

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73996; File No. SR-NYSE-2014-74)

January 6, 2015

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Its Price List Related to Fees for Trading Licenses to Extend the Current Fee Schedule to February 27, 2015 and to Implement New Trading License Fees Effective March 1, 2015

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on December 23, 2014, New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, and II 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 related to fees for trading licenses to extend the current fee schedule to February 27, 2015 and to implement new trading license fees effective March 1, 2015. The text of 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

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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.

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 extend the current fee schedule to February 27, 2015 and to implement new trading license fees effective March 1, 2015.

NYSE Rule 300(b) provides that, in each annual offering, up to 1,366 trading licenses for the following calendar year will be sold annually at a price per trading license to be established each year by the Exchange pursuant to a rule filing submitted to the Securities and Exchange Commission ("Commission") and that the price per trading license will be published each year in the Exchange's Price List. Currently, the Exchange charges an annual fee of \$40,000 per license for the first two trading licenses held by a member organization and \$25,000 for each additional trading license. For trading licenses issued after July 1, 2013, fees are prorated for the portion of the calendar year that the trading license is outstanding.<sup>4</sup> However, if a member organization is issued additional trading licenses between July 1, 2013 and December 31, 2014, and the total number of trading licenses held by the member organization between July 1, 2013 and December 31, 2014 is greater than the total number of trading licenses held by the member organization on July 1, 2013, the member organization would not be charged a prorated fee for the period from

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<sup>4</sup> For a trading license that is in place for 15 calendar days or less in a calendar month, proration for that month would be at a flat rate of \$100 per day with no tier pricing involved. For a trading license that is in place for 16 calendar days or more in a calendar month, proration for that month would be computed based on the number of days as applied to the applicable annual fee for the trading license. See Price List at current n. 16.

July 3, 2013 to December 31, 2014 for those additional trading licenses above the number the member organization held on July 1, 2013.<sup>5</sup>

For 2015, the Exchange proposes to extend the current fee schedule relating to trading license fees through February 27, 2015 and amend the trading license fees effective March 1, 2015.

For the period between January 2, 2015 and February 27, 2015, the Exchange proposes to retain the current fee schedule relating to trading licenses, including the fee relief for additional licenses. As a result, an annual fee would not apply to the number of trading licenses issued to a member organization between July 3, 2013 and February 27, 2015 that exceeds the total number of trading licenses held by the member organization on July 1, 2013. The Exchange proposes to maintain July 1, 2013 as the baseline date so that a consistent point in time would be used to determine how many trading licenses for which a member organization would be charged. The fee calculation for new or merged member organizations would also be extended. Thus, for any firm that becomes a member organization after July 1, 2013, the firm would be considered to have one trading license as of July 1, 2013 and charged a fee for that one license through February 27, 2015. The Exchange proposes to extend the current fee schedule for the first two months of 2015 in order to maintain the existing fee schedule relating to trading licenses and

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<sup>5</sup> See Securities Exchange Act Release No. 71215 (December 31, 2013), 79 FR 885 (January 7, 2014) (SR-NYSE-2013-82). See also Price List at current n. 15. If a firm becomes a member organization after July 1, 2013, the firm is assigned a baseline of one trading license and charged a prorated fee for that license. Any trading licenses in addition to the first trading license are not charged a prorated fee for the period from July 3, 2013 to December 31, 2014. If a member organization merges with another member organization on or after July 1, 2013, the total combined number of trading licenses held by each member organization on July 1, 2013 is considered the baseline number of trading licenses for the successor member organization as of the date of the merger. See generally id.

provide member organizations with advance notice of the trading license fee changes that the Exchange proposes to introduce on March 1, 2015.

Effective March 1, 2015, the Exchange proposes to charge an annual fee of \$50,000 for the first license held by a member organization and \$15,000 for each additional license. The Exchange proposes to eliminate the existing fee relief for additional licenses and delete the relevant text from current footnote 15.

The Exchange also proposes to introduce a \$25,000 annual administrative fee for member organizations that do not own a trading license and agree to be regulated by the Exchange pursuant to Rule 2(b)(ii) (“Regulated Only Members”) to offset the costs of this membership category.<sup>6</sup>

The Exchange proposes to continue prorating license fees for any portion of the year that a license may be outstanding, including the administrative fee for Regulated Only members.<sup>7</sup>

The Exchange also proposes to correct a typographical error in the heading of the Price List where the word “Licenses” is misspelled.

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<sup>6</sup> Rule 2(b)(ii) recognizes as “member organizations” any registered broker or dealer that is a member of the Financial Industry Regulatory Authority (“FINRA”) or a registered securities exchange consistent with the requirements of Rule 2(b)(i) and “which does not own a trading license and agrees to be regulated by the Exchange as a member organization and which the Exchange has agreed to regulate.” Regulated Only Members cannot enter orders on, or clear through, the Exchange but are subject to regulation by the Exchange, including periodic examination by FINRA on the Exchange’s behalf.

<sup>7</sup> See note 4, *supra*. Firms becoming member organizations between January 2, 2015 and February 27, 2015 would pay a prorated fee for one license at the current rate of \$40,000 until February 27, 2015 and then pay a prorated amount of the new proposed fee of \$50,000 for the remainder of 2015. Firms becoming Regulated Only Members between January 2, 2015 and February 27, 2015 would pay no fee and would pay a prorated fee beginning March 1, 2015 for the remainder of the year.

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,<sup>8</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>9</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 change is reasonable because maintaining the current fee structure through February 27, 2014[sic], including fee relief for the number of trading licenses that exceeds the total number of trading licenses held by the member organization on July 1, 2013, would maintain the existing fee schedule relating to trading licenses while at the same time providing member organizations with a reasonable period to assess the impact of the new permanent fees the Exchange proposes for March 1, 2015 and effectuate an orderly transition to the new fee schedule. The Exchange believes that maintaining the current fee structure for the first two months of 2015 would also continue to encourage member organizations to hold additional trading licenses during that time, which would increase the number of market participants trading on the floor of the Exchange, thereby promoting liquidity, price discovery and the opportunity for price improvement for the benefit of all market participants. The Exchange also believes that it is reasonable to maintain July 1, 2013 as the

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

<sup>9</sup> 15 U.S.C. 78f(b)(4) and (5).

applicable baseline date so that a consistent point in time would be used to determine how many trading licenses for which a member organization would be charged, which would continue to provide member organizations with greater flexibility in managing their personnel.

The Exchange further believes that the proposal to maintain the current fee schedule through February 27, 2015 is equitable and not unfairly discriminatory because all similarly situated member organizations would continue to be subject to the same trading license fee structure and because access to the Exchange's market would continue to be offered on fair and nondiscriminatory terms. The Exchange also believes that the proposal to maintain the current fee schedule is equitable and not unfairly discriminatory because all member organizations would continue to have the opportunity to enjoy the benefits of the fee relief with respect to additional trading licenses. The Exchange believes that it is equitable and not unfairly discriminatory to continue to assign new member organizations a baseline of one trading license because this will continue to encourage firms to become member organizations, thereby encouraging trading activity on the Exchange, which benefits all market participants.

The Exchange believes that the proposal to institute a new fee structure on March 1, 2015, which would eliminate fee relief for additional licenses and introduce a simpler model, is reasonable because member organizations would be able to purchase the initial license for slightly more than the current rate and add unlimited additional licenses at a significantly lower rate. The Exchange believes that the proposed trading license change would encourage additional firms to become member organizations on the Exchange, which would contribute to the quality of the Exchange's market and increase the number of market participants trading on the floor of the Exchange, thereby also promoting liquidity, price discovery and the opportunity for price improvement for the benefit of all market participants. The Exchange believes that the

proposal would increase the number of market participants trading on the floor of the Exchange and continue to provide member organizations with greater flexibility in managing their personnel.

The Exchange further believes that the proposed new fee schedule is equitable and not unfairly discriminatory because all similarly situated member organizations would continue to be subject to the same trading license fee structure and because access to the Exchange's market would continue to be offered on fair and nondiscriminatory terms. The Exchange further believes that the proposal to introduce a \$25,000 annual administrative fee for Regulated Only Members is reasonable, equitable and not unfairly discriminatory because all member organizations that seek this status under Rule 2(b)(ii) would be subject to the same fee. The Exchange also believes that it is equitable and not unfairly discriminatory to subject Regulated Only Members to an administrative fee because such member organizations are subject to the same membership costs as non-Regulated Only Members.

The Exchange also believes that correcting a typographical error on the Price List is consistent with the Act because it would add greater clarity for member organizations.

For these 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,<sup>10</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. Instead, the Exchange believes that the proposal to maintain the current fee schedule through February 27, 2015 would help to remove a potential burden on competition by making it easier for member organizations to appropriately staff the

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<sup>10</sup> 15 U.S.C. 78f(b)(8).

floor of the Exchange, which is a key feature of the Exchange's structure for offering a fair and orderly market and competing with other exchanges. Further, the Exchange believes that the proposed new fee schedule would also contribute to making membership on the Exchange as a member organization more economical and could therefore lead to increased competition on the Exchange between member organizations.

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 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>11</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>12</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>13</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSE-2014-74 on the subject line.

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

<sup>13</sup> 15 U.S.C. 78s(b)(2)(B).

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-2014-74. 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 20549-1090. 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](http://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-2014-74 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>14</sup>

Brent J. Fields  
Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).