

## [Securities Regulation Daily Wrap Up, SEC NEWS AND SPEECHES—SEC adopts rules for Reg. A reporting and Reg. NMS fee pilot, \(Dec. 20, 2018\)](#)

Securities Regulation Daily Wrap Up

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Capping off a busy day of rulemaking, the SEC adopted final rules allowing reporting companies to rely on the Regulation A exemption from registration and to conduct a Transaction Fee Pilot in NMS stocks. The amendments to Regulation A will enable companies subject to the reporting requirements of Exchange Act Section 13 or 15(d) to use Regulation A. The Regulation NMS pilot will generate data to help the Commission analyze the effects of exchange transaction fee and rebate pricing models and to determine whether there is a need for regulation in that area (*Amendments to Regulation A*, [Release No. 33-10591](#) and *Transaction Fee Pilot for NMS Stocks*, [Release No. 34-84875](#), December 19, 2018).

**Regulation A.** The amendments to Regulation A were required by the [Economic Growth, Regulatory Relief, and Consumer Protection Act](#), enacted in May 2018. Prior to the amendments, which will be effective upon publication in the *Federal Register*, Regulation A was not available to companies that are Exchange Act reporting companies. Revisions to Rule 251(b) permit companies subject to the reporting requirements of Exchange Act Section 13 or 15(d) to use Regulation A. Conforming changes have also been made to Form 1-A. And, revisions to Rule 257(b) provide that entities meeting the reporting requirements of the Exchange Act will be deemed to have met the reporting requirements of Regulation A.

"Regulation A provides an exemption from registration under the Securities Act for offerings of securities up to \$50 million in a 12-month period," said Chairman [Jay Clayton](#). "The amended rules will provide reporting companies additional flexibility when raising capital."

**NMS Fee Pilot.** The Commission also adopted new Rule 610T of Regulation NMS to conduct a Transaction Fee Pilot in NMS stocks. The pilot is designed to study NMS stocks and the effects of exchange transaction fee and rebate pricing models may have on order routing behavior, execution quality, and general market quality. The data obtained will be used to evaluate whether the transaction-based fee and rebate structure is meeting statutory goals and whether any regulatory action is needed.

The pilot includes all equities exchanges, including "maker-taker" and "taker-maker" exchanges. In addition to a control group, there will be two test groups with new restrictions: one test group will prohibit exchanges from offering rebates and linked pricing and the other will test a fee cap of \$0.0010. The pilot will last for a maximum of two years. Specifically, the rule features an automatic sunset at the end of one year unless the Commission publishes a notice that it will continue for up to one additional year. The rule will be effective 60 days after publication.

Chairman Clayton [said](#): "I expect the data provided by the pilot will help us make effective policy assessments that will benefit our markets and our investors." He also thanked former Commissioner Mike Piwowar for his contribution to this proposal.

The releases are No. [33-10591](#) (Reg. A) and No. [34-84875](#) (NMS pilot).

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