

Proposal of the CTA and UTP Operating Committees

Regarding Odd Lots on the SIPs

March 2022

BACKGROUND

On October 2, 2019, the SIP Operating Committees of the CTA and UTP Plans (“OCs”) published for industry comment an initial proposal for the current CTA and UTP Securities Information Processors (“SIPs”) to disseminate certain consolidated Odd Lot quotation data as ancillary information on the SIP data feeds (“Odd Lot Quotations”). Overall, industry feedback on the October 2019 proposal was positive and supported the dissemination of Odd Lot Quotations on the current SIPs. Subsequently, the Securities and Exchange Commission proposed (and later approved) the Market Data Infrastructure Rule (“MDIR”) and the plan to add Odd Lot Quotations to the tapes was postponed. The MDIR contemplates that Odd Lot Quotations will be a part of the core data made available to competing consolidators and self-aggregators.

THE FEEDBACK WE SEEK

The OCs continue to support the inclusion of Odd Lot Quotations on the current SIPs and anticipate that such information could be made available by the first half of 2023. However, if this 2022 Odd Lots Proposal is adopted as described below, all data feed recipients would be required to make the technological changes required to receive the Odd Lot Quotations, regardless of whether or not they choose to process and use the Odd Lot information.

The OCs are first seeking comment on the following questions:

- Do data feed recipients want the current SIPs to proceed with adding Odd Lot Quotations in 2023 or instead wait for Odd Lot Quotations to be made available once the MDIR has been implemented?
- If adding Odd Lot Quotations to the existing SIPs is preferred, would data recipients prefer Odd Lot Quotations be disseminated through a single, integrated feed, as reflected in this proposal, or a channel separate from existing SIP data?

Technical comments are also welcome.

SUMMARY

Below is a description of the “2022 Odd Lots Proposal,” which will remain open for a 30-day comment period. This Proposal will serve as the blueprint for the current SIPs to begin including Odd Lot Quotations, provided the OCs proceed with inclusion of Odd Lot Quotations on the current SIPs for 2023.

The proposal is as follows:

- Odd Lot Quotations will be disseminated along with round lot information via a single, integrated feed. Accordingly, data feed recipients will need to make changes to account for the additional information and can choose whether to process or disregard the Odd Lot Quotations.
- Each individual exchange will send to the SIP Processors its Odd Lot top-of-book quotes whenever those quotes are **at or better** than the BBO of that individual Exchange. In turn, the SIPs will publish all these quotes on the tapes.
- In addition, the SIPs will use the Odd Lot Quotations they receive from the Exchanges to calculate an Odd Lot NBBO and publish that on the tapes when the best of the Odd Lot quotes are **at or better** than the protected NBBO. To be clear:
 - If the Odd Lot best bid and offer are **both at or better** than the Protected NBBO, then the SIPs **WILL** publish an Odd Lot NBBO.
 - If the Odd Lot best bid and offer are **both inferior** to the Protected NBBO, then the SIPs **WILL NOT** publish an Odd Lot NBBO.
 - If the best Odd Lot bid is at or better than the Protected NBB but the best Odd Lot offer is not at or better than Protected NBO (or vice-versa), the SIPs **WILL ONLY PUBLISH ONE SIDE** of the Odd Lot NBBO, the one that is at or better than the Protected NBB or NBO.
- Odd Lot quotes are not Protected Quotes and will have no impact on the protected NBBO. There is no change to Regulation NMS obligations.
- Protected quotes will continue to be quoted in round lots; Odd Lot Quotations will be quoted in shares.

For help visualizing the application of the above, please refer to the Examples Section of this Proposal.

TECHNOLOGICAL CHANGES AND CONSIDERATIONS

- The SIPs' current quote messaging for round lots will be supplemented with Odd Lot Quotation data on the current multicast channels. New quote messaging, containing exchange Odd Lot quotation data only or a combination of exchange round lot and Odd Lot Quotation data, will also be published on the current multicast channels.
- The new quote messages will contain new fields in which top-of-book Odd Lot quotes can be represented. The fields will display Odd Lot Quotations, which will be displayed in a form that parallels, but is separate from, the NBBO fields for round lot quotes. Individual exchange Odd Lot bids and offers will be ranked by price, size, and time, in the same manner as for the NBBO.
 - Odd Lot Quotations will be ancillary information and will in no way affect how the NBBO and round lot quotes are represented. The SIPs will be supporting Odd Lot specific quote messages both inbound and outbound.
- Each exchange will send its top-of-book Odd Lot Quotations to the SIPs in generally the same way top-of-book round lot quotes are sent to the SIPs. Each exchange will only send top-of-book Odd Lot quotes when those bids or offers are **AT OR BETTER THAN** the exchange's protected round lot BBO. In other words, Odd Lot best bids or best offers with prices inferior to an exchange's round lot best bid or best offer will **NOT** be sent to the SIPs.
- The SIPs will calculate a single Odd Lot NBBO but will only publish an Odd Lot NBBO that is at or better than the protected NBBO. The overall Odd Lot best bid and offer, while calculated in the same manner as the round lot NBBO, will have a unique characteristic:
 - Across exchanges, the highest Odd Lot bid or lowest Odd Lot offer will not be represented whenever it is inferior to the NBBO.
- In addition to price, the Odd Lot Bid will have an associated Odd Lot Bid Size, and the Odd Lot Offer will have an associated Odd Lot Offer Size. Size will be represented in actual shares.
 - The Odd Lot size fields will have the following ranges:
 - For a security with a round lot size of 100 shares, the Odd Lot size fields can range from 1 share to 99 shares.
 - For a security with a round lot size of less than 100 shares, except for securities with a round lot size of one share, the Odd Lot size fields can range from 1 share to 1 share less than the round lot quantity.
 - For a security with a round lot size of 1 share, no Odd Lot representation will be provided.
- Each time an Odd Lot Bid or Odd Lot Offer is displayed in the Odd Lot NBBO-equivalent fields, it will contain a character code indicating the exchange character code that was the source of the best Odd Lot quote, based on its price, size, and time ranking, using the same methodology as is used for establishing the NBBO.

- The Odd Lot Bid field and associated size will be recalculated each time the NBB changes, and the Odd Lot Offer field and associated size will be recalculated each time the NBO changes.
- Subscribers to the SIP data feeds will be able to access individual Odd Lot quote information on an exchange-by-exchange basis. That information will include, for each exchange, the Odd Lot top-of-book bid and offer when priced equal to or better than the round lot top-of-book bid and offer, respectively, and will be disseminated by the SIPs in the same manner as round lot quotes, except that size will be represented in individual shares.
- The FINRA Alternative Display Facility (ADF) currently has no quoting participants, and does not currently support Odd Lot quotations to be included in the Odd Lot Quotations that will be made available as ancillary information to the SIPs, as outlined above. However, all changes being made in adding Odd Lot Quotations to the SIP data feeds will also be made concurrently to support the FINRA ADF, should the FINRA ADF begin making Odd Lot quotation data available in the future.
- FINRA ADF supporting changes will be made with the initial implementation of Odd Lot release.
- The OCs project that this proposal will result in a 35% increase in the amount of quotation traffic sent to the SIPs each day, as well as a 35% increase in the quotation messages generated during peak periods.

EXAMPLES

Example 1 – Odd Lot Quotes Inferior to NBBO

Exchange	Bid Size	Bid Price	Ask Price	Ask Size	Exchange
A	100	19.99	20.01	200	B
C	50	19.98	20.02	60	D

Protected Quotes					
Bid	Size	Mkt	Ask	Size	Mkt
19.99	1	A	20.01	2	B

Odd Lot NBBO					
Bid	Shares	Mkt	Ask	Shares	Mkt

NBBO Exch A @ 100 19.99 x 20.01 200 @ Exch B

(NBBO expressed in shares, not round lots)

NOTE: Odd Lot NBBO will be calculated by the SIPs but, in this instance, not published on the tapes because the Odd Lot quotations are inferior to the best round lot prices on both the bid and the offer. That said, the SIPs will publish all the Odd Lot top-of-book quotes received from the Exchanges, regardless of price.

Example 2 – Straightforward Odd Lot Determination

Exchange	Bid Size	Bid Price	Ask Price	Ask Size	Exchange
A	50	19.99	20.01	60	B
C	100	19.98	20.01	200	D

Protected Quotes					
Bid	Size	Mkt	Ask	Size	Mkt
19.98	1	C	20.01	2	D

Odd Lot NBBO					
Bid	Shares	Mkt	Ask	Shares	Mkt
19.99	50	A	20.01	60	B

NBBO Exch C @ 100 19.98 x 20.01 200 @ Exch D
Odd Lot Exch A @ 50 19.99 x 20.01 60 @ Exch B

NOTE: In the boxes above, Size in Protected Quotes is in round lots (1=100 shares and 2=200 shares); whereas Size in the Odd Lot NBBO is expressed in shares (50=50 shares and 60=60 shares). In the NBBO and Odd Lot NBBO listed below the boxes (in blue type), everything is expressed in shares.

Example 3 – Odd Lot Aggregation Across Price Levels

Exchange	Bid Size	Bid Price	Ask Price	Ask Size	Exchange
A	50	19.99	20.01	60	B
A	40	19.98	20.02	80	B
A	200	19.97			

Protected Quotes					
Bid	Size	Mkt	Ask	Size	Mkt
19.97	2	A	20.02	1	B

Odd Lot NBBO					
Bid	Shares	Mkt	Ask	Shares	Mkt
19.99	50	A	20.01	60	B

NBBO Exch A @ 200 19.97 x 20.02 100 @ Exch B
Odd Lot Exch A @ 50 19.99 x 20.01 60 @ Exch B

Note: Odd Lot Quotations on ask is duplicative to NBBO (i.e. the 60 shares are already part of the 100 share protected offer).

Example 4 – Odd Lot Aggregation with Quotes at the NBBO

Exchange	Bid Size	Bid Price	Ask Price	Ask Size	Exchange
B	60	19.99	20.01	50	B
B	50	19.99	20.01	60	B
A	200	19.99	20.01	100	B
			20.02	400	C

Protected Quotes					
Bid	Size	Mkt	Ask	Size	Mkt
19.99	2	A	20.01	2	B
19.99	1	B	20.02	4	C

Odd Lot NBBO					
Bid	Shares	Mkt	Ask	Shares	Mkt
19.99	10	B	20.01	10	B

NBBO Exch A @ 200 19.99 x 20.01 200 @ Exch B
Odd Lot Exch B @ 10 19.99 x 20.01 10 @ Exch B

Example 5 – Odd Lot Quote Determination Post Aggregation

Exchange	Bid Size	Bid Price	Ask Price	Ask Size	Exchange
A	40	19.99	20.01	40	D
B	60	19.99	20.01	60	B
B	80	19.98	20.01	80	B
C	300	19.97	20.02	500	C

Protected Quotes					
Bid	Size	Mkt	Ask	Size	Mkt
19.98	1	B	20.01	1	B
19.97	3	C	20.02	5	C

Odd Lot NBBO					
Bid	Shares	Mkt	Ask	Shares	Mkt
19.99	60	B	20.01	40	D

NBBO Exch B @ 100 19.98 x 20.01 100 @ Exch B
Odd Lot Exch B @ 60 19.99 x 20.01 40 @ Exch D

NOTE: For the Odd Lot NBBO, there is a Price/Size “tie” on the Ask side. Exchange D has 40 shares @\$20.01. Exchange B has 140 shares @\$20.01, which means there’s one round lot and 40 shares left over. Consistent with the priority order of the NBBO for protected quotes, Price/Size/Time, Exchange D is represented in the Odd Lot NBBO because it wins on Time.

TECHNICAL NOTICE AND SPECIFICATIONS FOR FIRMS RECEIVING DATA

Pending recommendations and final approval, the SIPs will be posting a Technical Notice and Specifications to the Street.

HOW TO COMMENT

Please submit all comments by going to the Odd Lots web page at www.ctaplan.com/oddlots and following the instructions. The SIP OCs request that all comments be received within 30 days from publication on the CTA and UTP web sites. Details are on the CTA and UTP web sites.

All comments will be made available to the public, so commenters should submit only information that they wish to make publicly available. Anonymous comments will be accepted.

Please refer to the “Feedback We Seek” section of this proposal for the key questions to which the OCs are looking for answers.

For any questions about Comment Submissions, please contact Forefront Communications at oddlotcomments@forefrontcomms.com.