



U.S. Securities and Exchange Commission

SEC Issues Proposals to Shed Greater Light on Dark Pools

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Washington, D.C., Oct. 21, 2009 — The Securities and Exchange Commission today voted unanimously to propose measures intended to increase transparency of dark pools so investors get a clearer view of stock prices and liquidity.

Additional Materials

- [SEC Proposal on Dark Pools](#)
- [Submit comments on this proposal](#)
- [Fact Sheet About Dark Pools](#)

Dark pools are essentially private trading systems in which participants can transact their trades without displaying quotations to the public. The largest dark pools are sponsored by securities firms primarily to execute the orders of their customers and proprietary orders of the firms.

"We should never underestimate or take for granted the wide spectrum of benefits that come from transparency, which plays a vital role in promoting public confidence in the honesty and integrity of financial markets," said SEC Chairman Mary Schapiro. "Today's focus on dark pools is just one part of our broader ongoing review of how the equity markets are structured."

The number of active dark pools transacting in stocks that trade on major U.S. stock markets has tripled since 2002. Given this growth of dark pools, a lack of transparency could create a two-tiered market that deprives the public of information about stock prices and liquidity.

To make trading through dark pools more transparent, the SEC's proposals generally would require that information about an investor's interest in buying or selling a stock be made available to the public instead of just a select group operating with a dark pool. The proposals also would require that dark pools publicly identify that it was their pool that executed the trade.

"Today's proposals are intended to prevent the development of a two-tiered market in access to pricing information, further promote displayed liquidity, and enhance transparency of trade information," said James Brigagliano, Co-Acting Director of the Division of Trading and Markets.

The SEC's proposals address three specific concerns related to dark pools:

- The first proposal would require actionable Indications of Interest (IOIs) — which are similar to a typical buy or sell quote — to be treated like other quotes and subject to the same disclosure rules.

Video: Open Meeting



Chairman Schapiro discusses dark pools:
[Windows Media Player](#)
[QuickTime](#)

- The second proposal would lower the trading volume threshold applicable to alternative trading systems (ATS) for displaying best-priced orders. Currently, if an ATS displays orders to more than one person, it must display its best-priced orders to the public when its trading volume for a stock is 5 percent or more. Today's proposal would lower that percentage to 0.25 percent for ATSs, including dark pools that use actionable IOIs.
- The third proposal that would create the same level of post-trade transparency for dark pools - and other ATSs - as for registered exchanges. Specifically the proposal would amend existing rules to require real-time disclosure of the identity of the dark pool that executed the trade.

In its proposals, the Commission is seeking public comment and data on certain issues relating to dark pools. Dark pools of liquidity are one of several issues that the Commission is currently considering as part of its broad review of equity market structure.

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Public comments on today's proposal must be received by the Commission within 90 days after its publication in the Federal Register.

The full text of the proposed rule amendment will be posted to the SEC Web site as soon as possible.

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<http://www.sec.gov/news/press/2009/2009-223.htm>

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