

MEMO# 31910

August 20, 2019

August 27 Call of ICI's Equity Markets Advisory Committee

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August 20, 2019 TO: Equity Markets Advisory Committee RE: August 27 Call of ICI's Equity Markets Advisory Committee

ICI's Equity Markets Advisory Committee will hold a call on Tuesday, August 27 at 4:05 pm (ET) to discuss: (1) a proposal by CBOE EDGA to introduce an asymmetrical speedbump as a liquidity provider protection mechanism; (2) ICI's potential sponsorship of a letter seeking greater transparency of SIP revenues; and (3) the amicus brief that ICI filed supporting the SEC's transaction fee pilot program for NMS stocks. Each topic is summarized briefly below.

Please contact George Gilbert at george.gilbert@ici.org to receive dial-in information for the call.

CBOE EDGA Proposal for a Liquidity Provider Protection Mechanism

EDGA has filed a [proposed rule change](#) with the SEC that would impose a delay of four milliseconds on all executable liquidity-removing orders arriving on EDGA. The purpose of this delay, which the exchange refers to as a "liquidity provider protection" mechanism—is to give liquidity providers a tool to protect themselves from cross-asset latency arbitrage and other similar trading strategies. The filing suggests that the delay could enable liquidity providers to make better markets in equity securities traded on the exchange. As part of this proposal, EDGA's quote would no longer be protected, but it would continue to be reported on the SIP. A range of market participants, including some buy-side firms have raised concerns with the proposal. The Exchange Act requires the SEC to act on exchange rule filings within 45 days, but the SEC recently [invoked](#) a statutory provision that allows it to take additional time to consider a proposed rule change. The SEC designated September 24 as the new action date for the proposal.

SIP Revenue Transparency

ICI has been asked to co-sponsor an initiative seeking greater transparency of SIP revenues. As part of the initiative, we (and a couple other associations) would sign onto the attached petition, which asks the SEC to amend the SIP NMS plans to require quarterly disclosure of: (i) the amounts of fee revenue, by category, received by the plans, and revenues received as a result of audits; (ii) the amounts that are paid out to the plan participants, processors, administrators, and others; and (iii) amounts that are paid to enhance the SIPs. **We are**

inclined to participate in this initiative and will discuss the details on the call. If you are unable to attend the call, please let George Gilbert know your views on this initiative by Friday, August 30.

ICI Amicus Brief

ICI recently filed an amicus brief supporting the SEC's adoption of the transaction fee pilot. The Council of Institutional Investors (CII) joined us in this effort. The call will include an update on the litigation.

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