FACT SHEET

Volume-Based Exchange Transaction Pricing for NMS Stocks

The Securities and Exchange Commission proposed Rule 6b-1 under the Securities Exchange Act of 1934 to:

- Prohibit national securities exchanges from offering volume-based transaction pricing in connection with the execution of agency or riskless principal ("agency-related") orders in NMS stocks; and
- Require exchanges that offer volume-based transaction pricing in connection with the execution of proprietary orders in NMS stocks for the account of a member to:
  - Electronically submit to the Commission, on a monthly basis, tables in structured data format that disclose certain information, including the number of members that qualify for each volume-based transaction pricing tier; and
  - Have anti-evasion measures, including rules requiring members to engage in practices that facilitate the exchange's ability to comply with the proposed rule and written policies and procedures reasonably designed to detect and deter members from receiving volume-based transaction pricing in connection with the execution of agency-related orders in NMS stocks.

Why This Matters

As self-regulatory organizations, exchanges are subject to unique principles and processes that do not apply to other businesses. Among other things, exchange rules, including transaction pricing schedules, may not be designed to permit unfair discrimination between brokers and may not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. Through increasingly complex transaction pricing schedules, many exchanges offer their broker-dealer members lower fees or higher rebates as the number of shares the member executes on the exchange reaches successively higher predefined volume-based tiers. The large number of available pricing tiers, and the possible combinations of some tiers, make exchange transaction pricing schedules difficult to understand. Volume-based exchange transaction pricing raises competitive concerns among exchange members and among exchanges. Further, the desire to qualify for volume-based transaction pricing tiers exacerbates a conflict of interest between members and their customers when members route customers' orders for execution because the member can economically benefit from its routing decision.

How The Rule Would Apply

Proposed Rule 6b-1 would:

- Prohibit exchanges from offering volume-based transaction pricing in connection with the execution of agency or riskless principal orders in NMS stocks;
- Require exchanges that offer volume-based transaction pricing in connection with the execution of proprietary orders in NMS stocks for the account of a member to have anti-evasion measures, including rules requiring members to engage in practices that facilitate the exchange's ability to comply with the prohibition, and written policies and procedures reasonably designed to detect and deter members from receiving volume-based pricing in connection with the execution of agency-related orders in NMS stocks; and
- Require exchanges that offer volume-based transaction pricing in connection with the execution of proprietary orders in NMS stocks for the account of a member to submit electronic, machine-readable structured data tables of certain information about their volume-based transaction pricing tiers and the number of members that qualify for each tier in an Interactive Data File in accordance with Rule 405 of Regulation S-T, which the public would be able to access through the Commission's EDGAR system.

Additional Information:

The public comment period will remain open 60 days after the date of publication of the proposing release in the Federal Register.