

MEMO# 31773

May 23, 2019

SEC Establishes Commencement and Termination Dates of the Pre-Pilot Period for the Transaction Fee Pilot Program

[31773]

May 23, 2019 TO: Equity Markets Advisory Committee RE: SEC Establishes Commencement and Termination Dates of the Pre-Pilot Period for the Transaction Fee Pilot Program

The Securities and Exchange Commission (SEC or Commission) recently took steps to initiate a pilot program to assess how the transaction pricing structures of national securities exchanges affect order routing behavior, execution quality, and equity market quality generally.[\[1\]](#) The data generated by the pilot will facilitate the SEC's evaluation of the need for regulatory action on exchange transaction pricing and enable the Commission to make more informed and effective policy decisions to protect investors and maintain fair, orderly, and efficient markets.

Rule 610T(c)(1) of Regulation NMS provides that the pilot shall include, among other things, a six-month pre-pilot period to establish a baseline against which to assess the effects of the pilot. During the pre-pilot period, national securities exchanges must compile and transmit to the SEC the order routing information specified in Rule 610T(d) of Regulation NMS. Each exchange also must create and publicly post on its website a summary of its transaction fees and rebates pursuant to Rule 610T(e) of the regulation. Rule 610T(c)(2) of Regulation NMS further provides that the Commission shall designate by notice the commencement and termination dates of the pre-pilot period.

The Commission recently issued a notice designating July 1, 2019 and December 31, 2019 as the commencement and termination dates, respectively, of the pre-pilot period. The notice provides that national securities exchanges will be required to compile order routing information and transaction pricing summaries as provided in Rules 610T(d) and 610T(e) under Regulation NMS. The exchanges, however, will not be required to transmit order routing information to the SEC or to make summaries of their transaction pricing requirements available publicly, pending a decision by the DC Circuit Court of Appeals regarding legal challenges to the pilot program's validity.[\[2\]](#)

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endnotes

[1] See [ICI Memorandum No. 31547](#) (January 4, 2019) for a summary of the pilot program, which the Commission adopted in December 2018.

[2] See *In the Matter of Rule 610T of Regulation NMS, Order Issuing Stay*, [Securities Exchange Act Release No. 85447](#) (March 28, 2019) (Commission order issuing a partial stay of the transaction fee pilot).

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