

Public Statement

Statement on Adoption of Amendments to Rule 15c2-11



Commissioner Elad L. Roisman

Sept. 16, 2020

Today, the Commission adopted amendments to modernize Rule 15c2-11 under the Exchange Act, which addresses brokers' initiation and resumption of quotations in the over-the-counter ("OTC") market. I am pleased to support these amendments.

Close to thirty years have passed since the Commission last updated Rule 15c2-11. In the intervening years, modern technology has transformed the OTC market, much as it has transformed all of our equity and fixed income markets. The OTC equity market has transitioned from being paper-based, where brokers provided quotes over the phone, to a real-time electronic market. Twenty-first century markets require twenty-first century rules. The amendments we adopted today will improve the transparency and efficiency of the OTC market and continue to prioritize the protection of retail investors.

I commend Chairman Clayton for his leadership and commitment to modernizing these rules. Thank you to Director Brett Redfearn and the staff in the Division of Trading and Markets who diligently worked on this rulemaking. Thank you as well to the staffs in the Division of Economic and Risk Analysis, the Division of Corporation Finance, the Division of Enforcement, the Division of Investment Management, the Office of Compliance Inspections and Examination, the Office of the Chief Accountant, and the Office of the General Counsel for your invaluable contributions to the recommendation we adopted today.

The Commission received a large number of comment letters in response to its proposal. These comments make clear that there are a lot of ideas for how we can modernize the OTC equity market. I want to again thank the staff for your thoughtful engagement with these many comments and commenters. As a result of the feedback and dialogue, the final rule includes constructive changes.

For example, in response to a question in the proposing release, commenters suggested including a time-limited grace period during which a broker-dealer could continue to publish or submit quotations for a security that loses quote eligibility. The amendments include a fifteen-day grace period following public notice to the market. This grace period will foster market efficiency by providing notice to

investors and issuers that a security has lost quote eligibility and facilitating an orderly market for an investor who may, for example, choose to exit a position.

In addition, while the amendments reflect the expanded role that inter-dealer quotation systems (“IDQSs”) play in the OTC markets, many commenters suggested that we also allow IDQSs to publish quotes in securities that lose quote eligibility to a limited universe of professional investors, a so called “expert market.” The adopting release explains that, while the amendments do not provide for such a market, we have the authority to issue exemptive relief to form one. Such an expert market would have the benefits of enhanced liquidity, efficiency and price discovery, but would take into account investor protection concerns by restricting it to professional investors. To the extent market participants are interested, I encourage them to timely submit their requests for relief during the transition period for these amendments, and to thoughtfully consider the guidance provided in the release in formulating requests.

Thank you again to the SEC staff for their hard work in developing these thoughtful amendments and thank you to all the commenters who took the time to engage with us on this important initiative.