CITADEL | Securities

April 19, 2026

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090

Re: Appropriately Calibrating Tick Sizes and Access Fees

We write to recommend that, instead of implementing the misguided rule amending tick sizes and access fees that was finalized under the prior administration, the Commission adopt a targeted pilot program to more fully evaluate tick size reform and ensure that any changes are appropriately calibrated to protect investors and promote efficient markets.

Despite strong industry consensus that the liquidity characteristics of a given stock must be considered when determining whether that stock is actually "tick-constrained,"[1] the rule finalized under the prior administration was far too broad and only considered a stock's quoted spread, resulting in thousands of symbols being deemed in-scope. Reducing the minimum quoting increment for stocks that are not sufficiently liquid will negatively impact market quality, including with respect to displayed size and market depth.

We therefore recommend a two year pilot program that would:

(i) identify the 60 most liquid stocks (based on average quoted size at the NBBO) that have a time weighted quoted spread of less than or equal to 1.25 cents,

(ii) randomly divide these 60 stocks into two groups: (a) a test group where the minimum quoting increment is reduced to a half-penny and (b) a control group,

(iii) only reduce the access fee cap proportionately (i.e. by 50%) for those "tick-constrained" stocks that are subject to a reduced minimum quoting increment, and

(iv) assess the impact that the reduced minimum quoting increment has on key market quality indicators.

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[1] *See* BlackRock Letter ("BlackRock recommends that in addition to the time weighted quoted spread, the Commission should incorporate other factors for designating tick sizes, such as the average quoted size, ratio of average quoted size to average traded size, daily traded volume, or stock price.") available at https://www.sec.gov/comments/s7-32-22/s73222-20163995-333998.pdf; State Street ("In our Joint Industry Letter, we recommended defining tick constrained symbols through an objective, multi-factor approach that considers quoted spreads and displayed liquidity, similar to that recently suggested by Cboe, rather than applying tick reform to an expansive universe of securities.") available at https://www.sec.gov/comments/s7-31-22/s73122-20162728-332114.pdf; CBOE Letter ("we started with the complete universe of NMS securities, and applied three constraints – quoted spread, quote-size-to-trade-size ratio, and notional turnover ratio – to arrive at a group of securities that are quantifiably tick-constrained.") available at https://www.sec.gov/comments/s7-31-22/s73122-20162799-332207.pdf; Schwab Letter ("We define 'tick-constrained' to mean symbols that have an average quoted spread of 1.1 cents or less and a reasonable amount of available liquidity at the NBBO.") available at https://www.sec.gov/comments/s7-31-22/s73122-20162936-332875.pdf.

This pilot program would allow the Commission to carefully assess the overall market impact of tick size and access fee reductions in order to properly calibrate ultimate implementation. To further aid the Commission's consideration of our proposal, we include:

- A summary term sheet of the proposed framework (*see Appendix A*)
- A draft SEC order instructing the SROs to conduct the pilot (*see Appendix B*)
- A draft NMS plan for the SROs to then effect the pilot (*see Appendix C*)

I. Reducing the Minimum Quoting Increment For Stocks That Are Not Sufficiently Liquid Will Harm Investors and Market Quality

Setting a minimum quoting increment requires careful calibration. If the minimum quoting increment is too large, publicly quoted prices for stocks may be artificially constrained, increasing investor transaction costs. However, if the minimum quoting increment is too small – including when it is inappropriately reduced for stocks that are not sufficiently liquid – a different set of problems result which can increase investor transaction costs and negatively impact overall market efficiency and capital formation. These include:

- **Decreasing displayed liquidity**. Reducing the minimum quoting increment creates new price levels that fragment displayed liquidity. As liquidity disperses across more price points, quoted depth markedly declines and routing complexity increases, raising transaction costs for investors.

- **Impairing market efficiency and resiliency**. Reduced depth and increased fragmentation results in less resilient liquidity during periods of market stress when spreads widen.

- **Increasing quote flickering and instability at the NBBO**. The reduced minimum quoting increment leads to a less stable NBBO, increasing message traffic and operational risk.

Taken together, these risks underscore that overly broad reductions in minimum quoting increments are likely to harm market quality.[2]

II. A Pilot Program Will Result In A More Sensible Approach

Our proposed pilot program would provide the Commission with a targeted way to evaluate tick size reform before applying it broadly across the market. By focusing on a limited set of liquid stocks, the Commission can better examine the effects of reducing tick sizes on key indicators of market quality, including displayed size, market depth, and transaction costs. Moreover, a test-and-control group design would allow the Commission to distinguish causation from correlation, ensuring that any observed changes are attributable to the rule itself rather than broader market conditions.

[2] *See also* Citadel Securities Letter (Mar. 31, 2023) available at https://www.sec.gov/comments/s7-30-22/s73022-20164212-334052.pdf.

Under our proposed framework, eligible symbols would first be limited to common stocks with narrow quoted spreads (e.g., ≤ 1.25 cents over a three-month period), and from that set, the 60 most liquid symbols (as measured by average quoted size at the NBBO) would be selected. The symbols would then be randomly divided into test and control groups. For the test group, the minimum quoting increment would be reduced to a half-penny, with access fee caps reduced proportionately (i.e, by 50%).[3] The pilot is intended to generate empirical evidence in a controlled setting. The Commission would also retain the flexibility to respond promptly to observed outcomes, including by broadening the application of any demonstrated benefits or mitigating and, if necessary, reversing any adverse effects. The Commission could then evaluate the effects of these changes on market quality and, based on the results, determine whether and how to modify the minimum quoting increment across a broader set of securities.

III. <u>Conclusion</u>

For the foregoing reasons, the Commission should adopt a pilot program instead of implementing the misguided rule amending tick sizes and access fees that was finalized under the prior administration.

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We thank the Commission for considering our comments.

Please feel free to call the undersigned with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director

Global Head of Government & Regulatory Policy

[3] This proportional reduction is consistent with the Proposal submitted by MEMX LLC. *See* Notice of an Application of MEMX LLC for Temporary Exemptive Relief from Compliance with Certain Provisions of Rule 610(c), Exch. Act Rel. No. 105058 (Mar. 20, 2026), available at https://www.sec.gov/files/rules/exorders/2026/34-105058.pdf.

Appendix A – Summary Term Sheet

Category	Key Terms
Objective	Evaluate the impact of reduced tick sizes and access fees in a controlled, data-driven manner before any broader market implementation
Pilot Duration	2 years
Pilot Size	60 securities
Security Type	NMS common stocks (excluding ETFs, ADRs, and SPACs) priced ≥ \$1.00
Spread-Based Filter	Stocks with consistently narrow quoted spreads (≤ \$0.0125 over a 3-month measurement period)
Liquidity-Based Filter	From eligible universe, select the 60 most liquid stocks based on average quoted size at the NBBO
Group Design	Two groups: 30 Test / 30 Control (randomized, stratified assignment)
Test Group Treatment	Tick size reduced to \$0.005 (half-penny) & access fee cap reduced to \$0.0015
Control Group Treatment	Status quo: \$0.01 tick size and existing access fee cap of \$.0030
Evaluation Metrics	Market quality indicators, including an analysis of the statistical and economic impact on: • Time-weighted quoted spreads and effective spreads for orders of typical institutional size • Quoted notional size at the NBBO • Quoted depth • Frequency of quote updates • Other economic indicators determined by the Participants
Assessment Timeline	• Interim analysis during pilot • Formal assessment within 6 months after completion
Program Safeguards	SEC retains authority to modify or terminate pilot based on observed market impacts

Appendix B – Draft SEC Order

SECURITIES AND EXCHANGE COMMISSION
(Release No. [•])

[DATE]

Order Directing the Exchanges and the Financial Industry Regulatory Authority To Submit a Tick Size Pilot Plan

Notice is hereby given that, pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934 ("Act"),[4] the Securities and Exchange Commission ("Commission") orders the 24X National Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc. ("FINRA"), Investors Exchange LLC, Long-Term Stock Exchange, Inc., MEMX LLC, MIAX PEARL, LLC, Nasdaq PHLX LLC, Nasdaq Texas, LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc., and NYSE Texas, Inc (collectively the "Participants" and individually a "Participant") to act jointly in developing and filing with the Commission a national market system plan to implement a pilot program that would narrow the quoting increment for certain highly liquid stocks as described in detail below ("Tick Size Pilot Plan"). The Tick Size Pilot Plan should be filed with the Commission pursuant to Rule 608 under the Act[5] no later than [•], 2026.

[4] Section 11A(a)(3)(B) authorizes the Commission, in furtherance of its statutory directive to facilitate the establishment of a national market system, by rule or order, "to authorize or require self-regulatory organizations to act jointly with respect to matters as to which they share authority under [the Act] in planning, developing, operating, or regulating a national market system (or a subsystem thereof) or one or more facilities thereof." 15 U.S.C. 78k-1(a)(3)(B).

[5] 17 CFR 242.608.

Tick Size Pilot Plan

The Commission hereby orders the Participants to develop and jointly file with the Commission, as an NMS plan pursuant to Rule 608(a) of Regulation NMS, a Tick Size Pilot Plan with the following terms and conditions:

- **Duration.** The length of the pilot program ("Pilot") contemplated by the Tick Size Pilot Plan shall be two years. The Commission believes that a two-year time period would generate sufficient data to reliably analyze the effects and impact of narrower tick size. The Commission believes that the Participants should monitor the data generated during the Pilot Period. The Commission expects that the data produced during the Pilot Period should allow the Commission and Participants to monitor the impact of the Pilot on the market and investors. Further, the Commission would engage in a proactive, ongoing review of the data that could inform whether any modifications of the Pilot are necessary. The Commission may at any time terminate the Pilot through a Commission Order should the Commission determine that the Pilot has been detrimental to market quality based on data collected during the Pilot.

- **Securities.** The securities to be included in the Pilot shall be the 60 NMS common stocks (exclusive of ETFs, ADRs, and SPACs) priced equal to or greater than $1.00 per share, with the largest average quoted size at the national best bid and offer that, over the three-calendar month period preceding the date of selection (the "Measurement Period"), have a time-weighted quoted spread of less than or equal to $0.0125 ("Pilot Securities"). The quoted size at the national best bid and offer shall be calculated by using SIP data – adding the bid and offer sizes – and sampling at 10-minute intervals from 9:40 ET to 16:00 ET over the Measurement Period. The Commission believes that these criteria will capture "tick-constrained" securities and should provide the Pilot with a broad sample on which to test the impact of narrower tick sizes.

- **Pilot Design.** The Pilot should consist of one control group and one test group with 30 Pilot Securities in each group. The Pilot Securities should be randomly sorted into the two groups on a stratified basis. The Commission preliminarily believes that the test group is both (x) statistically large enough to generate reliable data to test for the effects of a narrower tick size and to examine thresholds for any potential rulemaking in the future and (y) small enough to minimize any potential disruption to the current market. Further, the Commission preliminarily believes that having a control group is vital to test the effects of narrower tick size, and that a control group with the current quoting increment would best represent a baseline for the analysis of the effect of the pilot.

- **Control Group.** Pilot Securities in the Control Group shall be quoted at the current tick size increment, $0.01 per share.

- **Test Group.** Pilot Securities in the Test Group would be quoted and in $0.005 minimum increments. In addition, Pilot Securities in the Test Group will be subject to an access fee cap of up to $0.0015 in lieu of the cap set forth in Rule 612(b)(2)(ii). The Commission preliminarily believes that reducing the minimum quoting increment for quotes to $0.005 for shares that satisfy the criteria above may enable such stocks to quote with tighter spreads, which in turn could reduce the transaction costs of investors.

- **Assessments.** The Commission preliminarily believes that the Participants, either individually or jointly, should provide to the Commission and make publicly available their assessment of the impact of the statistical and economic impact of the Pilot on market quality no later than eighteen months after the start of the Pilot Period (as an interim assessment using data generated during the first twelve months of the Pilot) and no later than six months after the end of the Pilot Period, including the impact of a decrease in the quoting increment on:

A. Time-weighted quoted spreads and effective spreads for orders of typical institutional size (as determined by the Participants);

B. Quoted size at the NBBO (as measured in notional dollar terms);

C. Quoted depth;

D. Frequency of quote updates (message traffic); and

E. Any other economic issues that the Participants believe the Commission should consider in any rulemaking that may follow the Pilot.

IT IS HEREBY ORDERED, pursuant to Section 11A(a)(3)(B) of the Act,[6] that the Participants act jointly in developing and filing with the Commission, as an NMS plan pursuant to Rule 608(a) of Regulation NMS,[7] a Tick Size Pilot Plan, as described above. The Participants are ordered to file with the Commission such Tick Size Pilot Plan no later than [•], 2026.

By the Commission.

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[6] 15 U.S.C. 78k-1(a)(3)(B).

[7] 17 CFR 242.608(a).

<u>Appendix C – Draft SROs' Tick Size Pilot Plan</u>

PLAN TO IMPLEMENT A TICK SIZE PILOT PROGRAM

SUBMITTED TO

THE SECURITIES AND EXCHANGE COMMISSION

PURSUANT TO

RULE 608 OF REGULATION NMS UNDER THE

SECURITIES EXCHANGE ACT OF 1934

Preamble

Pursuant to Section 11A(a)(3)(B) of the Exchange Act, which authorizes the SEC to require by order self-regulatory organizations to act jointly with respect to matters as to which they share authority in planning, developing, operating, or regulating a national market system, the SEC issued an order directing the Participants to submit a Tick Size Pilot Plan as a national market system plan pursuant to Rule 608(a)(3) of Regulation NMS under the Exchange Act. In response, the Participants submit this Plan to implement a Tick Size Pilot Program that will allow the Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the most liquid symbols. To do so, the Plan provides for the narrowing of quoting increments for a group of Pilot Securities. As detailed herein, the Pilot Securities will be subdivided into a Test Group of securities that will be quoted in minimum increments of $0.005 and a Control Group of securities that will continue to be quoted in minimum increments of $0.01.

I. Definitions

(A) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(B) "Measurement Period" means the U.S. trading days during the three-calendar-month period ending at least 30 days prior to the effective date of the Pilot Period.

(C) "National Best Bid" and "National Best Offer" have the meanings provided in Rule 600(b)(60) of Regulation NMS under the Exchange Act.

(D) "NMS common stock" means an NMS stock that is a common stock of an operating company.

(E) "NMS stock" has the meaning provided in Rule 600(b)(65) of Regulation NMS under the Exchange Act.

(F) "Operating Committee" has the meaning provided in Section III(C) of the Plan.

(G) "Participant" means a party to the Plan.

(H) "Pilot Period" means the operative period of the Tick Size Pilot Program, lasting two years from the date of implementation.

(I) "Pilot Securities" means those securities that satisfy the criteria established in Section V.

(J) "Plan" means the plan set forth in this instrument, as amended from time to time in accordance with its provisions.

(K) “Quoted Size at the National Best Bid and National Best Offer” means the share-weighted average of the consolidated quoted size at the inside price at the time of order execution.

(L) "SEC" means the United States Securities and Exchange Commission.

(M) "Tick Size Pilot Program" means the program established by this Plan and by the corresponding rules of the Participants.

(N) "Time of order execution" means the time (to the second, or to such smaller increments as are available) that an order was executed at any venue.

(O) “Time-Weighted Quoted Spread” means the average quoted spread over a specified period of time.

II. Parties

(A) Each U.S. equities exchange and FINRA shall be a Participant to this Plan.

(B) Compliance Undertaking

By subscribing to and submitting the Plan for approval by the SEC, each Participant agrees to comply with, and to enforce compliance by its members, as applicable, with the provisions of the Plan as required by Rule 608(c) of Regulation NMS under the Exchange Act. To this end, each Participant will adopt rules requiring compliance by its members with the provisions of the Plan, as applicable, and adopt such other rules as are needed for such compliance.

(C) New Participants

The Participants agree that any entity registered as a national securities exchange or national securities association under the Exchange Act may become a Participant by: (1) executing a copy of the Plan, as then in effect; (2) providing each then-current Participant with a copy of such executed Plan; and (3) effecting an amendment to the Plan as specified in Section III(B) of the Plan.

III. Amendments to the Plan

(A) General Amendments

Except with respect to the addition of new Participants to the Plan, any proposed change in, addition to, or deletion from the Plan will be effected by means of a written amendment to the Plan that: (1) sets forth the change, addition, or deletion; (2) is executed on behalf of each Participant; and (3) is approved by the SEC pursuant to Rule 608 of Regulation NMS under the Exchange Act, or otherwise becomes effective under Rule 608 of Regulation NMS under the Exchange Act.

(B) New Participants

With respect to new Participants, an amendment to the Plan may be effected by the new national securities exchange or national securities association executing a copy of the Plan, as then in effect and submitting such executed Plan to the SEC for approval. The amendment will be effective when it is approved by the SEC in accordance with Rule 608 of Regulation NMS under the Exchange Act, or otherwise becomes effective pursuant to Rule 608 of Regulation NMS under the Exchange Act.

(C) Operating Committee

(1) Each Participant will select from its staff one individual to represent the Participant as a member of an Operating Committee, together with a substitute for such individual. The substitute may participate in deliberations of the Operating Committee and will be considered a voting member thereof only in the absence of the primary representative. Each Participant will have one vote on all matters considered by the Operating Committee. No later than the initial date of Plan operations, the Operating Committee will designate one member of the Operating Committee to act as the Chair of the Operating Committee.

(2) The Operating Committee will monitor the procedures established pursuant

to this Plan and advise the Participants with respect to any deficiencies, problems, or recommendations as the Operating Committee may deem appropriate. The Operating Committee will establish specifications and procedures for the implementation and operation of the Plan that are consistent with the provisions of this Plan. With respect to matters in this paragraph, Operating Committee decisions must be approved by a simple majority vote.

(3) Any recommendation for an amendment to the Plan from the Operating Committee that receives an affirmative vote of at least two-thirds of the Participants, but is less than unanimous, will be submitted to the SEC as a request for an amendment to the Plan initiated by the Commission under Rule 608 of Regulation NMS.

IV. Policies and Procedures

Consistent with the compliance undertakings set out in Section II(B), all Participants and members of Participants will be required to establish, maintain, and enforce written policies and procedures that are reasonably designed to comply with the requirements of the Plan.

V. Identification of Pilot Securities

(A) Criteria for Selection of Pilot Securities

Pilot Securities will consist of the 60 NMS common stocks (exclusive of ETFs, ADRs, and SPACs) priced equal to or greater than $1.00 per share, with the largest average Quoted Size at the National Best Bid and Offer that have a Time-Weighted Quoted Spread during the Measurement Period of less than or equal to $0.0125, as calculated on the last day of the Measurement Period. The Quoted Size at the National Best Bid and Offer will be calculated by using SIP data -- adding the bid and offer sizes – and sampling at 10-minute intervals from 9:40 ET to 16:00 ET over the Measurement Period.

(B) Grouping of Pilot Securities

Once the population of Pilot Securities has been determined based on the criteria in Section V(A), the Operating Committee will randomly select, on a stratified basis, 30 Pilot Securities to be placed into the Test Group. Those Pilot Securities not placed into the Test Group will constitute the Control Group.

(C) Publication of Pilot Securities and Groups

Each primary listing exchange will make publicly available for free on its website a list of those Pilot Securities listed on that exchange and included in the Control Group and the Test Group, adjusting for ticker symbol changes and relevant corporate actions. The list of Pilot Securities will contain the data specified in Annex A.

VI. Pilot Control and Test Groups

As described in Section V(B), the Pilot Securities will be divided into two groups: a Control Group and a Test Group. Each group will consist of 30 Pilot Securities.

(A) Control Group

The minimum price increment for quoting Pilot Securities in the Control Group shall remain $0.01.

(B) Test Group

The minimum price increment for quoting Pilot Securities in the Test Group shall be $0.005 (one half of $0.01).

In addition, Pilot Securities in the Test Group will be subject to an access fee cap of up to $0.0015 in lieu of the cap set forth in Rule 612(b)(2)(ii).

VII. Assessment of Pilot

No later than eighteen months after the start of the Pilot Period, the Participants will provide to the Commission and make publicly available an interim joint assessment of the statistical and economic impact of the Pilot on market quality. The assessment will be conducted using data generated during the first twelve months of the Pilot Period, or a subset of which that represents the impact of the Pilot. A final assessment shall be conducted no later than six months after the end of the Pilot Period. Both assessments will include analysis based on data reported pursuant to Rule 605 of Regulation NMS. The assessment will include the impact of a decrease in the quoting increment on:

(1) Time-weighted quoted spreads and effective spreads for orders of typical institutional size (as determined by the Participants);

(2) Quoted size at the NBBO (as measured in notional dollar terms);

(3) Quoted depth;

(4) Frequency of quote updates (message traffic); and

(5) Any other economic issues that the Participants believe the SEC should consider in any rulemaking that may follow the Pilot. Participants may individually submit to the SEC and make publicly available additional supplemental assessments of the impact of the Pilot.

VIII. Implementation

The Tick Size Pilot Program will be implemented on a two-year pilot basis. The Tick Size Pilot Program will be applicable during all market sessions. The Commission may at any time terminate the Pilot through a Commission Order should the Commission determine that the Pilot has been detrimental to market quality based on data collected during the Pilot.

IX. Withdrawal from Plan

If a Participant obtains SEC approval to withdraw from the Plan, such Participant may withdraw from the Plan at any time on not less than 30 days' prior written notice to each of the other Participants. At such time, the withdrawing Participant will have no further rights or obligations under the Plan.

X. Counterparts and Signatures

The Plan may be executed in any number of counterparts, no one of which need contain all signatures of all Participants, and as many of such counterparts as will together contain all such signatures will constitute one and the same instrument.

Annex A - Publication of Pilot Securities

The following data will be made publicly available in a pipe delimited format regarding the list of Pilot Securities included in the Control Group and the Test Group. Each primary listing exchange will be responsible for making publicly available for free on its website the following data with respect to the Pilot Securities listed on that exchange and included in the Control Group and the Test Group.

I. Identification of Pilot Securities

a. Ticker Symbol
b. Security Name
c. Listing Exchange
d. Date
e. Tick Size Pilot Program Group- character value of
   i. "C" for Pilot Securities in the Control Group
   ii. "G" for Pilot Securities in the Test Group

II. Change in Pilot Securities' Ticker Symbols

a. Ticker Symbol
b. Security Name
c. Listing Exchange
d. Effective Date
e. Deleted Date
f. Tick Size Pilot Program Group -character value of
   i. "C" for Pilot Securities in the Control Group
   ii. "G" for Pilot Securities in the Test Group
g. Old Ticker Symbol(s)
h. Reason for the change