

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-100460; File No. SR-NYSE-2024-35]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change Amending Section 302.00 of the NYSE Listed Company Manual To Exempt Closed-End Funds Registered Under the Investment Company Act of 1940 From the Requirement To Hold Annual Shareholder Meetings

July 3, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 21, 2024, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (“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 Section 302.00 of the NYSE Listed Company Manual (“Manual”) to exempt closed-end funds registered under the 1940 Act from the requirement to hold annual shareholder meetings. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the 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

Closed-end funds (“CEFs”) are a category of investment companies that are registered under the Investment Company Act of 1940 (“1940 Act”)³ and listed by the NYSE under Section 102.04A of the Manual. Section 302.00 of the Manual provides that companies listing common stock or voting preferred stock and their equivalents are required to hold an annual shareholders’ meeting for the holders of such securities during each fiscal year.⁴ CEFs are presently required to comply with the annual shareholder meeting requirement. The Exchange now proposes to amend Section 302.00 of the Manual to include CEFs among the categories of issuers that are exempt from this requirement.

The Exchange notes that, in addition to the listing under Section 102.04A of the Manual of CEFs registered under the 1940 Act, the Exchange also lists under Section 102.04B of the Manual business development companies (“BDCs”). A BDC is a closed-end management investment company that is registered under the Exchange Act and that has filed an election to be treated as a business development company under the 1940 Act. The Exchange does not at this time propose to provide an exemption from the annual meeting requirement of Section 302.00 to BDCs.

The Exchange notes that there are significant differences between CEFs and listed operating companies that justify exempting CEFs from the Exchange’s annual meeting requirement. In particular, the Exchange notes that the 1940 Act includes specific requirements with respect to the

election of directors by CEF shareholders, while there is no such requirement under federal law for listed operating companies. Specifically, Section 16(a) of the 1940 Act⁵ specifies the right of CEF shareholders to elect directors as follows:

No person shall serve as a director of a registered investment company unless elected to that office by the holders of the outstanding voting securities of such company, at an annual or a special meeting duly called for that purpose; except that vacancies occurring between such meetings may be filled in any otherwise legal manner if immediately after filling any such vacancy at least two-thirds of the directors then holding office shall have been elected to such office by the holders of the outstanding voting securities of the company at such an annual or special meeting. In the event that at any time less than a majority of the directors of such company holding office at that time were so elected by the holders of the outstanding voting securities, the board of directors or proper officer of such company shall forthwith cause to be held as promptly as possible and in any event within sixty days a meeting of such holders for the purpose of electing directors to fill any existing vacancies in the board of directors unless the Commission shall by order extend such period. The foregoing provisions of this subsection shall not apply to members of an advisory board.

The Exchange also notes that the 1940 Act requires that directors who are not “interested persons”⁶ (“1940 Act Interested Persons”) must comprise at least 40% of an investment company’s board.⁷ In the Exchange’s experience, a large majority of listed CEFs exceed this requirement by having boards on which more than 50% of members are not 1940 Act Interested Persons.

In addition to the director election provisions described above, the 1940 Act requires that a majority of directors who are not 1940 Act Interested Persons approve significant actions, such as approval of the investment advisory agreement between a CEF and its investment advisor.⁸ Specifically, the following types of actions require approval of a majority of a CEF’s directors who are not 1940 Act Interested Persons: approval of advisory agreements;⁹ approval of underwriting

³ 15 U.S.C. 80a-1 *et seq.*

⁴ Section 302.00 of the Manual exempts from this requirement companies whose only securities listed on the Exchange are non-voting preferred and debt securities, passive business organizations (such as royalty trusts), or securities listed pursuant to Rule 5.2(j)(2) (Equity Linked Notes), Rule 5.2(j)(3) (Investment Company Units), Rule 5.2(j)(4) (Index-Linked Exchangeable Notes), Rule 5.2(j)(5) (Equity Gold Shares), Rule 5.2(j)(6) (Equity-Index Linked Securities, Commodity-Linked Securities, Currency-Linked Securities, Fixed Income Index-Linked Securities, Futures-Linked Securities and Multifactor Index-Linked Securities), Rule 5.2(j)(8) (Exchange-Traded Fund Shares), Rule 8.100 (Portfolio Depositary Receipts), Rule 8.200 (Trust Issued Receipts), Rule 8.201 (Commodity-Based Trust Shares), Rule 8.202 (Currency Trust Shares), Rule 8.203 (Commodity Index Trust Shares), Rule 8.204 (Commodity Futures Trust Shares), Rule 8.300 (Partnership Units), Rule 8.400 (Paired Trust Shares), Rule 8.600 (Managed Fund Shares), Rule 8.601 (Active Proxy Portfolio Shares), Rule 8.700 (Managed Trust Securities), and 8.900 (Managed Portfolio Shares).

⁵ 15 U.S.C. 80a-16(a).

⁶ The term “interested person” is defined in Section 2(a)(19) of the 1940 Act.

⁷ 15 U.S.C. 80a-2(a)(19).

⁸ See Section 15 of the 1940 Act. 15 U.S.C. 80a-15.

⁹ *Ibid.*

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

agreements;¹⁰ selection of independent public accountant;¹¹ acquisition of securities by a CEF from an underwriting syndicate of which the CEF's advisor or certain other affiliates are members;¹² the purchase or sale of securities between CEFs that have the same investment advisor;¹³ mergers or asset acquisitions involving CEFs that have the same investment advisor;¹⁴ use of an affiliate broker-dealer to effect portfolio transactions on a national securities exchange;¹⁵ and approval of the CEF's fidelity bond coverage.¹⁶

There are also a number of material matters with respect to which the 1940 Act requires registered investment companies, including CEFs, to obtain shareholder approval. These matters include: a new investment management agreement or a material amendment to an investment management agreement;¹⁷ a change from closed-end to open-end status or vice versa;¹⁸ a change from diversified company to non-diversified company;¹⁹ a change in a policy with respect to borrowing money, issuing senior securities; underwriting securities that other persons issue, purchasing or selling real estate or commodities or making loans to other persons, except in each case in accordance with the recitals of policy contained in its registration statement in respect thereto;²⁰ a deviation from a policy in respect of concentration of investments in any particular industry or fundamental investment policy;²¹ and a change in the nature of the investment company's business so as to cease to be an investment company.²²

In light of the above-described significant statutory protections under the 1940 Act provided to the shareholders of CEFs, for which there are no parallel legal protections for the shareholders of public operating companies, the Exchange believes that it is appropriate to exempt CEFs from the annual shareholder meeting requirements of Section 302.00 of the Manual. The Exchange notes that all of the categories of investment companies for which the Exchange has listing standards other than CEFs are already

explicitly exempt from the annual shareholder meeting requirement of Section 302.00 of the Manual.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,²³ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁴ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and 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 and because it is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed exemption of CEFs from the annual shareholder meeting requirement of Section 302.00 of the Manual is consistent with the protection of investors and the public interest because of the provisions in the 1940 Act providing significant protection of CEF shareholders, including by requiring: (i) the election of directors by the CEF's shareholders when the number of 1940 Act Interested Persons on the board exceed specified levels; (ii) the approval of certain specified material matters by a majority of the directors who are not 1940 Act Interested Persons; and (iii) the approval of certain specified material matters by the shareholders.

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

The Exchange believes that the proposal will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange believes that the proposal will not impose a burden on either intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is designed to permit CEFs to rely on the shareholder voting requirements under the 1940 Act rather than complying with the annual meeting requirement of Section 302.00 of the Manual. As all CEFs listed on the NYSE would be treated the same under

the proposed amended rule, the Exchange does not believe that the proposal would impose any burden on intramarket competition. Any other market that lists CEFs could seek to amend its own annual meeting requirements applicable to CEFs and, as such, the Exchange does not believe that the proposal places any undue burden on intermarket competition.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSE-2024-35 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-2024-35. 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 (<https://www.sec.gov/rules/sro.shtml>). Copies of the

¹⁰ *Ibid.*

¹¹ See Section 32 of the 1940 Act. 15 U.S.C. 80a-32.

¹² See 1940 Act Rule 10f-3(h).

¹³ See 1940 Act Rule 17a-7(e).

¹⁴ See 1940 Act Rule 17a-8(e).

¹⁵ See 1940 Act Rule 17e-1(b).

¹⁶ See 1940 Act Rule 17g-1(d).

¹⁷ See U.S.C. 80a-15.

¹⁸ See U.S.C. 80a-13.

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ *Ibid.*

²² *Ibid.*

²³ 15 U.S.C. 78f(b).

²⁴ 15 U.S.C. 78f(b)(5).

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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSE-2024-35 and should be submitted on or before July 30, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-100456; File No. SR-NYSEARCA-2024-57]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Arca Options Fee Schedule

July 2, 2024.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on June 17, 2024, NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Arca Options Fee Schedule ("Fee Schedule") to modify the Customer Take Fee Discount Tiers. The Exchange proposes to implement the fee change effective June 17, 2024.⁴ 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.

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 purpose of this filing is to amend the Fee Schedule to modify the Customer Take Fee Discount Tiers. The Exchange proposes to implement the rule change on June 17, 2024.

Background

The Exchange first notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. 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

There are currently 17 registered options exchanges competing for order flow. Based on publicly-available information, and excluding index-based options, no single exchange has more than 16% of the market share of executed volume of multiply-listed equity and ETF options trades.⁶ Therefore, currently no exchange possesses significant pricing power in the execution of multiply-listed equity & ETF options order flow. More specifically, in April of 2024, the Exchange had 13.71% market share of executed volume of multiply-listed equity & ETF options trades.⁷ Thus, in such a low-concentrated and highly competitive market, no single options exchange possesses significant pricing power in the execution of option order flow.

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow, or discontinue use of certain categories of products, in response to fee changes. Accordingly, competitive forces constrain the Exchange's transaction fees (and credits), and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable. In response to the competitive environment, the Exchange offers specific rates and credits in its Fees Schedule, as do other competing options exchanges, which the Exchange believes provide incentive to OTP Holder and OTP Firms (collectively, "OTP Holders") to increase order flow of certain qualifying orders.

Proposal

In response to these competitive forces, the Exchange has established various pricing incentives designed to encourage increased volume executed on the Exchange, including volume that

⁵ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (S7-10-04) ("Reg NMS Adopting Release").

⁶ The OCC publishes options and futures volume in a variety of formats, including daily and monthly volume by exchange, available here: <https://www.theocc.com/Market-Data/Market-Data-Reports/Volume-and-Open-Interest/Monthly-Weekly-Volume-Statistics>.

⁷ Based on a compilation of OCC data for monthly volume of equity-based options and monthly volume of equity-based ETF options, *see id.*, the Exchanges market share in equity-based options increased from 12.54% for the month of April 2023 to 13.71% for the month of April 2024.

²⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ On June 3, 2024, the Exchange originally filed to amend the Fee Schedule (NYSEARCA-2024-51) and, on June 14, 2024, the Exchange withdrew that filing and submitted NYSEARCA-2024-56. On June 17, 2024, the Exchange withdrew NYSEARCA-2024-56.