

**MEMO# 11954**

June 15, 2000

# **SEC ISSUES ORDER DIRECTING THE EXCHANGES AND THE NASD TO SUBMIT A PHASE-IN PLAN TO IMPLEMENT DECIMAL PRICING**

1 Securities Exchange Act Release No. 42914 (June 8, 2000) ("Order"). 2 The Order states that the SEC selected September 5, 2000 as the latest start-up date for the phase-in period because it is the first trade date following the September 4, 2000 Labor Day holiday. 3 The Order states that the SEC selected April 9, 2001 as the deadline for full implementation to avoid disruptions of securities pricing systems at broker-dealers, mutual funds, and other market participants during the period immediately following the quarter-end on March 31, 2001. [11954] June 15, 2000 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 35-00 SEC RULES COMMITTEE No. 85-00 RE: SEC ISSUES ORDER DIRECTING THE EXCHANGES AND THE NASD TO SUBMIT A PHASE-IN PLAN TO IMPLEMENT DECIMAL PRICING

The Securities and Exchange Commission has issued an order<sup>1</sup> (attached) directing the exchanges and the NASD to act jointly in discussing, developing, and submitting to the SEC a plan that will begin phasing-in the implementation of decimal pricing on or before September 5, 2000.<sup>2</sup> In particular, the Order states that the plan should provide for decimal pricing in exchange-listed securities and options to be phased in beginning on or before September 5, 2000. The plan also should provide for the phasing in of decimal pricing for at least some Nasdaq securities starting no later than March 12, 2001, with full implementation of decimal pricing in all securities and options to be completed no later than April 9, 2001.<sup>3</sup> The exchanges and the NASD must submit the phase-in plan to the SEC no later than July 24, 2000. The phase-in plan may fix the minimum quoting increment during the phase-in periods, provided that the minimum increment is no greater than five cents and no less than one cent for any equity security, and that at least some equity securities are quoted in one cent minimum increments. The Order also directs each exchange and the NASD to submit the rule changes necessary to implement the phase-in plan no later than August 7, 2000. Finally, the Order directs each exchange and the NASD to submit a study to the SEC two months after full decimal pricing implementation examining the impact of decimal pricing on systems capacity, liquidity, and trading behavior, including an analysis of whether there should be a uniform minimum increment for a security. In addition, if an exchange or the NASD wants to quote in an increment of less than one cent, they must include in the study a full analysis of the potential impact of such trading on their market and the markets as a whole. Within thirty days after submitting the study, the exchanges and the NASD individually must submit proposed rule changes to establish their individual choice of minimum increments by which equities or

options are quoted on their respective markets. 2Ari Burstein Assistant Counsel Attachment

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