

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81547; File No. SR-NYSEAMER-2017-11]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change To Amend Its Price List

September 7, 2017.

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 August 29, 2017, NYSE American LLC (the “Exchange” or “NYSE American”) 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) delete fees and credits that are not applicable to trading on the Pillar trading platform, and (2) prorate Port Fees to the number of trading days in a billing month that a port is utilized. The Exchange proposes to implement the rule change on September 1, 2017. The proposed change is available on the Exchange’s Web site at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to amend its Price List to (1) delete fees and credits that are not applicable to trading on the Pillar trading platform, and (2) prorate Port Fees to the number of trading days in a billing month that a port is utilized.

The Exchange proposes to implement the rule change on September 1, 2017.

Deletion of Non-Pillar Fees and Credits

To effect its transition of cash equities trading to Pillar, the Exchange amended its Price List to adopt a new pricing model for trading on the Pillar platform.⁴ Because specified transaction fees and credits applicable to trading cash equities on a Floor-based trading platform are not applicable to trading on Pillar, the Exchange designated certain fees and credits with the following preamble: “The following Fees and Credits are not Applicable to Trading on the Pillar Trading Platform.”⁵

On July 24, 2017, the Exchange transitioned all cash equities trading to the Pillar platform. Because transaction fees and credits that are not applicable to trading on the Pillar trading platform are now obsolete, the Exchange proposes to delete the following fees and credits in their entirety:⁶

- Equity Transaction Fees and Credits for Listed Securities and the following subheadings:
 - Transactions in Securities with a Per Share Price of \$1.00 or More;
 - Transactions in Securities with a Per Share Price Below \$1.00;
 - Fees and Credits Applicable to Designated Market Makers on Transactions in Securities with a Per Share Price of \$1.00 or more;
 - Fees and Credits Applicable to Designated Market Makers on Transactions in Securities with a Per Share Price below \$1.00;
 - Credits Applicable to Supplemental Liquidity Providers; and
 - Fees and Credits Applicable to Executions in the Retail Liquidity Program.
- Transaction Fees and Credits For Non-ETP Securities Traded Pursuant to Unlisted Trading Privileges and the following subheadings:

⁴ See Securities Exchange Act Release Nos. [sic] 81228 (July 27, 2017), 82 FR 36012 (August 2, 2017) (SR-NYSEMKT-2017-43).

⁵ See *id.*, 82 FR at 36012-13.

⁶ The Exchange proposes to delete these fees and credits in their entirety, including (1) the section headings of all of credits and fees being deleted, (2) all associated footnotes, and (3) the recently added preamble.

- Fees and Credits applicable to Market Participants;

- Fees and Credits applicable to Designated Market Makers (DMMs);

- Fees and Credits applicable to Supplemental Liquidity Providers (SLPs); and

- Fees and Credits Applicable to Executions in the Retail Liquidity Program.

- Transaction Fees and Credits For ETPs Traded Pursuant to Unlisted Trading Privileges and the following subheadings:

- Fees and Credits applicable to Market Participants;

- Fees and Credits applicable to DMMs;

- Fees and Credits applicable to SLPs;

- Fees and Credits Applicable to Executions in the Retail Liquidity Program; and

- Crossing Sessions

- Port Fees.

* * * * *

The Exchange proposes to delete the following additional fees as being inapplicable to trading on Pillar:

- Risk Management Gateway (“RMG”);

- Equipment fees;

- Radio Paging Service;

- Financial Vendor Services;

- Cellular Phones;

- Booth Telephone System;

- Service Charges; and

- System Processing Fees, comprising fees for the Online Comparison System (OCS) and Merged Order Report.

The RMG is no longer supported in Pillar and the various equipment fees relate to trading cash equities on a Floor-based trading platform, and are thus obsolete. Similarly, the Exchange no longer utilizes OCS or makes Merged Order Reports available.

The Exchange also proposes to delete footnotes 17-19 designated as “Reserved” in the “CRD Fees for Member Organizations that are not FINRA Members” section of the Price List. The Exchange believes it would reduce confusion and promote transparency to delete footnotes that do not have any substantive content.

The Exchange also proposes a technical, non-substantive amendment to replace the heading “Pillar Trading Platform” with “NYSE American Trading Fees and Credits.”

Proration of Port Fees

Until October 1, 2017, the Exchange is not charging market participants for the use of order/quote entry ports or for the

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

use of drop copy ports.⁷ Thereafter, a \$250 per port per month fee will apply for order/quote entry and drop copy ports.

The Exchange proposes to amend the Price List to add a footnote to the heading of Section V (Port Fees) providing that port fees for order/quote entry and drop copies will be prorated to the number of trading days in a billing month.

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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 proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),⁸ in general, and furthers the objectives of Section 6(b)(4)⁹ of the Act, 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 also believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹⁰ in particular in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that its proposed rule change to eliminate fees and credits that are not applicable to trading on Pillar would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would eliminate fees and credits that are now obsolete. Eliminating obsolete fees and credits would reduce potential confusion and add transparency and clarity to the Exchange's rules, thereby ensuring that members, regulators, and the public can more easily navigate and understand the Exchange's rulebook.

⁷ Order/quote entry ports provide connectivity to the Exchange's trading systems for entry of orders and/or quotes. Drop copy ports allow for the receipt of "drop copies" of order or transaction information.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(4).

¹⁰ 15 U.S.C. 78f(b)(5).

The Exchange also believes that prorating the fees for order/quote entry and drop copy ports is reasonable because it would provide a nexus between the Exchange's charge for use of its ports and the number of trading days in a billing month that the market participant utilizes the applicable port. The Exchange believes that the proposed prorating of monthly port fees rebate is equitable and not unfairly discriminatory because it directly ties the monthly port fees to the number of trading days in that billing month. The Exchange also believes that the proposed prorating is equitable and not unfairly discriminatory because all market participants utilizing ports to connect to the Exchange would be treated the same.

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

In accordance with Section 6(b)(8) of the Act,¹¹ 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. The proposed rule change is not intended to address any competitive issues, but rather it is designed to eliminate obsolete fees and credits.

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.

¹¹ 15 U.S.C. 78f(b)(8).

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)¹² of the Act and subparagraph (f)(2) of Rule 19b-4¹³ 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)¹⁴ 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. Please include File Number SR-NYSEAMER-2017-11 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-NYSEAMER-2017-11. 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

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(2).

¹⁴ 15 U.S.C. 78s(b)(2)(B).

Internet Web site (<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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEAMER-2017-11 and should be submitted on or before October 4, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017-19376 Filed 9-12-17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81550; File No. SR-NSCC-2017-010]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change To Expand the Application of the Family-Issued Securities Charge

September 7, 2017.

On July 10, 2017, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-NSCC-2017-010 ("Proposed Rule Change") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The Proposed Rule Change was published for comment in

the **Federal Register** on July 31, 2017.³ The Commission did not receive any comments on the Proposed Rule Change. For the reasons discussed below, the Commission approves the Proposed Rule Change.

I. Description of the Proposed Rule Change

The Proposed Rule Change is a proposal by NSCC to further address specific wrong-way risk⁴ that is present when NSCC acts as central counterparty to a transaction with an NSCC member ("Member") where the underlying securities are securities issued by such Member or an affiliate of such Member ("family-issued securities").⁵ Currently, NSCC applies a targeted margin charge to address the specific wrong-way risk of family-issued securities transactions ("FIS Charge") where the Member is on NSCC's Watch List.⁶ NSCC believes that Members on the Watch List present a higher credit risk (*i.e.*, a greater risk of defaulting on their settlement obligations), compared to Members not on the Watch List.⁷ As such, the family-issued securities of Members on the Watch List currently receive a FIS Charge because of the increased credit risk presented by such Members.⁸ As described in detail below, NSCC

³ Securities Exchange Act Release No. 81203 (July 25, 2017), 82 FR 35563 (July 31, 2017) (SR-NSCC-2017-010) ("Notice"). NSCC also filed a related advance notice with the Commission pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 and Rule 19b-4(n)(1) under the Act. 15 U.S.C. 5465(e)(1) and 17 CFR 240.19b-4(n)(1). The advance notice was published in the **Federal Register** on August 2, 2017. Securities Exchange Act Release No. 81286 (August 2, 2017), 82 FR 37141 (August 8, 2017) (SR-NSCC-2017-804). The Commission did not receive any comments on that proposal.

⁴ Specific wrong-way risk is the risk that an exposure to a counterparty is highly likely to increase when the creditworthiness of that counterparty is deteriorating. See *Principles for financial market infrastructures*, issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions 47 n.65 (April 2012), available at <http://www.bis.org/publ/cpss101a.pdf>.

⁵ Notice, 82 at 35563-64. As part of this proposal, NSCC proposes to define in its rules that, for a given Member, a family-issued security is a security that was issued by such Member or an affiliate of such Member. Notice, 82 at 35563.

⁶ Notice, 82 at 35563. As part of its ongoing monitoring of its membership, NSCC utilizes an internal credit risk rating matrix to rate its risk exposures to its Members based on a scale from 1 (the strongest) to 7 (the weakest). Members that fall within the weakest three rating categories (*i.e.*, 5, 6, and 7) are placed on NSCC's "Watch List" and, as provided under NSCC's Rules and Procedures ("Rules"), may be subject to enhanced surveillance or additional margin charges. See Section 4 of Rule 2B and Section I(B)(1) of Procedure XV of NSCC's Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nsc_rules.pdf.

⁷ Notice, 82 at 35564.

⁸ *Id.*

proposes in the Proposed Rule Change to expand the application of the FIS Charge to all Members, regardless of a Member's Watch List status, but still maintain a higher FIS Charge for Members that present a greater credit risk to NSCC, such as Members on the Watch List.⁹

Currently, in calculating a Watch List Member's overall margin charge (*i.e.*, a Watch List Member's required deposit to NSCC's clearing fund), NSCC excludes the Member's net, unsettled long position in family-issued securities from the volatility component of the margin calculation ("VaR Charge").¹⁰ Instead, for such unsettled long positions, NSCC calculates the required margin (*i.e.*, the FIS Charge) by multiplying the position value by a set percentage, which is determined based on a Member's rating on NSCC's internal credit risk rating matrix.¹¹ NSCC applies this separate margin calculation to deal with specific wrong-way risk that arises from these positions because NSCC has to liquidate the unsettled family-issued security long positions in the Member's portfolio to manage the default.¹² Given that the Member's default would likely adversely affect NSCC's ability to liquidate such positions at full value (because the value of the family-issued securities will decline in response to the Member's default), NSCC applies the FIS Charge to try to address the risk of a shortfall.¹³ According to NSCC, the FIS Charge constitutes a more conservative approach to collecting margin on family-issued security positions than what may be achieved by applying the VaR Charge, which does not recognize the relationship between the Member and the family-issued securities.¹⁴

Although the risk of default by Members that are not on the Watch List is lower than Members on the Watch

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.* More specifically, fixed-income securities that are family-issued securities are charged a rate of no less than 80 percent for firms that are rated 6 or 7 on the credit risk rating matrix, and no less than 40 percent for firms that are rated 5 on the credit risk rating matrix. Equity securities that are family-issued securities are charged a rate of 100 percent for firms that are rated 6 or 7 on the credit risk rating matrix, and no less than 50 percent for firms that are rated 5 on the credit risk rating matrix. See Section I(B)(1) of Procedure XV of NSCC's Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nsc_rules.pdf.

¹² Notice, 82 at 35564. In a default scenario, NSCC would receive the family-issued securities from a Member's guaranteed long transactions and would have to liquidate the holding to unwind NSCC's position. *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.