

STA Open Call – January 23, 2020 – Call Notes¹
New Consolidated Market Data Plan (“Proposed Order”)
Mike Masone, Citi
Nat Evarts, SSGA

Opening Remarks – Jim Toes, STA

STA Comment Letter on Rule 15c2-11

STA commends the Commission for proposing amendments to modernize Rule 15c2-11. STA offers the following comments about certain aspects of the Proposal, including: (1) the increased burden that may be imposed on market makers; and (2) potential consequences for retail investors when securities are no longer eligible for public quoting. Full letter [here](#)

SEC Discussion Document used on recent SEC Meetings

In late Dec. STA conducted meetings at the SEC which included: Commissioners Elad Roisman and Alison Lee. Issues discussed included: Proliferation of strikes in the options market place; implementation of Rule 606; Thinly Traded Securities & others. Complete list & comments [here](#).

Executive Summary

On Jan 8th the SEC announced it will seek public comments on a proposed [order](#) that will modernize the [governance](#) of National Market System (NMS) plans by among other things, unifying the three existing plans into one. As we will discuss tonight, we believe this is a significant development. While technology is often credited with being [the](#) major influence on the evolution and overall efficiency of our markets, data is the fuel which feeds it. The goals this evening are: raise awareness; educate and most importantly inspire engagement during this window in time when determinations on what defines the new Plan are made.

Questions & Answers (not covered in the Open Call Material pdf)

Question: Please provide perspective on where market data is today & Jan 8th announcement

The growth, increased speed and development of new and sophisticated trading protocols inherently fed the need to have access to, and consumption of, a wider and more nuanced data set. Through the years, improvements have been made in the consolidation & dissemination of market data (SIPs), but those improvements have not kept pace with the alternatives the industry can and often must access.

The existing governance structure of the SIP Reg NMS Plan was designed in 1975. Markets and the corporate structure of SROs have changed dramatically since that time. Current governance holds little transparency and does not accurately reflect the diverse cross-section of market participants transacting in it. Consolidated market data is now something that needs to be looked at and the SEC is taking the right first step by seeking comments on a new governance structure

¹ This brief is meant for informational purposes only and therefore should not be considered legal advice. STA’s goal is to raise awareness on industry developments and encourage dialogue.

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Reference Material¹

Helpful links

- SEC Announcement; Proposed Improvements to Governance of Mkt Data Plans – Jan 2020 [Here](#)
- Notice of Proposed Order Directing the Exchanges and the FINRA to Submit a New National Market System Plan Regarding Consolidated Equity Market Data – Jan. 2020 [Here](#)

Background

In 1975, Congress passed the [Securities Acts Amendments of 1975](#), authorizing the SEC to facilitate a national market system. In 2005, the SEC passed Reg NMS and it became law in 2007. Today, there are fourteen (14) Rules under Reg NMS. Some of which include: Rule 605 – *Execution Quality*; Rule 606 – *Order Routing*; Rule 613 – *Consolidated Audit Trail, CAT*. Tonight’s call will touch on Rule 603 & Rule 608.

Rule 603 - *Quote Dissemination* (created the SIP and what defines core data) requires the SROs to act jointly pursuant to NMS plans to “disseminate consolidated information, including a national best bid and national best offer, on quotations for and transactions in NMS stocks.” Currently, there are three (3) national market system plans for NMS stocks (CTA Plan; CQ Plan & UTP Plan)

Rule 608 – *Filing Amendments of NMS Plans* governs how changes to existing NMS Plans are introduced and approved. Rule 608 provides an opportunity for public comment, and precludes a proposed amendment from becoming effective unless approved by the Commission **first**. However, there is an exception for fee-filings. SIP fee changes do not require Commission approval they become effective immediately, however the SEC is able to abrogate them at a later date.

Proposed Order

The Commission is publishing for comment a proposed order that would require the Participants to propose a *single, new equity data plan (the “New Consolidated Data Plan”)*. The Order includes governance provisions that the Commission believes would enable the New Consolidated Data Plan to address concerns that have been raised about the governance of the existing Equity Data Plans.

Some of the conditions and terms include:

- Operating Committee, should be comprised of SRO & Non-SRO representatives w/ voting power
- Use of executive session of SRO members will be confined to appropriate circumstances.
- Establish an independent plan administrator that is not owned or controlled by a corporate entity that offers for sale its own proprietary market data product.

Other related filings

- Rescission of Effective-Upon-Filing Procedure for NMS Plan Fee Amendments – Oct. 2019 [Here](#)
- Annual letter by SIP Chairman – Jan. 2020 [Here](#)

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