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SEC Proposes New Transparency Requirements for NMS Stock Alternative Trading Systems

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The Securities and Exchange Commission recently proposed amendments to Regulation ATS and related rules under the Securities Exchange Act of 1934 to impose extensive new transparency requirements on, and greatly increase the SEC's active oversight of the design of, alternative trading systems that facilitate transactions in National Market System stocks (generally, exchange-listed equities) ("NMS Stock ATSs").

The extensive level of disclosure that would be required under the SEC's proposal and the SEC's ongoing involvement in approving or reviewing the design and operations of NMS Stock ATSs would bring the regulation of NMS Stock ATSs closer to the way in which national securities exchanges are regulated. If adopted, the dramatic increase in regulatory burdens associated with operating an NMS Stock ATS and the need to disclose potentially sensitive business information could alter the competitive landscape among NMS Stock ATSs and between NMS Stock ATSs and national securities exchanges, or cause some broker-dealers to reconsider the relative value of operating an NMS Stock ATS.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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