

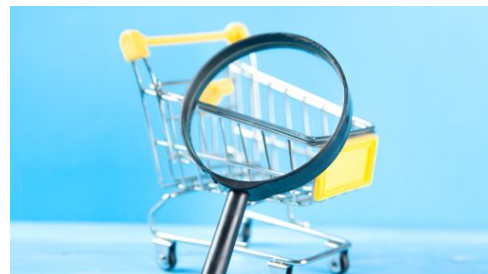
Securities Regulation Daily Wrap Up, EXCHANGES AND MARKET

REGULATION—SEC adopts final amendments to Regulation NMS rules, (Sep 18, 2024)

By Suzanne Cosgrove

The changes include the addition of a second minimum pricing increment, or tick size, of \$0.005 for certain national market system (NMS) stocks.

By a unanimous vote, SEC commissioners have approved amendments to certain rules under Regulation NMS. The changes include adding a new minimum pricing increment, or tick size, for the quoting of certain NMS stocks, reducing access fee caps, and increasing the transparency of exchange fees and rebates ([Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders](#), Exchange Act Release No. 101070 (Sept. 18, 2024)).



"A lot has changed -- in technology and business models -- since we last took a comprehensive review of the national market system rules (Regulation NMS) in 2005," said SEC Chair Gary Gensler in [a statement](#) ahead of the Commission's vote. "I think it's incumbent upon us to update our national market system rules."

The amendments that the Commission finalized on Wednesday are designed to reduce transaction costs and improve market quality for investors, helping ensure that the orders placed in the national market system reflect the best prices available for investors, the SEC said [in a release](#).

Regulators had argued that many NMS stocks would likely be priced more competitively if they were not restricted by a market-wide minimum pricing increment of \$0.01. Amendments to Rule 612 of Regulation NMS establish a new, additional \$0.005 minimum pricing increment for quotations and orders in NMS stocks that are priced at, or greater than, \$1.00 per share.

Market evolution. Gensler noted transaction volume in listed equities has doubled in the last five years and tripled in the last 17 years. In addition, markets now are overwhelmingly traded electronically, and stocks representing approximately 74 percent of share volume are currently being quoted at less than 1.5 pennies.

Further, a growing portion of the market is being transacted off-exchange. As of 2023, approximately 45 percent of share volume was executed in the so-called "dark markets," up from 25 percent in 2009.

As reported by *Securities Regulation Daily* in [December 2022](#) when the proposed amendments were first introduced, the new rules also aim to level the playing field between "dark" and "lit" securities markets.

Other adjustments. In addition to an added tick size, [the amendments](#) will reduce the access fee caps under Rule 610 of Regulation NMS and require national securities exchanges to make the amounts of all fees and rebates determinable at the time of execution.

For protected quotations in NMS stocks priced less than \$1.00 per share, the access fee cap will be 0.1 percent of the quotation price per share.

Reducing the minimum increment for stocks that currently have a price difference at or near one cent for the highest purchase price and lowest selling price, or spread, will improve market quality, commented Commissioner Jaime Lizárraga. The change "will address pricing inefficiencies caused by artificially wide spreads that could be lower if they were set by market forces," he said.

The changes also accelerate the implementation of the round lot and odd-lot information definitions adopted in 2020 under the Market Data Infrastructure Rules and add information about the best priced odd-lot order to the definition. An odd-lot order is an order for the purchase or sale of an NMS stock in an amount less than a typical trading order, or round lot, which is usually traded in a multiple of 100.

Industry feedback. [Commissioner Mark Uyeda](#) noted the comment process regarding the NMS proposal received “substantive feedback” from stakeholders and market participants to inform the final rule. One part of the original proposal would have required minimum pricing increments on trade executions, in addition to requiring them on expressions of trading interest. “This would have constituted a dramatic change in how NMS stocks are traded,” Uyeda said.

“The final rule before the Commission today is a significant improvement over the (initial) proposal,” [Commissioner Hester Peirce](#) agreed. “It replaces an overly granular set of minimum pricing increments with a more reasonable single additional increment at a half-penny,” she noted.

“It also provides a longer implementation period and commits the Commission to conducting a study of the rule’s effects and outlines how the Commission will determine whether the rule has achieved the Commission’s objectives,” Peirce said.

Slow and steady. The compliance date for Rule 612, Rule 610, and the round lot definition will be the first business day of November 2025. For odd-lot information, the compliance date will be the first business day of May 2026.

“The reforms we adopted today will help promote greater transparency, competition, fairness, and efficiency in our \$55 trillion equity markets,” Gensler said. “That goes to the heart of the SEC’s mission,” he said. “The reforms are pro-investors. They are pro-capital formation.”

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