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VIA ELECTRONIC SUBMISSION

March 31, 2023

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File No. S7-32-22; Release No. 34-96496; Regulation Best Execution

File No. S7-31-22; Release No. 34-96495; Order Competition Rule

File No. S7-30-22; Release No. 34-96494; Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders

File No. S7-29-22; Release No. 34-96493; Disclosure of Order Execution Information

Dear Ms. Countryman:

Invesco Ltd. ("Invesco") appreciates the opportunity to provide comments to the U.S. Securities and Exchange Commission (the "Commission") on the above-referenced proposed rules (the "Proposed Rules").[1]

Invesco is a leading independent investment manager with approximately $1,409.2 billion in assets under management as of December 31, 2022. Invesco is a global company focused on investment management, and our services are provided to a wide range of clients throughout the world, including open-end mutual funds, exchange-traded funds, closed-end funds, collective trust funds, UCITS, real estate investment trusts, unit investment trusts and other pooled investment vehicles, as well as separately managed accounts for pensions, endowments, insurance companies and sovereign wealth funds.

[1] Exchange Act Release No. 96496, 88 FR 5440 (Jan. 27, 2023) ("Regulation Best Execution Proposal"); Exchange Act Release No. 96495, 88 FR 128 (Jan. 3, 2023) ("Order Competition Rule Proposal"); Exchange Act Release No. 96494, 87 FR 80266 (Dec. 29, 2022) ("Regulation NMS Amendment Proposal"); Exchange Act Release No. 96493, 88 FR 3786 (Jan. 20, 2023) ("Order Execution Information Proposal").

I. Executive Summary

The U.S. capital markets are the strongest in the world, providing retail and institutional investors with opportunities to invest efficiently in financial assets while providing appropriate safeguards. While Invesco believes that the U.S. capital markets, and in particular U.S. equity markets, as currently structured and regulated are functioning well, Invesco supports the Commission's efforts to promote competition, transparency, and efficiency of customer orders; maintain fair, orderly, and efficient markets; and further investor protection through the Proposed Rules. We agree that the U.S. equity markets have undergone substantial changes since the adoption of Regulation NMS in 2005. Technological advancements have resulted in both increased trading efficiency and reduced trading costs as well as greater overall complexity of the U.S. equity markets. Nonetheless, we urge the Commission to revise its timeline for the Proposed Rules and adopt only the minimum pricing increments ("tick size") and access fee cap amendments to Regulation NMS (with the changes we suggest below incorporated) and the Order Execution Information Proposal (with appropriate revisions suggested by commenters incorporated). We believe the impact of these initial changes warrant additional evaluation after they are implemented. Further, we suggest that the Commission undertake a deeper analysis of the combined impact that adoption of the Proposed Rules would have on the markets. The Proposed Rules are highly interrelated, and we caution the Commission that considering the impact of each Proposed Rule by itself does not provide all the relevant information that should be considered by the Commission.

With respect to the specific elements of the Proposed Rules, Invesco generally supports the positions stated in the Comment Letters submitted by the Investment Company Institute and Nasdaq. Invesco is also writing separately to emphasize its views on certain elements of the Regulation NMS Amendment Proposal and Regulation Best Execution Proposal. As an investment management company managing equity strategies for a wide variety of investors, we believe that our comments will benefit investors across the capital markets spectrum. Invesco's views and suggestions are summarized below:

- **Regulation NMS Amendment Proposal – Minimum Pricing Increments**. The Commission should adopt a tick size of $0.005 only for stocks that are truly "tick-constrained." The Commission should also consider whether a minimum tick size greater than $0.01 is appropriate for some relatively higher priced stocks.

- **Regulation NMS Amendment Proposal – "Tick-Constrained" Definition**. The Commission should revise its proposed definition of tick-constrained stocks because it is overly broad as currently drafted in the proposal.

- **Regulation NMS Amendment Proposal – Access Fee Caps**. The Commission should adopt access fee caps of $0.001 for all stocks trading above $1.00.

- **Regulation Best Execution Proposal**. The Commission should assess the impact of the other Proposed Rules and should ensure harmonization is achieved with both FINRA and MSRB before adopting this Proposed Rule.

II. Regulation NMS Amendment Proposal

While Invesco generally supports the Commission's proposal to decrease both minimum pricing increments and access fee caps, we do not support all aspects of this Proposed Rule. Our specific comments are set forth below.

i. Minimum Pricing Increments

For many of the reasons the Commission cites in the Regulation NMS Amendment Proposal, Invesco agrees that a reduction to the current tick size of $0.01 is appropriate for many stocks. However, Invesco urges the Commission not to adopt tick sizes less than $0.005.

We believe that tick sizes of $0.002 or $0.001 would result in "flickering" quotes (i.e., quotes that change multiple times in a single second), leading to increased trading costs and less liquidity for those stocks proposed to have these minimum pricing increments. These additional tick sizes also would likely increase messaging traffic leading to potentially slower trade executions. We suggest that the Commission adopt the reduction of tick sizes to $0.005 and assess whether additional reductions of tick sizes are necessary in the future.

While Invesco supports a reduction of minimum tick sizes to $0.005, we believe that this reduction is appropriate only for those stocks that are truly tick-constrained and not for those that are "near tick-constrained" as proposed by the Commission. We believe that a reduction in tick sizes for those stocks that are merely near tick-constrained will not result in meaningful price improvements and will not be worth the increased risk of diminished liquidity due to bids and offers being spread too thinly across too many price points.

In the Proposing Release, the Commission defines "tick-constrained stocks" as "those that have a time weighted [average] quoted spread of $0.011 or less calculated during regular trading hours."[2] Invesco recommends that the Commission reconsider this definition as it is likely overly-broad and would result in unnecessary reductions in tick sizes for stocks that are not truly tick-constrained. This would exacerbate the issues identified above with respect to near tick-constrained stocks.

Invesco suggests that the Commission define "tick-constrained stocks" as those that trade with an average spread of $0.011 or less for the majority of the trading session and for which there is a balance or near equilibrium of multiple bids and offers at the top of the central order book during that time, which would imply that market forces of supply and demand would naturally force the bid/ask spread tighter through market competition. This definition of tick-constrained stocks would focus on those that are more likely to experience price improvement from a tick size of $0.005.

Invesco also suggests that the Commission consider adopting a tick size greater than $0.01 for stocks that are not tick-constrained and that trade at relatively higher prices. Specifically, we suggest the Commission consider adopting a tick size of $0.05 for stocks trading above $250. We

[2] Regulation NMS Proposal at 11, n.17.

note that this value threshold aligns with the values included in the definition of a "round lot" already in effect.[3] We believe that greater tick sizes for stocks trading at these prices would result in increased concentration of liquidity at fewer price points in the central order book, leading to less queue jumping by placing orders with economically insignificant price differences.

ii. Access Fees

Invesco also supports a reduction in the current $0.003 access fee cap. We agree that a reduction in minimum tick sizes necessitates a reduction in access fee caps to avoid access fees making up a disproportionate amount of overall execution costs. We also agree with the Commission's statement that market efficiencies have developed since the adoption of Rule NMS such that access fee caps should be reduced to reflect current trading costs.[4]

Invesco recommends the Commission adopt an access fee cap of $0.001 for protected quotations in all NMS stocks trading above $1.00. This generally aligns with the Commission's proposal for access fee caps, although similar to our disagreement with the Commission's proposal for variable tick sizes, we disagree with the variable access fee structure of the Commission's proposal. We believe that variable access fee caps would introduce unnecessary complexity, which would increase implementation costs and potential operational errors. In contrast, a standard access fee cap would add certainty at the time of order placement. We believe that an access fee cap of $0.001 is appropriate for all stocks trading above $1.00 and that the simplicity of one value would benefit all investors.

III. <u>Regulation Best Execution Proposal</u>

We support the Commission's efforts to adopt a duty of best execution applicable to all broker-dealers for customer orders in all types of securities. We agree with the "most favorable price" standard articulated in the proposal, and we note that the standard is consistent with the existing Financial Industry Regulatory Authority ("FINRA") and Municipal Securities Rulemaking Board ("MSRB") rules.[5]

Invesco is also supportive of the Commission's proposal to require broker-dealers to adopt policies and procedures reasonably designed to comply with the proposed best execution standard. Invesco believes that robust best execution policies and procedures are now commonplace for broker-dealers as such policies and procedures generally are required both by FINRA and MSRB rules.[6] Nonetheless, Invesco notes that the specific requirements of the Commission's proposal are different from the existing requirements of the FINRA and MSRB rules and guidance. We

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[3] *See* 17 CFR 242.600(b)(82).

[4] *See* Regulation NMS Proposal at 95-96.

[5] FINRA Rule 5310; MSRB Rule G-8.

[6] *See* FINRA Rule 5310 Supplementary Material .09 (requiring broker-dealers to have policies in place to ensure regular and rigorous reviews of execution quality are performed); MSRB Rule G-8 Supplementary Material .08 (requiring dealers to conduct periodic reviews of its policies and procedures to assess whether they are reasonably designed to achieve best execution).

urge the Commission to delay taking any action with respect to the Regulation Best Execution Proposal until after engaging with FINRA and MSRB to harmonize best execution requirements to avoid inconsistent regulatory requirements and to achieve regulatory clarity. We note that FINRA and MSRB already have indicated a willingness to do so.[7]

In addition, we are also encouraging the Commission to delay taking any action with respect to the Regulation Best Execution Proposal until after implementing the Order Execution Information Proposal and the "tick size" and access fee cap amendments to Regulation NMS (with the changes we suggest above incorporated). We believe taking a more measured approach to implementing the Regulation Best Execution Proposal would allow the Commission to revise its proposal as appropriate once the impacts of these other two Proposed Rules are fully assessed.

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Invesco appreciates the opportunity to comment on these proposed rulemakings by the Commission and the Commission's consideration of our comments shared in this letter. We are available to discuss our comments or provide any additional information or assistance that the Commission might find useful.

Sincerely,

Invesco Ltd.

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[7] FINRA and MSRB Comments on Regulation Best Execution (February 7, 2023).