



## SEC Approves Tick Size Pilot Program

May 15, 2015

Reading Time : **2 min**

By: Rosa A. Testani, Anthony S. Ameduri

The final pilot will include securities with the following characteristics during the measurement period (which will be a three-month period ending at least 30 days prior to the effective date of the pilot period):

- (1) total market capitalization of \$3 billion or less at the end of the measurement period
- (2) a closing price per share of \$2.00 or more at the end of the measurement period
- (3) a closing price per share of \$1.50 or more on each trading day of the measurement period
- (4) an average daily trading volume during the measurement period of one million shares or less
- (5) a volume-weighted average price per share greater than \$2.00 per trading day during the measurement period.

Securities of issuers that have had initial public offerings within the past six months of the start of the pilot period will not be eligible to be included in the pilot program.

Like the proposed pilot program, the program will consist of a control group of approximately 1,400 securities and three test groups with 400 securities in each selected by a stratified sampling. The following conditions will apply to each group:

- Securities in the control group will be quoted at the current tick size of \$0.01 per share and may be traded in any price increments currently permitted.

- Securities in the first test group will be quoted in \$0.05 minimum increments, but like the control group will continue to trade at any price increment currently permitted.
  - Orders priced to execute at the midpoint of the increment and orders through retail liquidity programs may be ranked and accepted in increments less than \$0.05.
- Securities in the second test group will be quoted in the same \$0.05 minimum increments as the first test group (along with applicable quoting exceptions), but will only be traded in \$0.05 increments.
  - Trading will be allowed in increments less than \$0.05 in the following circumstances: (1) trading at the midpoint between the National Best Bid and the National Best Offer or the midpoint between the best protected bid and the best protected offer; (2) retail investment orders may be provided with price improvement that is at least \$0.005 better than the best protected bid or the best protected offer; and (3) negotiated trades (such as volume-weighted average price and time-weighted average price trades). National Best Bid and National Best Offer are defined in Rule 600(b)(42) of Regulation NMS under the Securities Exchange Act of 1934, as amended, as the best bid and best offer for such security that are calculated and disseminated on a current and continuing basis pursuant to an effective national market system plan. Best protected bid and best protected offer mean the highest priced protected bid and lowest priced protected offer, respectively.
- Securities in the third test group will be quoted and traded in the same increments as the second test group (along with the applicable quoting and trading exceptions), but the third test group will also be subject to a “trade-at” prohibition.
  - The trade-at prohibition forbids price matching by a trading center that was not quoting from the price-matching protected quotations and allows trading centers that were quoting from the price-matching protected quotations to execute orders only up to the displayed size, unless the trade falls under specified exceptions. The exceptions include those described for the second test group above and block transactions (with the reduced size amount as noted above for the block transaction exception).

## Categories

Capital Markets

Compliance

© 2025 Akin Gump Strauss Hauer & Feld LLP. All rights reserved. Attorney advertising. This document is distributed for informational use only; it does not constitute legal advice and should not be used as such. Prior results do not guarantee a similar outcome. Akin is the practicing name of Akin Gump LLP, a New York limited liability partnership authorized and regulated by the Solicitors Regulation Authority under number 267321. A list of the partners is available for inspection at Eighth Floor, Ten Bishops Square, London E1 6EG. For more information about Akin Gump LLP, Akin Gump Strauss Hauer & Feld LLP and other associated entities under which the Akin Gump network operates worldwide, please see our Legal Notices page.