

MEMO# 35150

March 10, 2023

Your Comments Requested by COB March 17: ICI Draft Letter on SEC Tick Size and Access Fee Reduction Proposal

[35150]

March 09, 2023

TO: Equity Markets Advisory Committee
ETF (Exchange-Traded Funds) Committee
SEC Rules Committee

Security Valuation Operations Committee RE: Your Comments Requested by COB March 17:
ICI Draft Letter on SEC Tick Size and Access Fee Reduction Proposal

Attached for your review is ICI's draft comment letter to the SEC's Tick Size and Access Fee Reduction Proposal. A separate comment letter on the SEC's Best Execution and Order Competition proposals will be forthcoming shortly.

Comments are due to the SEC on this proposal by Friday, March 31. Given the number of areas where additional member feedback is requested and to ensure that we have sufficient time to incorporate or address any further member comments and views before the 31st, please provide me with any feedback or comments by email at nhan.nguyen@ici.org no later than COB Friday, March 17.

The draft letter cautions the SEC against trying to adopt all the of changes—within this Proposal alone—simultaneously or in a short time period. ICI urges the SEC to instead take an incremental approach, starting first with the dissemination of the new round lot sizes and odd lot information through NMS core data before pursuing any other changes. With respect to the other proposed changes:

- **Tick Size Reduction:** ICI strongly opposes applying multiple new sub-penny quoting tick increments, in particular \$0.0010 and \$0.0020, and recommends a more limited approach—a \$0.005 (half-penny) increment for tick constrained stocks. ICI further recommends that this single sub-penny increment only apply to stocks that consistently demonstrate that they are "tick constrained," and not for example, "near tick constrained" stocks. ICI also recommends additional metrics that should apply in addition to time-weighted average quoted spread (TWAQS) to define the scope of "tick constrained." Finally, ICI recommends that the SEC further examine potential widening of the \$0.01 tick increment where appropriate.

- Access Fee Cap: ICI supports a reduction in the \$0.0030 access fee cap under Rule 610 to correspond to the recommended half-penny quoting tick increment for tick constrained stocks, as well as supports a requirement that exchange fees or rebates (or other forms of remuneration) be known at the time of execution of an order.
- Minimum Trading Increment (Tick Harmonization): ICI supports the Commission's proposed exceptions from its minimum trading increments. These exceptions would apply to midpoint trades and benchmark trades, including VWAP and TWAP trades. As currently drafted, however, ICI's letter does not offer a specific view or recommendation on tick harmonization itself.

The draft letter includes several areas where ICI seeks additional member feedback, in part to determine whether to comment on more granular aspects of the Proposal. Please review these questions and provide your feedback accordingly.

If you have any questions or would like to further discuss, please don't hesitate to let me know.

Nhan Nguyen
Assistant General Counsel, Securities Regulation

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