



April 26, 2022

Submitted electronically

To: CTA/CQ/UTP Plan Operating Committees

Re: Proposal of the CTA and UTP Operating Committees Regarding Odd Lots on the SIPs

MEMX LLC (“MEMX”)¹ appreciates the opportunity to comment on the above-referenced proposal by the Consolidated Tape Association (“CTA”), Consolidated Quotation (“CQ”), and Nasdaq UTP (“UTP”) Plans to include certain odd lot quotation information on the public securities information processor (“SIP”) feeds. MEMX is a participant on the CTA/CQ/UTP operating committees and supports the inclusion of additional information on the SIPs, including information about odd lot quotations. Such information would be valuable to both retail and institutional investors trading in high-priced and other securities where odd lots traded within the national best bid and offer (“NBBO”) represent a significant proportion of trading activity.

The Securities and Exchange Commission (“Commission”) adopted a market data infrastructure rule (“infrastructure rule”) in December 2020 with the important goal of “moderniz[ing] the national market system for the collection, consolidation, and dissemination of information with respect to quotations for and transactions in national market system (“NMS”)

¹ MEMX was founded by leading market participants with the common goal of improving securities markets for investors and challenging the status quo in the exchange space. Specifically, MEMX’s mission is to increase competition, reduce the fixed costs of trading, and simplify the execution of securities trading in the United States.

stocks.”² When fully implemented, the infrastructure rule will vastly increase the market data available to investors through the consolidated tape plans. In addition to the information disseminated by the SIPs today, competing consolidators will be able to offer data products that include odd lot and depth-of-book quotation information and auction information that is currently only available to subscribers to exchange proprietary data feeds. MEMX has been a strong proponent of increased market transparency and eagerly awaits the time when such information will be made available on the public market data feeds.³ However, the implementation of the infrastructure rule remains subject to delay due to pending legal challenges in the D.C. Circuit and issues raised by the Plan amendments submitted by the operating committees to, among other things, establish fees to be charged for new core data content under the infrastructure rule.⁴

As a result, the operating committees are now considering whether to include a subset of odd lot quotation information on the consolidated tape ahead of the implementation of the infrastructure rule. Specifically, the operating committees propose to include information on top-of-book odd lot quotations for each national securities exchange as well as an odd lot national best

² See Securities Exchange Act Release No. 90610 (Dec. 9, 2020), 86 FR 18596 (April 9, 2021).

³ See Letter from Anders Franzon, General Counsel, MEMX to Vanessa Countryman, Secretary, Commission dated May 26, 2020 *available at* <https://www.sec.gov/comments/s7-03-20/s70320-7235183-217090.pdf>.

⁴ MEMX believes that the proposed fees submitted by the operating committees should be disapproved. See Letter from Adrian Griffiths, Head of Market Structure, MEMX to Vanessa Countryman, Secretary, Commission dated November 8, 2021 *available at* <https://www.sec.gov/comments/sr-ctacq-2021-03/srctacq202103-9403088-262830.pdf>. On February 24, 2022, Commission instituted proceedings to determine whether to approve or disapprove the Plan amendments. See Securities Exchange Act Release Nos. 94307 (February 24, 2022), 87 FR 11787 (March 2, 2022); 94308 (February 24, 2022), 87 FR 117559 (March 2, 2022); 94309 (February 24, 2022), 87 FR 11763 (March 2, 2022); 94310 (February 24, 2022), 87 FR 11748 (March 2, 2022).

bid or offer that reflects the best odd lot quotation across all exchanges.⁵ Although this is significantly less information than will eventually be made available under the infrastructure rule, we support adding this information to the consolidated tapes now. Odd lot quotation information is particularly relevant to investors in today's market as odd lot trading continues to grow in light of stock price appreciation, reduction in stock splits,⁶ and other factors. Investors would therefore benefit from this information being made available sooner than may be the case if the industry were compelled to wait for competing consolidators to begin disseminating such data.

At the same time, we would like to raise one implementation issue for consideration. As proposed, the odd lot national best bid or national best offer would only be disseminated if that bid (offer) is at or better than the round lot national best bid (offer). This validation would be performed by the processors by comparing the odd lot national best bid or offer to the round lot national best bid or offer prior to dissemination. Similarly, an exchange's odd lot bid or offer would only be disseminated if better than that exchange's round lot best bid or offer. However, rather than the processors performing this validation at a central location before dissemination, each exchange would be required to implement this logic on their own individual platforms. This would result in duplicative processing being conducted by sixteen national securities exchanges.

By contrast, when competing consolidators become operational, they will ingest information made available by each national securities exchange and use that information to

⁵ By contrast, the infrastructure rule contemplates a more comprehensive view of odd lot quotation information that includes aggregated information about all odd lots at a price equal to or better than the NBBO. See note 2 *supra*.

⁶ Certain issuers of high-priced stocks, including Alphabet, Amazon, and Tesla, have announced their intention to split their stocks later this year. While these splits should reduce the amount of odd lot trading in these securities, a large number of other securities with significant odd lot trading activity would benefit from increased transparency.

generate consolidated market data. The exclusive SIPs should operate in the same manner and take in raw data sent by the exchanges, i.e., top-of-book odd lot quotations, and perform any necessary validations before that information is sent to public investors. This implementation would obviate the need for overlapping logic housed at individual exchange participants instead of the central parties ultimately responsible for consolidating and disseminating public market data.

Of course, we understand that there are potential message traffic implications for the processors with different approaches to performing this validation. However, we expect that any additional message traffic that may arise from sending all top-of-book odd lot quotations to the processors would be minimal and efficiency gains for the processors are likely to be outweighed by reduced efficiencies at each of the sixteen exchanges that would perform these validations instead. Indeed, the proposed implementation does not address the overall amount of data that will need to be processed but rather only *who* will do that processing. Suffice it to say that we believe the processor – whether a competing consolidator or exclusive SIP – is more apt to perform any processing instead of requiring separate technology builds at each national securities exchange.

Amending the odd lot proposal to require that the processors perform the validation mentioned above would reduce unnecessary complexity around the implementation of the proposal, while ensuring that additional odd lot quotation information is made available to investors in light of the importance of such information in today's market. In addition, our recommended change to the implementation of this functionality would more closely align the proposal to include odd lot quotation information on the exclusive SIPs to the manner in which odd lot quotation information will be generated by consolidators under the infrastructure rule.

Finally, the listing exchanges should consider implementing round lot changes ahead of the timeline mandated by the infrastructure rule. When the operating committees first requested comment on its odd lot proposal back in October 2019, many industry commenters suggested that round lot reform would ultimately be more meaningful than odd lot transparency given the fact that round lot changes actually improve the quality of protected quotations. Our data suggests that making these changes now would significantly reduce investor transaction costs while providing more useful information about quotations in high-priced securities.⁷ While additional transparency for odd lot quotations is beneficial for investors, there is more that can and should be done to improve market quality in high-priced securities where much of this odd lot activity takes place.

Sincerely,

/s/ Adrian Griffiths

Adrian Griffiths
Head of Market Structure

⁷ See Why we should change round lots now, Adrian Griffiths, Head of Market Structure, MEMX (June 2021) *available at* https://memx.com/wp-content/uploads/MEMX_RoundLots_white-paper.pdf.