

26 May 2020

Dear Chairman Clayton, Commissioner Lee, Commissioner Pierce, Commission Roisman,

Thank you for the opportunity to respond to you regarding your market data infrastructure proposals.

The World Federation of Exchanges (WFE) is the global trade association for regulated exchanges and clearing houses. We represent over 250 market infrastructure offerings, spread across the Asia-Pacific region (~37%), EMEA (~43%) and the Americas (~21%). The three US stock exchange groups we represent operate 12 national stock exchanges, which represent 97% of daily trading volumes. With extensive experience of developing and enforcing high standards of conduct, WFE members support an orderly, secure, fair and transparent environment for investors and for companies that raise capital. We seek outcomes that support market transparency, consumer confidence and economic growth.

We aim to contribute to the Commission's consideration of the proposals by providing the perspective from the global market infrastructure community. This response is intended to complement any representations from our members.

*Proposed Rule: Market Data Infrastructure*

Taken together with the recent change to the SIP plan governance, the transaction fee pilot and SEC staff guidance on market data fee filings, this market data infrastructure proposal is one part of a sweeping agenda that we believe will threaten the success of US equity markets in the global context.

Improving market quality and decreasing investor costs are a sustained and on-going trend in the US. America's market infrastructures have been operating their businesses as robustly as usual in the context of high volatility and record volumes of trading. Given the success of the US markets and the demonstrable and continuing accretion of benefits of the market structure to the end-investor (in terms of lower transaction costs, amongst other things), we believe that any radical change to this market structure must clearly be in the interests of investors and satisfy a cost-benefit analysis. We do not believe these proposals to satisfy that condition.

While there is scope to improve the SIP, the SEC has not taken the right approach in our view. Many of the benefits of data consolidation flow from the possibility of a reference price 'golden source'; a system of competing consolidators would undermine this and have profound implications for the ability of investors to understand the execution quality they are achieving. Should such a system of competing consolidators put in place, these entities ought to be distinct from the data aggregation services already available in the market and regulated with the same rigor and governance applied to the SIP plans today. In this vein, this proposal and the related one of SIP governance passed by the SEC on 6 May 2020 ought to be considered holistically.

We do not believe how the Commission proposes tackle the challenge of round/odd lot sizes over varying share values would produce an optimal result for investors. Adding a PBBO to the NBBO adds complexity to the system of displayed prices without additional clarity about what prices are achievable by investors. We believe that elements of 'intelligent tick size' proposals ought to be considered, which may yield a clearer and superior solution to the challenges the SEC is seeking to address.

*Market data pricing*

Consumers of market data, particularly large global banks and proprietary traders, have spent years engaged in a well-funded campaign to gain power over market data fees. They had used the courts to pursue this objective and continue to have an outsized voice in this debate, particularly in contrast to end-investors. Now these consumers of wholesale market data view SEC market data infrastructure reform initiatives not as a means to further the interests of investors, but rather to further their own commercial interest through regulatory price controls. Market data is a valuable product and the data licensed by stock exchanges is used by commercial companies to make profits. It should remain subject to market forces.

*Conclusion*

We urge the SEC to fundamentally re-think its approach to these market data infrastructure proposals, and adopt an overall agenda that is aimed at achieving pragmatic and judiciously chosen updates to the market structure for which there is consensus. These are complex proposals and deserve sufficient time for the industry to scrutinize them and for the SEC to consider responses. We would welcome the opportunity to convene our members to speak to you in further detail about these proposals.

Yours sincerely,



Nandini Sukumar

Chief Executive Officer