

SEC Adopts Rules to Modernize Key Market Infrastructure Responsible for Collecting, Consolidating, and Disseminating Equity Market Data

Fosters a competitive environment for core components of the national market system for the first time

**FOR IMMEDIATE RELEASE
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Washington D.C., Dec. 9, 2020—The Securities and Exchange Commission today adopted rules to modernize the infrastructure for the collection, consolidation, and dissemination of market data for exchange-listed national market system stocks (“NMS market data”). This infrastructure has not been significantly updated since its initial implementation in the late 1970s. The adopted rules update and significantly expand the content of NMS market data to better meet the diverse needs of investors in today’s equity markets. The adopted rules also update the method by which NMS market data is consolidated and disseminated, by fostering a competitive environment and providing for a new decentralized model that promises reduced latency and other new efficiencies.

“Today’s rules are part of our larger initiative and ongoing efforts to modernize our equity market regulatory structure to address significant changes in our trading markets and better fit the needs of investors—both retail and institutional—and other market participants, including issuers. In particular, these rules are designed to increase competition and transparency, which will improve data quality and data access for all market participants,” said Chairman Jay Clayton.

“The content of national market system data for equities and the consolidation and dissemination of that data have lagged meaningfully behind the technologies and data content widely used for proprietary data products offered by exchanges. The rules adopted today address these issues and, for the first time, foster a competitive environment for processing and distributing NMS market data,” said Director Brett Redfearn.

In 1975, one of Congress’s principal objectives for the national market system was to assure the availability of information with respect to quotations for, and transactions in, securities. The national securities exchanges and the Financial Industry Regulatory Authority (“FINRA” and collectively, the “SROs”) have acted jointly to collect, consolidate, and disseminate information for NMS stocks. For each NMS stock, the SROs were required to provide specified NMS market data to exclusive securities information processors (“SIPs”). The SIPs then consolidated that information and made it available to the public. The rules adopted today are designed to modernize and improve upon that historical infrastructure, by expanding the content of NMS market data and replacing the historical “exclusive SIP” model with a decentralized model of “competing consolidators.”

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FACT SHEET

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Market Data Infrastructure

Current Regulatory Framework

NMS market data is made widely available to investors through the national market system, a system set forth by Congress in Section 11A of the Securities Exchange Act of 1934 (“Exchange Act”) and facilitated by the Commission in Regulation NMS. The current national market system for NMS information was developed in the late 1970s. This system features a centralized consolidation model in which the SROs act jointly under the Equity Data Plans to provide specified NMS market data for each NMS stock to exclusive SIPs. The exclusive SIPs then consolidate that information and disseminate a national best bid and national best offer (“NBBO”) and last sale information. While the Commission has been monitoring the effectiveness of its NMS rules and has revised certain rules, the Commission has not significantly updated the rules that govern the content and dissemination of NMS market data since their initial implementation in the late 1970s, even though technologies as well as business and trading practices have changed dramatically since then.

Market Developments

Significant technological changes have occurred since the 1970s and the enactment of Section 11A in the 1975 amendments to the Exchange Act. In particular, the combination of technological advances and order routing and trading strategies have greatly increased the speed and automation of markets, making trading more market data dependent, in terms of content, access, and processing speed. In response, exchanges have developed enhanced proprietary data and connectivity products. The content and latency differentials between SIP data and the proprietary market data products disseminated directly by the exchanges have become increasingly important.

Adopted Rules

The content of NMS market data and the model for collecting, consolidating, and disseminating NMS market data have not kept pace with the needs of market participants. The rules adopted today seek to address this concern in two fundamental ways: (1) the rules update and expand the content of NMS market data; and (2) the rules establish a decentralized consolidation model in which competing consolidators, rather than the exclusive SIPs, will be responsible for collecting, consolidating, and disseminating consolidated market data to the public.

Content of NMS Market Data

As illustrated in the examples provided in the chart below, the rules adopted today update and expand the content of NMS market data to include: (1) information about orders in share amounts smaller than the current round lot size (e.g., 100 shares); (2) information about certain orders that are outside of an exchange’s best bid and best offer (i.e., certain depth of book data); and (3) information about orders that are participating in opening, closing, and other auctions.

Examples of Content of Previous vs. New NMS Market Data

	Previous	New
Last sale data/transaction reports	The price, size and exchange of the last sale of the NMS stock, including odd-lot transactions.	No change.
Best bid and best offer (“BBO”)	BBOs for each SRO in round lot sizes (e.g., 100 shares).	BBOs for each SRO in revised round lot sizes based on the new “round lot” definition: <ul style="list-style-type: none">• \$250.00 or less per share: round lot = 100 shares;• \$250.01 to \$1,000.00 per share: round lot = 40 shares;

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National best bid and national best offer	NBBO is based on the round lot size quotations.	<ul style="list-style-type: none"> \$1,000.01 to \$10,000.00 per share: round lot = 10 shares; and \$10,000.01 or more per share: round lot = 1 share. <p>NBBO will be based on the new round lot size quotations.</p>
Odd-lot quotations	Not included.	Odd-lot quotations at a price greater than or equal to the national best bid (NBB) and less than or equal to the national best offer (NBO), aggregated at each price level at each SRO.
Protected quotations	Protected quotations are in round lots.	Protected quotations will be in new round lots.
Depth of book data	Not included.	New “depth of book data” will include quotation sizes at each national securities exchange and on a facility of a national securities association at each of the next five prices at which there is a bid that is lower than the NBB and offer that is higher than the NBO.
Auction information	A limited range of auction information was provided by the Equity Data Plans, such as reopening auction information following Limit-Up Limit-Down (“LULD”) pauses and certain NYSE auction information.	New “auction information” will include any information specified by SRO rules or effective NMS Plans that is generated by an SRO leading up to and during an auction—including opening, reopening, and closing auctions—and publicly disseminated during the time periods and at the time intervals provided in such rules and plans.
SRO-specific program data	Information regarding SRO-specific programs, such as retail liquidity programs.	All current SRO-specific program data plus any additional data elements defined as such pursuant to the effective national market system plan(s) required under Rule 603(b).
Over-the -counter bulletin board (“OTCBB”) and concurrent use data	OTCBB quotation and transaction data and certain “concurrent use” data (i.e., corporate bond and index data) is offered in connection with current NMS market data.	This information will not be included in NMS market data under the rules adopted today.
Regulatory data	Includes information regarding short sale circuit breakers, trading pauses, regulatory halts and official opening and closing prices of the primary listing	All current regulatory data plus a new indicator for applicable round lot sizes and any additional regulatory data elements defined as such pursuant to the effective national market system plan(s) required under Rule 603(b).

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exchanges.

Administrative data

Includes messages specifying identifiers for market centers and issue symbols and messages regarding the beginning and end of trading sessions.

All current administrative data plus any additional data elements defined as such pursuant to the effective national market system plan(s) required under Rule 603(b).

Decentralized Consolidation Model

The rules adopted today also introduce a decentralized consolidation model under which competing consolidators, rather than the existing exclusive SIPs, will collect, consolidate, and disseminate certain NMS information. To support this decentralized model, the rules require each SRO to make available the data that is necessary to generate consolidated market data to two new categories of entities: (1) competing consolidators, which will be responsible for collecting, consolidating, and disseminating consolidated market data products to the public; and (2) self-aggregators, which will be brokers, dealers, SROs, and investment advisers registered with the Commission that elect to collect and consolidate market data solely for their internal use.

Competing consolidators will be required to register with the Commission under new Rule 614 of Regulation NMS. All competing consolidators will be subject to certain standards with respect to the promptness, accuracy, reliability, and fairness of their operations, and competing consolidators meeting a market share threshold that are “SCI competing consolidators” will be subject to Regulation SCI. Self-aggregators will not be required to register with the Commission in a separate capacity.

What’s Next?

The adopted rules will be effective 60 days after publication in the Federal Register but in order to facilitate an orderly transition, the Commission has developed a phased transition plan that will begin in 2021.

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