

Public Statement

Statement on Adoption of Market Data Infrastructure Rules under Regulation NMS



Chairman Jay Clayton

Dec. 9, 2020

Good morning. This is an open meeting of the U.S. Securities and Exchange Commission on December 9, 2020, under the Government in the Sunshine Act. The Commission today will consider a staff recommendation to adopt amendments to Regulation NMS to modernize the national market system for the collection, consolidation, and dissemination of information with respect to quotations for and transactions in national market system (“NMS”) stocks (“NMS market data”). Broadly speaking, these amendments would, first, expand the content of NMS market data that must be collected, consolidated, and disseminated as part of the national market system under Regulation NMS. Second, the amendments would modernize the way NMS market data is disseminated by replacing the existing centralized consolidation model with a decentralized consolidation model that features competing consolidators.

Throughout my tenure as Chairman, I have emphasized the importance of equity and fixed income market structure as an area of focus for the Commission and its staff. The U.S. equity markets have changed substantially in the last decade as technology, market structure, and business and trading practices have evolved. As I have emphasized several times, we, too, must continue to analyze and update our regulatory framework to fulfill our mission to maintain fair, orderly, and efficient markets. And a critical element of equity market structure is the information provided through the broad dissemination of consolidated equity market data.

Market data—which includes real-time information concerning the prices at which securities can be traded and the prices of trades that already have been executed—is the fundamental source of transparency and price discovery for the secondary equity markets. The collection, consolidation, and dissemination of NMS market data has formed the heart of the national market system since Congress mandated its establishment in 1975. However, many of the requirements under Regulation NMS and the national market system plans that establish the national market system have not been significantly updated since the 1970s even though the operation of the market and the information needs of market participants have changed dramatically in the interim. I cannot emphasize enough the importance of modernization, transparency, and competition—they are critically important to our federal securities law framework, to our capital market structure, and to sustaining our fair and orderly markets.

Today, the Commission is considering the staff’s recommendation that the Commission adopt the proposed amendments to Regulation NMS, with certain modifications. The amendments address two aspects of NMS market data. First, the amendments would replace the exclusive, centralized SIP model established in the 1970s, with a competitive, decentralized consolidation model in which multiple *competing* consolidators would be responsible for collecting, consolidating, and disseminating consolidated market data to the public. In addition, the amendments would allow certain firms and self-regulatory organizations to process, or “self-aggregate,” NMS

market data feeds, in a way that is similar to and consistent with the way in which firms self-aggregate proprietary data feeds today. Significantly, this framework would seek, for the first time, to introduce competitive forces into the model for processing and distributing NMS market data.

Second, the amendments would 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 (typically 100 shares), which will improve pre-trade transparency and execution quality, particularly for higher-priced securities; (2) information about certain orders that are outside of an exchange's best bid and best offer (*i.e.*, certain depth of book data), which will help market participants place orders more effectively; and (3) information about orders that are participating in opening, closing, and other auctions, which will facilitate more informed participation in those auctions.

I would also like to note that there were certain aspects of the initial proposal that changed as part of today's recommendation. Brett Redfearn, along with Kelly Riley and Ted Uliassi, of the Division of Trading and Markets, will describe the amendments in more detail, but I will say that the recommendation does not include the proposal to eliminate order protection for quotations in the smaller round lot sizes. The recommendation also sets forth a phased approach to implementation, which, in combination with market participants' cooperation, should allow for a successful transition to the new infrastructure framework.

I am pleased to support the staff's recommendation to approve these important reforms to the content of NMS information and the means by which it is disseminated. I also want to thank the staff who have carefully considered the comments received and worked tirelessly to prepare the amendments. Specifically, I would like to thank:

From the Office of General Counsel: Meridith Mitchell, Jeff Finnell, Michael Conley, Marie-Louise Huth, Robert Teply, Dominick Freda, Janice Mitnick, Cynthia Ginsberg, Daniel Staroselsky, and Martin Totaro;

From the Division of Economic and Risk Analysis: S.P. Kothari, Chyhe Becker, Amy Edwards, Paul Barton, John Ritter, Selvin Akkus Clemens, Lauren Moore, Taylor Evenson, P.J. Hamidi, and Patti Vegella; and

From the Division of Trading and Markets: Brett Redfearn, Christian Sabella, David Shillman, David Saltiel, Kelly Riley, Ted Uliassi, Elizabeth Badawy, Leigh Duffy, Yvonne Fraticelli, Steve Kuan, Joshua Nimmo, Heidi Pilpel, Sara Gillis Hawkins, David Liu, An Phan, Jerry Citera, Peggy Sullivan, Dmitry Bulkin, Mark Donohue, Arun Manoharan, Alex Jadin, Chris Ray, Kapil Gogia, Catherine Moore, Devin Ryan, John Fahey, Chris Chow, Gita Subramaniam, and Andrea Orr.