

the execution of order flow from broker dealers'. . . .'<sup>10</sup> Although the court and the SEC were discussing the cash equities markets, the Exchange believes that these views apply with equal force to the options markets.

The Exchange believes that its proposed fee is reasonable because it benefits participants by providing a new way in which members may qualify for a reduced transaction fee, while also incentivizing members to add liquidity to the Exchange. It is also reasonable for the Exchange to charge a higher fee for a Midpoint pegging order that receives price improvement relative to the midpoint of the NBBO than it does for a Midpoint pegging order that executes at the Midpoint because the former order receives a better price than the latter one relative to the midpoint of the NBBO.

The Exchange believes that the proposed fee is an equitable allocation and is not unfairly discriminatory because the Exchange will apply the same fee to all similarly situated members.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, 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 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 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.

In this instance, the proposed fee does not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition both

from other exchanges and from off-exchange venues. The proposed fee will apply to all similarly situated members.

Moreover, the proposal promotes competition because the Exchange intends for it to incentivize members to add liquidity to the Exchange, potentially attracting additional participants to the Exchange.

In sum, if the change proposed herein is unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed change will impair the ability of members 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 either solicited or received.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>11</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2018-018 on the subject line.

#### *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-BX-2018-018. This file number should be included on the subject line if email 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. 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-BX-2018-018 and should be submitted on or before June 8, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

[FR Doc. 2018-10600 Filed 5-17-18; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-83230; File No. SR-NYSE-2018-21]**

### **Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend its Price List**

May 14, 2018.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 (the

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

<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>10</sup> *Id.* at 539 (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

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

“Act”)<sup>2</sup> and Rule 19b–4 thereunder,<sup>3</sup> notice is hereby given that, on April 30, 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 (1) amend the cap applicable to certain transactions at the open; (2) offer an optional monthly per security credit to Designated Market Makers (“DMM”) that elect to receive a lower rebate per share credit; (3) amend the NYSE Crossing Session II (“NYSE CSII”) fee cap; (4) offer a rebate for UTP executions in orders designated as “retail” that add liquidity to the Exchange; and (5) modify the quoting requirements for the Supplemental Liquidity Provider (“SLP”) tiered rates for displayed and non-displayed orders in UTP securities. 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 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 (1) amend the cap applicable to certain transactions at the open; (2) offer an optional monthly per security credit to DMMs that elect to

receive a lower rebate per share credit; (3) amend the NYSE CSII fee cap; (4) offer a rebate for UTP executions in orders designated as “retail” that add liquidity to the Exchange; and (5) modify the quoting requirements for the SLP tiered rates for displayed and non-displayed orders in UTP securities.

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

##### Executions at the Open

For securities priced \$1.00 or more, the Exchange currently charges fees of \$0.0010 per share for executions at open, and \$0.0003 per share for Floor broker executions at the open, subject to \$30,000 cap per month per member organization, provided the member organization executes an ADV that adds liquidity to the Exchange during the billing month (“Adding ADV”),<sup>4</sup> excluding liquidity added by a DMM, of at least five million shares. The Exchange proposes an alternative, lower \$20,000 monthly fee cap for member organizations that execute an ADV that takes liquidity from the NYSE during the billing month (“Taking ADV”), excluding liquidity taken by a DMM, of at least 1.30% of NYSE CADV and an ADV of orders for execution at the open (“Open ADV”) of at least 8 million shares. The \$0.0010 per share fee for executions at the open and \$0.0003 per share for Floor broker executions at the open would not be changed. DMMs currently are not charged for executions at the opening and would continue to not be charged.<sup>5</sup>

##### DMM Optional Monthly Rebate Per Security Credit

The Exchange proposes an optional monthly rebate per security (“Rebate Per Security”) to DMMs with 100 or more assigned securities, up to a maximum credit of \$100,000 per month across all DMM assigned securities, that elect to receive a lower monthly rebate per share credit (“Optional Credit”) for all assigned securities. DMMs electing the Rebate per Security and corresponding Optional Credit for all assigned securities would be required to notify the Exchange prior to the start of a calendar quarter to be effective for that and subsequent quarters. Similarly, DMMs electing to suspend the Rebate

per Security and corresponding Optional Credit for that suspension to be effective for that and subsequent quarters would be required to notify the Exchange prior to the start of that calendar quarter.

As proposed, the Rebate Per Security would be available for the following calendar quarter for assigned securities that meet the following quoting requirements:

First, in More Active Securities,<sup>6</sup> if the DMM that elects the Optional Credit meets the More Active Securities Quoting Requirement in an assigned security,<sup>7</sup> that DMM’s assigned security would be eligible for a:

- \$100.00 Rebate per Security if the DMM quotes at the NBBO in the applicable security 30% of the time or more in the applicable month;
- \$75.00 Rebate Per Security if the DMM quotes at least 20% and up to 30% of the time in the applicable month; and
- \$50.00 if the DMM quotes at least 10% and up to 20% of the time in the applicable month.

Second, in Less Active Securities,<sup>8</sup> if the DMM that elects the Optional Credit meets the Less Active Securities Quoting Requirement in an assigned security,<sup>9</sup> that DMM’s assigned security would be eligible for a

- \$200.00 Rebate per Security if the DMM quotes at the NBBO in the applicable security 60% of the time or more in the applicable month;
- \$125.00 if the DMM quotes at least 40% and up to 60% of the time in the applicable month; and

<sup>6</sup> “More Active Securities” are securities with an average daily consolidated volume (“Security CADV”) in the previous month equal to or greater than 1,000,000 shares per month.

<sup>7</sup> The “More Active Securities Quoting Requirement” is met if the More Active Security has a stock price of \$1.00 or more and the DMM quotes at the National Best Bid or Offer (“NBBO”) in the applicable security at least 10% of the time in the applicable month. Both “More Active Securities” and the “More Active Securities Quoting Requirement” are defined in the current Price List. The Exchange is not proposing any changes to these definitions and proposes to relocate them to the new proposed text describing the optional rebate.

<sup>8</sup> “Less Active Securities” are securities with Security CADV of less than 1,000,000 shares per month in the previous month.

<sup>9</sup> The “Less Active Securities Quoting Requirement” is met if the Less Active Security has a stock price of \$1.00 or more and the DMM quotes at the NBBO in the applicable security at least 15% of the time in the applicable month. Both “Less Active Securities” and the “Less Active Securities Quoting Requirement” are defined in the current Price List. As with the definitions of More Active Securities and the More Active Securities Quoting Requirement, the Exchange is not proposing any changes to these definitions and proposes to relocate them to the new proposed text describing the optional rebate.

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b–4.

<sup>4</sup> Footnote 2 to the Price List defines ADV as “average daily volume” and “Adding ADV” as ADV that adds liquidity to the Exchange during the billing month. The Exchange is not proposing to change these definitions.

<sup>5</sup> The existing pricing for executions at the opening in securities priced below \$1.00 would also remain unchanged (*i.e.*, 0.3% of the total dollar value of the transaction).

- \$100.00 if the DMM quotes at least 15% and up to 40% of the time in the applicable month.

The Exchange proposes to amend the current DMM rebates to reflect the proposed corresponding lower Optional Credits for DMMs that elect for the Rebate per Security, as follows.

#### More Active Securities

Currently, DMMs earn a rebate of \$0.0027 per share when adding liquidity with orders, other than Mid-Point Liquidity Orders (“MPL Order”), in More Active Securities if the More Active Security has a stock price of \$1.00 or more and the DMM meets the More Active Securities Quoting Requirement and has a DMM Quoted Size for an applicable month that is at least 5% of the NYSE Quoted Size,<sup>10</sup> unless the more favorable rates set forth below in the Price List apply. The Exchange proposes that DMMs electing the optional Rebate per Security would instead receive an Optional Credit of \$0.0026 per share if the quoting requirements are met.

Currently, DMMs earn a rebate of \$0.0031 per share when adding liquidity with orders, other than MPL Orders, in More Active Securities if the More Active Security has a stock price of \$1.00 or more and the DMM meets (1) the More Active Securities Quoting Requirement, (2) has a DMM Quoted Size for an applicable month that is at least 10% of the NYSE Quoted Size, and (3) the DMM quotes at the NBBO in the applicable security at least 20% of the time in the applicable month and for providing liquidity that is more than 5% of the NYSE’s total intraday adding liquidity in each such security for that month. The Exchange proposes that DMMs electing the optional Rebate per Security would instead receive an Optional Credit of \$0.0030 per share if the quoting and providing requirements are met.

Similarly, DMMs currently earn a rebate of \$0.0034 per share when adding liquidity with orders, other than MPL Orders, in More Active Securities if the More Active Security has a stock price of \$1.00 or more and the DMM meets (1) the More Active Securities Quoting Requirement, (2) has a DMM Quoted Size for an applicable month that is at least 15% of the NYSE Quoted Size, for

providing liquidity that is more than 15% of the NYSE’s total intraday adding liquidity in each such security for that month, and (3) the DMMs quotes at the NBBO in the applicable security at least 30% of the time in the applicable month. The Exchange proposes that DMMs electing the optional Rebate per Security would instead receive an Optional Credit of \$0.0033 per share if the quoting and providing requirements are met.

DMMs currently earn a \$0.0035 per share when adding liquidity with orders, other than MPL Orders, in More Active Securities if the More Active Security has a stock price of \$1.00 or more and the DMM meets (1) the More Active Securities Quoting Requirement, (2) has a DMM Quoted Size for an applicable month that is at least 25% of the NYSE Quoted Size, for providing liquidity that is more than 15% of the NYSE’s total intraday adding liquidity in each such security for that month, and (3) the DMMs quotes at the NBBO in the applicable security at least 50% of the time in the applicable month. The Exchange proposes that DMMs electing the optional Rebate per Security would instead receive an Optional Credit of \$0.0034 per share if the quoting and providing requirements are met.

DMMs currently earn a rebate of \$0.0015 per share when adding liquidity with orders, other than MPL orders, in More Active Securities if the More Active Security has a stock price of \$1.00 or more and the DMM does not meet the More Active Securities Quoting in the applicable month. The Exchange proposes that DMMs electing the optional Rebate per Security would instead receive an Optional Credit of \$0.0014 per share if the quoting requirements are met.

DMMs are currently eligible for a rebate of \$0.0035 per share when adding liquidity with orders, other than MPL orders, in Less Active Securities if the Less Active Security has a stock price of \$1.00 or more and the DMM meets the Less Active Securities Quoting in the applicable month. The Exchange proposes that DMMs electing the optional Rebate per Security would instead receive an Optional Credit of \$0.0031 per share if the quoting requirements are met.

DMMs are currently eligible for a rebate of \$0.0045 per share when adding liquidity with orders, other than MPL orders, in Less Active Securities if the Less Active Security has a stock price of \$1.00 or more and the DMM quotes at the NBBO in the applicable security at least 30% of the time in the applicable month. The Exchange proposes that DMMs electing the optional Rebate per

Security would instead receive an Optional Credit of \$0.0041 per share if the quoting requirements are met.

Finally, DMMs are currently eligible for a rebate of \$0.0015 per share when adding liquidity in shares of Less Active Securities if the Less Active Security has a stock price of \$1.00 or more and the DMM does not meet the Less Active Securities Quoting Requirement in the applicable security in the applicable month. The Exchange proposes to move this rate from its current position in the Price List to directly following the rebate described in the previous paragraph and proposes that DMMs electing the optional Rebate per Security would instead receive an Optional Credit of \$0.0011 per share if the quoting requirements are met.

#### NYSE CSII Fee Cap

Currently, the Exchange charges a fee of \$0.0004 per share (both sides) for executions in NYSE CSII.<sup>11</sup> Fees for executions in CSII are capped at \$100,000 [sic] per month per member organization. The Exchange proposes an alternative, lower cap of \$25,000 per month per member organization for member organizations that execute a Taking ADV, excluding liquidity taken by a DMM, of at least 1.30% of NYSE CADV and Open ADV of at least 8 million shares. The \$0.0004 per share fee for executions in NYSE CSII would remain unchanged.

#### Proposed Changes to Fees and Credits for UTP Securities

On April 9, 2018, the Exchange began trading UTP Securities on the Exchange on the Pillar trading platform.<sup>12</sup> The Exchange proposes the following changes to the fees and credits for UTP Securities.

#### Retail Credit

For securities priced at or above \$1.00, the Exchange proposes a rebate of \$0.0030 per share for UTP executions in orders designated as “retail”<sup>13</sup> that add liquidity to the Exchange.

<sup>11</sup> CSII runs on the Exchange from 4:00 p.m. to 6:30 p.m. Eastern Time and handles member organization crosses of baskets of securities of aggregate-priced buy and sell orders. See NYSE Rules 900–907.

<sup>12</sup> See Securities Exchange Act Release No. 82945 (March 26, 2018), 83 FR 13553 (March 29, 2018) (SR–NYSE–2017–36) (the “UTP Trading Rules Filing”). The term “UTP Security” means a security that is listed on a national securities exchange other than the Exchange and that trades on the Exchange pursuant to unlisted trading privileges. See Rule 1.1(ii).

<sup>13</sup> Orders designated as “retail” are orders that satisfy the Retail Modifier requirements of Rule 13.

<sup>10</sup> The “NYSE Quoted Size” is calculated by multiplying the average number of shares quoted on the NYSE at the NBBO by the percentage of time the NYSE had a quote posted at the NBBO. The “DMM Quoted Size” is calculated by multiplying the average number of shares of the applicable security quoted at the NBBO by the DMM by the percentage of time during which the DMM quoted at the NBBO. See Price List, n. 7.

### Quoting Requirements for SLP Tiered Credits

Currently, the Exchange offers tiered rates for displayed and nondisplayed orders by SLPs that add liquidity to the Exchange in UTP Securities priced at or above \$1.00. Specifically, Tier 2 provides a \$0.0029 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 0.01% per tape, and (2) meets the 10% average or more quoting requirement in 250 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.

Similarly, 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 0.05% 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.

Finally, the Tape A Tier provides a \$0.00005 per share in an assigned UTP Security in addition to the Tape A SLP credit in Tape A assigned securities for SLPs adding displayed liquidity to the Exchange if the SLP (1) qualifies for the SLP Tier 1 provide rate in both Tape B and C or (2) quotes in excess of the 10% average quoting requirement in 300 or more assigned securities separately in Tapes B and Tape C pursuant to Rule 107B, and (3) where the SLP meets the 10% average quoting requirement pursuant to Rule 107B.

The provide volume component of the above SLP Tier requirements are waived until June 1, 2018.

In each case, the Exchange proposes to clarify that the quoting requirement (item (2) in the above description of the tier requirements) means quoting on an average daily basis, calculated monthly. To effectuate this change, the Exchange proposes to add the phrase “, on an average daily basis, calculated monthly,” after “quotes” in Tier 2, Tier 1 and the Tape A Tier.

\* \* \* \* \*

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,<sup>14</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>15</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.

### Executions at the Open

The Exchange believes that the proposed additional \$20,000 cap for executions at the open for member organizations executing a Taking ADV, excluding liquidity taken by a DMM, of at least 1.30% of NYSE CADV and Open ADV of at least 8 million shares is reasonable, equitable and not unfairly discriminatory because it would encourage additional liquidity on the Exchange's opening auction and because members and member organizations benefit from the substantial amounts of liquidity that are present on the Exchange during such time.

The Exchange believes the proposed change is equitable and not unfairly discriminatory because it would continue to encourage member organizations to send orders to the open, thereby contributing to robust levels of liquidity in the open, which benefits all market participants. The proposed fee will encourage the submission of additional liquidity to a national securities exchange, thereby promoting price discovery and transparency and enhancing order execution opportunities for member organizations from the substantial amounts of liquidity that are present on the Exchange during the opening. Moreover, the requirement is equitable and not unfairly discriminatory because it would apply equally to all similarly situated member organizations. Finally, the Exchange notes that the current fee and current and proposed caps together are comparable to those for executions at the opening on other markets.<sup>16</sup>

<sup>14</sup> 15 U.S.C. 78f(b).

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

<sup>16</sup> For example, NASDAQ charges \$0.0015 per share for certain orders executed in the NASDAQ Opening Cross and applies a \$35,000 fee cap per month per firm for such executions. See Nasdaq Rule 7018(e).

### DMM Optional Monthly Rebate Per Security Credit

The Exchange believes that providing Exchange DMMs with the option to receive lower per share transaction credits in exchange for monthly rebates per assigned security, up to a maximum credit of \$100,000 per month across all DMM assigned securities, is reasonable, equitable and not unfairly discriminatory because it would foster liquidity provision and stability in the marketplace and lessen DMM reliance on transaction fees, to the benefit of the marketplace and all market participants. Moreover, the proposal is reasonable, equitable and not unfairly discriminatory because it would balance the increased risks and heightened quoting and other obligations that DMMs on the Exchange have and that other market participants do not have. As such, it is equitable and not unfairly discriminatory to offer DMMs the option to receive a flat per security credit coupled with lower transaction fees that are in line with the best credit for other member organizations that do not have the same quoting and trading obligations as DMMs.<sup>17</sup> The requirement is also equitable and not unfairly discriminatory because it would apply equally to all DMM firms, who would have the option to elect (or not elect) to participate on a quarterly basis.

The Exchange also believes that assigning a maximum credit of \$100,000 per month for the Rebate Per Security is reasonable, equitable and not unfairly discriminatory. Further, the Exchange believes offering this credit to DMMs with 100 or more assigned securities will provide a further incentive for DMMs to quote and trade a greater number of securities on the Exchange and will generally allow the Exchange and DMMs to better compete for order flow, and thus enhance competition. The Exchange also believes that requirement of 100 or more assigned securities to qualify for the credit is equitable and not unfairly discriminatory because it would apply equally to all DMM firms.

### NYSE CSII Fee Cap

The Exchange believes that the proposed additional, lower monthly fee

<sup>17</sup> The proposed lower transaction fees are in line with the best credit for member organizations of \$0.0022 when the member organization has “Adding ADV” (i.e., when a member organization has ADV that adds liquidity to the Exchange during the billing month, excluding any liquidity added by a DMM) of at least 1.10% of NYSE CADV (defined in the Price List as the consolidated average daily volume of NYSE-listed securities), and executes MOC and LOC orders of at least 0.12% of NYSE CADV.

cap for CSII transactions is reasonable and an equitable allocation of fees because it would encourage the execution of additional liquidity on a public exchange, thereby promoting price discovery and transparency. The proposed change is also equitable and not unfairly discriminatory because those member organizations that make significant contributions to market quality and that contribute to price discovery by executing higher volumes would receive a lower fee. Further, the Exchange believes that the proposed cap is reasonable, equitable and not unfairly discriminatory because all similarly situated member organizations will be subject to the same fee structure and access to the Exchange's market would continue to be offered on fair and non-discriminatory terms.

#### Retail Credit

The Exchange believes that the proposed credit of \$0.0030 per share for UTP executions in orders designated as "retail" that add liquidity to the Exchange is reasonable, equitable and not unfairly discriminatory because it will encourage member organizations to provide additional retail order flow to a public market, to the benefit of the marketplace and all market participants. The proposed credit is also equitable and not unfairly discriminatory because it would apply equally to all member organizations with retail order flow. Member organizations not wishing to be eligible for the proposed pricing would be free to not designate orders in UTP Securities as "retail."

#### SLP Quoting Requirements

The Exchange believes that specifying that the quoting requirement for SLP tiered credits (Tier 2, Tier 1 and Tap A Tier) are on an average daily basis calculated monthly provides greater specificity and clarity to the Price List, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

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,<sup>18</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 proposed changes 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 transparent.

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>19</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>20</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>21</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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSE-2018-21 on the subject line.

##### *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-2018-21. This file number should be included on the subject line if email 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

<sup>18</sup> 15 U.S.C. 78f(b)(8).

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(2).

<sup>21</sup> 15 U.S.C. 78s(b)(2)(B).

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-2018-21 and should be submitted on or before June 8, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83228; File No. SR-NASDAQ-2018-037]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Market Order Spread Protection

May 14, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 30, 2018, The Nasdaq Stock Market LLC (“Nasdaq” or the “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 Exchange. 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 a proposal to amend the Market Order Spread Protection and reorganize Rule Chapter VI, Section 18 entitled, “Order Price Protections.”

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaq.cchwallstreet.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 Exchange 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 these 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 aspects of such statements.

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

###### 1. Purpose

The purpose of the proposed rule change is to amend Chapter VI, Section 18, entitled, “Order Price Protection” to “Risk Protections” and relocate all the order protections into a single rule and categorize them as either order protections, order and quote protections or market maker protections. The Exchange believes that placing all the order protections into a single rule will provide market participants with information as to the availability of these protections, which are all mandatory. The Exchange also proposes to amend the Market Order Spread Protection and Acceptable Trade Range Rules to add more specificity.

###### Universal Amendments

The Exchange proposes to restructure Chapter VI, Section 18 into three parts: (1) Order protections; (2) order and quote protections; and (3) market maker protections. The Exchange proposes to reletter and renumber the rule as well to provide a more organized structure. The Exchange believes that categorizing the various protections provides more information to market participants as to each of the risk protections.

###### Order Price Protection

The Exchange proposes only to reorganize the rule by adding new lettering and numbering to conform to the remainder of the proposed rule, no other amendments are being made to Order Price Protection.

###### Market Order Spread Protection

The Exchange proposes to relocate the Market Order Spread Protection rule from Chapter VI, Section 6(c) into Chapter VI, Section 18. The Exchange also proposes to amend the Market Order Spread Protection to proposed

Chapter VI, Section 18(a)(2) by adding an additional sentence stating, “Market Order Spread Protection shall not apply to the Opening Process and during a halt.” Today, the Market Order Spread Protection does not apply during the Opening Process and during a trading halt. The Exchange is adding this additional specificity to the rule to make clear when the protection is operative.

Both the Opening Process and trading halts have the same or more restrictive boundaries as those proposed for the Market Order Spread Protection. With respect to the Opening Process, a Valid Width National Best Bid or Offer is required. A Valid Width National Best Bid or Offer” or “Valid Width NBBO” shall mean the combination of all away market quotes and any combination of NOM-registered Market Maker orders and quotes received over the OTTO or SQF Protocols within a specified bid/ask differential as established and published by the Exchange.<sup>3</sup> The Valid Width NBBO is configurable by underlying, and tables with valid width differentials are posted by Nasdaq on its website.<sup>4</sup> The Exchange’s threshold for the Market Order Spread Protection is currently set at \$5.<sup>5</sup> Today, the maximum bid/ask differentials are more restrictive for both Penny and Non-Penny issues that are not LEAPS<sup>6</sup> (up to \$2.00 and \$2.25, respectively, for the bid/ask differentials). The maximum bid/ask differentials are equal to or more restrictive for both Penny and Non-Penny issues that are LEAPS (up to a \$5.00 bid/ask differential.) The Exchange believes that the Market Order Spread Protection is unnecessary during the Opening Process because other protections are in place to ensure that the best bid and offer displayed on the Exchange are within a reasonable range.

As provided in Chapter V, Section 4 trading halts are subject to the reopening process as provided for in Chapter VI, Section 8. The same protections noted for the Opening Process above will apply for trading halts. The Exchange believes that the Market Order Spread Protection is

<sup>3</sup> Away markets that are crossed will void all Valid Width NBBO calculations. If any Market Maker orders or quotes on NOM are crossed internally, then all such orders and quotes will be excluded from the Valid Width NBBO calculation. See NOM Chapter VI, Section 8(a)(6).

<sup>4</sup> The table with the differentials is published on the Exchange’s website at: [http://www.nasdaqtrader.com/content/technicalsupport/NOM\\_SystemSettings.pdf](http://www.nasdaqtrader.com/content/technicalsupport/NOM_SystemSettings.pdf).

<sup>5</sup> The current Market Order Spread Differential is set at \$5. The table in note 4 above notes the current setting.

<sup>6</sup> LEAPS are option series with a time to expiration greater than nine (9) months. See Chapter VI, Section 8.

<sup>22</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.