

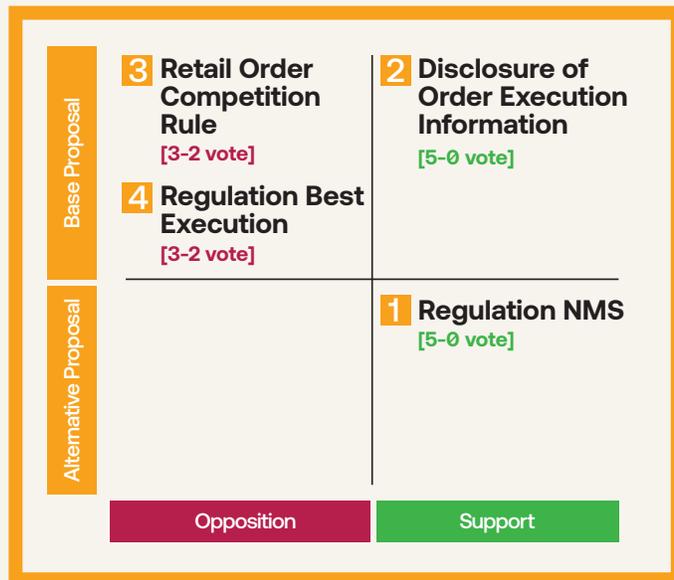
# Investors Support the SEC’s Proposal to Reform Reg NMS

## Background

In December 2022, the SEC shared four distinct proposals to update U.S. equity market structure. If adopted, these updates would translate to the biggest regulatory overhaul since the introduction of the national market system with Reg NMS in 2005, nearly twenty years ago.

One of the four proposals at hand today is a modernization of Reg NMS, which was fully supported in a 5-0 vote among the SEC commissioners. The Reg NMS proposal specifically represents a significant opportunity to level the playing field for investors and promote greater competition and transparency in the U.S. stock market.

## Four SEC Proposals to Reform Equity Market Structure



### 1 Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders

- A. Uniform Access Fee Reduction:** Considerably lowers the access fee cap from 30 mils to 10 mils (\$0.0010)
- B. Tiered Pricing Determinism:** Requiring the trading fee and rebate pricing to be known at the time of the trade
- C. Tick Size Reduction:** Amend minimum quoting increments, also known as tick sizes, under Rule 612 of Reg NMS to establish a variable minimum quoting increment model  
**Tick Size Reduction to 50 Mills:** Securities that are tick-constrained or near tick-constrained will be subject to 50 mils (\$0.005) tick increment
- D. Best Odd Lot Order (BOLO):** A “NBBO” for the best quoted prices in Odd Lot quantities would be included in consolidated data feeds

**2 Disclosure of Order Execution Information**  
 Requires more market participants to disclose a greater amount of information clarifying trading performance and costs

**3 Retail Order Competition Rule**  
 Requires each retail order be exposed to an auction hosted by an exchange or alternative trading system (ATS) before being internalized by a wholesaler

**4 Regulation Best Execution**  
 SEC adopts its Best Execution Rule to include equities, fixed income, and cryptocurrency with heightened obligations for broker-dealers in certain capacities

## IEX Exchange’s Position on the SEC’s Reg NMS Proposal



### A. Uniform Access Fee Reduction

Modernize access fee cap by reducing to \$0.001 (10 mils), reducing investor costs while allowing for exchange competition and the ability of an exchange to use an “agency model.”

### B. Tiered Pricing Determinism

Restrict rebate tiers to reduce their anti-competitive nature and allow smaller brokers to compete with the largest trading firms.

### C. Tick Size Reduction

Adopt a half-cent (50 mils) tick size for stocks with a spread up to \$0.02, to make trading more efficient, and create common trade increments to create a more level playing field.

### D. Best Odd Lot Order (BOLO)

Promote more displayed liquidity and reduce the cost of access to exchange quotes, and enact the proposals to provide greater visibility of smaller displayed orders.

# Investors Agree: It's Time to Reform Reg NMS

IEX reviewed the public comment letters submitted by the pension and asset management community, so you don't have to. The takeaway is clear: **investors support sensible updates to Reg NMS.**

<b>\$2T</b> Combined AUM for supportive joint pension letter	<b>35M</b> Individuals' retirement assets represented for supportive joint pension letter
<b>88%</b> Firms supportive of tick size reduction to 50 mils (for tick-constrained or near tick-constrained securities)	<b>\$774B</b> AUM of Joint Asset Manager letter signed by 15 firms
<b>78%</b> Firms supportive of access fee reduction	<b>&gt;\$25T</b> Combined AUM for firms supportive of reduction in access fee cap
	<b>&gt;\$24T</b> Combined AUM for firms supportive of tick size reduction

To further understand investors' perspectives on the nuances of ideas proposed, we surveyed the buy-side in April-May 2023 and heard back from 217 institutional investors across mutual funds, pensions, endowments, hedge funds, RIAs, and private wealth funds. **Here's what they told us:**

**94%**

**of investors agree** U.S. equity market regulation could be updated to keep better pace with changes in technology and participant activity.

**74%**

**of investors would support** a tick size reduction to 50 mils (for tick-constrained or near tick-constrained securities).

**83%**

**of investors support** a uniform access fee cap of 10 mils for all symbols.

## Prominent Institutional Investors Largely Support Reg NMS Reforms\*



This document and its contents, including, without limitation, the analysis, opinions, characterizations or conclusions contained in this document (collectively, the "Document") are provided for informational purposes only and should not be construed as professional advice. The Document is based on: (1) an analysis by Investors' Exchange LLC ("IEX Exchange") of publicly filed comment letters and certain other public statements of third parties available to IEX Exchange as of 5/23/2023 in connection with the Securities and Exchange Commission's recent proposed amendments to Regulation NMS and (2) a survey of 217 market participants (including investors including Pensions, Hedge Funds, Mutual Funds, and Endowments) conducted by IEX Exchange between April 2023 and May 2023 where respondents were asked to rank their views on the recent proposed amendments to Regulation NMS on a Likert Scale (collectively, the "Subject Matter"). IEX Exchange has no obligation (express or implied) to update or correct any or all the Document or to advise any reader or recipient of the Document of any changes or corrections. While every effort has been made to ensure the accuracy of the Document, there is no guarantee that the Document is complete or correct, and it necessarily contains opinions and conclusions of IEX Exchange based on its analysis. The Document should not be assumed to be conclusive in whole or in part. This document does not purport to contain all information related to any Firm's opinion of the Subject Matter, and readers should form their own opinions and conclusions based on their own analysis. IEX Exchange makes no representation or warranty, express or implied, as to the accuracy, completeness or reliability of the Document. Any reliance on the Document is at the reader's own risk. IEX Exchange assumes no liability or responsibility for the Document or any errors, omissions, opinions or mischaracterizations contained herein or for any actions taken (or not taken) in reliance on all or any portion of the Document. If you have any questions or comments regarding the Document, please contact [info@iextrading.com](mailto:info@iextrading.com).

\*based on IEX's review of public comment letters submitted to the SEC.