

SEC Adopts Transaction Fee Pilot for NMS Stocks

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Washington D.C., Dec. 19, 2018 —

The Securities and Exchange Commission today announced that it has voted to adopt new Rule 610T of Regulation NMS to conduct a Transaction Fee Pilot in NMS stocks. The pilot is designed to generate data that will help the Commission analyze the effects of exchange transaction fee and rebate pricing models on order routing behavior, execution quality, and market quality generally. Data from the Pilot will be used to facilitate an empirical evaluation of whether the exchange transaction-based fee and rebate structure is operating effectively to further statutory goals and whether there is a need for any potential regulatory action in this area.

The Transaction Fee Pilot, which will apply to all stock exchanges, will create two test groups with new restrictions on the transaction fees and rebates that exchanges charge or offer to their broker-dealer members. One test group will prohibit exchanges from offering rebates and linked pricing and the other group will test a fee cap of \$0.0010.

"I applaud our staff for their thoughtful approach to the design of the Transaction Fee Pilot," said SEC Chairman Jay Clayton. "I expect the data provided by the pilot will help us make effective policy assessments that will benefit our markets and our investors. I would also like to thank former Commissioner Mike Piwowar for his contribution to this proposal during his time at the Commission, including while he was Acting Chairman. His work on market structure was extensive, and this pilot is only one example."

The Commission's action follows a recommendation from the Equity Market Structure Advisory Committee to conduct a pilot. The pilot will last for up to two years, and the Commission will subsequently announce by notice the commencement dates for data collection and the pilot period. Approximately one month prior to the beginning of the pilot period, the Commission will issue the list of pilot securities.

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Fact Sheet **Transaction Fee Pilot** **Dec. 19, 2018**

Action

The Commission adopted new Rule 610T of Regulation NMS to establish a Transaction Fee Pilot in NMS stocks. The Pilot will study the effects that exchange transaction fee and rebate pricing models may have on order routing behavior, execution quality, and market quality. Data from the Pilot will be used to facilitate an empirical evaluation of whether the exchange transaction-based fee and rebate structure is operating effectively to further statutory goals and whether there is a need for any potential regulatory action in this area.

Highlights

The key terms of the Pilot are summarized below.

Transaction Fee Pilot for NMS Stocks

Duration

2 years with an automatic sunset at 1 year unless, no later than 30 days prior to that time, the Commission publishes a notice that the pilot shall continue for up to 1 additional year; plus a 6-month pre-Pilot Period and 6-month post-Pilot Period

Applicable Trading Centers

Equities exchanges (including maker-taker & taker-maker)

Transaction Fee Pilot for NMS Stocks

but not ATSS or other non-exchange trading centers

Pilot Securities NMS stocks with average daily trading volumes $\geq 30,000$ shares with a share price $\geq \$2$ per share that do not close below \$1 per share during the Pilot and that have an unlimited duration or a duration beyond the end of the post-Pilot Period

	Group	# of NMS Stocks	Fee Cap	Rebates Permitted?
Pilot Design	Test Group 1	730	\$0.0010 fee cap for removing and providing displayed liquidity (no cap on rebates)	Yes
	Test Group 2	730 (plus appended Canadian interlisted stocks)	Rule 610(c)\$0.0030 cap continues to apply to fees for removing displayed liquidity	No Rebates and Linked Pricing Prohibited for removing and providing displayed and undisplayed liquidity (except for specified market maker activity)
	Control Group	Pilot Securities not in Test Groups 1 or 2	The Rule 610(c) cap continues to apply to fees for removing displayed liquidity (no cap on rebates)	Yes

Pilot Data

1. [Pilot Securities Exchange Lists and Pilot Securities Change Lists](#)
2. Exchange Transaction Fee Summary
3. Order Routing Datasets

The Pilot will require the national securities exchanges to prepare and post on their public websites in standardized XML format transaction fee and rebate data on a monthly basis. Primary listing exchanges also will be required to post on their websites information about the Pilot securities they list and any changes to those securities. In addition, the Pilot will require the national securities exchanges to prepare and provide to the Commission, on a monthly basis, aggregated order routing data.

What's Next?

The rule will be published on the Commission's website and in the Federal Register and will become effective 60 days from the date of publication in the Federal Register. The Commission will subsequently announce by notice the commencement dates for the pre-Pilot, Pilot, and post-Pilot Periods. Approximately one month prior to the beginning of the Pilot Period, the Commission will issue the List of Pilot Securities, which will include the securities in the Pilot and their Test Group assignments.

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