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## Proposed National Market System Changes Aim to Lighten Dark Pools

2009-11-19

The Securities and Exchange Commission ("SEC" or "Commission") recently proposed rule changes that are expected to have a profound impact on alternative trading systems ("ATSs") known as "dark pools" of liquidity. Increases in the trading volume of dark pools since the adoption of Regulation ATS of the Securities Exchange Act of 1934 ("Exchange Act") in 1998, in conjunction with the Commission's ongoing concerns about price transparency and two-tiered markets, have led the Commission to reconsider certain issues related to the role of ATSs in the National Market System ("NMS"). The proposed rules represent the Commission's attempts to improve the NMS without inhibiting the use or continued technological development of trading strategies that are consistent with NMS goals.

Specifically, the Commission proposes to:

- Amend the definition of "bid" or "offer" in Rule 600 of Regulation NMS of the Exchange Act to apply explicitly to "actionable indications of interest" ("actionable IOIs") in NMS stocks. The proposal similarly would impact the scope of bids and offers subject to the display requirements under Rule 301(b)(3) of Regulation ATS. As a result, subject to a limited exception for actionable IOIs related to large orders, dark pools no longer would be permitted to transmit actionable IOIs to selected market participants and, instead, would be required to publicly display such actionable IOIs as quotes.
- Amend the display obligations of Regulation ATS by lowering the trading volume threshold that triggers public display of orders by ATSs that otherwise display orders to more than one person from 5 percent to 0.25 percent.
- Amend the joint-industry plans for publicly disseminating consolidated trade data to require real-time disclosure of the identity of dark pools and other ATSs on their trade reports.

Comments on the proposals are due by February 22, 2010.

To read the full alert, please click [here](#).

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## *Authors*



### **Andre E. Owens**

#### **PARTNER**

Chair, Broker-Dealer Compliance  
and Regulation Practice

Co-Chair, Securities and  
Financial Regulation Practice

✉ [andre.owens@wilmerhale.com](mailto:andre.owens@wilmerhale.com)

☎ +1 202 663 6350