

ICI Voices Support for SEC Regulation NMS, June 2004

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Stevens Says Investors will Benefit From Modernization

Washington, DC, June 30, 2004 - The Investment Company Institute today filed a [comment letter](#) with the Securities and Exchange Commission strongly supporting the goals of the [proposed Regulation NMS](#), which is intended to enhance and modernize the structure of the U.S. equity markets.

"The Regulation NMS proposals have the potential to be the most significant step toward the creation of a national market system in thirty years and would address critical issues relating to the structure of the securities markets that will result in a positive impact on investors. We commend the SEC for issuing this proposal, which is the latest effort to improve the quality of the U.S. securities markets," said Paul Schott Stevens, President of ICI.

Most significantly, the Institute supported the establishment of a uniform "trade-through" rule for all market centers. ICI Associate Counsel Ari Burstein said "the trade-through proposal goes to the heart of what Institute members have been advocating for years, protection for limit orders placed in the securities markets." Burstein also said the proposal would encourage the display of limit orders by investors, which in turn would "create benefits for the marketplace as a whole."

As contained in the SEC's proposal, the Institute supported an exception to the proposed trade-through rule that would permit an "automated" market to execute orders within its market without regard to a better price displayed on a "non-automated" market. Burstein stated that "it is extremely important that the execution of orders entered into an 'automated' market not be delayed by mandating that those orders be routed to a 'non-automated' market where there is no guarantee that those orders will ever be executed." The Institute also supported the Commission examining whether to amend the trade-through proposal to include an exception that would focus on whether a quote was "automated" or "non-automated," rather than providing an exception for a "non-automated" market.

The Institute did, however, oppose the second proposed exception to the trade-through rule, the so-called "opt-out" exception. Burstein stated that "an opt-out exception is inconsistent with the principle of price protection for limit orders and could therefore undermine the ability of Regulation NMS to achieve its stated objectives of encouraging display of limit orders and enhancing investor confidence in the markets."

The Institute also expressed support for several other proposals contained in Regulation NMS including: establishing rules to modernize the terms of access to quotations and the execution of orders in the national market system; prohibiting the quotation of securities in sub-penny increments; and amending the rules and joint industry plans for disseminating market information to the public.