

October 23, 2018

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE., Washington, DC 20549

From: CTA/UTP Advisory Committee

Re: Roundtable on Market Data and Market Access

Dear Secretary Fields,

As the Securities and Exchange Commission (“SEC”) prepares to host roundtable discussions on market data and market access, we the CTA/UTP Advisory Committee respectfully submit the below comments. The CTA/UTP Advisory Committee is a group of representatives drawn from across the securities industry, covering investors, investment managers, institutional and retail broker/dealers and vendors – representing a broad cross section of market data consumers.

Market data is a critically important component of any market. The 1975 amendment to Exchange Act Section 11A foresaw that new technology would bring opportunities for more efficient and effective markets, bringing about the national market system as we know it today. The Securities Information Processors (“SIPs”) are the backbone of this system, but the usefulness of these have been increasingly diminished by the emergence of, and investment in, proprietary data feeds. While these proprietary feeds are a worthwhile development, investment in the SIPs can and should improve.

These comments are related to topics that need to be addressed in order to ensure the market data system and governance structure is realigned to the needs and technology of the twenty-first century.

Transparency

The Advisory Committee is encouraged by recent improvements to transparency such as providing trade and quote revenue to participants and revenue earned by fee type. However, greater transparency is required.

As prescribed by the Exchange Act, exchanges are required to distribute data on terms that are “fair and reasonable”. As the Commission reaffirmed in its decision last week, “fees for core data need to be tied to some type of cost-based standard in order to preclude excessive profits if fees are too high.” This means that the exchanges should provide transparency of all costs and revenues consistent across both SIPs. This would include the detailed costs of collecting, disseminating and processing market data, whether direct or indirect costs and/or shared expenses for each Processor.

On the revenue side, this would include audit revenues and exchange fees, both for CTA/UTP and proprietary market data services. Full disclosure of costs and revenues will validate or reject whether fees charged are fair and reasonable.

Governance

The governance of the CTA/UTP plans is rooted in the days when exchanges were member owned utilities. This governance structure is not appropriate today where exchanges are for-profit corporations selling proprietary market data products. Governance should be broadened to include user and vendor representation to ensure the product is fit for purpose.

The governance structure should call for a board and operating committee with equal non-exchange voting membership, including user, vendor, and public-investor participation.

Furthermore, any conflicts of interests inherent in governing and administering a plan such as this need to be clearly addressed. A perceived conflict is the lack of separation between CTA/UTP and proprietary data interests. An information barrier between CTA/UTP and exchanges' proprietary offering does not work in practice as the same individuals may represent both CTA/UTP and exchange proprietary data products.

Infrastructure

While the SIPs provide a core consolidated, top of book representation of the market, the Advisors note that there are impediments in the design and engineering of the SIPs.

Notably, there is more content available on the proprietary feeds than on the SIP feeds. For example, depth of book information, odd lot quotes and auction imbalance information are not available on the SIPs.

Another critical issue is geographic latency. Specifically, the requirement that there be a single instance of each SIP requires that data to be bounced from data center to data center before reaching its end user. This adds hundreds of microseconds of latency to the data, compared with the published UTP latency which has a median of 16 microseconds.

The Advisors are open to exploring alternatives to the current SIP infrastructure, including the possibility of running multiple SIPs. Any consideration would include a cost benefit analysis.

Finance

Exchange policies on which commercials are built are complex and difficult to decipher. In order to report properly and minimize audit liability, users and vendors are required to employ sophisticated tools and resources.

Vendors, firms and other users of market data report to exchanges and pay market data fees based on multiple usage categories. These categories and different fee structures along with the monthly reporting, and other declarations required to support these charges are varied and complex; they vary

from exchange to exchange, by type of data licensed, the timing and category of usage (real time, delayed, end of day, internal display, external display, non-display use, etc.) and by count methodology. In some cases, vendors and firms report and pay exchange fees by end user and in other cases, vendors, firms and other users are required to count and pay multiple times – by instance or “entitled” access. Compliance with these policies is very difficult to achieve and vendors, firms and end users incur significant expense trying to administer.

The Advisory Committee recommends that fees and the methodology of calculation, such as unit of count and categorization of types of uses, be simplified and consistent across data products and exchanges. An example of a simplified solution might include the following price categories: one access fee for each data type to cover all manner of non-display use; simple and reasonable enterprise license fees; and one unit of count for end users consistent across CTA/UTP and exchange proprietary data offerings.

In order to lessen the reporting burden and make these policies practical to administer, the Advisory Committee would recommend that CTA/UTP policies and administration be standardized and simplified.

The CTA/UTP Advisory Committee appreciates the Commission’s ongoing interest in these important topics and we look forward to the forthcoming [Roundtables](#). As an industry group we are committed to working with the SEC and CTA/UTP to build a better environment for all data consumers, investors and the industry.

Respectfully,

CTA/UTP Advisory Committee