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SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-86473; File No. SR-NYSE-2019-40)

July 25, 2019

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

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 July 12, 2019, 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) revise the adding average daily share requirement for certain non-displayed orders that qualify for the Tier 3 Adding Credit in Tape A securities, and (2) adopt a new pricing tier, the Step Up Tier Adding Credit, in Tape A securities. The Exchange proposes to implement the fee changes effective July 12, 2019.⁴ The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ The Exchange originally filed to amend the Fee Schedule on July 1, 2019 (SR-NYSE-2019-38). SR-NYSE-2019-38 was subsequently withdrawn and replaced by this filing.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Price List to (1) revise the adding average daily share requirement for certain non-displayed orders that qualify for the Tier 3 Adding Credit in Tape A securities, and (2) adopt a new pricing tier, the Step Up Tier Adding Credit, in Tape A securities.

The proposed changes respond to the current competitive environment where order flow providers have a choice of where to direct liquidity-providing orders by offering further incentives for member organizations to send additional displayed liquidity to the Exchange.

The Exchange proposes to implement the fee changes effective July 12, 2019.

Competitive Environment

The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has

been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”⁵

As the Commission itself recognized, the market for trading services in NMS stocks has become “more fragmented and competitive.”⁶ Indeed, equity trading is currently dispersed across 13 exchanges,⁷ 31 alternative trading systems,⁸ and numerous broker-dealer internalizers and wholesalers, all competing for order flow. Based on publicly-available information, no single exchange has more than 18% market share (whether including or excluding auction volume).⁹ Therefore, no exchange possesses significant pricing power in the execution of equity order flow. More specifically, in May 2019, the Exchange averaged less than 9.6% market share (excluding auctions) of executed volume of equity trades in all securities.¹⁰

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can move order flow, or discontinue or reduce use of certain categories of products, in response to fee changes. With respect to non-marketable order flow that would provide displayed liquidity on an Exchange, member

⁵ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37495, 37499 (June 29, 2005) (S7-10-04) (Final Rule) (“Regulation NMS”).

⁶ See Securities Exchange Act Release No. 51808, 84 FR 5202, 5253 (February 20, 2019) (File No. S7-05-18) (Transaction Fee Pilot for NMS Stocks Final Rule) (“Transaction Fee Pilot”).

⁷ See Cboe Global Markets, U.S. Equities Market Volume Summary (June 28, 2019), available at http://markets.cboe.com/us/equities/market_share/. See generally <https://www.sec.gov/fast-answers/divisionsmarketregmrexchangeshtml.html>.

⁸ See FINRA ATS Transparency Data (June 3, 2019), available at <https://otctransparency.finra.org/otctransparency/AtsIssueData>. Although 54 alternative trading systems were registered with the Commission as of May 31, 2019, only 31 are currently trading. A list of alternative trading systems registered with the Commission is available at <https://www.sec.gov/foia/docs/atslist.htm>.

⁹ See Cboe Global Markets U.S. Equities Market Volume Summary (May 31, 2019), available at http://markets.cboe.com/us/equities/market_share/.

¹⁰ See *id.*

organizations can choose from any one of the 13 currently operating registered exchanges to route such order flow. Accordingly, competitive forces constrain exchange transaction fees that relate to orders that would provide liquidity on an exchange.

In response to this competitive environment, the Exchange has established incentives for its member organizations who submit orders that provide liquidity on the Exchange. The Exchange's market share of intraday trading (i.e., excluding auctions) declined from 9.6% for the month of May 2019 to 9.2% for the month of June 2019.¹¹ The proposed fee change is designed to attract additional order flow to the Exchange by making it easier to qualify for the Tier 3 Adding credit based on adding liquidity to the Exchange. The proposed fee change is also designed to attract additional order flow to the Exchange by offering a new pricing tier to incentivize member organizations to step up their liquidity-providing orders on the Exchange on all tapes.

Proposed Rule Change

The Exchange currently has several levels of credits for orders that provide displayed and non-displayed liquidity to the Exchange based on the amount of volume of orders that member organizations send to the Exchange. The tiered adding credits (Tier 1 Adding Credit, Tier 2 Adding Credit, Tier 3 Adding Credit, and Tier 4 Adding Credit) range from \$0.0022 to \$0.0015.

As described in greater detail below, the Exchange proposes the following changes:

- a reduction of the average daily volume ("ADV") requirement in Mid-Point Passive Liquidity orders ("MPL Orders")¹² that encourages member organizations to qualify for the Tier 3 Adding Credit; and

¹¹ See id.

¹² An MPL Order is an undisplayed Limit Order that automatically executes at the mid-point of the protected best bid or offer ("PBBO"). See Rule 13(d)(1).

- a new pricing tier to incentivize member organizations to step up their liquidity-providing order by providing a credit of \$0.0019 per share where the member organization contributes certain amounts of adding ADV to the Exchange over that member organization's baseline of adding liquidity as measured in March 2019. The Exchange also proposes to offer an additional \$0.00005 per share to member organizations meeting the requirements of the proposed step up tier that add a certain amount of displayed liquidity in Tapes B and C securities.¹³

Tier 3 Adding Credit

Under current Tier 3, a member organization that adds liquidity to the Exchange in securities with a share price of \$1.00 or more would be entitled to a per share credit of \$0.0018 if the criteria in A or B are satisfied, as follows:

A.

- (i) The member organization has an Adding ADV¹⁴ equal to at least 0.40% of NYSE CADV, and
- (ii) The member organization executes market at-the-close ("MOC") and limit at-the-close ("LOC") orders equal to at least 0.05% of NYSE CADV.

B.

- (i) The member organization has an Adding ADV equal to at least 0.35% of NYSE CADV,

¹³ The Exchange also proposes non-substantive changes to add punctuation to the Tier 1 Adding Credit, Tier 2 Adding Credit, Tier 3 Adding Credit, and Tier 4 Adding Credit.

¹⁴ 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.

- (ii) The member organization executes MOC and LOC orders equal to at least 0.05% of NYSE CADV, and
- (iii) The member organization has an Adding ADV in MPL orders of at least 400,000 shares.

The Exchange proposes to amend the Adding ADV requirement in MPL Orders for the second of the two alternative methods described above to qualify for the credit by reducing the share requirement from 400,000 to 200,000 shares. As proposed, the first method to qualify for the credit would not change and the amount of the credit would also not change.

The purpose of the proposed change is to increase the incentive for order flow providers to send liquidity-providing orders to the Exchange. As described above, member organizations with liquidity-providing orders have a choice of where to send those orders. The Exchange believes that, if it reduces the requirement to qualify for a tiered credit, more member organizations will choose to route their liquidity-providing orders to the Exchange to qualify for the credit. The Exchange cannot predict with certainty how many member organizations would avail themselves of this opportunity, but believes that at least 4 member organizations could qualify for the tier.¹⁵ Additional liquidity-providing orders benefits all market participants because it provides greater execution opportunities on the Exchange.

Step Up Tier Adding Credit

The Exchange proposes to adopt a “Step Up Tier Adding Credit” that would offer a higher credit to member organizations that qualify for the tier. The proposed tier would also offer an additional credit for member organizations providing displayed liquidity in Tapes B and C securities.

¹⁵ In the month of June 2019, 6 member organizations not meeting the current Tier 3 requirements were within 0.20% of the Adding ADV requirement.

As proposed, a member organization that sends orders, except MPL and Non-Display Reserve orders, that add liquidity in Tape A securities would receive a credit of \$0.0019 if:

- the member organization has Adding ADV, excluding any liquidity added by a Designated Market Maker (“DMM”), that is at least 0.45% of NYSE CADV, and
- the member organization has Adding ADV, excluding any liquidity added by a DMM, that is at least 0.20% of NYSE CADV for the billing month over the member organization’s March 2019 Adding ADV as a percentage of NYSE CADV in March 2019.

In addition, a member organization that meets these requirements, and thus qualifies for the \$0.0019 credit in Tape A securities, would be eligible to receive an additional \$0.00005 per share if trades in Tapes B and C securities against the member organization’s orders that add liquidity, excluding orders as a Supplemental Liquidity Provider (“SLP”), equal to at least 0.20% of Tape B and Tape C CADV combined. The proposed additional credit mirrors the additional credits offered in current Tier 1, Tier 2, Tier 3 and Tier 4 for trades in Tapes B and C securities against a member organization’s orders that add liquidity, excluding orders as an SLP, equal to at least a specified percentage of Tape B and Tape C CADV combined.

For example, assume a member organization has:

- In March 2019, Adding ADV, excluding any liquidity added by a DMM, of 8.75 million shares when NYSE CADV was 3.5 billion shares, which is an Adding ADV of 0.25% of NYSE CADV.
- In the applicable billing month, the NYSE CADV remains at 3.5 billion shares, and therefore 0.20% of that NYSE CADV is 7 million shares.

- For that billing month, that member organization, excluding any liquidity added by a DMM, has Adding ADV of 17.5 million shares when NYSE CADV was 3.5 billion shares, which is an Adding ADV of 0.50% of NYSE CADV.

The member organization in the example would qualify for the Step Up Tier Adding Credit in the billing month because it both (1) meets the Adding ADV requirement of 0.45% of NYSE CADV, and (2) meets the Adding ADV increase over that firm's March 2019 Adding ADV by at least 0.20% (Adding ADV of 0.50% of NYSE CADV in the billing month minus the Adding ADV of 0.25% of NYSE CADV in the baseline month is a step up of 0.25% Adding ADV of NYSE CADV).

The purpose of this proposed change is to incentivize member organizations to increase the liquidity-providing orders in Tape A securities they send to the Exchange, which would support the quality of price discovery on the Exchange and provide additional price improvement opportunities for incoming orders. The Exchange believes that by correlating the amount of the credit to the level of orders sent by a member organization that add liquidity, the Exchange's fee structure would incentivize member organizations to submit more orders that add liquidity to the Exchange, thereby increasing the potential for price improvement to incoming marketable orders submitted to the Exchange.

The Exchange proposes a higher credit compared with Adding Tier 3 under the proposed Step Up Tier to provide an incentive for member organizations to send more orders because they would then qualify for the credit. As noted above, the Exchange operates in a competitive environment, particularly as it relates to attracting non-marketable orders, which add liquidity to the Exchange. Because, as proposed, the tier requires a member organization to increase the volume of its trades against orders that add liquidity over that member organization's March

2019 baseline, the Exchange believes that the proposed higher credit would provide an incentive for member organizations to route additional liquidity to the Exchange in order to qualify for it.

The Exchange does not know how much order flow member organizations choose to route to other exchanges or to off-exchange venues. There are currently no firms that could qualify for the proposed higher Step Up Tier Adding Credit based on their current trading profile on the Exchange, but believes that at least 6 member organizations could qualify for these tiers if they so choose.¹⁶ However, without having a view of member organization's activity on other exchanges and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would result in any member organization directing orders to the Exchange in order to qualify for the new tier.

Each of the proposed changes are not otherwise intended to address other issues, and the Exchange is not aware of any significant problems that market participants would have in complying with the proposed changes.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹⁷ in general, and furthers the objectives of Sections 6(b)(4) and (5) of the Act,¹⁸ 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 Proposed Change is Reasonable

¹⁶ In the month of June 2019, 6 member organizations that did not meet the requirements of the Adding Tiers had an Adding ADV of NYSE CADV of at least 0.15%.

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(4) & (5).

The Exchange operates in a highly competitive market. The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹⁹

As the Commission itself recognized, the market for trading services in NMS stocks has become “more fragmented and competitive.”²⁰ Indeed, equity trading is currently dispersed across 13 exchanges,²¹ 31 alternative trading systems,²² and numerous broker-dealer internalizers and wholesalers, all competing for order flow. Based on publicly-available information, no single exchange has more than 18% market share (whether including or excluding auction volume).²³ Therefore, no exchange possesses significant pricing power in the execution of equity order flow. More specifically, in May 2019, the Exchange averaged less than 9.6% market share (excluding auctions) of executed volume of equity trades in all securities.²⁴

¹⁹ See Regulation NMS, 70 FR at 37499.

²⁰ See Transaction Fee Pilot, 84 FR at 5253.

²¹ See Cboe Global Markets, U.S. Equities Market Volume Summary (June 28, 2019), available at http://markets.cboe.com/us/equities/market_share/. See generally <https://www.sec.gov/fast-answers/divisionsmarketregmrexchangeshtml.html>.

²² See FINRA ATS Transparency Data (June 3, 2019), available at <https://otctransparency.finra.org/otctransparency/AtsIssueData>. Although 54 alternative trading systems were registered with the Commission as of May 31, 2019, only 31 are currently trading. A list of alternative trading systems registered with the Commission is available at <https://www.sec.gov/foia/docs/atslist.htm>.

²³ See Cboe Global Markets U.S. Equities Market Volume Summary (June 28, 2019), available at http://markets.cboe.com/us/equities/market_share/.

²⁴ See *id.*

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can move order flow, or discontinue or reduce use of certain categories of products, in response to fee changes. With respect to non-marketable orders which provide liquidity on an Exchange, member organizations can choose from any one of the 13 currently operating registered exchanges to route such order flow. Accordingly, competitive forces constrain exchange transaction fees that relate to orders that would provide displayed liquidity on an exchange. Stated otherwise, changes to exchange transaction fees can have a direct effect on the ability of an exchange to compete for order flow.

Given this competitive environment, the proposal represents a reasonable attempt to attract additional order flow to the Exchange. As noted, the Exchange's market share of intraday trading (i.e., excluding auctions) declined from 9.6% for the month of May 2019 to 9.2% for the month of June 2019.²⁵

Specifically, the Exchange believes that the proposed revision to the adding average daily share requirement in order to qualify for the Tier 3 Adding Credit is reasonable because it would make it easier for member organizations to qualify for the credit, thereby encouraging the submission of additional liquidity to a national securities exchange. Submission of additional liquidity to the Exchange would promote price discovery and transparency and enhance order execution opportunities for member organizations from the substantial amounts of liquidity present on the Exchange. All member organizations would benefit from the greater amounts of liquidity that will be present on the Exchange, which would provide greater execution opportunities.

²⁵ See id.

The Exchange believes the proposed Step Up Tier would provide an incentive for member organizations to route additional liquidity-providing orders to the Exchange in Tape A securities. As noted above, the Exchange operates in a highly competitive environment, particularly for attracting non-marketable order flow that provides liquidity on an exchange. The Exchange believes it is reasonable to provide a higher credit for orders that provide additional liquidity. Similarly, the Exchange believes that it is reasonable to provide an incremental credit to member organizations that meet the requirements of the Step Up Tier that add additional liquidity in UTP securities on Pillar.

Since the proposed Step Up Tier would be new with a requirement for increased Adding ADV over the baseline month, no member organization currently qualifies for the proposed pricing tier. As previously noted, there are a number of member organizations that could qualify for the proposed higher credit but without a view of member organization activity on other exchanges and off-exchange venues, the Exchange has no way of knowing whether the proposed rule change would result in any member organization qualifying for the tier. The Exchange believes the proposed higher credit is reasonable as it would provide an additional incentive for member organizations to direct their order flow to the Exchange and provide meaningful added levels of liquidity in order to qualify for the higher credit, thereby contributing to depth and market quality on the Exchange.

The Proposal is an Equitable Allocation of Fees

The Exchange believes its proposal equitably allocates its fees among its market participants.

First, the Exchange is not proposing to adjust the amount of the Tier 3 Adding Credit, which will remain at the current level for all market participants. Rather, the proposal would

continue to encourage member organizations to send MPL Orders that add liquidity to the Exchange, thereby contributing to robust levels of liquidity, which benefits all market participants. The Exchange believes that, for the reasons discussed above, lowering the adding ADV in MPL Orders requirement would make it easier for liquidity providers to qualify for the Tier 3 Adding Credit, thereby encouraging submission of additional liquidity to the Exchange. The proposed change will thereby encourage the submission of additional liquidity to a national securities exchange, thus promoting price discovery and transparency and enhancing order execution opportunities for member organizations from the substantial amounts of liquidity present on the Exchange. All member organizations would benefit from the greater amounts of liquidity that will be present on the Exchange, which would provide greater execution opportunities.

The Exchange notes that there are currently 5 firms qualifying for Tier 3 Adding Credit and that, based on current participation on the Exchange, no additional firms would initially qualify with the lower requirements. Without having a view of a member organization's activity on other exchanges and off-exchange venues, the Exchange believes the proposed lower of the adding ADV in MPL Orders requirement would provide an incentive for market participants to increase liquidity to meet the new lower requirement and submit additional adding liquidity to the Exchange. In addition, based on the profile of liquidity-providing firms generally, the Exchange believes that 6 firms could qualify for these tiers if they choose to direct order flow to, and increase quoting on, the Exchange.

Finally, the Exchange believes that the proposed Step Up Tier is equitable because the magnitude of the additional credit is not unreasonably high relative to the other adding tier credits, which noted above range from \$0.0015 to \$0.0022, in comparison to the credits paid by

other exchanges for orders that provide additional step up liquidity.²⁶ The Exchange believes the proposed rule change would improve market quality for all market participants on the Exchange and, as a consequence, attract more liquidity to the Exchange, thereby improving market-wide quality and price discovery.

Since the proposed Step Up Tier would be new, no member organization currently qualifies for it. As noted, there are currently no member organizations that could qualify for the proposed higher credit, but without a view of member organization activity on other exchanges and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would result in any member organization qualifying for the tier. The Exchange believes the proposed higher credit is reasonable as it would provide an additional incentive for member organizations to direct their order flow to the Exchange and provide meaningful added levels of liquidity in order to qualify for the higher credit, thereby contributing to depth and market quality on the Exchange.

The proposal neither targets nor will it have a disparate impact on any particular category of market participant. Member organizations that add liquidity to the Exchange that equals at least 0.35% of NYSE CADV, trade against such member organization's MOC and LOC orders equal to at least 0.05% of NYSE CADV, and that have Adding ADV in MPL orders is at least 200,000 shares would be eligible for the Tier 3 Adding Credit by satisfying the lowered threshold, and because the lower threshold would apply equally to all similarly situated member organizations. Similarly, member organizations that currently qualify for adding liquidity credits will continue to receive credits when they provide liquidity to the Exchange.

²⁶ See Cboe BZX Fee Schedule, which has adding credits ranging from \$0.0020 to \$0.0032, at https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/.

With the proposed new Step Up Tier, all member organizations would be eligible to qualify for the higher credit if they increase their Adding ADV over their own baseline of order flow. The Exchange believes that offering a higher step up credit for providing liquidity if the step up requirements for Tape A securities are met, will continue to attract order flow and liquidity to the Exchange, thereby providing additional price improvement opportunities on the Exchange and benefiting investors generally. As to those market participants that do not presently qualify for the adding liquidity credits, the proposal will not adversely impact their existing pricing or their ability to qualify for other credits provided by the Exchange.

The Proposal is Not Unfairly Discriminatory

The Exchange believes that the proposal is not unfairly discriminatory. In the prevailing competitive environment, member organizations are free to disfavor the Exchange's pricing if they believe that alternatives offer them better value.

The proposal to lower the adding ADV in MPL Orders requirement also neither targets nor will it have a disparate impact on any particular category of market participant. The proposal does not permit unfair discrimination because the lower threshold would be applied to all similarly situated member organizations and other market participants, who would all be eligible for the same credit on an equal basis. Accordingly, no member organization already operating on the Exchange would be disadvantaged by this allocation of fees.

The Exchange believes it is not unfairly discriminatory to provide a higher per share step up credit, as the proposed credit would be provided on an equal basis to all member organizations that add liquidity by meeting the new proposed Step Up Tier's requirements. For the same reason, the Exchange believes it is not unfairly discriminatory to provide an additional incremental credit to member organizations that satisfy the Step Up Tier requirements and add

liquidity in UTP securities. Further, the Exchange believes the proposed Step Up Tier credit would incentivize member organizations that meet the current tiered requirements to send more orders to the Exchange to qualify for higher credits. The Exchange also believes that the proposed change is not unfairly discriminatory because it is reasonably related to the value to the Exchange's market quality associated with higher volume. Finally, the submission of orders to the Exchange is optional for member organizations in that they could choose whether to submit orders to the Exchange and, if they do, the extent of its activity in this regard.

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,²⁷ 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, as discussed above, the Exchange believes that the proposed changes would encourage the submission of additional liquidity to a public exchange, thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities for member organizations. As a result, the Exchange believes that the proposed change furthers the Commission's goal in adopting Regulation NMS of fostering integrated competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."²⁸

²⁷ 15 U.S.C. 78f(b)(8).

²⁸ Regulation NMS, 70 FR at 37498-99.

Intramarket Competition. The proposed changes are designed to attract additional order flow to the Exchange. The Exchange believes that the proposed changes would continue to incentivize market participants to direct displayed order flow to the Exchange. Greater liquidity benefits all market participants on the Exchange by providing more trading opportunities and encourages member organizations to send orders, thereby contributing to robust levels of liquidity, which benefits all market participants on the Exchange. The proposed credits would be available to all similarly-situated market participants, and, as such, the proposed change would not impose a disparate burden on competition among market participants on the Exchange.

Intermarket Competition. The Exchange operates in a highly competitive market in which market participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. The Exchange notes that for the month of May 2019, the Exchange's market share of intraday trading (excluding auctions) was 9.6%.²⁹ In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges and with off-exchange venues. 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 does not believe its proposed fee change can impose any burden on intermarket competition.

The Exchange believes that the proposed change could promote competition between the Exchange and other execution venues, including those that currently offer similar order types and comparable transaction pricing, by encouraging additional orders to be sent to the Exchange for execution. The Exchange also believes that the proposed change is designed to provide the

²⁹ See note 9, supra.

public and investors with a Price List that is clear and consistent, thereby reducing burdens on the marketplace and facilitating investor protection.

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)³⁰ of the Act and subparagraph (f)(2) of Rule 19b-4³¹ 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)³² 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:

³⁰ 15 U.S.C. 78s(b)(3)(A).

³¹ 17 CFR 240.19b-4(f)(2).

³² 15 U.S.C. 78s(b)(2)(B).

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-2019-40 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-2019-40. 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. 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-2019-40 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.³³

Jill M. Peterson
Assistant Secretary

³³ 17 CFR 200.30-3(a)(12).

