



CAPIS is Ready for the Tick Size Pilot

In May 2015, the Securities & Exchange Commission (SEC) issued an order approving the National Market System (NMS) Plan to implement a Tick Size Pilot Program by the National Securities Exchanges and FINRA. The Pilot program is a data-driven test to evaluate whether or not widening the tick size for securities of smaller capitalization companies would impact trading, liquidity, and market quality of those securities.

Beginning October 3, 2016, the Tick Size Pilot will begin for a period of two years and will affect quoting and trading requirements for a select group of securities. The list of Pilot securities is expected to be available around September 6th.

The Pilot involves approximately 1,600 stocks and will consist of a control group and three test groups. Each test group will have approximately 400 securities. Listed common stocks with the following characteristics will be included:

- **Small cap stocks** – market cap under \$3 billion
- **Illiquid** – ADV under 1 million shares
- **Stock price** – above \$2.00

The groups are defined as follows:

- The **control group** will be quoted and trade at their current tick size increment.
- The **first test group** will be quoted in \$0.05 increments, but will continue to trade at their current price increment.
- The **second test group** will be quoted and trade in \$0.05 minimum increments, but would allow certain exemptions for midpoint executions, retail investor executions, and negotiated trades.
- The **third test group** will adhere to the requirements of the second test group, but will also be subject to a "trade-at" requirement. There will also be an exemption for block size orders.

Any Pilot securities sent to the CAPIS trading desk that are priced in increments other than \$0.05 will be rejected as a "failed" order. CAPIS will then contact you for further instructions on how to handle the order.

CAPIS's trading desk systems and infrastructure are programmed and ready to participate in the Tick Size Pilot. Investors can feel confident in CAPIS's ability to properly execute the stocks that are part of the Pilot program.

For any questions regarding the Tick Size Pilot, please contact your trader or Jason Gatewood, Director of US Equity Trading at 800-527-5756.