



On September 18, 2024, the Securities and Exchange Commission (SEC) voted to approve several updates to Regulation National Market Securities (Reg NMS)¹ including the minimum pricing increments (i.e., tick size) across all venues, reducing the access fee caps, requiring all fees be known prior to the trade, enhancing the transparency of better priced orders by standardizing round lot and odd lot definitions and providing odd lot pricing in market data. Changes will begin on November 3, 2025, so firms will need to act timely for the system, business, and compliance impacts.

5 insights you should know

Tick size: The SEC's goal is to increase competition in exchange trades and level the playing field with other venues that trade at finer tick sizes. The SEC estimates that 42% of trades are in wholesale and dark pools. Changes in competitiveness of exchange markets could provide greater transparency to the 'lit' markets and promote fairness for investors. Lowering the tick size may improve price discovery by allowing for narrower spreads.

Variable pricing increments: Changes to the NMS Rule 612 establish a variable minimum price increment based on the Time Weighted Average Quoted Spread (TWAQS) between Best Bid and Offer of any NMS security during the evaluation period. In its adopting release, the SEC has approved two tiers and updates every 6 months. Tick sizes for orders priced greater than or equal to \$1.00 per share:

- **\$0.01** if the **TWAQS** was **greater than \$0.015**
- **\$0.005** if the **TWAQS** was **less than or equal to \$0.015**

Access fee caps: In light of the changes to NMS Rule 612, NMS Rule 610 is adjusted to account for smaller tick sizes. For protected quotations priced \$1.00 or more, a 10 mil (\$0.001) access fee cap has been adopted.

Round lot and odd lot: Round lots are determined by the average closing price on the primary listing exchange during the prior month as:

- **100 shares** for stocks **\$250.00 or less per share**
- **40 shares** for stocks **\$250.01 to \$1,000 per share**
- **10 shares** for stocks **\$1,000.01 to \$10,000 per share**
- **1 share** for stocks **\$10,000.01 or more**

Changes from the proposed rule: Changes to the Order Protection Rule include a "best odd lot" definition, and odd lot bid and offer prices are to be included in market data to allow investors to target the better priced liquidity and increase competition. This will also impact trade surveillance and the expanded execution quality reporting.

5 considerations to evaluate

Scope of entities: All trading systems will need to address this new obligation. Order management systems, trading algorithms, and smart order routers as well as market data, surveillance systems, and related regulatory reporting will all be impacted to some extent.

System development considerations: Extensive system changes will be necessary, as well as the need for comprehensive testing. Organizations should assess current capabilities and identify system deficiencies to determine the complexity and scope of efforts needed. There will also be ongoing changes as symbols update their tick size and round lots. The tick size is updated every six months with only one month to implement. Round lot definitions and impact to odd lots would also change as symbols cross the range thresholds.

Assess data elements: Given the scope of systems and operations impacted by the changes, assembling all the impacted data and ensuring data quality may be a substantial undertaking for many organizations and ongoing changes will drive expectations for data governance standards, front to back process, and controls.

Accelerated transition period: The system changes, testing, and operational impacts across many parts of the business will need time to implement. For Rule 612, Rule 610, and the round lot definition, the compliance date will be Monday, November 3, 2025. For odd-lot information, the compliance date will be the first business day of May 2026.

Align implementation efforts: Impacted entities may want to consolidate with other business changes, technology migrations, and compliance efforts that have dependencies as there may be efficiency gains with respect to identifying transactions and sourcing data.

Endnotes

¹Securities and Exchange Commission (SEC), "[Regulation NMS](#)," September 18, 2024.

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