SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75504; File No. SR-CTA/CQ-2015-01)

July 22, 2015

Consolidated Tape Association; Order Approving the Twenty Second Substantive Amendment to the Second Restatement of the CTA Plan and Sixteenth Substantive Amendment to the Restated CQ Plan

I. Introduction

On April 27, 2015, the Consolidated Tape Association ("CTA") Plan and Consolidated Quotation ("CQ") Plan participants (collectively the "Participants")\(^1\) filed with the Securities and Exchange Commission ("SEC" or "Commission") pursuant to Section 11A of the Securities Exchange Act of 1934 ("Act"),\(^2\) and Rule 608 thereunder,\(^3\) a proposal to amend the Second Restatement of the CTA Plan and Restated CQ Plan (collectively, the "Plans").\(^4\) The proposals represent the 22\(^{nd}\) Substantive Amendment to the CTA Plan and 16\(^{th}\) Substantive Amendment to the CQ Plan.

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\(^1\) The Participants are: BATS Exchange, Inc. ("BATS"), BATS-Y Exchange, Inc. ("BATS-Y"), Chicago Board Options Exchange, Inc. ("CBOE"), EDGA Exchange, Inc. ("EDGA"), EDGX Exchange, Inc. ("EDGX"), Financial Industry Regulatory Authority, Inc. ("FINRA"), International Securities Exchange, LLC ("ISE"), NASDAQ OMX BX, Inc. ("Nasdaq BX"), NASDAQ OMX PHLX, Inc. ("Nasdaq PSX"), Nasdaq Stock Market LLC ("Nasdaq"), National Stock Exchange ("NSX"), New York Stock Exchange LLC ("NYSE"), NYSE MKT LLC ("NYSE MKT"), and NYSE Arca, Inc. ("NYSE Arca").


\(^3\) 17 CFR 242.608.

\(^4\) See Securities Exchange Act Release Nos. 10787 (May 10, 1974), 39 FR 17799 (May 20, 1974) (declaring the CTA Plan effective); 15009 (July 28, 1978), 43 FR 34851 (August 7, 1978) (temporarily authorizing the CQ Plan); and 16518 (January 22, 1980), 45 FR 6521 (January 28, 1980) (permanently authorizing the CQ Plan). The most recent restatement of both Plans was in 1995. The CTA Plan, pursuant to which markets collect and disseminate last sale price information for non-NASDAQ listed securities, is a "transaction reporting plan" under Rule 601 under the Act, 17 CFR 242.601, and a "national market system plan" under Rule 608 under the Act, 17 CFR 242.608. The CQ Plan, pursuant to which markets collect and disseminate bid/ask quotation information for listed securities, is a "national market system plan" under Rule 608 under the Act, 17 CFR 242.608.
the CQ Plan (collectively “the Amendments”), and reflect changes unanimously adopted by the Participants. The Amendments would require the Participants to include timestamps in the trade-report and bid-and-offer information that they report to the Plans’ processor. The proposed Amendments were published for comment in the Federal Register on May 14, 2015. The Commission received one comment letter in response to the Notice. On July 17, 2015, the Participants to the Plan responded to the comment letter. This order approves the proposed Amendments to the Plans.

II. Description of the Proposal

Currently, Section VI(c) of the CTA Plan requires transaction reports that the Participants submit to the Processor to include the stock symbol, the number of shares, and the price of the transaction. Section VI(a) of the CQ Plan provides that each bid and offer that a Participant reports to the Processor under the CQ Plan must include the bid or offer’s quotation size or aggregate quotation size.

The Amendments propose to require Participants to include in reports to the Processor the time of the trade or the quotation. In the case of a Participant that is a national securities exchange, the time of the transaction or quotation is to be reported in microseconds as identified in the Participant’s matching engine publication timestamp.

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6 See Letter from Theodore R. Lazo, Managing Director and Associate Director, SIFMA, to Brent J. Fields, Secretary, Commission, dated June 5, 2015 (“SIFMA Letter”) commenting on this proposal as well as the parallel amendment to the UTP Plan.
7 See Letter from Emily Kasparov, Chairman, CTA Plan Operating Committee to Brent J. Fields, Secretary, Commission, dated July 17, 2015 (“Response Letter”).
In the case of FINRA, the time of a transaction will be the time of execution that a FINRA member reports to a FINRA trade reporting facility and the time of a bid or offer will be the quotation publication timestamp that the bidding or offering member reports to the FINRA quotation facility, all in accordance with FINRA rules. In addition, if a FINRA trade reporting facility or quotation facility provides a proprietary feed of trades or quotes reported by the facility to the Processor, then the FINRA facility must also furnish the Processor with the time of the transmission as published on the facility’s proprietary feed.

III. Summary of Comment Letter and Participants’ Response

The Commission received one comment letter on the proposed Amendments and a response to that comment letter from the Participants. The commenter supports the proposed Amendments, but suggested clarifications to certain aspects of the Amendments.

First, in order to ensure that sourcing and reporting of timestamp data would be consistent across exchanges, the commenter recommended that the Amendments provide a clearer definition of “matching engine publication timestamp.” The commenter stated that the term “matching engine publication timestamp” is not defined in the Plans or in the proposal, and is not a commonly understood term. The commenter suggested that the transaction time to be reported to the Securities Information Processors (“SIPs”) should be the timestamp applied when the trade is executed in the exchange’s matching engine, and the quotation time should be the

8 If a FINRA member reports to it in seconds or milliseconds, FINRA must convert the times to microseconds and must furnish the Processor the reports in microseconds.

9 See SIFMA Letter at 3.

10 Id.
timestamp applied when the quotation is added to the exchange’s order book. The commenter further stated that the timestamp reported by the exchange should reflect the actual underlying matching engine event, and not any internal processing that may occur at the exchange before submission to the SIPS. In response to the comment that the “matching engine publication timestamps” be more clearly defined, the Participants stated that the purpose of the Amendments is to respond to the Commission’s request to provide information allowing market participants to compare proprietary data feed latency to consolidated data feed latency. The Participants noted that they devoted considerable effort and resources to expedite this timestamp initiative at Chair White’s request. The Participants use the proposed term of “matching engine publication timestamps” to connote the timestamp published by each Participant’s matching engine. The Participants believe that the proposal will provide transparency that will enable market participants to compare the latency between the proprietary data feed and the consolidated data feed, which the Participants believe the industry will find most useful.

Next, the commenter stated that the proposed Amendments should provide clarity on the timestamp information that FINRA would be required to provide to the SIPS. As proposed, any FINRA proprietary data feed of trades or quotes reported by the FINRA trade reporting facility (“TRF”) to the SIPS would be required to furnish the SIPS with the time of the transmission as

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11 Id.
12 Id.
13 See Response Letter at 2-3.
15 See SIFMA Letter at 1, 3.
published on the proprietary feeds. The commenter suggested that the Amendments should require the FINRA TRF or quotation facility to provide to the SIPs the timestamp when the trade or quote was processed by the FINRA facility regardless of whether the facility offers a proprietary feed.\textsuperscript{16} In response, the Participants stated that additional timestamps for non-proprietary FINRA feeds would not provide meaningful information to market participants because they would not enable a market participant to compare the time that a Participant transmits information via a proprietary feed to the time the SIP transmits the same information.\textsuperscript{17} Additionally, the Participants stated that FINRA TRFs or quotation facilities should not include intermediate processing timestamps because such additional timestamps go beyond the scope of the Amendments’ objectives and that requiring these additions would be costly and time consuming.\textsuperscript{18} The Participants noted that additional timestamps would delay the rollout of the timestamp initiative considerably, impose a significant cost on the industry, require specialized equipment, add significant bandwidth requirements, and result in an array of timestamps that would likely lead to confusion within the industry.\textsuperscript{19}

Additionally, the commenter believes that the SIPs should be responsible for market-wide determinations of whether a trade is reported out of sequence and not last sale eligible.\textsuperscript{20} The commenter suggested that the SIPs should make market-wide determinations if transactions are

\textsuperscript{16} See SIFMA Letter at 3.
\textsuperscript{17} See Response Letter at 3.
\textsuperscript{18} See Response Letter at 3-4.
\textsuperscript{19} Id.
\textsuperscript{20} See SIFMA Letter at 3.
out of sequence by comparing the incoming transaction’s execution time against the execution
time of the most recent transaction that was last sale eligible and published. The Participants
stated that the Participants have historically determined last sale eligibility and out of sequence
reporting pursuant to their own rules and believe that such determinations should continue to be
made by the Participants consistent with their respective rules. In addition, the Participants
noted that this suggestion is outside the scope of the Amendments.

IV. Discussion and Commission Findings

After careful review and consideration of the proposed Amendments, the comment letter,
and the Response Letter, the Commission finds that the proposed Amendments to the Plans are
consistent with the requirements of the Act and the rules and regulations thereunder, and, in
particular, Section 11A(a)(1) of the Act and Rule 608 thereunder in that they are necessary or
appropriate in the public interest, for the protection of investors and the maintenance of fair and
orderly markets, to remove impediments to, and perfect the mechanisms of, a national market

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21 See Response Letter at 4.
22 The commenter also called for change in the governance structure of NMS plans which it
states is ineffective and opaque, suggesting that governing bodies of NMS plans should
include representatives from broker-dealers, asset managers, and the public, with each of
these groups having voting power on the plans’ operating committees. See SIFMA Letter
at 4. The Participants noted that the Plans held numerous meetings to fashion the
timestamp tools including meetings among the Participants and Plan subcommittees,
Commission staff, and also involved consultation with industry representatives from the
Plan’s Advisory Committees. See Response Letter at 2.
24 The Commission has considered the proposed amendment’s impact on efficiency,
26 17 CFR 240.608.
While supporting the timestamp Amendments, the commenter raised three issues regarding the proposal – the need to define the term “matching engine publication timestamp” more clearly, the need for additional timestamps, and a preference that the SIPs determine whether a trade is reported out of sequence and not last sale eligible. The commenter also believes that there is a need to reform SIP governance. The Participants responded to the commenter’s concerns, as discussed above, indicating why they believe that the proposal adequately addresses the issue it was meant to address – providing additional information so that interested persons will be able to measure the latency between the consolidated data feeds and industry proprietary data feeds. The Participants stated that including additional timestamps would delay implementation of the proposal, add costs, and could be confusing. The Participants also indicated that they continue to believe they should decide, consistent with their rules, whether trades are reported out of sequence and not last sale eligible. The Commission agrees with the Participants’ response to the issues raised by the comment letter.

The proposal is consistent with Section 11A(a)(1)(C)(iii) of the Act, which sets forth Congress’ finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations and transactions in securities. These goals are furthered by the proposed changes requiring that Participants add timestamps to their trade and quotation reports as this will add transparency regarding the latencies between the CTA and CQ Plans’ consolidated data feeds and industry proprietary feeds. Users of the consolidated feeds

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will be better able to monitor the latency of those feeds and to assess whether such feeds meet their trading and other requirements.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 11A of the Act, and the rules thereunder, that the proposed Amendments to the CTA Plan and CQ Plan (File No. SR-CTA/CQ-2015-01) are approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

Robert W. Errett  
Deputy Secretary