The Asset Management Industry
SERVING INDIVIDUAL INVESTORS

INVESTMENT COMPANY INSTITUTE

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SEC EXTENSION OF DE MINIMIS EXEMPTION TO TRADE-THROUGH RULES

[16136] June 2, 2003 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 12-03 RE: SEC EXTENSION OF DE MINIMIS EXEMPTION TO TRADE-THROUGH RULES The SEC has granted an extension of the de minimis exemption from the provisions of the Intermarket Trading System Plan ("ITS Plan") governing intermarket trade-throughs in three exchange-traded funds: the Nasdaq-100 Index ETF ("QQQ"), the Dow Jones Industrial Average ETF ("DIA"), and the Standard & Poor's 500 Index ETF ("SPY").1 In particular, the exemption permits transactions in these three ETFs to be effected at prices no more than three cents worse than the national best bid and offer. The SEC order states that, in providing the three cent de minimis exemption, the SEC believed that exempting these transactions from the ITS trade-through provisions would provide investors with increased liquidity and expand the choice of execution venues, while limiting the possibility that investors would receive significantly inferior prices. The original exemption was to expire on June 4, 2003. The SEC order extends the exemption for an additional nine months through March 4, 2004. Ari Burstein Associate Counsel 1 The SEC order can be found on the SEC's website at http://www.sec.gov/rules/other/34-47950.htm.