



HEALTHY MARKETS
TRANSPARENCY & TRUST

July 27, 2020

Via Electronic Mail

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

Re: Market Data Infrastructure (Rel. No. 34-68216; File No. S7-03-20)¹

Dear Ms. Countryman:

The Healthy Markets Association² appreciates the opportunity to supplement our suggestions on reforming the provision of essential market data, including our May 26, 2020 comments to you.³

We begin by reiterating our concerns that the current public market data infrastructure framework is complex, costly, and conflicted. Unfortunately, we do not believe the Commission's SIP Proposal -- as drafted -- will result in the real-time provision of essential market information that is significantly better, more reliable, faster or cheaper

¹ Market Data Infrastructure, Sec. and Exch. Comm'n, 85 Fed. Reg. 16726 (Mar. 24, 2020), *available at* <https://www.govinfo.gov/content/pkg/FR-2020-03-24/pdf/2020-03760.pdf> ("SIP Proposal").

² The Healthy Markets Association is an investor-focused not-for-profit coalition working to educate market participants and promote data-driven reforms to market structure challenges. Our members, who range from a few billion to hundreds of billions of dollars in assets under management, have come together behind one basic principle: Informed investors and policymakers are essential for healthy capital markets. To learn more about Healthy Markets or our members, please see our website at <http://healthymarkets.org>.

³ Letter from Tyler Gellasch, Healthy Markets Association, to Vanessa Countryman, SEC, May 26, 2020, *available at* <https://www.sec.gov/comments/s7-03-20/s70320-7235195-217095.pdf> (May 26th Letter). See also, Healthy Markets Association, *US Equity Market Data Report*, Nov. 2017, *available at* <https://healthymarkets.org/product/market-data-report>; Letter from Tyler Gellasch, Healthy Markets Association, to Hon. W. Jay Clayton, Sec. and Exch. Comm'n, Jan. 17, 2018, *available at* <https://www.sec.gov/rules/petitions/2018/petn4-717.pdf>; Letter from Tyler Gellasch, Healthy Markets Association, to Brent J. Fields, Sec. and Exch. Comm'n, Oct. 23, 2018, *available at* <https://www.sec.gov/comments/4-729/4729-4554022-176182.pdf>; See, e.g., Letter from Tyler Gellasch, Healthy Markets Association, to Brent J. Fields, Sec. and Exch. Comm'n, Apr. 11, 2018, *available at* <https://healthymarkets.org/wp-content/uploads/2018/05/04-11-18-HM-letter-Market-Data-Reforms.pdf>; Letter from Tyler Gellasch, Healthy Markets Association, to Vanessa Countryman, Sec. and Exch. Comm'n, Dec. 12, 2019, *available at* <https://www.sec.gov/comments/s7-15-19/s71519-6540703-200569.pdf>; and Letter from Tyler Gellasch, Healthy Markets Association, to Vanessa Countryman, Sec. and Exch. Comm'n, Feb. 20, 2020, *available at* <https://www.sec.gov/comments/4-757/4757-6847748-209720.pdf>.

than what users experience today.

We write today to further expand upon our deep concerns regarding the lack of consistent quality standards in the SIP Proposal, which we believe may be highlighted by a specific issue: conflation.

In the equities markets, the SIPs are expected to provide all top of book quote and trade information. However, we understand that at least one family of equities exchanges may routinely not provide that information, but may instead skip ahead to the then-most current quote and trade information--something that may be commonly referred to as conflation.⁴ The SIPs are thus not receiving, much less providing, an accurate record of trade and quote information.

We are not aware of exemptions from reporting requirements to generally permit this practice for equities quote and trade reporting, nor are we aware of details in exchanges' filings intended to clearly identify when, how, or why a reporting failure may occur. We are also not aware of details related to the impacts on market participants for when the exchanges engage in the practice. We are not aware of whether, for example, the exchanges' proprietary data feeds may continue distributing complete and accurate information during these instances. We urge the Commission to investigate these instances and, if appropriate, take such actions as may be necessary to ensure the integrity and reliability of the SIPs.

As with conflation of data coming into the SIPs, we also worry about conflation of data coming from the SIPs. In these circumstances, the information provided by the SIPs to market participants would again not be an accurate record of quote and trade information. Again, we are not aware of details in the Plans' filings that clearly identify when, how, or why such failures may occur. Nor are we aware of details related to the impacts on market participants for when the SIPs engage in the practice. We are not aware of whether, for example, the exchanges' proprietary data feeds may continue distributing complete and accurate information during these instances. Again, the Commission should investigate these instances and, if appropriate, take such actions as may be necessary to ensure the integrity and reliability of the SIPs.

The existence of conflation under the current SIP infrastructure brings front and center the need for clear, objective, and public expectations for SIP quality and usage. If the SIP Proposal is finalized without imposing minimum quality standards on competing SIP distributors, the new SIPs may, like the existing SIPs, fail to provide market participants and regulators what they need--an accurate record of quotes and trades.

Without clear guidelines for quality and usage, we fear that some SIPs may exclude essential information, offer less timely information, or otherwise be inferior in quality to others. However, these products may find eager purchasers, as they may be cheaper,

⁴ One reason this may occur is if the exchanges don't have adequate network bandwidth in place to send a continuous stream.



or they may obscure, or even enable, potential investor abuses.

For example, some market participants may choose an off-conflated data feed from a specific SIP because it is likely cheaper and easier to process a lower bandwidth feed. If it is an approved "SIP distributor," then the firm may face no regulatory issues -- despite potentially significant investor harms.

The Commission should establish permissible and impermissible trade-offs for brokers regarding speed, content, and price. The Commission must establish clear standards for timeliness, consistency, and cost. And the Commission must establish objective standards, including policies, procedures, and documentation requirements for brokers regarding their selection and usage of competing data feeds.

Conclusion

We urge you to improve the provision of market data by reforming the SIPs, but only if those the changes you adopt would promote the provision of essential market information that is significantly better, more reliable, faster or cheaper than what users currently experience.

Should you have any questions or would like to discuss our letter or exhibit further, please contact me at (202) 909-6138 or Chris Nagy at (402) 312-7918.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Gellasch", written in a cursive style.

Tyler Gellasch
Executive Director