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June 3, 2020

Filed Electronically

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington DC 20549

Re: Market Data Infrastructure Proposal (File No. S7-03-20)

Dear Ms. Countryman:

We would like to thank the Securities and Exchange Commission for the above-referenced proposal (the "**Proposal**") and we appreciate the opportunity to provide feedback. T. Rowe Price[1] has been an active participant in the long-standing policy debate on the topic of market data through various public discussions such as the SEC's 2018 Roundtable on Market Data and Market Access. We have also submitted formal comment letters to the SEC on this topic, most recently as an individual firm in February 2020 and January 2019, and also as part of a coalition of organizations in December 2017 and September 2019.[2] We support the SEC's proposed amendments that are designed to enhance the content of NMS market data. We believe these amendments will ultimately allow a more robust securities information processor ("**SIP**") framework to compete with the exchanges' proprietary feeds and facilitate the ability of broker-dealers to provide best execution to their institutional and retail customers. While we are in favor of moving forward with the Proposal, we strongly encourage the SEC to streamline the number of buckets within the proposed round lot definition as detailed below.

Background
As the SEC and the industry are well aware, the fees for market data and related connectivity have risen significantly, even as innovations and advances in technology have reduced a myriad of other costs in the financial services sector. One of the primary reasons for this is the unfortunate lack of alternatives to purchasing exchanges' proprietary market data and related connectivity. Practically speaking, broker-dealers do not have the option to forego buying proprietary data because the lower priced information required to be provided by the SIPs is not as expansive and SIP feeds are slower. As a fiduciary, we encourage our broker-dealers to obtain the fastest and deepest possible information for a full and accurate view of the market so that we can best serve our clients' interests.

Improving the Market Data Landscape
As highlighted by the SEC, Regulation NMS does not currently define core data. However, most market participants refer to and use the data that is provided by the SIPs (price, size, venue of execution, top of book price and size) as "core" data for certain trading functions. Unfortunately, as the SIPs have not kept pace with the dramatic technological and market developments over the past decade, they are no longer satisfying the needs of a broad cross-section of market participants. Due to its limited content and higher latency, the usage of SIP data is adequate only for investors that visually consume NMS information (e.g., humans looking at quotes on a screen). Expanding the content of

[1] T. Rowe Price Associates, Inc. and its advisory affiliates provide investment management services to numerous individuals, institutions, and investment funds, including the T. Rowe Price family of mutual funds. T. Rowe Price Associates, Inc. and its affiliates managed approximately $1 trillion in assets as of March 31, 2020 based on preliminary data.

[2] T. Rowe Price letters dated January 10, 2019 and February 24, 2020 available at: https://www.sec.gov/comments/4-729/4729-4844471-177204.pdf and https://www.sec.gov/comments/4-757/4757-6862130-210610.pdf, respectively. Coalition 2017 and 2019 letters available at: https://www.sec.gov/rules/petitions/2017/petn4-716.pdf and https://www.sec.gov/rules/petitions/2019/petn4-754.pdf, respectively.

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NMS information would improve its utility when consumed electronically (e.g., by algorithmic trading systems or smart order routers).

Key Elements of the Proposal

While we understand the many elements within the Proposal should be thought about holistically, it is worthwhile to highlight certain aspects of the Proposal we view as particularly noteworthy. We have consistently recommended that expanding the content of consolidated market data and ensuring that its consolidation and dissemination are subject to competitive forces would improve the market data ecosystem for investors and broker-dealers. The Proposal is well-aligned with our recommendations as the SEC 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 the current round lot size for certain higher priced stocks; (2) information about certain orders that are outside of the best bid and best offer (i.e., certain depth of book data); and (3) information about orders that are participating in opening, closing, and other auctions.

Below, we discuss the proposed additions of depth of book and auction imbalance information to core data, as well as the proposed round lot definition.

Expansion of Core Data. We believe the addition of depth of book data (specifically, the five price levels above the protected offer and below the protected bid) and auction imbalance information, including opening, reopening, and closing auctions, will make SIP data a much more viable alternative to proprietary market data. While there might be some debate as to the number of levels of depth that should be provided in SIP feeds, most will agree that the inclusion of any depth and auction imbalance information is an improvement from the current state for all investors. This additional data will help reduce the information asymmetries that currently exist between SIP data and proprietary data. The existing asymmetries (and, more importantly, the need for reform in this area) were further highlighted recently when market-wide circuit breakers tripped and proprietary data feeds continued to disseminate information such as depth of book during the halts while the SIPs provided no real-time updates given the current limits on the type of information reported in SIP feeds.

Round Lots. The aspect of the Proposal that seems to be drawing criticism centers around odd lots for high-priced stocks being re-defined as round lots and included on the SIP. Additionally, the Proposal intends to keep trade-through protection anchored at 100 shares, creating a National Best Bid and Offer ("**NBBO**") based on the new round lot quotes, and a Protected Best Bid and Offer ("**PBBO**") afforded only to quotes of 100 shares or more. We do not view this approach as an extension or elimination of the restrictions on trade-throughs under Rule 611 (the Order Protection Rule or "**OPR**"). Rather, we agree with the SEC that the OPR would be applied under the Proposal similarly to how it is handled today.

We believe the objective of the Proposal's redefining of certain odd lots as round lots is to address two specific issues: (1) to add visibility to the significant "inside market" that exists in high-priced wide-spread stocks so retail orders could receive better executions and market centers' Rule 605 reports of their execution quality would reflect more accurate "effective/quoted spread" statistics; and (2) to improve the richness of the public (i.e., SIP) feed, given the prevalence of odd lot quoting, in order to reduce the content differences with proprietary data feeds. Prong (1) is intended to solve a <u>retail</u> best execution problem, however, its addition of odd lots to core data would create certain impacts for institutional trading and has caused some industry participants to unjustifiably question institutional best execution obligations.

We are not convinced by criticisms that the Proposal would alter asset managers' best execution obligations as a result of potentially different reference prices (i.e., NBBO vs. PBBO). Nor do we agree with the view that a greater burden would be passed to asset managers to ensure that broker-dealers achieved best execution, or that significant work by managers would be required to comply with these changes. Having the knowledge and understanding of how one's broker-dealer utilizes a NBBO versus a PBBO in their routing or mid/peg-pricing should already be part of asset managers' best execution due diligence. Simply looking at whether a broker-dealer satisfied the OPR should not, in our view, be a

mechanical barometer for determining best execution. We believe that under the SEC's existing regulatory framework, asset managers are expected to generally undertake more nuanced assessments of multiple factors to properly evaluate broker-dealers' best execution capabilities.

Further, it is disingenuous for critics to argue that there is added complexity with a potentially differing NBBO and PBBO and that, as a result, the evaluation of best execution would be fundamentally compromised, as many of them also correctly support the Proposal's "competing consolidator" model that, per SEC estimates, would generate differing NBBOs from up to potentially 12 providers.[3] Instead of focusing on the potential differences between NBBO and PBBO, we think the primary and ultimate decision for each asset manager will be whether the "new enhanced competitive" SIP delivers the necessary speed and content for use by their broker-dealers in place of exchanges' proprietary feeds.

As for broker-dealers, their best execution obligation will still require that they are aware of and access an unprotected quote, if it is at the best price, as if it were protected, unless their clients have directed an alternative best execution framework. This is no different from the behavior that should be taking place in today's marketplace as broker-dealers have visibility to odd lot quotes (using the richer proprietary feeds) and choose whether to incorporate them in their routing and mid/peg-pricing.

We therefore very strongly oppose the views by certain commenters, including some industry associations, that the OPR should be extended to include the new round lot definition. Such an extension would lead to significant trading implications. It is already very difficult to incentivize market participants to post displayed quotes in the size desired by asset managers. Permitting market makers to post displayed quotes in economically insignificant sizes while providing them the benefits of order protection will ultimately lead to a market where everyone is forced to display quotes in very small sizes. This would not be a good outcome as asset managers with large transactions would increasingly have to further "slice" their trading activity into smaller increments to avoid signaling their full trading interest to the market. Additionally, sweeping through multiple levels of depth at potentially fifteen or more exchanges to execute 75 shares of a high-priced stock would lead to a market that is quite inefficient and less than ideal for institutional trading.

Potential Enhancements to the Proposal

The Proposal asks whether its definition of consolidated market data captures the data that would be useful to market participants for trading purposes, as well as if any of the proposed data elements should not be included.

As noted above, we support adding additional information to core data, including certain depth of book and auction information, but we believe the addition of odd lots (or newly defined round lots) can be improved to strike the appropriate balance of benefits for retail participants while not causing burdensome trading implications for institutional investors.

According to the proposal, the SEC would create 5 buckets for the new round lot definition (as detailed below).

Price Range	New Round Lot	Number of NMS Stocks	% Value Traded of NMS Stocks
0-$50	100	7,188	31.7%
$50.01-$100	20	1,094	21.06%
$100.01 - $500	10	575	43.40%
$500.01 - $1000	2	14	0.64%
$1000.01 and up	1	15	3.19%

Source: SEC

[3] See Proposal at p. 193 (footnote 510).

Instead, we believe there should be two buckets in total: (1) for stocks priced less than $250 where the round lot would remain 100 shares; and (2) for stocks priced at or greater than $250 where the new round lot would be 10 shares but will remain unprotected. The stocks that are >$250 (**78 in total that currently have a round lot of 100 shares**, see chart below) represent the greatest opportunity for price improvement as they have the widest protected spreads and therefore the most significant inside market. Odd lots also make up a larger percentage of the average daily volume for stocks priced >$250. Setting the round lot for these stocks to 10 shares would provide greater economic significance for institutional traders while narrowing the NBBO for retail and maintaining the largest possible universe of data. A recent study by RBC indicates that for stocks priced more than $250, nearly half of their odd lot frequency was for 10 shares or more.[4]

Market Cap	Count	Avg. Spread in bps (Jan)	Avg. Spread in Cents (Jan)	Avg. Spread in bps (May)	Avg. Spread in Cents (May)
Large	51	8	$0.40	14	$0.70
Mid	24	64	$3.78	108	$6.68
Small	2	184	$5.17	442	$12.52
Micro	1	73	$2.31	150	$4.76
Total or Arithmetic Mean	78	31	$1.59	55	$2.90

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Although our letter's discussion of enhanced competition to improve market data dynamics is not extensive, we are pleased the Proposal acknowledges the shortcomings of the single consolidator model and seeks to introduce competition through its competing consolidator model. After all, the changes that the marketplace is seeking can only be obtained through competitive market forces that are continually seeking to modernize the public data feed's infrastructure and market data framework. Thank you again for your continued efforts to address these issues and we would be happy to further discuss this topic.

Sincerely,

/s/ Mehmet Kinak
Mehmet Kinak
Vice President & Global Head of Systematic Trading & Market Structure

/s/ Jonathan D. Siegel
Jonathan D. Siegel
Vice President & Senior Legal Counsel - Legislative & Regulatory Affairs

[4] https://www.sec.gov/comments/4-729/4729-6353203-195588.pdf