

SEC Announces Pilot Plan to Assess Stock Market Tick Size Impact for Smaller Companies

FOR IMMEDIATE RELEASE

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Washington D.C., Aug. 26, 2014 — The Securities and Exchange Commission today announced that the national securities exchanges and the Financial Industry Regulatory Authority (FINRA) filed a proposal to establish a national market system plan to implement a targeted 12-month pilot program that will widen minimum quoting and trading increments (tick sizes) for certain stocks with smaller capitalization. The Commission plans to use the pilot program to assess whether such changes would enhance market quality for smaller capitalization stocks for the benefit of investors and issuers.

"This is an important step for a valuable initiative that could have meaningful implications for market quality," said SEC Chair Mary Jo White. "I look forward to the public comment on the proposal and the expeditious development of a final pilot program."

In June, the Commission ordered the exchanges and FINRA to develop and file a proposal for a tick size pilot program. The SEC will seek comment on the proposed plan, which will be subject to Commission approval following a 21-day public comment period.

The pilot program will include stocks with a market capitalization of \$5 billion or less; an average daily trading volume of one million shares or less; and a closing share price of at least \$2 per share. The pilot will consist of one control group and three test groups with 400 securities in each test group selected by stratified sampling.

- Pilot securities in the control group will be quoted at the current tick size increment of \$0.01 per share, and trade at the increments currently permitted. The control group would represent a baseline for analysis during the pilot period.
- Pilot securities in the first test group will be quoted in \$0.05 minimum increments. Trading would continue to occur at any price increment that is permitted today.
- Pilot securities in the second test group will be quoted in \$0.05 minimum increments, and traded in \$0.05 minimum increments subject to certain exceptions.
- Pilot securities in the third test group will be subject to the same minimum quoting and trading increments (and the same exceptions) as the second test group, but in addition would be subject to a "trade-at" requirement. In general, a "trade-at" requirement prevents price matching by a trading center that is not displaying the best bid or offer.

The pilot also directs the exchanges and FINRA to collect and transmit data to the Commission and make the data available to the public in an agreed-upon format. After the end of the pilot period, the exchanges and FINRA will complete an assessment of the impact of the pilot and submit the assessment to the Commission.

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Related Materials

- Proposed Plan