



May 18, 2022

Nasdaq Unlisted Trading Privileges Plan Participants
Consolidated Quotation Plan Participants

Re: ***CTA and UTP/CQ Plans Odd Lot Quotation Proposal***

Dear SIP Operating Committees:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ is pleased to submit this letter to you in response to your proposal for the Securities Information Processors (“SIPs”) to disseminate certain odd lot quotation data as ancillary information on the SIP data feeds (the “Proposal”).² This is the second time the SIPs have requested comment letter feedback regarding the introduction of odd lots on the SIP, with the first occurring in October 2019.³ In our comment letter responding to that original 2019 request,⁴ we expressed support for the additional market transparency that odd lots would provide to market participants while recommending that, at least initially, display of odd lots to customers be optional and used for informational purposes only to allow regulators time to evaluate the impact of odd lot dissemination on best execution and Rule 611 of Regulation NMS (the “Order Protection Rule” or “OPR”).

At a high level, SIFMA’s views on the current proposal are similar to the ones we expressed on the 2019 proposal – namely, that we are supportive of adding odd lot quotation information to the SIP solely for transparency and informational purposes. Our support of the current proposal, however, is contingent on the SEC and FINRA affirmatively acknowledging that the addition of odd lot quotation information to the SIP would not change firms’ best

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

² See Proposal of the CTA and UTP Operating Committees Regarding Odd Lots on the SIPs (March 2022) https://www.ctaplan.com/publicdocs/ctaplan/CTA_Odd_Lots_Proposal_2022.pdf.

³ See Odd Lot Proposal (October 2019) https://www.ctaplan.com/publicdocs/CTA_Odd_Lots_Proposal.pdf.

⁴ https://www.theice.com/publicdocs/SIFMA_CL_on_CTA_and_UTP_Odd_Lot_Proposal_November_26_2019.pdf.

execution obligations and regulatory obligations under the OPR, and that use of the odd lot quotation information on the SIP would be optional for firms. As the number of odd lot trades, share volume and notional amount have continued to increase over the years, we believe the public and investors would benefit from being able to view odd lot quotation information that is currently available to the regulators, exchanges and those broker-dealers who are willing and able to buy the exchange proprietary market data feeds. The current Proposal seeks to accomplish this by allowing the SIPs to disseminate: 1) top-of-book odd lot quotes for each exchange, when that top-of-book quote is at or better than the BBO of such exchange, and 2) an odd lot NBBO, when the best of the odd lot quotes is at or better than the protected NBBO. The Proposal also states that odd lot quotes are not protected quotes and will have no impact on the protected NBBO.

Discussion of SIFMA's Views and Recommendations

Similar to our comments on the 2019 proposal, SIFMA believes that visibility of odd lot quotation information by market participants continues to be important, especially with the increase in the amount of odd lot trades and volume in high-priced (*e.g., Tesla, Apple, Microsoft*) stocks. The odd lot rate, share volume and notional value have increased over the years “as evidenced by the SEC’s own MIDAS data.”⁵ SIFMA continues to believe that the approach undertaken in the Market Data Infrastructure Rule, which re-defines the protected round lot quote size for higher-priced stocks, is the preferable path and would reduce the need for the Proposal.⁶ Unfortunately, the SEC’s approval of Market Data Infrastructure Rule had been challenged by certain exchanges and is currently subject to litigation. Due to this challenge, it is currently unclear when or if the SEC’s solution in the Market Data Infrastructure Rule will be implemented.

As such, SIFMA supports the concept in the Proposal of adding odd lot quotations to the SIPs to provide additional information and transparency to market participants and to reduce the informational disadvantage faced by firms unable or unwilling to purchase the exchanges’ proprietary feeds, which already include odd lot quotations. However, our support is premised on regulatory clarity from the SEC and FINRA that there would be no changes to firms’ best

⁵ See SEC Market Structure Data Visualization.

⁶ See Rule 600(b)(82) of Regulation NMS. The Market Data Infrastructure Rule would define a round lot as: “(1) for any NMS stock for which the prior calendar month’s average closing price on the primary listing exchange was \$50.00 or less per share, an order for the purchase or sale of an NMS stock of 100 shares; (2) for any NMS stock for which the prior calendar month’s average closing price on the primary listing exchange was \$50.01 to \$100.00 per share, an order for the purchase or sale of an NMS stock of 20 shares; (3) for any NMS stock for which the prior calendar month’s average closing price on the primary listing exchange was \$100.01 to \$500.00 per share, an order for the purchase or sale of an NMS stock of 10 shares; (4) for any NMS stock for which the prior calendar month’s average closing price on the primary listing exchange was \$500.01 to \$1,000.00 per share, an order for the purchase or sale of an NMS stock of 2 shares; and (5) for any NMS stock for which the prior calendar month’s average closing price on the primary listing exchange was \$1,000.01 or more per share, an order for the purchase or sale of an NMS stock of 1 share.”

execution obligations and regulatory obligations under the OPR as a result of the Proposal until regulators and market participants have had time to digest and study its impact on the marketplace.⁷ Moreover, because we believe that odd lot quotes disseminated by the SIPs should solely be for informational purposes at this initial stage, broker-dealers and SIP data purchasers should be able to opt out of receiving and displaying odd lot quotations where they believe such receipt and display could lead to investor confusion.

After a sufficient period of time in which the marketplace has had chance to digest and understand the changes under the Proposal, the SEC and FINRA should conduct an analysis on the advisability of any prospective regulatory changes related to the Proposal. This analysis should include consideration of FINRA statements that firms receiving proprietary data feeds cannot ignore odd lot quotes when executing customer orders, along with the SEC's historic position of not protecting odd lot quotations under the Order Protection Rule. These are challenging issues to dissect that warrant careful consideration from the regulators.

If any such proposal were to move forward, we further believe it is imperative that the SEC confirm that Rule 603 of Regulation NMS, the Vendor Display Rule, which governs the distribution, consolidation and display of information with respect to quotations for and transactions in NMS Stocks, remains unchanged. The SEC did not mandate any changes to the rule under the Market Data Infrastructure Rule, and SIFMA recommends that the Commission take a similar approach if odd lots were to be added to the SIP.⁸

In addition, we recommend that the Operating Committees further examine the implications of certain examples in the Proposal, as they are complex and have led SIFMA to question whether the odd lot quotes disseminated under the Proposal would be usable or simply add confusion to order routing practices. SIFMA believes that the Operating Committees should clarify and better explain the implications of certain examples in the Proposal which have led SIFMA to question whether the odd lot quotes disseminated under the Proposal would be usable or simply add confusion to order routing practices. For instance, odd lots today can be aggregated by the exchanges and displayed as round lots on the SIP. The Operating Committee should clarify how the SIPs will account for this practice, which does not appear transparent based on the examples provided in the Proposal.

Consistent with our discussion above, we also recommend that if the SIP Operating Committee goes forward with the Proposal, that odd lot quotations be disseminated through a channel separate from existing SIP data. An independent channel would also allow firms to opt

⁷ See Rule 611 of Regulation NMS.

⁸ See Exchange Act Release No. 34-90610 (December 9, 2020), 87 FR 29195 (June 1, 2021). In the Market Data Infrastructure Rule's "Implications for Best Execution" section, the Commission states that, "the legal requirements that establish minimum data standards for certain purposes are not changing [...] [w]hile these rules are impacted by the new definition of round lot, and the data that must be processed and displayed will change as the definition of round lot changes, the minimum data requirements associated with these rules are not changing."

out of receiving the data since it may not be used by all broker-dealers. This would also provide firms with the opportunity to consider whether the technical and legal work needed to display odd lot quotations is worthwhile and would not lead to additional investor confusion. Further, the projections from the Operating Committees show that daily quotation traffic to the SIPs will increase by 35%.⁹ This material increase further justifies the need for a separate channel to disseminate odd lot quotations.

* * *

SIFMA greatly appreciates the SIP Operating Committees' consideration of the issues raised above and would be pleased to discuss these comments in greater detail. If you have any questions or need any additional information, please contact me at 212-313-1287 or egreene@sifma.org.

Sincerely,



Ellen Greene
Managing Director
Equity and Options Market Structure

⁹ See Proposal of the CTA and UTP Operating Committees Regarding Odd Lots on the SIPs (March 2022) https://www.ctaplan.com/publicdocs/ctaplan/CTA_Odd_Lots_Proposal_2022.pdf.