



State Street Corporation

Joseph J. Barry
Senior Vice President and Global Head of
Regulatory, Industry and Government Affairs

State Street Financial Center
One Lincoln Street
Boston, MA 02111-2900


www.statestreet.com

May 26, 2020

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Submitted via email: rule-comments@sec.gov

Re: Proposed Rule on Market Data Infrastructure [Release No. 34-88216; File No. S7-03-20] RIN 3235-AM61

Dear Ms. Countryman:

State Street Corporation (“State Street”) welcomes the opportunity to comment on the Securities and Exchange Commission’s (“Commission’s”) proposed rule¹ to update the national market system (“NMS”) for the collection, consolidation and dissemination of information with respect to trading of NMS stocks. Overall, we strongly support the Commission’s proposal, which we believe will increase efficiency, accessibility and transparency in our equity markets, and, over time, lower market data costs for market participants.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management, data and analytics, and investment research and trading. With \$31.9 trillion in assets under custody and/or administration as of March 31, 2020, State Street operates in more than 100 geographic markets globally. State Street’s investment management division, State Street Global Advisors, is the world’s third largest asset manager with nearly \$2.7 trillion in assets under management. State Street Global Markets provides agency-based equities and fixed income trading services and serves as agent for large portfolio restructurings on behalf of institutional investor clients.² Our Charles River Development subsidiary provides front office solutions to institutional investors, including more than 330 clients representing \$25 trillion in assets under management, across all asset classes for portfolio management, trading and compliance.

¹ <https://www.federalregister.gov/documents/2020/03/24/2020-03760/market-data-infrastructure>

² State Street Global Markets, LLC, is regulated by the SEC and a member of FINRA.

The Current Regulatory and Market Environment for Market Data

When Congress directed the Commission to create a national market system in 1975, a principle goal was to ensure the availability of information related to quotations and transactions in equities. Within the current regulatory framework, the exchanges and the Financial Industry Regulatory Authority act jointly under three³ NMS plans (the Equity Data Plans) to collect, consolidate and disseminate information for NMS stocks. Specified market data⁴ must be supplied to two exclusive Securities Information Processors (“SIPs”), which consolidate and provide the data to the public. In concept, these SIP data feeds are intended to promote fair and efficient markets and facilitate best execution to customers of broker dealers.

While the mandated SIP data continues to be essential, the quality, timeliness and scope of SIP data feeds is no longer sufficient to meet the needs of market participants. As markets have changed, data feeds from SIPs have not kept pace, either in content or associated latency. In addition, regulatory obligations and customer expectations related to best execution, transaction cost analysis, transparency and market competition generated further need for data that is unavailable on the SIPs. As a result, market participants have become increasingly dependent on proprietary data feeds marketed by the exchanges outside of the SIPs.

While these elements have existed for many years, the demutualization of the exchanges into publicly held companies has exacerbated industry issues surrounding market data as a product. Over time, improvements have been made to the SIPs, but those improvements have not kept pace with the alternative data feeds that the industry can and is often required to access.

As a result of the current regulatory environment, access to equity market data is uneven, market participants are captive to a limited number of data providers, and data costs are very high --- all of which have an adverse, downstream impact on U.S. investors.

The Commission’s Proposals

Enhancements to NMS Information

The Commission proposes to expand the NMS information that is required to be collected, consolidated, and disseminated under Regulation NMS to include: 1) information about orders in sizes smaller than current round lots, 2) information about “depth of book” and 3) information related to auctions.

Currently, State Street accesses depth of book and auction imbalance information through proprietary data feeds as we are required to leverage this data to provide best execution to our clients and to meet overall regulatory obligations. The addition of depth of book information will align with investors’ current needs to access a more detailed view of market activity beyond top-of-book liquidity. State Street supports the proposal to add five levels of depth of book information to the definition of core data to align with institutional firms, which generally use up

³ Note the Commission, on May 6, 2020, issued an order which will combine the current three Equity Data Plans into a single New Consolidated Data Plan.

⁴ Generally including: 1) price, size and exchange of the last sale; 2) each exchange’s highest bid and lowest offer, and the shares available at those prices; and 3) the national best bid and offer. SIPs also collect and disseminate data related to certain regulatory requirements, such as regulatory requirements for market halts and circuit breakers to address market volatility.

to five levels of depth for order routing. Additionally, auction imbalance information will increase transparency into a key portion of current trading activity that is currently unavailable on the SIPs.

As a result, we support the Commission's proposal to add depth of book and auction information to required NMS information.

We are supportive of the Commission's goal of providing more market data related to trading in lots smaller than the currently used definitions of round lots. We note, however, that the Commission's proposed tiered approach to create round lots of less than 100 shares while also maintaining order protection at 100 shares could generate or contribute to confusion for all types of investors. Additionally, from an institutional investor perspective, we are concerned that the Commission's proposed approach, particularly bringing the round lot for high-priced stocks down to one share, could have unintended negative impacts on price discovery and routing complexity. As a result, we urge the Commission to defer action on adding the proposed new approach to round lots to its required NMS information until it can take further public input and fully evaluate the implications of its proposed changes to its Order Protection Rule.

Proposed Decentralized Consolidation Model

The Commission proposes to replace the existing centralized consolidation model, where NMS data is collected, consolidated and disseminated by exclusive SIPs operated by the Equity Data Plans, with a decentralized consolidation model, where data is made available by each self-regulatory organization ("SRO") on a non-discriminatory basis, to competing consolidators disseminating information to the public.

We believe the Commission's proposed approach will provide considerable benefits to market participants, in terms of both higher data quality and lower cost. As noted above, one of the flaws of the current regulatory approach to market data is the lack of incentive for improvements to the SIPs, particularly given the ability of the exchanges to market costly proprietary data feeds as substitutes or supplements to SIP data. Introducing competition to the dissemination of NMS data will create opportunities for customization and innovation well beyond that offered by the current SIP model, hopefully in a manner that can reduce dependence on proprietary data services, and at lower costs.

State Street supports the Commission's proposal to create a new, decentralized model for the collection, consolidation and dissemination of NMS equity market data.

Additional Proposals

Despite our support for the Commission's proposals mentioned above, State Street remains concerned with the negative impacts of the high cost of market data on investors and other market participants. As capital markets continue to evolve, and the dependence of market participants on quality, timely market data continues to grow, the cost of such data will continue to be a critical factor in market efficiency.

We urge the Commission to continue to actively pursue regulatory initiatives to address the cost of market data. The Commission's recently finalized order consolidating the Equity Data Plans, adding non-SRO representation to the new Consolidated Equity Plan, and imposing new expectations related to conflicts of interest is an important step forward, which we fully support.

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We also support finalization of the Commission's earlier proposal to no longer allow SIP fee filings to be effective immediately.

In addition, we urge the Commission to consider further initiatives to ensure that market data fees are reasonable. This should include, for example, Commission review of fees charged by the exchanges to competing consolidators of market data and increased disclosure of fee revenues and structure of the new Consolidated Data Plan.

Conclusion

Thank you once again for the opportunity to comment on the important matters raised within the proposed rule. To summarize, we strongly support adding depth of book and auction imbalance information to enhance the quality of core data available to market participants. We encourage the Commission to reconsider its proposal related to odd lots information given the potential to raise concerns related to the Order Protection Rule, which would be more effectively addressed in separate rulemaking. State Street recommends proceeding with the proposed decentralized, competitive consolidation model, and we urge further consideration of measures to contain costs for market data for investors and other market participants.

Please feel free to contact me should you wish to discuss State Street's submission in further detail.

Sincerely,

A handwritten signature in black ink, appearing to read "JJ Barry", with a stylized flourish at the end.

Joseph J. Barry