



April 13, 2022

Via Electronic Submission (oddlotcomments@forefrontcomms.com)

Nasdaq Unlisted Trading Privileges Plan Participants
Consolidated Quotation Plan Participants

Re: Proposal to Add Consolidated Odd Lot Quotation Data (“Odd Lot Quotations”) to the UTP and CTA/CQ Data Feeds

Dear Operating Committees:

Cboe Global Markets, Inc. (“Cboe”) submits this letter in response to the request for comments on the “Odd Lot Proposal” (the “Proposal”) from the Participants of the Nasdaq Unlisted Trading Privileged (“UTP”) Plan and the Consolidated Quotation (“CQ”) Plan (collectively, the “Plans”). Cboe operates four equities exchanges representing a sizeable portion of the U.S. equities market. Cboe is committed to providing trusted, robust, and resilient markets that bring together buyers and sellers, in an ecosystem that serves and benefits all investors.

By way of background, Cboe is a long-standing proponent of adding Odd Lot Quotations to the SIP, publicly advocating for their inclusion in our January 2020 *Vision for Equity Market Structure Reform*,¹ as well as our comment letter (Comment Letter)² to the Securities and

¹ See “Cboe’s Vision for Equity Market Structure Reform”, January 2020, available at: https://cdn.cboe.com/resources/government_relations/cboes-vision-equity-market-structure-reform-2020.pdf.

² See “Letter in Response to SEC Proposed Order related to the governance structure of the NMS plans responsible for dissemination of U.S. Equity market data through the consolidated tape”, (February 28, 2020), available at: https://cdn.cboe.com/resources/government_relations/comment_letters/cboe-comment-on-proposed-sip-governance-order.pdf



Exchange Commission’s (the “Commission”) proposed Governance Order.³ Given our prior advocacy, and for the reasons discussed more fully below, Cboe believes that the Plans should take action to begin disseminating Odd Lot Quotations through the Securities Information Processors (“SIPs”) via a single, integrated channel, beginning in 2023.

Do Data Feed Recipients Want the Current SIPs to Proceed with Adding Odd Lot Quotations in 2023 or wait for Odd Lot Quotations to be Added Once the MDIR has been Implemented

Cboe believes that the U.S. equities markets are the best they have ever been—they have never been fairer, more cost-effective, or more liquid—and that they provide an overwhelmingly positive experience for investors, particularly long-term investors. As such, Cboe’s thoughts and recommendations around market structure modifications are guided by our “Do No Harm Approach”⁴ and on market enhancements that do not endanger what is already working well. Consistent with this philosophy, Cboe focuses on targeted, constructive, and achievable changes that aim to increase competition, improve market services and quality without increasing complexity, and that help ensure the U.S. equities markets continue to serve investors well.

Indeed, one such enhancement is the addition of Odd Lot Quotations to the SIPs. Cboe recently examined the growth of odd lot activity and how odd lots benefit the overall equities

³ *See* Securities Exchange Act Release No. 87906 (January 8, 2020), 85 FR 2164 (January 14, 2020) (File No. 4-757).

⁴ Accounting for the broad range of advances that have manifested themselves in the U.S. markets, Cboe strongly believes in market enhancements that do not endanger what is already working well. Improvements that can clearly benefit long-term investors and strengthen markets should be explored. Experiments that may result in diminished liquidity, less resilient markets, or burdens for long-term investors should be avoided. Cboe has focused its recommendations on proposals that will benefit investors, while continuing to foster competition and market efficiency. *Supra* note 1.



markets.⁵ From the results of our study it is apparent that odd lots are an integral and valuable part of today's U.S. equities markets and provide a meaningful source of liquidity across all trading periods and stocks. Yet, despite the prevalence of odd lots, Odd Lot Quotations currently have no representation on the SIPs. While odd lot *trades* have been disseminated through the SIPs since 2013, *quotations* remain without SIP representation. Because the SIPs are the central public source for U.S. equity market data, and millions of investors rely on the SIPs daily to inform their trading, and *quotations*, rather than *trades*, tend to better inform price discovery and help lead to better pricing for investors, it follows then that Odd Lot Quotations' place on the SIPs is both essential and long overdue. Certainly, it seems inconsistent to include *trades* but not *quotations*, given the benefit *quotations* provide regarding price discovery and improved pricing for investors.

While odd lots are defined by the Market Data Infrastructure Rule ("MDIR")⁶ to be an element of "core data,"⁷ Cboe nonetheless supports adding Odd Lot Quotations to the exclusive SIPs for 2023 and believes that the technology efforts needed to manage Odd Lot Quotations on the SIPs will be far outweighed by the benefits Odd Lot Quotations will provide to today's investors. Moreover, even under the Competing Consolidator model, the MDIR requires that the exclusive SIPs continue to operate and disseminate their market data in parallel for at least the

⁵ See "An In-Depth View Into Odd Lots", October 27, 2021, available at: <https://www.cboe.com/insights/posts/an-in-depth-view-into-odd-lots/#:~:text=Odd%20lots%20currently%20make%20up,the%20beginning%20of%20the%20year>

⁶ See Securities Exchange Act Release No. 34-90610 (February 14, 2020) 17 CFR Parts 18596 (April 9, 2021) (File No. S7-03-20).

⁷ As part of the Market Data Infrastructure Rule, the Commission adopted a definition of "core data" that included, amongst other data elements, "odd-lots that are priced at or better than the NBBO, aggregated at each price level at each national securities exchange and national securities association." Id at 18612.



Phase One Go-Live⁸ and the Phase Two Initial Parallel Operation Period.⁹ Indeed, pending the determination of the Operating Committee and the Commission, it is entirely feasible that even following the conclusion of these two phases that the SIPs may continue to operate.¹⁰ Additionally, it is unclear as to how many current SIP subscribers may ultimately choose to move to a Competing Consolidator during the Phase One Go-Live and Phase Two Initial Parallel Operation Period and will instead continue to utilize the SIPs. Therefore, continuing to withhold Odd Lot Quotations from the SIP would needlessly deprive investors of having access to the best prices available in the market.

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

Cboe has carefully considered whether the dissemination of Odd Lot Quotations is best accomplished through a single, integrated feed (“Single Channel”), or through a channel separate from existing SIP data (“Separate Channel”). Through our internal conversations, as well as

⁸ *Supra* note 5, at 18700-01.

⁹ Following the Phase One Go-Live, the decentralized consolidation model will run in parallel to the existing exclusive SIP model for an initial parallel operation period of 180 calendar days. During this initial parallel operation period, the exclusive SIPs will continue to provide the market data required under the current effective national market system plan(s). *Id.*

¹⁰ At the end of the initial parallel operation period, the Operating Committee of the effective national market system plan(s), in consultation with market participants including SROs, broker-dealers, vendors, and others that consume market data, will evaluate the performance of the decentralized consolidation model during the initial parallel operation period. Within 90 days of the end of the initial parallel operation period, the Operating Committee will make a recommendation to the Commission as to whether the exclusive SIPs should be decommissioned. The Commission will consider an effective national market system plan amendment to effectuate a cessation of the operations of the exclusive SIPs and, if consistent with the requirements of Rule 608 and the Exchange Act, approve such amendment. Such an approval order will facilitate the final completion of the transition over to the new decentralized consolidation model. *Id.*



discussions with industry members and peers, Cboe believes that the dissemination of Odd Lot Quotations through the SIPs is best accomplished via a Single Channel.

Coding changes will need to be made by SIP subscribers, but Cboe feels strongly that such changes are relatively minor in nature and will not require a significant dedication of time or resources by SIP subscribers. Moreover, a Single Channel will present fewer issues once Odd Lot Quotations are disseminated and consumed by SIP subscribers. Namely, by consuming Odd Lot Quotations via a Single Channel the potential sequencing concerns that exist with a Separate Channel are largely, if not completely, mitigated by use of a Single Channel. A Separate Channel for Odd Lot Quotations would result in four feeds – an input feed and output feed for round lot quotations, and an input feed and output feed for Odd Lot Quotations. In this regard, a Single Channel implementation is more reliable and less likely to cause implementation issues than disseminating Odd Lot Quotations through a Separate Channel.

Conclusion

Cboe appreciates the opportunity to share its views on the Odd Lot Proposal. We believe that today's equities markets are functioning well and that the dissemination of Odd Lot Quotations through the SIPs represent a meaningful improvement that will go a long way toward increasing transparency, fairness, and competition, while empowering investors and improving the overall investor experience without risking harm to investors or the U.S. equities markets.

For the reasons outlined above, Cboe fully supports adding Odd Lot Quotations to the SIPs via a Single Channel and urges the Plans to proceed with implementing this enhancement for 2023. Cboe welcomes further discussion with the Plans and stands ready to share its technological and industry expertise to help advance the implementation of the Proposal.



Sincerely,

/s/ Patrick Sexton

Patrick Sexton
EVP, General Counsel & Corporate Secretary