

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83439; File No. SR-NYSENAT-2018-12)

June 14, 2018

Self-Regulatory Organizations; NYSE National, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt Transaction, Routing, and Port Fees In Connection with the Re-launch of Trading on the Exchange

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 June 6, 2018, NYSE National, Inc. (the “Exchange” or “NYSE National”) 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 adopt transaction, routing, and port fees in connection with the re-launch of trading on the Exchange. The Exchange proposes to implement the rule change on June 6, 2018.⁴ The proposed rule change is available on the Exchange’s

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ The Exchange originally filed to amend the Fee Schedule on May 18, 2018 (SR-NYSENAT-2018-08) and withdrew such filing on May 25, 2018. The Exchange re-filed to amend the Fee Schedule on May 25, 2018 (SR-NYSENAT-2018-10) and withdrew such filing on June 6, 2018. This filing replaces SR-NYSENAT-2018-10 in its entirety.

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 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

On February 1, 2017, the Exchange ceased trading operations.⁵ On May 17, 2018, the Commission approved rule changes to support re-launch of trading operations on Pillar, which is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by the Exchange and its affiliates, NYSE Arca, Inc. ("NYSE Arca"), NYSE American LLC ("NYSE American"), and New York Stock Exchange LLC ("NYSE").⁶

⁵ See Securities Exchange Act Release No. 80018 (February 10, 2017), 82 FR 10947 (February 16, 2017) (SR-NSX-2017-04) ("Termination Filing"). On January 31, 2017, Intercontinental Exchange, Inc. ("ICE"), through its wholly-owned subsidiary NYSE Group, acquired all of the outstanding capital stock of the Exchange (the "Acquisition"). See Securities Exchange Act Release No. 79902 (January 30, 2017), 82 FR 9258 (February 3, 2017) (SR-NSX-2016-16). Prior to the Acquisition, the Exchange was named "National Stock Exchange, Inc."

⁶ See Securities Exchange Act Release No. 83289 (May 17, 2018) (SR-NYSENat-

As described in the Re-Launch Filing, with Pillar, the Exchange will re-launch trading in all Tape A, Tape B, and Tape C securities on an unlisted trading privileges (“UTP”) basis on a fully automated price-time priority allocation model.⁷ The Exchange’s Pillar trading platform is based on the rules and trading model of the cash equities platforms of NYSE Arca, which operates as a fully automated price-time priority allocation exchange. However, unlike its affiliated exchanges, the Exchange is not a listing venue and therefore will not have any “lead” or “designated” market makers for listed securities and would not operate any auctions. In addition, the Exchange will not operate a retail liquidity program.

In connection with its re-launch of operations, the Exchange proposes to amend its Schedule of Fees and Rebates to adopt a new pricing model for trading on the Pillar platform.

The proposed changes would apply to transactions executed in all trading sessions in securities priced at or above and below \$1.00.

The Exchange proposes to implement these changes effective June 6, 2018.

Proposed Rule Change

The Exchange proposes the following transaction fees for the re-launch of trading on its Pillar trading platform.

General Information Applicable to the Fee Schedule

The Exchange proposes to summarize general information applicable to the Fee Schedule in two bullets under the first heading in the Fee Schedule titled “Fees and

2018-02) (Approval Order) (“Re-Launch Filing”); see generally www.nyse.com/pillar.

⁷ See generally Re-Launch Filing.

Credits Applicable to Market Participants.”

The first bullet would provide that rebates are indicated by parentheses.

The second bullet would provide that, for purposes of determining transaction fees and credits based on requirements based on quoting levels, average daily volume (“ADV”), and consolidated ADV (“CADV”), the Exchange may exclude shares traded any day that (1) the Exchange is not open for the entire trading day and/or (2) a disruption affects an Exchange system that lasts for more than 60 minutes during regular trading hours. The second proposed bullet would reproduce the language that appears in both the NYSE American Equities and NYSE Arca Equities price lists.⁸

Transaction Fees

The Exchange proposes the following fees and credits for all transactions under new heading I titled “Transaction Fees”:

Liquidity Adding Fees⁹

For securities priced at or above \$1.00, the Exchange proposes the following charges for executions on the Exchange of displayed orders that add liquidity to the Exchange:

- The Exchange proposes to charge \$0.0023 per share for executions on the

⁸ See NYSE American Equities Price List, available at https://www.nyse.com/publicdocs/nyse/markets/nyse-american/NYSE_America_Equities_Price_List.pdf; NYSE Arca Equities Price List, available at https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf.

⁹ Currently, there are two other exchanges (Cboe BYX and Nasdaq BX) that have adopted a fee model that offers rebates to liquidity takers and charges fees to liquidity providers. See Cboe BYX U.S. Equities Exchange Fee Schedule, available at https://markets.cboe.com/us/equities/membership/fee_schedule/byx/, and Nasdaq BX Fee Schedule, available at https://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing.

Exchange of displayed orders that add liquidity to the Exchange.

- The Exchange proposes to charge \$0.0021 per share for executions on the Exchange of orders that set a new BBO¹⁰ and that add liquidity to the Exchange.
- The Exchange proposes to charge \$0.0025 per share for executions on the Exchange of non-displayed orders that add liquidity to the Exchange.
- Finally, the Exchange proposes to charge \$0.0010 per share for executions on the Exchange of Mid-Point Liquidity (“MPL”) orders that add liquidity to the Exchange.

For securities priced below \$1.00, the Exchange does not propose to charge a fee for executions on the Exchange of displayed orders and non-displayed orders that add liquidity to the Exchange.

Liquidity Removing Fees

The Exchange does not propose to charge a fee for executions on the Exchange of orders that remove liquidity from the Exchange. The proposal would apply to securities priced at or above \$1.00.

The Exchange also does not propose to charge a fee for executions on the Exchange of MPL orders that remove liquidity from the Exchange. The proposal would apply to securities priced at or above \$1.00.

For securities priced below \$1.00, the Exchange does not propose to charge a fee for orders that remove liquidity from the Exchange.

¹⁰ The term “BBO” is defined in Rule 1.1 to mean the best bid or offer that is a Protected Quotation on the Exchange. The term “BB” means the best bid that is a Protected Quotation on the Exchange and the term “BO” means the best offer that is a Protected Quotation on the Exchange.

Adding and Remove Tiers For Securities At or Above \$1.00

The Exchange proposes tiered adding requirements for displayed and non-displayed orders in securities priced at or above \$1.00, as follows.

Under the proposed Adding Tier, the Exchange would offer the following fees for transactions in stocks with a per share price of \$1.00 or more when adding liquidity to the Exchange if the ETP Holder has at least 0.015% of Adding ADV as a percent of US CADV:

- \$0.0020 per share for displayed orders;
- \$0.0022 per share for non-displayed orders;
- \$0.0018 per share for orders that set a new Exchange BBO; and
- \$0.0005 per share for MPL orders.

Under the proposed Taking Tier, the Exchange would offer the following credits for transactions in stocks with a per share price of \$1.00 or more when removing liquidity from the Exchange if the ETP Holder has at least 50,000 shares of Adding ADV:

- (\$0.0020) per share for orders;
- (\$0.0002) per share for MPL orders.

The Exchange also proposes to waive the Adding Tier and Taking Tier volume requirements until June 1, 2018, which would be reflected in footnote *.

Routing Fees

Under a new heading II titled “Routing Fees,” the Exchange proposes the following fees for routing, which would be applicable to all orders by ETP Holders that are routed.

For all executions in securities with a price at or above \$1.00 that route to and

execute in an away market,¹¹ the Exchange proposes to charge a fee of \$0.0030 per share for executions.

For securities priced below \$1.00 that route to and execute in an away market, the Exchange proposes to charge a fee of 0.30% of the total dollar value of the transaction.

Port Fees

Under proposed new heading III titled “Port Fees,” the Exchange proposes fees for the use of ports that:

(1) provide connectivity to the Exchange’s trading systems (i.e., ports for entry of orders and/or quotes (“order/quote entry ports”)), and

(2) allow for the receipt of “drop copies” of order or transaction information (“drop copy ports” and, together with order/quote entry ports, “ports”).¹²

For order/quote entry ports, the Exchange proposes to charge \$250 per port per month. The fee would apply to all market participants.

The Exchange proposes not to charge for order/quote entry ports until June 1, 2018. Thereafter, the Exchange proposes to implement the \$250 per port per month fee.

Similarly, the Exchange proposes to charge \$250 per drop copy port per month.

The fee would apply to all market participants. Additionally, the Exchange proposes to

¹¹ The term “Away Market” is defined in Rule 1.1 to mean any exchange, alternative trading system (“ATS”) or other broker-dealer (1) with which the Exchange maintains an electronic linkage and (2) that provides instantaneous responses to orders routed from the Exchange.

¹² Firms receive confirmations of their orders and receive execution reports via the order/quote entry port that is used to enter the order or quote. A “drop copy” contains redundant information that a firm chooses to have “dropped” to another destination (e.g., to allow the firm’s back office and/or compliance department, or another firm – typically the firm’s clearing broker – to have immediate access to the information). Drop copies can only be sent via a drop copy port. Drop copy ports cannot be used to enter orders and/or quotes.

specify that only one fee per drop copy port would apply, even if the port receives drop copies from multiple order/quote entry ports.

The Exchange proposes not to charge for drop copy ports until June 1, 2018. Thereafter, the Exchange proposes to implement the \$250 per port per month fee.

Equity Trading Permit (“ETP”) Fee

The Exchange proposes a new heading IV titled “ETP Fee.” The Exchange does not propose to charge a fee to obtain an ETP.¹³

The proposed changes are not otherwise intended to address any other issues, and the Exchange is not aware of any problems that ETP Holders 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,¹⁴ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,¹⁵ 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.

Liquidity Removing Fees

The Exchange believes that not charging a fee for removing liquidity in securities

¹³ ETP refers to an Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange. See Rule 1.1 (definition of ETP).

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(4) & (5).

priced at or above \$1.00 and securities priced below \$1.00 is reasonable, equitable and not unfairly discriminatory because it would provide a financial incentive to bring additional removing flow to a public market.

Liquidity Adding Fees

The Exchange believes that charging a fee of \$0.0023 per share for liquidity adding displayed orders in securities priced at or above \$1.00 is reasonable, equitable and not unfairly discriminatory because the Exchange must balance the cost of credits for orders that remove liquidity and the fees to provide displayed liquidity. The Exchange believes that the proposed change is both equitable and not unfairly discriminatory because the fee would apply uniformly to all similarly-situated market participants.

The Exchange believes that charging a fee of \$0.0021 per share for liquidity adding orders that set a new Exchange BBO in securities priced at or above \$1.00 is reasonable, equitable and not unfairly discriminatory because the lower fee, compared with the fee of \$0.0023 per share for liquidity adding displayed orders that do not set a new Exchange BBO, will provide an incentive for ETP Holders to improve displayed quotes on the Exchange, which would benefit all market participants.

The Exchange believes that charging a fee of \$0.0025 per share for liquidity adding non-displayed orders in securities priced at or above \$1.00 is reasonable and not unfairly discriminatory because the proposed rate would be lower than the fee charged by other exchanges.¹⁶ The Exchange further believes that the proposed fee is equitable and not unfairly discriminatory because it would apply to all non-displayed orders that add

¹⁶ Nasdaq BX, for instance, charges a fee of \$0.0030 per share for providing non-displayed liquidity for securities priced at or above \$1.00 for all other firms. See Nasdaq BX Exchange Fee Schedule 2018, available at https://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing.

liquidity to the Exchange.

The Exchange believes that charging a lower fee of \$0.0010 per share for liquidity adding MPL orders in securities priced at or above \$1.00 is reasonable, equitable and not unfairly discriminatory because the lower fee would provide an incentive for participation and provide price improvement, which would benefit all market participants.

The Exchange believes that not charging a fee for orders that remove liquidity in securities priced below \$1.00 is reasonable, equitable and not unfairly discriminatory. The Exchange believes that not charging a fee for orders that remove liquidity would encourage price discovery and enhance market quality by encouraging more competitive quoting of displayed orders that add liquidity. The Exchange further believes that not charging a fee for orders that remove liquidity is equitable and not unfairly discriminatory because it is designed to facilitate execution of, and enhance trading opportunities for, displayed orders that add liquidity and that would execute against those orders that remove liquidity, thereby further incentivizing entry of displayed adding orders on the Exchange. The Exchange believes that not charging a fee for orders that remove liquidity would also reduce costs for market participants and investors.

Adding and Remove Tiers For Securities At or Above \$1.00

The Exchange believes that the proposed tiered adding requirements for displayed and non-displayed orders in securities priced at or above \$1.00 are reasonable, equitable and not unfairly discriminatory, as follows.

The proposed Adding Tier fees for adding liquidity (\$0.0020 per share for displayed orders, \$0.0022 per share for non-displayed orders, \$0.0018 per share for

orders that set a new Exchange BBO, and \$0.0005 per share for MPL orders) for ETP Holders with at least 0.015% of Adding CADV in securities with a per share price of \$1.00 or more when adding liquidity are reasonable because it would further contribute to incent ETP Holders to provide increased liquidity on the Exchange, benefiting all ETP Holders. In addition, the Exchange believes that the proposed Adding Tier credits are equitable and not unfairly discriminatory as all similarly situated market participants will be subject to the same credits on an equal and non-discriminatory basis.

Similarly, the proposed Taking Tier credits ((\$0.0020) per share for orders that remove liquidity and (\$0.0002) per share for MPL orders) that remove liquidity for ETP Holders with an Adding ADV of at least 50,000 shares in securities with a per share price of \$1.00 or more when removing liquidity from the Exchange is reasonable, equitable and not unfairly discriminatory because the proposed fees are in line with the fees for removing liquidity on other exchanges.¹⁷

Finally, the Exchange believes it is reasonable to waive the Adding Tier and Taking Tier volume requirements until June 1, 2018, because the waiver for a limited period of time will enable the Exchange to improve its overall competitiveness and strengthen its market quality for all market participants. The proposed waiver is not unfairly discriminatory because it will apply equally to all similarly situated ETP Holders.

Routing Fees

The Exchange believes that its proposed routing fees are reasonable and not an unfairly discriminatory allocation of fees because the fee would be applicable to all ETP

¹⁷ See CBOE BYX Exchange Fee Schedule at https://markets.cboe.com/us/equities/membership/fee_schedule/byx/.

Holders in an equivalent manner. Moreover, the proposed fees for routing shares are also reasonable and not unfairly discriminatory because they are consistent with fees charged on other exchanges. In particular, the Exchange's proposal to charge a fee of \$0.0030 per share for all executions that route to and execute on away markets in securities priced at or above \$1.00 is reasonable and not unfairly discriminatory because it is consistent with fees charged on other exchanges.¹⁸

Finally, the proposal to charge a fee for all executions of 0.30% of total dollar value for transactions in securities with a price under \$1.00 that route to and execute on away markets is reasonable and not unfairly discriminatory because it is consistent with fees charged on other exchanges.¹⁹

Port Fees

The Exchange believes that the proposed rates for order/quote entry ports and drop copy ports are reasonable because the fees charged for both types of ports are expected to permit the Exchange to offset, in part, its connectivity costs associated with making such ports available, including costs based on software and hardware enhancements and resources dedicated to gateway development, quality assurance, and support. The proposed port fees are also reasonable because the proposed fees are comparable to the rates charged by other venues, and in some cases are less expensive

¹⁸ See Nasdaq Exchange Fee Schedule at <http://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>.

¹⁹ NASDAQ, for example, charges a fee of 0.30% (i.e., 30 basis points) of total dollar volume to remove liquidity for shares executed below \$1.00. See NASDAQ Fee Schedule at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>.

than many of the Exchange's competitors.²⁰

The Exchange believes that the proposed fee for order/quote entry ports is equitable and not unfairly discriminatory because charges for order/entry ports will be based on the number of ports utilized. This aspect of the proposed rule change is also equitable and not unfairly discriminatory because it will apply on an equal basis for all ports on the Exchange. The Exchange also believes that these fees are equitable and not unfairly discriminatory because they would apply to all users of order/quote entry ports on the Exchange.

The Exchange believes that the proposed fee for drop copy ports is reasonable because it will result in a fee being charged for the use of technology and infrastructure provided by the Exchange. In this regard, the Exchange believes that the rate is reasonable because it is comparable to the rate charged by other exchanges for drop copy ports.²¹

The Exchange also believes that it is reasonable that only one fee per drop copy port would apply, even if the port receives drop copies from multiple order/quote entry ports, because the purpose of drop copies is such that a trading unit's or a firm's entire

²⁰ For example, NASDAQ charges \$575 for order entry ports and \$550 for DROP ports. See NASDAQ Fee Schedule at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2#connectivity>. Also, Cboe BZX charges \$550 per month per pair for logical ports. See Cboe BZX U.S. Equities Exchange Fee Schedule at https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/. Additionally, Cboe EDGA and Cboe EDGX each charge \$550 per port per month. See Cboe EDGA U.S. Equities Exchange Fee Schedule at https://markets.cboe.com/us/equities/membership/fee_schedule/edga/ and Cboe EDGX U.S. Equities Exchange Fee Schedule at https://markets.cboe.com/us/equities/membership/fee_schedule/edgx/.

²¹ See note 20, *supra*.

order and execution activity is captured. The Exchange believes that the proposed new fee for drop copy ports is equitable and not unfairly discriminatory because it will apply on an equal basis to all users of drop copy ports and to all drop copy ports on the Exchange. In this regard, all firms will be able to request drop copy ports, as would be the case with order/quote entry ports.

ETP Fee

The Exchange believes that not charging a fee to obtain an ETP on the Exchange is reasonable because it may incentivize broker-dealers to become Exchange permit holders and to direct order flow to the Exchange, which benefits all market participants through increased liquidity and enhanced price discovery.

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,²² 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 changes would encourage the submission of additional liquidity to a public exchange, thereby promoting price discovery and transparency and enhancing order execution opportunities for ETP Holders. The Exchange believes that this could promote competition between the Exchange and other execution venues, including those

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15 U.S.C. 78f(b)(8).

that currently offer similar order types and comparable transaction pricing, by encouraging additional orders to be sent to the Exchange for execution.

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 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 ETP Holders 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)²³ of the Act and subparagraph (f)(2) of Rule 19b-4²⁴ thereunder, because it

²³ 15 U.S.C. 78s(b)(3)(A).

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)²⁵ 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-NYSENAT-2018-12 on the subject line.

²⁴ 17 CFR 240.19b-4(f)(2).

²⁵ 15 U.S.C. 78s(b)(2)(B).

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-NYSENAT-2018-12. 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. 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-NYSENAT-2018-12 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.²⁶

Eduardo A. Aleman
Assistant Secretary

²⁶ 17 CFR 200.30-3(a)(12).