



March 29, 2023

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: Regulation NMS (File Number S7-30-22)

Dear Ms. Countryman:

We write on behalf of the Financial Information Services Division (FISD) of the Software & Information Industry Association (SIIA) to request that the Securities and Exchange Commission (the Commission) extend the implementation period for compliance with the round lot and odd-lot information definitions originally adopted on December 9, 2020.¹ While we appreciate the benefits that these changes will provide in terms of improved market transparency, for the reasons stated herein, implementation will present challenges and require tailored solutions that will take longer than 90 days to fully realize.

Background on FISD and SIIA

FISD was established over thirty years ago to facilitate member thought leadership, education, networking, and the development of win-win solutions to common challenges facing the financial information industry. Our members – over 250 organizations worldwide – include all significant actors in the financial information ecosystem, including major global exchanges and securities markets; content creators and aggregators such as S&P, Moody’s, and Morningstar; data redistributors like Bloomberg and LSEG Refinitiv; and consumers of financial information including major global banks, investment management firms, and hedge funds. Given the diversity of interests in this community, FISD does not typically adopt or promote consensus positions on public policy issues.

FISD is part of SIIA, which is the principal trade association for companies in the business of information. SIIA’s membership of over 450 companies includes firms reflecting the broad and diverse landscape of digital content providers and users in academic publishing, education technology, and financial information, along with creators of software and platforms used by millions worldwide, and companies specializing in data analytics and information services.

¹ Securities Exchange Act Release No. 90610 (Dec. 9, 2020), 86 FR 18596 (Apr. 9, 2021) (Market Data Infrastructure).

Comments on Transparency of Better Priced Orders

In this submission, FISD addresses Part IV of Regulation NMS, *Transparency of Better Priced Orders*,² and responds specifically to Questions 44, 45, and 57 regarding the timeline for implementation of round lot and odd-lot information definitions in the Market Data Infrastructure (MDI) rules.³ While we recognize the Commission's interest in accelerating implementation,⁴ our members have concerns that implementation within 90 days after the Federal Register notice will not provide sufficient time to fully and successfully implement these changes. While the SEC is correct that these technical changes are similar to functions currently performed by securities information processors (SIPs), successful implementation of the changes will involve significant actions throughout the multiple links in the real-time market data distribution chain.

From exchanges to SIPs to data vendors to financial institutions - and finally to individual investors - the distribution chain for market data is a complex network of diverse systems. At each stage the party must identify the requirements for their own proprietary products, make software changes, evaluate and accommodate additional capacity needs, communicate technical specifications to downstream recipients, and test the system changes with the entire market data ecosystem. Further, vendors and financial institutions will need to educate their clients on the changes. Many of these activities cannot begin until the final rule is published, with downstream players depending on guidance from the parties above them in the distribution chain.

The changes required for SIPs are relatively straightforward from a conceptual perspective but will require significant undertakings before they can be implemented. There are complex implementation steps across the financial information distribution chain and significant issues that fall into several categories.

Notice and Lead Time: Data providers must give their clients and distribution partners adequate notice about planned technical changes to their real-time information products to ensure reliability of services and data throughout the investing and trading community. This has been a longtime focus of FISD. Our working groups and best practice activities stress the importance of early notification and adequate lead times. Given the complexity and dynamic aspects of the market data industry, limited and insufficient notification will create difficulties and delays for the entire ecosystem. Vendors and financial institutions will need to re-order their crowded development schedules to prioritize these changes. Many vendors have contractual requirements to provide their clients at least 90 days' notice of any product changes.

² Securities Exchange Act Release No. 34-96494 (Dec. 14, 2022) (Regulation NMS).

³ See Regulation NMS at 139-40, 145-46.

⁴ See Regulation NMS at 119, 125-30, 133-35.



Product Decisions: Vendors will need to undertake a thorough evaluation of the new data items to identify how best to display that information for clients, and engage in extensive communication with traders and investors. For example, while the new Best Odd Lot Order is analogous to calculations already performed for the NBBO, vendors must determine the best way to represent this new data in a manner that is understood and usable by clients, all within the constraints of limited “screen real estate”. Similarly, vendors will need to accommodate the switch from provision of round lots to actual shares.

Development and Testing: The technical and operational requirements to implement the definition changes will necessitate distinct product changes in the systems of literally hundreds of exchanges, vendors, and subscribers, each with different development priorities and system capabilities. Only once these changes have been implemented can critical testing activities be undertaken. At each step downstream in the distribution network, parties must wait on the technical and product specifications from upstream SIPs and vendors before they can create their own requirements. As a result, data vendors will not have even the full 90 days to finalize their requirements, begin coding, secure capacity, and communicate to downstream data recipients. Vendors’ subscribers will, in turn, have even less time to react. For any link in the distribution chain, hastily made changes or missed delivery dates could result in not just a failure to provide odd-lot quotation data but also disrupt the flow of other core data to the market.

Traffic and Capacity: Exchanges and SIPs will need to assess the impact on peak traffic and secure additional processor and network capacity. The contemplated changes will add significantly to message traffic with odd lot depth-of-book and the addition of messages carrying the best odd lot orders. It is also likely that the tick size changes under the proposal will have an impact on traffic. Each of these presents additional capacity needs that must be addressed prior to full implementation to ensure that there will be no degradation in the delivery of all market information. In their March 2022 proposal to add more limited amounts of odd-lot data to the SIP feeds, the CTA and UTP Operating Committees estimated that it would result in a 35% increase in the amount of quotation traffic sent to the SIPs each day, as well as a 35% increase in the quotation messages generated during peak periods.

Communications and Education for End-users: Vendors will need to generate educational material well in advance of changes to ensure clients - traders, wealth managers, and investors - understand the changes that they will see on their display screens and their impact on their businesses.

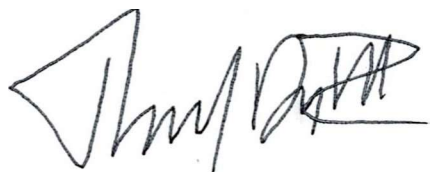


Conclusion

In short, requiring accelerated implementation of the new odd-lot and round lot definitions risks undermining the very real transparency benefits that these changes will provide. We note that when CTA and UTP Operating Committees proposed to add more limited amounts of odd-lot data to the SIP feeds in 2022, they seemed to be contemplating a 10–12-month process.

To accommodate the needs and advance full and successful implementation of the new round lot and odd-lot definitions, FISD requests that the Commission provide for a multistakeholder industry consultation period following publication of the final rule to develop a coordinated plan for implementing the definitional changes proposed in the MDI adopting release and not adopt the 90-day period recommended in Regulation NMS.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Davin', with a stylized flourish at the end.

Tom Davin
Senior Vice President, Software & Information Industry Association
Managing Director, Financial Information Services Division

