

January 6, 2020

Dear industry members and investors,

Over the past year, the Consolidated Tape Association and the UTP National Market System Plans, under the direction of their Operating Committees ("OCs"), have invested a great deal of time and resources to improve the speed and resiliency of the consolidated feeds for the benefit of investors. We also continue to increase the transparency of the OCs' operations. For example, we now publish on the Plans' web sites summaries of the General Sessions of the quarterly meetings of the OCs, along with relevant Plan policies, quarterly and monthly performance metrics, revenue information, pricing schedules, technical specifications and more. As part of our transparency initiative, I am pleased to provide our first annual letter to the industry and investors, highlighting some of our recent accomplishments and reporting on the status of the more significant undertakings in progress at both the full OC and subcommittee levels.

## **TAPE ENHANCEMENTS**

### **Odd Lots**

There has been much discussion in recent years about what data should and should not be included in the consolidated feeds. With odd lot trades comprising a rising percentage of the trades executed in the U.S. equity markets, the OCs are investigating expansion of the data included in the consolidated feeds to include odd lot quotations as ancillary information (odd lot trade data has been disseminated through the SIP data feeds since December 2013). In October, the OCs published on the CTA and UTP web sites a proposal to that effect. Offering a 45-day comment window, the OCs solicited industry feedback. We received helpful comments in response—[all posted on the Plan web sites](#)—and the OCs now are in the process of reviewing those comments as we decide on next steps.

### **CTA Enhancements**

In its continuing effort to reduce latency and improve resiliency, the CTA will be making two improvements to the CTA/CQ feeds this year. First, subscribers will be able to connect to a new, dedicated, low-latency NMS network to access CTA/CQ feeds. Subject to SEC approval, this should be available in the first quarter of 2020. Second, the CTA will complete its migration to NYSE's new Pillar technology, which will provide substantial latency reductions for the CTA/CQ feeds. CTA anticipates that it will launch the new technology in the summer of 2020.

### **Distributed SIPs**

As part of our exploration of possible further latency reductions, the OCs have been investigating the feasibility of establishing multiple SIP locations as a means of reducing geographic latencies. This

“Distributed SIP” model would mean multiple instances of the SIP would exist at key financial data centers where each SIP would independently disseminate a consolidated NBBO, quotation and last sale information, and other important regulatory information.

We created a subcommittee in 2017 to delve into this idea in depth. Although a distributed SIP model would significantly reduce geographic latency, it may present a number of challenges in terms of mechanics, logistics, cost and regulatory feasibility. The dedicated Distributed SIP subcommittee, however, is continuing its work. In 2020, the subcommittee will further analyze the related costs associated with the implementation of a Distributed SIP.

## **GOVERNANCE AND POLICY INITIATIVES**

### **Advisor Participation Policy**

The OCs benefit from the participation of thoughtful industry Advisors. The Advisors' role has evolved considerably over the last several years, as more have been added and their exposure to Plan information has increased. Almost all of the discussion and debate at each quarterly meeting of the OCs now occurs in the General Session, with full Advisor participation. In addition to the quarterly meetings, Advisors participate in the interim meetings of various subcommittees. The OCs solicit the views of the Advisors and the Advisors bring their own items to the OCs for discussion. The Advisors thus play a critical role in informing the debate and shaping policy recommendations.

In continuation of these efforts, in May, the OCs adopted a new policy that formalized the consultative role of the Advisory Committee. The policy establishes a formal process for the Advisory Committee to provide its views on items to be voted on by the OCs and increases transparency of the Advisory Committee's role by, among other measures, requiring the OCs to summarize the Advisory Committee's views in filings submitted to the SEC. In addition, the OCs are in the process of developing a comprehensive policy on how advisors are selected and the role of the advisory committee that will revise and enhance the policy adopted in May. This new, comprehensive policy, which the OCs anticipate finalizing early this year, will further enhance transparency and, among other things, clarify the role of Advisors in attending OC and subcommittee meetings and establish the process for selecting new Advisors.

### **Confidentiality Policy**

To function optimally, the OCs need to be assured of frank and open communications among Plan Participants and Advisors. To that end, in 2019 we approved a new policy that governs the way in which confidential information must be treated by both Participants and Advisors. Additionally, under this policy, new documents default to non-confidential status unless voted upon or deemed as confidential by the originator of the document. This policy was recently filed with the SEC to be incorporated into the SIP Plans. Participants and Advisors are complying with the policy on a voluntary basis until it is formally approved.

## Conflicts Disclosure Amendment

To ensure that all parties are aware of any potential conflicts of interest, the OCs approved an amendment to the Plan that would require specified disclosures by Participants, Advisors, Processors and Administrators. Pending approval of the amendment to the Plans, the Participants, Advisors, Processors, and Administrators have voluntarily made these disclosures, which have been posted on the [CTA](#) and [UTP](#) web sites.

## How Fees are Determined for Device Users of Consolidated Data

In accordance with long-standing industry policy, the pricing of certain SIP data is based upon the status of the end user—professional or non-professional. Determining who belongs in which category, however, can result in administrative burdens for both data purchasers and Plan administrators. In response to the SEC Market Structure Roundtables in 2018, the Participants are considering multiple proposals to address this issue.

- One proposal under consideration would replace the legacy consolidated feeds with new products offering different levels of service. Rather than offering the same content at different prices depending on the classification of the user, the SIPs would offer different levels of products, which would be priced based on the content included in each feed. These products would be designed for the unique needs of specific types of investors. For example, one such product would be a "SIP Essential" feed that would be designed for retail investors and offered as a low-cost alternative to the existing SIP feed. Importantly, subscriber fees would be based on the product that is consumed, not on who is consuming it, thus minimizing administrative burdens.
- Another proposal under consideration would revise the definitions of "professional" and "non-professional" to better reflect usage of market data. It establishes a simple definition of non-professional as someone with a brokerage relationship and allows amnesty for certain audits. Additionally, small business users that are not involved in financial services and industry professionals that use market data in their own personal brokerage accounts would both be classified as non-professional. Similarly, certain individuals with consistently high trade activity levels would be reclassified as professional, regardless of whether those traders maintain professional registrations.

The OCs believe these proposals deserve serious consideration as starting points for reconsidering how the pricing for the consolidated feeds should be assessed, and whether to continue the pro vs. non-pro distinction or create new data products tailored to fit different users' needs. The Participants and Advisors will continue to discuss and consider these issues in the coming year.

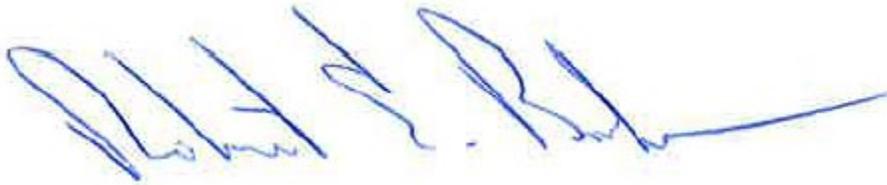
## **NEW EXCHANGE PARTICIPANTS**

In 2019, we welcomed the Long-Term Stock Exchange as a full member of the OCs, with its quotes and trades expected to begin being reported on the consolidated feeds early this year when it launches full operations. In addition, MEMX LLC (MEMX) now attends the quarterly meetings of the OCs as an observer, and we expect it will become a full Participant later this year when it commences operations.

We hope the industry finds this update useful. We look forward to continuing to keep you updated on our progress.

Best wishes for a happy and healthy 2020.

Sincerely,



Robert Books  
Chairman, UTP and CTA Operating Committees  
Cboe Global Markets