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

Re: Temporary Exemptive Request Regarding Dissemination of Depth-of-Book Quotations for Odd Lots

Dear Ms. Countryman,

Pursuant to Section 36 of the Securities Exchange Act of 1934,[1] I submit this letter on behalf of the Operating Committees of the CQ, CTA, and UTP Plans respectfully to request temporary exemptive relief from the requirement set forth in SEC Release No. 34-101070,[2] which mandates that the exclusive Securities Information Processors ("SIPs") disseminate odd-lot information which is comparable to a depth-of-book feed for odd-lot quotations.[3] The Participants acknowledge and support the dissemination of the best odd-lot quotes from each Participant that are at or better than the National Best Bid and Offer ("NBBO"), including the dissemination and calculation of the best odd-lot orders to buy and sell ("BOLO"); however, the Participants request a temporary two-year exemption (to May 2028) from mandating the dissemination of odd-lot quotes below a Participant's best odd-lot quote.

Background

On September 18, 2024, the Securities and Exchange Commission ("SEC") adopted amendments to Regulation NMS that require the exclusive SIPs to disseminate both (1) top-of-book data and (2) quotations for all odd-lot orders which are at or better priced than the NBBO.[4] Since multiple odd-lot orders from each Participant may simultaneously be better priced than the NBBO, the provision of odd-lot information is equivalent to the publication of an odd-lot depth-of-book. The SEC's stated objective is to improve the quality of information available to market participants by

[1] See 15 U.S.C. § 78mm(a)(1), which provides that the "Commission, by rule, regulation, or order, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this title or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors."
[2] Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders, Release No. 34-101070 (September 18, 2024) ("NMS Amendments"), available at https://www.sec.gov/files/rules/final/2024/34-101070.pdf
[3] The Advisory Committee of the Plans has indicated their support for this exemption request.
[4] *Id.*

increasing visibility into the best available prices of odd lots, which have become a more prevalent component of modern market dynamics.[5]

The dissemination of depth-of-book odd-lot quotations, i.e., odd-lot quotations at multiple price levels sent to each Participant, would add considerable complexity to the operation of the SIPs. The SIPs are highly customized systems optimized for receipt and publication of two-dimensional data, in particular, the publication of an NBBO which was derived from the protected bid and protected offer as disseminated by each Participant. The publication of the best odd-lot prices from each Participant and the BOLO is a similar framework, where the BOLO is derived from the best odd-lot prices from each Participant. Adding depth-of-book odd-lot quotations expands the complexity into a three-dimensional model that the SIPs are not currently tailored to handle.

While the Participants support the SEC's commitment to market transparency, the Participants respectfully request a temporary two-year exemptive relief from the requirement to provide multiple levels of depth-of-book odd-lot quotations. Under the requested, temporary exemptive relief, the SIPs would begin disseminating the best odd-lot quotes from each Participant and the BOLO in May 2026, as planned, but would defer implementation of depth-of-book odd-lot quotations for two years.

Prioritization of Market Structure Enhancements

The regulatory landscape governing the U.S. equities market is undergoing profound changes, with the SIPs facing an unprecedented number of concurrent obligations and enhancements to the operation of the SIPs. In addition to the odd-lot enhancements discussed in this exemption request, these include obligations and enhancements related to:

- The incorporation of fractional share trading data. As detailed in the latest alert from the Processors, FINRA published an updated technical notice regarding fractional share reporting with an expected launch on February 23, 2026. FINRA is planning to implement enhancements to the FINRA equity trade reporting facilities to support the reporting of fractional share quantities. These enhancements are being made in coordination with the SIPs to facilitate the dissemination of fractional share quantities for NMS stocks. The Processors have developed an extensive testing schedule to allow market participants to ensure they are ready to handle the updated requirements.

- Implementation of the amended Round Lot definition on or before November 3, 2025. The changes to the round lot sizes will require regression testing and functional/acceptance testing by the Participants and data recipients.

- The potential transition toward 24-hour SIP operations. The SEC has already approved 24X's Form 1 and the NYSE Arca rule filing regarding extending trading hours. The Processors and the Participants have formulated a plan[6] to implement extended trading hours and need to complete the necessary work to meet the new demands of extended trading hours. The development and testing associated with implementing any changes to

[5] *Id.* at 200.
[6] *See* SIPs to Propose Extended Operating Hours, (May 6, 2025), https://www.prnewswire.com/news-releases/sips-to-propose-extended-operating-hours-302447700.html.

odd-lot dissemination will necessarily conflict with the development and testing associated with extending trading hours.

- The need to potentially accommodate a transition to half-cent tick sizes for many stocks, as adopted by the Commission last year as part of the NMS Amendments.[7]

- Infrastructure expansion to handle growing market data traffic. In particular, the Processors are working on expanding their footprints to handle increased message traffic as well as upgrading equipment that is near the end of its lifecycle.

The incorporation of best odd-lot quotes from each Participant on the SIPs is by itself a significant endeavor. Imposing an additional, simultaneous requirement to disseminate depth-of-book odd-lot quotations would divert critical resources from the other initiatives listed above, all of which: (1) involve competing mandates or offer more immediate and significant benefits to SIP subscribers, and (2) provide enhancements for which there is substantial market demand. Regulatory and other initiatives should be sequenced in a manner that ensures successful implementation without compromising core market functions.

Importantly, requiring SIPs to disseminate multiple levels of odd-lot depth-of-book data for each Participant represents a fundamental departure from the SIPs' current role. In the MDI rule, the Commission ruled that odd-lot depth-of-book would only be added to the consolidated data feeds after the introduction of competing consolidators and the decommissioning of the exclusive SIPs.[8] More recently, under Chair Gensler, the Commission opted to accelerate that implementation in the Equity Market Structure reforms approved in 2024,[9] but did not fully contend with the enormity of requiring the SIPs—not competing consolidators—to implement that change. Doing so creates significant new operational challenges for the SIPs:

- **Data Aggregation Complexity:** Unlike round-lot quotations, odd-lot quotations occur in far greater frequency and in non-standardized sizes, requiring significant adjustments to the way in which SIPs receive, consolidate, and disseminate data. Requiring the dissemination of only the best odd-lot quotes from each Participant as opposed to odd-lot depth would help to resolve this complexity.

- **Latency and Bandwidth:** The expansion of market data to include multiple levels of depth-of-book odd-lot quotations by each Participant will significantly increase message traffic, potentially leading to increased latencies and bandwidth requirements for market participants who will need to manage the downstream consumption of this data. Again, requiring dissemination of only the best odd-lot quotes from each Participant as opposed to odd-lot depth would reduce latency and bandwidth concerns.

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[7] As of now, changes to minimum pricing increments has been stayed by the SEC pending judicial review of the changes in the D.C. Circuit.

[8] See Securities Exchange Act Release No. 90610 (Dec. 9, 2020), 86 FR 18596 (Apr. 9, 2021) ("MDI Adopting Release").

[9] Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Orders, Release No. 34-101070 (September 18, 2024), available at https://www.sec.gov/files/rules/final/2024/34-101070.pdf

- **Implementation Timeline:** The SIPs, exchanges, and market participants all need to develop, test, and implement a number of complex changes, as outlined above, and adding depth-of-book odd-lot quotations will increase that complexity and the risks associated with it. Because of the similarities to the current dissemination of protected quotations and NBBO, the implementation timeline for disseminating the best odd-lot quotes from each Participant is significantly streamlined.

Requiring the dissemination of odd-lot depth-of-book quotations also carries considerable economic implications for market participants. For instance, market participants that consume SIP data will incur development expenses related to the integration of depth-of-book odd-lot quotations. In addition, there will be ongoing technology costs associated with handling increased message traffic. These costs will be borne by all SIP subscribers whether they want or need this data. And more concerningly, there is no clear evidence that disseminating multiple levels of depth-of-book for odd-lot quotations, and the associated increased costs to the market, would meaningfully enhance price discovery or execution quality for the broader market. As previously recommended by other market participants,[10] a more pragmatic approach is to initially focus on the dissemination of the best odd-lot quotes from each Participant rather than odd-lot depth-of-book quotations.

Additionally, the initiatives described above will require significant involvement from the data recipient community. Specifically, data recipients are faced with back-to-back changes from the SIP, including:

(1) Round lot changes in November 2025, which will require a new message from CTA and a new understanding on how to interpret the size field for quotes.
(2) New Exchange Participants (24X, Texas Stock Exchange, and Green Impact Exchange), each requiring new specification changes with the addition of new participant codes to be processed by the data community.
(3) A "Hot Cut" release of fractional shares in February 2026 where, if a recipient misses the release, can result in lost trading data for trading systems and clients.
(4) The extension of trading hours will be a major release for the data recipient community that will require significant resource allocation.

Simplifying the odd-lot release in accordance with this exemption request will reduce the burden on the data recipient community as they prepare for these various initiatives.

Further, the requested relief will substantially advance the purpose for additional odd-lot disclosure as explained by the Commission in adopting the NMS Amendments. Retail investors, in particular, who may not otherwise have ready access to odd-lot data, will be able to receive information about the best price and size of each odd-lot quote available from each exchange, in addition to best odd-lot quotes across exchanges, in the form of BOLO. Together, this data will provide investors with a substantially enhanced view of best price information that is readily visible on each market, compared to the data they receive today.

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[10] *See, e.g.*, letter from Hubert De Jesus, Managing Director, Global Head of Market Structure and Electronic Trading to Vanessa Countryman, Secretary, SEC (March 31, 2023), at 12.

The temporary exemptive relief requested here, which would require the SIPs to disseminate only the best odd-lot quotes from each Participant, presents a balanced solution by:

- **Providing the Data Investors Need Most:** Best odd-lot quotes from each Participant would provide retail and other investors with information about the best odd-lot quotations, enabling them to make informed trading decisions and evaluate execution quality. In addition, such data is sufficient to satisfy the requirements of Rule 605 of Regulation NMS, as recently amended.

- **Maintaining Market Data Efficiency:** Dissemination of best odd-lot quotes from each Participant would align more closely with the current NBBO/Protected Quote structure, ensuring a seamless integration into the existing infrastructure of the SIPs. Requiring odd-lot depth dissemination would require the SIPs to make enhancements that require it to monitor countless odd-lot quotes, compare those quotes to the current NBBO, disseminate quotes that are at or better than the NBBO, and store for future dissemination odd-lot quotes that are not currently at or better than the NBBO. The Participants have found that the complexity of the implementation is greatly diminished where the SIPs are simply disseminating the best odd-lot quotes from each Participant.

- **Expediting Implementation:** The addition of best odd-lot quotes is simpler compared to a comprehensive depth-of-book odd-lot solution and will serve to minimize operational risks associated with providing odd-lot quotation information to SIP subscribers. Additionally, simplifying the implementation will permit the SIPs to manage the competing initiatives outlined above.

Request for Temporary Exemptive Relief

For the reasons outlined above, the Participants believe that it is in the public interest and consistent with the protection of investors to defer for two years the requirement that the SIPs disseminate multiple levels of depth-of-book odd-lot quotations.

This request is made in recognition of:

- The significant competing priorities of the SIPs, including other critical regulatory mandates;

- The complexity and operational burden associated with implementing this requirement;

- The economic costs associated with disseminating multiple levels of depth-of-book odd-lot data through the SIPs; and

- The viability of disseminating best odd-lot quotes from each Participant, which by itself is an effective and efficient implementation that aligns with the SEC's transparency objectives and fully meets Rule 605 requirements.

Conclusion

We appreciate the SEC's commitment to fostering a transparent, efficient, and resilient market. As previously stated, the Participants acknowledge and support the dissemination of the best odd-lot quotes from each Participant that are at or better than the NBBO, including the dissemination and calculation of the BOLO. At the same time, the Participants believe that deferring the dissemination of depth-of-book odd-lot quotations for two years would allow the SIPs to properly prioritize this project and other competing initiatives, while ensuring that each of these projects can be implemented in a safe and effective manner.

Should you require further information or wish to discuss this request in greater detail, please do not hesitate to contact James Dombach at jamesdombach@dwt.com or 202-834-2080.

Sincerely,

/s/ James P. Dombach

James P. Dombach
Davis Wright Tremaine
Counsel to the Operating Committees of the Plans