# clearpool

17 State Street, 38th floor New York, NY 10004

November 15, 2019

To: SIP Operating Committees
Via email at oddlotcomments@forefrontcomms.com

Re: Odd Lots Proposal

Clearpool Group ("Clearpool")[1] is writing to provide its views on the proposal by the Securities Information Processor ("SIP") Operating Committees to disseminate certain consolidated odd lot quotation data as ancillary information on the SIP data feeds.

As we stated in our previous comment letters and Viewpoints papers on various trading and market structure issues, Clearpool has a significant interest in ensuring that the securities markets are the most orderly, efficient and competitive markets possible. Consistent with this goal, Clearpool supports improving information contained in the SIP as well as increasing the availability of market information in general. To this end, and for the reasons discussed below, we support inclusion of odd lot quotation data in the SIP data feeds.

## I.  Inclusion of Odd Lot Quotes in the SIP

Clearpool has provided comments on issues surrounding the reform of data that should be included in the SIP in several comment letters and on the SEC's Roundtable on Market Data and Market Access.[2] As we have stated, SIP data remains the vehicle through which investors, particularly retail and individual investors, receive market information to make trading decisions and is a critical part of the way in which broker-dealers measure (and demonstrate to customers and to the public) their best execution obligations.

Currently the "core data" provided through the SIP only includes the NBBO and top-of-book data, and does not include certain pertinent information for investors such as information regarding odd lots. For this reason, the SIP does not currently provide a full picture of the liquidity and trading interest in the markets.

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[1] Launched in 2014 and based in New York, Clearpool Group, Inc. offers holistic electronic trading solutions and provides independent agency broker-dealer execution services. With over 120 Algorithmic Management System (AMS) clients and executing between 2-3% of the US equity market volume, Clearpool empowers market participants to achieve better quality executions in an evolving equity market microstructure and competitive landscape. For further information on Clearpool Group, visit www.clearpoolgroup.com.

[2] *See, e.g.*, Letter from Joe Wald, Chief Executive Officer, Clearpool, to Brent J. Fields, Secretary, SEC (File No. 4-729), dated October 23, 2018 (SEC Roundtable on Market Data and Market Access).

In addition, as the proposal notes, an important development in the U.S. equity markets over the past several years has been the increase in odd lot activity, which now accounts for a significant portion of U.S. equity trading volume. We therefore believe that publishing odd lot quotation data in the SIP may provide investors – both retail and institutional - with additional information about the price and liquidity of stocks. While publication of this data will not eliminate the need for broker-dealers to purchase an exchange's proprietary data feeds, it also is another step in reducing reliance on those feeds. We are pleased that SEC staff has indicated that it will tackle this issue, and we encourage the SEC to examine the necessary reforms that need to be made in this area.[3]

## II.    Need for Examination of Related Market Structure Changes

The proposal asks whether there should be a consideration of any other changes to facilitate additional transparency of odd lot orders and associated market data, such as reducing the round lot size for higher-priced securities. Clearpool believes the time is right for an examination of the optimal amounts of what constitutes a "round lot" and an "odd lot," as well as the role of notional value in determining the thresholds for price transparency. We also support the display of multiple price points of odd lots from each exchange above the round lot NBBO.

We note that under the proposal, odd lot quotes will solely be ancillary information and the proposal states that it will not affect how the NBBO and round lot quotes are represented, *i.e.*, odd lot information will be provided for informational purposes only. Clearpool supports this aspect of the proposal and believes that odd lot quotes should not be included in the NBBO.[4]

The proposal also states that inclusion of odd lot quotes in the SIP will not in any way change Regulation NMS or Regulation NMS obligations and that odd lot quotes will not be "protected" in any way. As we stated in our previous comments, odd lots can currently be used by brokers to enhance the quality of executions of orders they receive, but the onus to use or not use those quotes falls to the broker and their best execution process. We believe this is the proper way to deal with odd lots. At the same time, we continue to believe that there should be an examination of best execution given recent market structure changes, and that the role of odd lots should be part of that discussion.

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[3] As SEC Trading and Markets Division Director Brett Redfearn stated, "Today there are many high-priced stocks where the best quote in proprietary data may have significant value and be better than the best quote in core data. Indeed, a great many trades are occurring at those better prices that cannot be seen in core data. Staff will explore whether … odd lot information should be included in core data generally." "Equity Market Structure 2019: Looking Back & Moving Forward," Remarks at Gabelli School of Business, Fordham University, New York, New York, March 8, 2019.

[4] *See* Letter from Ray Ross, Chief Technology Officer, Clearpool, to Vanessa Countryman, Secretary, SEC (File No. SR-CboeEDGA-2019-012), dated July 17, 2019.

## III.  Conclusion

We are pleased to provide assistance to the Operating Committees as they examine these issues. If you have any questions on our comment letter, please feel free to contact me directly at ████████████████ or at ██████████

Sincerely,

Ray Ross
Chief Technology Officer

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