

Press Release

SEC Proposes Transaction Fee Pilot for NMS Stocks

FOR IMMEDIATE RELEASE

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Washington D.C., March 14, 2018 — The Securities and Exchange Commission today voted to propose new Rule 610T of Regulation NMS to conduct a Transaction Fee Pilot in NMS stocks.

The proposed pilot would subject stock exchange transaction fee pricing, including “maker-taker” fee-and-rebate pricing models, to new temporary pricing restrictions across three test groups, and require the exchanges to prepare and publicly post data.

“The proposed pilot is designed to generate data that will provide the Commission, market participants, and the public with information to facilitate an informed, data-driven discussion about transaction fees and rebates and their impact on order routing behavior, execution quality, and market quality in general,” said SEC Chairman Jay Clayton. “I applaud the staff for their work in this important area and their enthusiasm for moving this issue forward.”

The proposed pilot includes a test group that would prohibit rebates and linked pricing, as well as test groups that would impose caps of \$0.0015 and \$0.0005 for removing or providing displayed liquidity. The pilot would apply to all NMS stocks of any market capitalization and would include all equities exchanges, including “taker-maker” exchanges. The pilot would last for up to two years with an automatic sunset at one year unless the Commission extends the pilot. In preparing its proposal, the Commission considered a recommendation from the Equity Market Structure Advisory Committee to conduct an access fee pilot, as well as the views of those submitting comment letters on that recommendation.

The public comment period will remain open for 60 days following publication of the proposing release in the Federal Register.

Fact Sheet

Transaction Fee Pilot

Action

The Commission proposed new Rule 610T of Regulation NMS to establish a Transaction Fee Pilot in NMS stocks. The Pilot will generate data to facilitate analysis of the effects that transaction-based fees and rebates, and changes to those fees and rebates, may have on order routing behavior, execution quality, and market quality more generally. Data from the Pilot will be used to inform the Commission, as well as market participants and the public, about the effects of transaction-based fees and rebates and facilitate a data-driven evaluation concerning the need for any potential regulatory action in this area, including possible changes to Rule 610(c) of Regulation NMS.

Highlights

The key terms of the proposed Pilot are summarized below.

Duration

2 year Pilot with an automatic sunset at 1 year unless, no later than thirty days prior to that time, the Commission publishes a notice that the Pilot shall continue for up to another year; plus a 6 month pre- and 6 month post-Pilot period

Applicable Trading Centers

Equities exchanges (maker-taker & taker-maker)

Eligible Securities

NMS stocks with a share price \geq \$2 per share that do not close below \$1 per share during the proposed Pilot and that have an unlimited duration or a duration beyond the end of the post-Pilot Period

Pilot Design

Test Group 1

\$0.0015 fee cap for removing & providing displayed liquidity (no cap on rebates)

Test Group 2

\$0.0005 fee cap for removing & providing displayed liquidity (no cap on rebates)

Test Group 3

Rebates and Linked Pricing Prohibited for removing & providing displayed & undisplayed liquidity (Rule 610(c)'s cap continues to apply to fees for removing displayed liquidity)

Control Group

Rule 610(c)'s cap continues to apply to fees for removing displayed liquidity

The Pilot also will require the national securities exchanges to prepare and post on their websites public and downloadable data including: (1) aggregated and anonymized order routing data, updated monthly and (2) an XML dataset of standardized information on their transaction fees and rebates. Primary listing exchanges also will be required to post information on changes to the list of Pilot securities.

What's next?

The Commission will seek public comment on the proposed Pilot for 60 days following publication of its proposal in the Federal Register.

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Related Materials

- Proposed Rule