liquidity Providers (“SLPs”), and (2) the ADV and quoting requirements for SLP Tier 1 rates for displayed and non-displayed orders in securities traded pursuant to Unlisted Trading Privileges (“UTP”) (Tapes B and C). The Exchange proposes to implement these changes to its Price List effective November 1, 2018. 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 to modify (1) the incremental SLP step up tier, and (2) the ADV and quoting requirements for SLP Tier 1 rates for displayed and non-displayed orders in UTP securities.

The Exchange proposes to implement these changes to its Price List effective November 1, 2018.

Incremental SLP Step Up Tier

The Exchange currently provides a credit of \$0.0002 to a SLP in addition to the SLP's tiered or non-tiered credit for adding displayed liquidity provided that such combined credits do not exceed \$0.0031 per share, if the SLP (1) 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) (the "Quoting Requirement"), and (2) adds liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an

affiliated member organization) of an average daily trading volume (“ADV”)⁴ of more than 0.15% of NYSE consolidated average daily volume (“CADV”) in the billing month over the SLP’s adding liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an affiliated member organization) as a percent of NYSE CADV in the second quarter of 2018.

The Exchange proposes to modify the Incremental SLP Step Up Tier to provide additional ways that SLPs adding different amounts of displayed liquidity to the Exchange can qualify for a credit.

Specifically, the Exchange would provide an incremental credit of \$0.0001 to SLPs that (1) meet the Quoting Requirement, and (2) add liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an affiliated member organization) of an ADV of more than 0.10% of NYSE CADV in the billing month over the SLP’s adding liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an affiliated member organization) as a percent of NYSE CADV in the second quarter of 2018.

Alternatively, the Exchange would continue provide an incremental credit of \$0.0002 to SLPs that (1) meet the Quoting Requirement, and (2) add liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an affiliated member organization) of an ADV of more than 0.15% of NYSE CADV in the billing month over the SLP’s adding liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of

⁴ Footnote 2 to the Price List defines ADV as “average daily volume”. The Exchange is not proposing to change this definition.

the same or an affiliated member organization) as a percent of NYSE CADV in the second quarter of 2018.

Finally, the Exchange would provide an incremental credit of \$0.0003 to SLPs that (1) meet the Quoting Requirement, and (2) add liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an affiliated member organization) of an ADV of more than 0.25% of NYSE CADV in the billing month over the SLP's adding liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an affiliated member organization) as a percent of NYSE CADV in the second quarter of 2018.

The Exchange proposes that SLPs could only qualify for one of the three proposed credits in a billing month. Further, the combined SLP credits cannot exceed \$0.0032 per share in a billing month.

For example, assume a SLP adds liquidity of 0.50% in the second quarter of 2018 (the "Baseline"), which would qualify them for the SLP Tier 2 adding credit of \$0.0026 per share based on the SLP Tier 2 adding requirement of 0.45%. If that SLP adds liquidity in the billing month of:

- more than 0.60%, or 0.10% above the Baseline, that SLP would qualify for the Incremental Step Up credit of \$0.0001 in addition to the SLP Tier 1A credit of \$0.00275 based on the SLP Tier 1A requirement of 0.60%, for a combined SLP credit of \$0.00285 in that billing month.
- more than 0.65%, or 0.15% above the Baseline, that SLP would qualify for the Incremental Step Up credit of \$0.0002 in addition to the SLP Tier

1A credit of \$0.00275 based on the SLP Tier 1A requirement of 0.60%, for a combined SLP credit of \$0.00295 in that billing month.

- more than 0.75%, or 0.25% above the Baseline, that SLP would qualify for the Incremental Step Up credit of \$0.0003 in addition to the SLP Tier 1A credit of \$0.00275 based on the SLP Tier 1A requirement of 0.60%, for a combined SLP credit of \$0.00305 in that billing month. Further assume that same SLP adds liquidity in UTP Securities of at least 0.30% of Tape B and Tape C CADV combined, which would receive an additional \$0.0001 per share. That same SLP would then qualify for a combined credit of \$0.00315 (\$0.00275 Tier 1A credit plus the \$0.0003 Incremental Step Up credit plus the \$0.0001 credit from Tape B and C SLP Adding).

If an SLP qualified for the SLP Tier 1 credit of \$0.0029 plus the Incremental Step Up Credit of \$0.0003 and an additional credit of \$0.0001 for adding liquidity in UTP Securities of at least 0.30% of Tape B and Tape C CADV combined, or \$0.0033 in total, that SLP credit would be limited to a total credit of \$0.0032 per share.

Quoting and Adding Requirements for SLP Tiered Credits

Currently, the Exchange offers tiered rates for displayed and non-displayed orders by SLPs that add liquidity to the Exchange in UTP Securities priced at or above \$1.00. Specifically, Tier 1 provides a \$0.0032 per share credit per tape in an assigned UTP Security for SLPs adding displayed liquidity to the Exchange if the SLP (1) adds liquidity for all assigned UTP Securities in the aggregate of an CADV of at least 0.10% per tape, and (2) meets the 10% average or more quoting requirement in 500 or more assigned

UTP Securities in Tapes B and C combined pursuant to Rule 107B, and (3) meets the 10% average or more quoting requirement in an assigned UTP Security pursuant to Rule 107B.

The Exchange proposes to modify the adding liquidity requirement to require the SLP to add liquidity for all assigned UTP Securities in the aggregate of an CADV of at least 0.10% for Tape B and 0.075% for Tape C. In addition, the Exchange proposes to require SLPs to meet the 10% average or more quoting requirement in 400 or more assigned UTP Securities in Tapes B and C combined pursuant to Rule 107B.

The remaining requirements and credits for qualifying for Tier 1 would remain unchanged.

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The proposed changes are not otherwise intended to address any other issues, and the Exchange is not aware of any problems that 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.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4) & (5).

Incremental SLP Step Up Tier

The Exchange believes that the proposal to modify the Incremental SLP Step Up Tier to provide additional ways that SLPs adding different amounts of displayed liquidity to the Exchange can qualify for a credit is reasonable because it provides existing SLPs (including SLPs that are also DMMs) with added incentive to bring additional order flow to a public market. In particular, the Exchange believes that the new tiered rates will provide additional incentives for more active SLPs to add liquidity to the Exchange, to the benefit of the investing public and all market participants. Moreover, offering additional credits, up to a \$0.0032 per share maximum, in addition to the SLP's tiered or non-tiered credit for adding displayed liquidity for SLPs that add liquidity for all assigned SLP securities in the aggregate (including shares of both an SLP-Prop and an SLMM of the same or an affiliated member organization) of an ADV of more than 0.10%, 0.15% or 0.25% of NYSE CADV over that SLPs' second quarter of 2018 adding liquidity and that meet the SLP quoting requirements would provide incentives for less active SLPs to add displayed liquidity in order to meet the SLP quoting requirements, thereby contributing to additional levels of displayed liquidity and quoting on a public exchange, which benefits all market participants. The Exchange also believes the new tiered rates, combined with higher credits from existing tiers such as the SLP Step Up Tier and credits for SLPs that are in their first two calendar months as an SLP, will also encourage member organizations that are not currently SLPs to participate in the SLP program. The Exchange also believes it is reasonable to raise the limit on combined SLP credits from \$0.0031 to \$0.0032 per share in a billing month as the Incremental SLP Step

Up Tier now offers a higher credit of \$0.0001 over the current Incremental SLP Step Up Tier credit.

Finally, the Exchange believes that the proposed tier modifications are equitable and not unfairly discriminatory because they would apply equally to all SLPs that would submit additional adding liquidity to the Exchange in order to qualify for the additional credits.

Quoting and Adding Requirements for SLP Tiered Credits

The Exchange believes that retaining a 0.10% adding liquidity requirement for SLP Provide Tier 1 for Tape B securities and lowering it slightly to 0.075% for Tape C securities is reasonable, equitable and not unfairly discriminatory because the proposed requirements will encourage the SLPs to add liquidity to the market in Tape C securities, thereby providing customers with a higher quality venue for price discovery, liquidity, competitive quotes and price improvement.

The Exchange also believes that lowering the requirements for adding and quoting will encourage participation from a greater number of current and new SLPs which would promote additional liquidity in Tape C securities. Further, the Exchange believes that it reasonable, equitable and not unfairly discriminatory to lower the adding requirements for SLP Provide Tier 1 in Tape C securities while keeping the adding requirements for SLP Provider Tier 1 in Tape B securities unchanged as the Exchange's market share in Tape C securities is relatively lower than in Tape B securities.

For the same reasons, the Exchange believes that lowering the SLP Provide Tier 1 quoting requirement to 400 or more assigned UTP securities in Tapes B and C combined

pursuant to Rule 107B is reasonable, equitable and not unfairly discriminatory as it will encourage additional SLPs to qualify for the higher Tier 1 SLP credit.

Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange's statement regarding the burden on competition.

For the foregoing reasons, the Exchange believes that the proposal is consistent with the Act.

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

In accordance with Section 6(b)(8) of the Act,⁷ 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. Instead, the Exchange believes that the proposed change would foster liquidity provision and stability in the marketplace, thereby promoting price discovery and transparency and enhancing order execution opportunities for member organizations. In this regard, the Exchange believes that the transparency and competitiveness of attracting additional executions on an exchange market would encourage competition. The Exchange also believes that the proposed rule change is designed to provide the public and investors with a Price List that is clear and consistent, thereby reducing burdens on the marketplace and facilitating investor protection.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees

⁷ 15 U.S.C. 78f(b)(8).

and rebates to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance 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 the proposed changes 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)⁸ of the Act and subparagraph (f)(2) of Rule 19b-4⁹ 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

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(2).

Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁰ 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-2018-53 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-2018-53. 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

¹⁰ 15 U.S.C. 78s(b)(2)(B).

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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSE-2018-53 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.¹¹

Eduardo A. Aleman
Assistant Secretary

¹¹ 17 CFR 200.30-3(a)(12).