

[Securities Regulation Daily Wrap Up, TOP STORY—SEC proposes to modernize market data collection and consolidation, \(Feb. 18, 2020\)](#)

Securities Regulation Daily Wrap Up

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The proposal would introduce competition into national market system and increase access to NMS market data.

The SEC has proposed to amend Regulation NMS to update the national market system for the collection, consolidation, and dissemination of information with respect to quotations for, and transactions in, exchange-listed NMS stocks. The proposal would expand the content of NMS information to be collected, consolidated, and disseminated and introduce a decentralized consolidation model where competing consolidators would replace the existing exclusive securities information processors (SIPs), and new Form CC would govern the registration and obligations of competing consolidators. These are the first major changes proposed to the rules governing the content and dissemination of NMS market data since their implementation, and they are designed to better address investor needs in today's equity markets (*Market Data Infrastructure*, [Release No. 34-88216](#), February 14, 2020).

"By expanding the content of this data and introducing competitive forces into the market, the proposals would enhance transparency and ensure that improved NMS market data is available on terms that are accessible to a wide variety of participants in today's markets," [said](#) SEC Chairman Jay Clayton.

Existing regime. When adopted in the 1970s, one of the main objectives for the national market system was to ensure the availability of information with respect to quotations and transactions in securities. At present, the national securities exchanges and the SROs act jointly under NMS plans to collect, consolidate, and disseminate information for NMS stocks. For each NMS stock, they must provide specific market data to exclusive SIPs, and the SIPs then consolidate that data for public availability and disseminate a national best bid and national best offer (NBBO) and last sale information. Order routing and trading strategies have increased the speed and automation of markets, making trading more data dependent, and exchanges have developed proprietary products that some view as superior to that provided by the exclusive SIPs.

Content and consolidation. The proposal would amend Rules 600 and 603 of Regulation NMS and adopt new Rule 614 to update the national market system for the collection, consolidation, and dissemination of information in connection with NMS stocks. The proposal would update the content of NMS market data to include information about orders in amounts smaller than the current round lot size (100 shares) for higher priced stocks, data regarding certain orders that are outside of an exchange's best bid and best offer, and information about orders in auctions. Specifically, the revised round lot sizes would include:

- \$50.00 or less per share: round lot = 100 shares;
- \$50.01 to \$100.00 per share: round lot = 20 shares;
- \$100.01 to \$500.00 per share: round lot = 10 shares;
- \$500.01 to \$1,000.00 per share: round lot = 2 shares; and
- \$1,000.01 or more per share: round lot = 1 share.

NBBO would be based on the proposed new round lot size quotations, and the definition of "protected quotation" would be amended to reach 100 shares or more, regardless of round lot size, with the quotations included in proposed NMS market data. The proposed new "depth of book data" would include for each SRO an aggregation of all quotes at each price between the BBO and protected BBO and at each of the next 5 prices lower than the protected bid and higher than the protected offer. "Auction information" would include any information specified

by SRO rules or effective NMS plans generated by a SRO leading up to and during an auction and disseminated during the time periods at the certain intervals.

The proposal also would address the disparity between NMS market data and the proprietary data products offered by individual exchanges directly to market participants by replacing the centralized, exclusive SIP model with a decentralized model involving "competing consolidators." According to the proposal, each SRO would need to make available all of its data necessary to generate NMS market data to competing consolidators (which would collect, consolidate, and disseminate market data) and self-aggregators (broker-dealers that elect to collect and consolidate market data for internal use). Both SROs and non-SROs could operate as competing consolidators, but non-SRO competing consolidators would need to separately register with the Commission under proposed new Rule 614. Proposed new Form CC would govern the registration and responsibilities of competing consolidators required to register other than as an SRO or a broker-dealer.

The SEC also proposed that currently effective national market system plans for NMS stocks be amended to reflect decentralized consolidation and that Regulation SCI's definition of "SCI entities" be expanded to include competing consolidators.

Comments are due with 60 days of publication in the *Federal Register*.

The release is [No. 34-88216](#).

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