

## **MEMORANDUM**

TO: File No. S7-03-20

FROM: Josh Nimmo  
Office of Market Supervision, Division of Trading and Markets

DATE: June 19, 2020

SUBJECT: Meeting with JP Morgan

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On June 19, 2020, Brett Redfearn, Christian Sabella, David Shillman, John Roeser, Kelly Riley, Ted Uliassi, Andrea Orr, Heidi Pilpel, David Saltiel, Peggy Sullivan, Daniel Gray, David Liu, Alex Jadin, John Fahey, Dmitry Bulkin, Yvonne Fraticelli, Leigh Duffy, Steve Kuan, An Phan, and Joshua Nimmo, all from the Division of Trading and Markets, and Amy Edwards, Selvin Akkus Clemens, Patti Vegella, and Paul Barton from the Division of Economic and Risk Analysis, had a phone call with:

JP Morgan:

- Debbie Toennies
- Alex Gorodetsky
- Chris Berthe
- Urvashi Batra

Participants discussed the Commission's proposed amendments to rules under the Securities Exchange Act of 1934 relating to equity market data infrastructure, File No. S7-03-20.

Attachment

VIA EMAIL

Data on Odd lots:

- 1) Looking at JPM's SOR child orders for the last 2 days (June 16 – June 17) – when orders are marketable and sweep liquidity, in the first snapshot of the market we have seen:
  - a. Under today's rules: 11.6% of orders contain a contra-side oddlot quote better than the NBBO
  - b. Under SEC's proposed round lot parameters:
    - i. Bucket A (\$50.00 and less) – 100 share round lot – 6.3% of orders would still contain a contra-side oddlot quote better than the NBBO
    - ii. Bucket B (between \$50.01 and \$100.00) – 20 share round lot – 10.9% of orders would still contain a contra-side oddlot quote better than the NBBO
    - iii. Bucket C (between \$100.01 and \$500.00) – 10 share round lot – 11.6% of orders would still contain a contra-side oddlot quote better than the NBBO
    - iv. Bucket D (between \$500.01 and \$1,000.00) – 2 share round lot – 23% of orders would still contain a contra-side oddlot quote better than the NBBO
    - v. Bucket E (\$1,000.01 and higher) – 1 share round lot – all quotes are at round lot levels
  - c. Under SIFMA's proposed round lot parameters:
    - i. Bucket A (\$500.00 and less) – 100 share round lot – 10% of orders would still contain a contra-side oddlot quote better than the NBBO
    - ii. Bucket B (between \$500.01 and \$1,000.00) – 10 share round lot – 39.2% of orders would still contain a contra-side oddlot quote better than the NBBO
    - iii. Bucket C (\$1,000.01 and higher) – 1 share round lot – all quotes are at round lot levels
  - d. Under SEC's proposed price breaks but using a standard 100-share round lot parameter
    - i. Bucket A (\$50.00 and less) – 6.3% of orders would still contain a contra-side oddlot quote better than the NBBO
    - ii. Bucket B (between \$50.01 and \$100.00) – 14.7% of orders would still contain a contra-side oddlot quote better than the NBBO
    - iii. Bucket C (between \$100.01 and \$500.00) – 22.6% of orders would still contain a contra-side oddlot quote better than the NBBO
    - iv. Bucket D (between \$500.01 and \$1,000.00) – 63.8% of orders would still contain a contra-side oddlot quote better than the NBBO
    - v. Bucket E (\$1,000.01 and higher) – 78% of orders would still contain a contra-side oddlot quote better than the NBBO
- 2) MIDAS data – Oddlot Rate – Price Decile
  - a. Even lower deciles (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>) have seen increasing oddlot rates

## U.S. Stocks Odd Lot Rate (%)

The odd lot rate is the total number of odd lot trades (generally less than 100 shares) divided by the total number of all trades.



View Deciles by:

Market Cap

Price

DECILE 1

DECILE 2

DECILE 3

DECILE 4

DECILE 5

DECILE 6

DECILE 7

DECILE 8

DECILE 9

DECILE 10

Turnover

Volatility

CLEAR ALL

MOVING AVERAGE

For more information, view the market activity methodology, or visit the data downloads page.

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