8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77591; File No. SR-NYSE-2016-26)

April 12, 2016

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Its Price List to Adopt a Rebate Program for the NYSE Bonds[SM] System

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 March 29, 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, effective April 1, 2016, to adopt a rebate program for the NYSE BondsSM system. 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 discussed any comments it received on the proposed rule change. The text of those statements may be examined at the

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

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Price List, effective April 1, 2016, to adopt a rebate program for the NYSE Bonds system.

The Exchange currently charges an execution fee per bond for orders that take liquidity from the NYSE Bonds Book. For executions of one to 10 bonds, the Exchange charges $0.50 per bond; for executions of 11 to 25 bonds, the Exchange charges $0.20 per bond; and for executions of 26 bonds or more, the Exchange charges $0.10 per bond. The execution fees for bonds are subject to a $100.00 maximum fee per execution. The Exchange currently does not provide any rebates for bond transactions, other than rebates for bond liquidity providers that meet the requirements of Rule 88.[4] The Exchange is not proposing any change to the bond liquidity provider rebate program.

The Exchange proposes to adopt the Liquidity Provider Incentive Program, a voluntary rebate program relating to bonds pursuant to which the Exchange would pay Users[5] of NYSE Bonds a monthly rebate provided Users who opt into the proposed rebate program meet specified quoting requirements. Under the program, the rebate payable would be based on the number of CUSIPs[6] a User decides to quote. The more CUSIPs quoted by a User, the higher the rebate that

---

4 There are currently no bond liquidity providers who meet the requirements of Rule 88 and therefore no rebates are currently provided under the program.

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

6 CUSIP stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most financial instruments, including: stocks of all registered U.S. and

would be payable by the Exchange to the User. The Exchange believes that the proposed changes would encourage additional displayed liquidity in bonds on the Exchange.

As proposed, the rebate amount would be tiered based on the number of CUSIPs quoted by a User, as follows:

Liquidity Provider Incentive Program	
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 would have to provide continuous two-sided quotes for at least eighty percent (80%) of the time during the Core Bond Trading Session[7] for an entire calendar month. The Exchange would calculate 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. The Exchange would provide Users a report on a daily basis with quoting statistics so that Users can determine whether or not they are meeting the Exchange's current stated criteria. Under the program, Users must provide a two-sided quote for a minimum of hundred (100) bonds per side of the market with an average spread of half-point ($0.50) or less in CUSIPs whose average maturity is at least five (5) years as of the date the User provides a quote. Average maturity is calculated by determining the number of calendar days between the quote date and the maturity date of a bond. The resulting number (total days to maturity) is divided by 365 to derive the maturity in years.

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.

7 The Core Bond Trading Session commences with the Core Bond Auction at 8:00 a.m. ET and concludes at 5:00 p.m. ET. See Rule 86(i)(2).

As an incentive for Users to opt in to the Liquidity Provider Incentive Program, the Exchange proposes a lower quoting requirement of 50% that would be applicable for the first calendar month after a User opts in. After the first calendar month, the User would be required to meet the 80% quoting requirement to receive a rebate. A User who first opts in, and who therefore would be subject to the 50% quoting requirement for the first calendar month, and then opts out, would not be entitled to the 50% quoting incentive if that User decides to opt in to the program again at a later date. The 50% quoting incentive would only be available to a User once for the first calendar month after the User first opts in to the Liquidity Provider Incentive Program.

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

The Liquidity Provider Incentive Program would be applicable on trading days, as determined by Securities Industry and Financial Markets Association ("SIFMA"),[8] and not the Exchange.

As noted above, the Liquidity Provider Incentive Program would be voluntary and Users that wish to participate would be required to opt in by notifying the Exchange via electronic email. Users would be required to communicate to the Exchange their intention to opt in, or to

---

8 The SIFMA holiday schedule for 2016 is available at http://www.sifma.org/services/holiday-schedule/#us2016.

opt out if they are already participating in the program, by the end of the Core Bond Trading Session on the first trading day of a calendar month.

The Exchange proposes that if a User meets the quoting requirements for a given month, that User would be entitled to a rebate that month. As proposed, the amount of the rebate would be based on the number of CUSIPs in which the User met the quoting requirement. For example, a User who opts in to the Liquidity Provider Incentive Program on the first trading day of the month and provides a two-sided quote in 500 CUSIPs, whose average maturity is at least five (5) years as of the quote date, for at least 50% of the time during the Core Bond Trading Session for that entire calendar month, would receive a rebate of $10,000 for that month. For subsequent months, this User would be required to provide a two-sided quote for at least 80% of the time during the Core Bond Trading Session in order for the User to continue to receive the rebate.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[9] in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,[10] 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 it is reasonable and equitable to adopt the Liquidity Provider Incentive Program for the bonds trading platform, which would provide rebates for member organizations that provide liquidity and meet quoting volume requirements. The proposed rebate program would provide incentives for additional liquidity at the Exchange. The Exchange believes that the proposed quoting

9 15 U.S.C. 78f(b).

10 15 U.S.C. 78f(b)(4), (5).

requirements to qualify for rebates, which would be based on the size, spread and maturity dates, 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.

The Exchange also believes it is reasonable and equitable to charge a fee to Users who opt in to the proposed rebate program when they provide liquidity in bonds traded on the Exchange. The proposed maker fee is intended to offset the significant rebates proposed by the Exchange, which would increase as the number of CUSIPs quoted by a User increases. The Exchange further believes the proposed fee change is not unfairly discriminatory because all member organizations that opt in to the Liquidity Provider Incentive Program would be subject to the same fees.

Finally, 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 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.[11] As

---

11 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.

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

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

In accordance with Section 6(b)(8) of the Act,[13] 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

---

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

13 15 U.S.C. 78f(b)(8).

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 incentives to engage in bonds transactions on the Exchange and rewarding market participants for actively quoting and providing liquidity in the only transparent bond market, which the Exchange believes will enhance market quality.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues that are not transparent. In such an environment, the Exchange must continually review, and consider adjusting its fees and rebates to remain competitive with other exchanges as well as with alternative trading systems and other venues that are not required to comply with the statutory standards applicable to exchanges. 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)[14] of the Act and subparagraph (f)(2) of Rule 19b-4[15] thereunder, because it establishes a due, fee, or

---

14 15 U.S.C. 78s(b)(3)(A).

15 17 CFR 240.19b-4(f)(2).

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)[16] 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-2016-26 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-2016-26. 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

[16] 15 U.S.C. 78s(b)(2)(B).

of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSE-2016-26, 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.[17]

Robert W. Errett
Deputy Secretary

---

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

[FR Doc. 2016-08822 Filed: 4/15/2016 8:45 am; Publication Date: 4/18/2016]