



State Street Corporation

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

Submitted via email: rule-comments@sec.gov

Re: Proposed Order Directing the Exchanges and the Financial Industry Regulatory Authority to Submit a New National Market System Plan Regarding Consolidated Equity Market Data (File Number 4-757)

Dear Ms. Countryman:

State Street Corporation (“State Street”) welcomes the opportunity to comment on the Securities and Exchange Commission’s (“SEC’s”) proposed order¹ directing the exchanges and the Financial Industry Regulatory Authority (“FINRA”) (collectively referred to as the “Participants” or the “Self-Regulatory Organizations” or “SROs”) to submit a new national market system (“NMS”) plan regarding consolidated equity market data. We strongly support the proposed order and appreciate the SEC’s preliminary view that market developments have heightened conflicts of interest between the exchanges’ commercial interests and their regulatory obligations under the NMS plans to produce and provide fair and efficient consolidated market data. These conflicts of interest have resulted in significant differences in content and speed between the Securities Information Processors (“SIPs”), which are required to be operated by the exchanges, and proprietary market data products sold by the exchanges. This has led, in turn, to a rapid and sustained increase in data costs for market participants. We applaud the SEC for taking this important step in issuing a proposed order to address these conflicts and the resulting adverse impact on the market. We summarize our positions and recommendations on the proposed order below.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management, data and analytics, and investment research and trading. With \$34.36 trillion in assets under custody and/or administration as of December 31, 2019, State Street operates in more than 100 geographic markets globally. State Street’s investment management division, State Street Global Advisors,

¹ <https://www.sec.gov/rules/sro/nms/2020/34-87906.pdf>

is the world's third-largest asset manager with nearly \$3.12 trillion assets under management². State Street Global Markets provides agency-based equities and fixed income trading services, and also serves as agent for large portfolio restructurings on behalf of institutional investor clients.³ Charles River Systems, Inc. (doing business as Charles River Development) ("CRD"), a subsidiary of State Street, provides front office solutions to institutional investors across all asset classes for portfolio management, trading and compliance. These products include portfolio modeling and construction, trade order management, investment risk, and compliance and wealth management solutions. CRD has more than 330 clients, representing \$25 trillion in assets under management.

Background: Vital Importance of Market Data

The growth, increased speed and increased sophistication of new trading protocols have driven the need for market participants (including asset managers, broker dealers and custodians) to have access to and consume a wider and more nuanced set of market data. This has led to higher demand from a growing list of market participants, which has created an ever-evolving product line and pricing table. Additionally, regulatory obligations and customer expectations related to best execution, transaction cost analysis, transparency and market competition have further generated the need for data to be available and accessible to all market participants. While these elements have existed for many years, the demutualization of the exchanges into publicly-held companies has exacerbated industry issues surrounding market data as a product. Over time, improvements have been made in the dissemination of market data (especially to the SIP), but those improvements have not kept pace with the alternative data feeds that the industry can and is often required by regulation to access.

New Consolidated Data Plan

State Street strongly supports the SEC's proposed order requiring the Participants to file a new NMS plan regarding consolidated equity market data. We appreciate the SEC's recognition that the evolution of the exchanges to publicly-held companies seeking to maximize shareholder value has created a conflict with their regulatory objective to preserve the integrity and affordability of the SIPs. We agree with the SEC that consolidating the three separate data plans into a single plan will promote efficiencies, especially in terms of streamlining the operation of the SIP feeds.

In addition, State Street strongly supports the proposed order's effort to address the inherent conflicts in the current structure by mandating that the "administrator of the New Consolidated Data Plan should be independent, meaning that the administrator should not be owned or controlled by a corporate entity that separately offers for sale a market data product, either directly or via another subsidiary." This distinction is essential to addressing potential conflicts between an exchange's interest in maximizing its profitability by offering proprietary data feeds

² This figure is presented as of December 31, 2019 and includes approximately \$45 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

³ State Street Global Markets, LLC, is regulated by the SEC and a member of FINRA.

and other market data products and its regulatory objective to preserve the integrity of the data plan. We encourage the SEC to further address the conflicts involved in the existing NMS plans by including in the final order specific deadlines to ensure timely adoption of a new consolidated data plan.

Recommendations:

- Issue a final order to require the Participants to file a new consolidated data plan; enhance the proposed order by including specific implementation deadlines
- Require the administrator of the new consolidated data plan to be independent

Governance of the New Consolidated Data Plan

State Street strongly supports the SEC's proposed governance of the new NMS plan, specifically the requirement for voting representation from non-SROs. Currently, only the exchanges and FINRA exercise enough voting power to modify the NMS plans. As cited in the SEC's proposed order: "14 of the 17 total votes are controlled by three exchange groups: (1) CBOE Holdings, Inc. has five votes (BYX, BZX, Cboe, EDGA, and EDGX); (2) Intercontinental Exchange Group, Inc. ("ICE") has five votes (NYSE, NYSE American, NYSE Arca, NYSE Chicago, and NYSE National); and (3) Nasdaq, Inc. has four votes (BX, ISE, Nasdaq, and PHLX)." In our view, to successfully govern the new consolidated data plan, it is essential to provide significant voting power to non-SRO market participants.

The SEC's proposed order would grant one-third of the new NMS plan's operating committee's voting power to the newly appointed non-SROs and grant the remaining two-thirds to the SROs. The SEC also states that the new consolidated data plan should provide for separate voting representatives of an institutional investor such as an asset management firm; a broker-dealer with a predominantly retail investor client base; a broker-dealer with a predominantly institutional investor client base; a securities market data vendor; an issuer of NMS stock; and a retail investor.

We applaud the SEC's initial effort to add non-SROs as voting members of the new NMS plan operating committee. However, we view granting one-third of the voting power to non-SROs as only a starting point, and we encourage the implementation of further changes to the new governance structure to enhance the authority of non-SRO's. This could involve an increase in the voting percentage allocated to non-SROs, or other mechanisms to prevent exchanges from asserting an outsized influence over the governance of the new consolidated data plan. In addition, we recommend amending the proposal so that non-SRO representatives serve on the new operating committee for three years (versus the proposed two). Overall, we recommend that the SEC strive towards the goal of a governance structure with equal voting power between the SROs and non-SROs.

Furthermore, State Street recommends that the SEC consider adding other types of non-SROs as voting representatives on the operating committee. As a global custody bank, we offer our client's fund administration, recordkeeping and valuation services which require access to large amounts of market data, including from both SIP and proprietary data feeds. We therefore have unique insights into the needs of large institutional investors, as well as a high degree of interest in ensuring robust and cost-effective access to NMS plan data. This represents one example to support our recommendation that the SEC consider extending the representation of non-SRO

voting members on the new governance structure. Additionally, building off of the original recommendations made by the SEC, we support further diversifying non-SRO representation by adding an agency broker-dealer focused on institutional investors and an investment technology provider supporting the buy-side, as additional voices to more fully represent the financial markets ecosystem.

Recommendations:

- Support granting at least one-third of the operating committee's voting power to the newly appointed non-SROs
- Encourage additional efforts to ensure that non-SRO representatives have a meaningful impact on decisions made by the new operating committee
- Add other types of non-SROs as voting representatives, e.g., a custodian, an agency broker-dealer focused on institutional investors, and an investment technology provider supporting the buy-side

Conclusion

Thank you once again for the opportunity to comment on the important matters raised within the proposed order. To summarize, we broadly support the SEC's decision to require the exchanges and FINRA to submit a new NMS plan regarding consolidated equity market data. We strongly support the recommendation for the new plan administrator to be independent and suggest requiring specific implementation deadlines in the final order. We strongly support the newly proposed governance structure, notably the inclusion of non-SROs as voting members. We recommend further efforts to increase the voting representation of non-SROs and suggest adding other types of non-SROs to the operating committee to more fully represent the financial markets ecosystem and to enhance the effectiveness of the new consolidated data plan.

Please feel free to contact us should you wish to discuss State Street's submission in further detail.

Sincerely,




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