

FINANCIAL INFORMATION FORUM

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Via Electronic Delivery

July 31, 2018

Mr. David Shillman
Associate Director, Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Planned Sunset of the Tick Size Pilot Program, Pursuant to NMS Rule 608

Dear Mr. Shillman,

On behalf of Financial Information Forum (“FIF”)¹ industry members (for the purposes of this letter, referred to as “FIF members” or “members”), FIF is requesting that the Securities and Exchange Commission (the “SEC” or the “Commission”) consider providing notice to the industry concerning the planned sunset of the Tick Size Pilot (the “Pilot”) per SEC Rule 608, including detailed expectations regarding the post-pilot data collection, in order to grant members sufficient lead-time to decommission the pilot program and the appurtenant processes that have been implemented to facilitate the Pilot.

Stated End Date (Sunset) of the Tick Size Pilot Program

Pursuant to the NMS Plan, the Tick Size Pilot is scheduled to sunset on October 3rd, 2018.² In view of the specified end date of the Pilot, the industry requests sufficient (at least 2 months) lead time regarding whether the Commission will extend or sunset the Pilot Period. Depending upon a firm’s implementation of the Pilot Program, members may need to implement coding changes to sunset the Pilot and its related processes in their trading systems. Further, members require additional SRO guidance concerning:

- Specific changes to reporting protocol (*i.e.*, FINRA’s OATS reporting) that were required to implement the Pilot.
- Decommissioning Pilot-specific data elements required on OATS reports.
- Potential changes to FINRA’s Retail Investor Order Exception.

FIF members have indicated that the technical and operational efforts involved will require internal allocation of resources which cannot be achieved until guidance from the SEC regarding the future of the Pilot is provided.

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² SEC Release No 34-74892 (“The Commission.... Is approving a Pilot Period of two years in this order. Any proposal to extend the Tick Size Pilot beyond the two-year term would be considered and evaluated at a later date”).

Post-Pilot Data Collection Period

After the Pilot ends, the post-pilot data collection period begins (this period is scheduled to begin October 4, 2018 and end on April 1, 2019). Many FIF members have implemented a “data driven” approach in implementing the required reporting of data, by which they interpret the assignments of Pilot test and control group securities from distributed securities data, including respective market data feeds. More specifically, broker-dealers report the required data to their SROs for stocks that have been assigned to be test and control group securities as noted in market data feeds. Most FIF members expect all securities in the pilot to be moved to the control group and further expect the SROs to continue to publish this expanded control group until the post-pilot data collection period ends. FIF members would appreciate confirmation of this understanding. Depending on the actions undertaken by the SROs, and whether all pilot securities are moved to a control group or whether, for example, the SROs cease publishing any information regarding the pilot and control securities, broker-dealers may need to implement other software changes for post-pilot data reporting. Adequate notice and associated regulatory guidance is necessary to facilitate those changes.

Summary

FIF wishes to thank Commission for consideration of our request for guidance regarding the sunset of the Tick Size Pilot Program. If the Pilot ends as specified in the adoptive release on October 3, 2018, industry members must be provided sufficient lead to make necessary technical and operational changes, including moving all affected securities back to the control group, and assuming pre-Pilot quoting and trading status for those securities. If, however the Pilot is extended beyond October 3rd or a different configuration is proposed (e.g. maintaining one or two test groups past October 3rd, while moving other test group securities to the control group), the industry will require time to prepare accordingly.

FIF welcomes the opportunity to discuss the aforementioned request for guidance and any of the other details noted in this letter further.

Sincerely,



Christopher Bok, Esq.
Financial Information Forum

CC:

Mr. Brett Redfearn, Director, Division of Trading and Markets, SEC
Ms. Kelly Riley, Assistant Director, Division of Trading and Markets, SEC
Ms. Stephanie Dumont, Senior Vice President and Director of Capital Markets Policy, FINRA
Mr. Steven Givot, Chair, Tick Size Pilot Operating Committee