



May 26, 2020

*Submitted electronically*

Ms. Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington DC 20549-1090

Re: Market Data Infrastructure (File Number S7-03-20)

Dear Ms. Countryman:

Fidelity Investments (“Fidelity”)<sup>1</sup> appreciates the opportunity to comment on the Securities and Exchange Commission’s (“SEC” or “Commission”) rulemaking proposal which seeks to update the national market system for the collection, consolidation, and dissemination of information with respect to quotations for and transactions in national market system (“NMS”) stocks (“NMS information”). Specifically, the Commission proposes to expand the content of NMS information that is required to be collected, consolidated, and disseminated as part of the national market system under Regulation NMS. The Commission also proposes to amend the method by which such NMS information is distributed by introducing a decentralized consolidation model where competing consolidators replace the current model of exclusive securities information processors (“SIPs”).<sup>2</sup>

Fidelity has an interest in the Proposal as an entity that uses NMS information and is subject to its market data fees. Fidelity pays considerable, and escalating, market data fees when it seeks to obtain access to core data that is currently distributed through the CTA, CQ, Nasdaq/UTP and OPRA NMS Plans, and in the future will be distributed pursuant to the New

---

<sup>1</sup> Fidelity and its affiliates are leading providers of mutual fund management and distribution, securities brokerage, and retirement recordkeeping services, among other businesses. Fidelity submits this letter on behalf of Fidelity Management & Research Company, the investment adviser to the Fidelity family of mutual funds; National Financial Services LLC, a Fidelity Investments company, a SEC registered broker-dealer clearing firm and FINRA member; and Fidelity Brokerage Services LLC, a SEC registered introducing retail broker-dealer, and FINRA member. Fidelity generally agrees with the views expressed by the Securities Industry and Financial Markets Association (“SIFMA”) and Investment Company Institute (“ICI”) in their comment letters to the SEC on the Proposed Order. We submit this letter to supplement the SIFMA and ICI letters on specific issues.

<sup>2</sup> Securities Exchange Act Release No. 88216, 85 FR 16726 (Mar. 24, 2020) *available at*: <https://www.govinfo.gov/content/pkg/FR-2020-03-24/pdf/2020-03760.pdf> (the “Proposal”). Capitalized terms have the meanings ascribed to them in the Proposal.

Consolidated Data Plan.<sup>3</sup> Fidelity, and our retail and institutional customers, need core data to make informed investment decisions and to meet our regulatory obligations.<sup>4</sup> Fidelity has stated in previous comment letters our concerns with the cost, latency and conflicts of interest associated with the current collection and distribution of consolidated equity market data.<sup>5</sup> In our view, the SIPs have not kept pace with the U.S. equity markets which, through technological and market developments, now offer more products, faster, and at a lower cost. Moreover, exchange Plan Participants face conflicts of interests insofar as they sell proprietary data products that compete with the SIPs.

In recent years the SEC has undertaken dedicated work on key initiatives and rulemakings designed to modernize U.S. equity market structure, including in the area of equity market data. The Commission has plenary authority to prescribe rules governing the collection and dissemination of equity market data.<sup>6</sup> We are pleased that the Commission has used this

---

<sup>3</sup> See Securities Exchange Act Release No. 88827 (May 6, 2020), 85 FR 28702 (May 13, 2020), Order Directing the Exchanges and the Financial Industry Regulatory Authority to Submit a New National Market System Plan regarding Consolidated Equity Market Data, *available at*: <https://www.sec.gov/rules/sro/nms/2020/34-88827.pdf> (the “Order”).

<sup>4</sup> Fidelity broker-dealers need access to core data to meet their regulatory obligations including but not limited to receipt of Limit Up, Limit Down Price Bands and information related to regulatory halts and market-wide circuit breakers; to perform checks required by Rule 15c3-5 under the Exchange Act (“market access rule”); to comply with Rule 611 of Regulation NMS to prevent trade throughs and meet their duty of best execution for customer orders; as well as meet their regulatory obligations under Rule 603(c) of Regulation NMS, the Vendor Display Rule, which requires that if a broker-dealer displays any information with respect to quotations for or transactions in an NMS stock in which a trading or order routing decision can be made, it must also provide a Consolidated Display (using core data) for such stock.

<sup>5</sup> Fidelity has repeatedly advocated for changes to the current governance process of NMS plans, including the SIP NMS Plans, in the following regulatory proposals: Joint Industry Plan; Notice of Filing of the National Market System Plan Governing the Consolidated Audit Trail; Notices, 81 FR 30614 (May 17, 2016) Fidelity comments *available at*: <https://www.sec.gov/comments/4-698/4698-14.pdf>; Executive Order 13772 “Core Principles for Regulating the United States Financial System” signed by U.S. President Donald Trump on February 3, 2017; Final Report *available at*: <https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf> SEC Roundtable on Market Data and Market Access; File No. 4-72, Fidelity comments *available at*: <https://www.sec.gov/comments/4-729/4729-4566044-176136.pdf>; Securities and Exchange Commission, Proposed Rule, Transaction Fee Pilot, Exchange Act Release No. 78309, 83 FR 13008 (Mar. 26, 2018), Fidelity comments *available at*: <https://www.sec.gov/comments/s7-05-18/s70518-3712431-162396.pdf> Securities and Exchange Commission Proposed Amendments to the National Market System Plan Governing the Consolidated Audit Trail, 84 FR 48458 (September 13, 2019) Fidelity comments *available at*: <https://www.sec.gov/comments/s7-13-19/s71319-6357608-196387.pdf>; Securities and Exchange Commission Rescission of Effective-Upon-Filing Procedure for NMS Plan Fee Amendments, 84 FR 54794 (October 11, 2019) Fidelity comments *available at*: <https://www.sec.gov/comments/s7-15-19/s71519-6526198-200427.pdf>; Notice of Proposed Order Directing the Exchanges and the Financial Industry Regulatory Authority to Submit a New National Market System Plan Regarding Consolidated Equity Market Data 85 FR 2202 (January 14, 2020) Fidelity comments *available at*: <https://www.sec.gov/comments/4-757/4757-6891496-210884.pdf>.

<sup>6</sup> Section 11A of the Securities Exchange Act of 1934 (National Market System for Securities; Securities Information Processors), among other items, directs the SEC to prescribe rules “as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this chapter to ....

authority to put forth, and approve, proposals designed to modernize the regulatory framework for equity market data which was first established in the late 1970's. In particular, and as addressed later in this letter, we commend the SEC on their recent work addressing the important topic of market data governance through the Order and urge continued SEC oversight of the collection, consolidation, and dissemination of equity market data as a way to curtail our escalating market data costs.

### **Executive Summary**

- Fidelity supports expanding the content of core data to include certain odd-lot, depth of book, and auction information.
- Fidelity supports adding a new definition of round lot for certain higher priced stocks and, for consistency and simplicity, Fidelity recommends that Regulation NMS's Order Protection Rule ("OPR") and restrictions on locked and crossed markets apply to the proposed round lots.
- The implementation of the New Consolidated Data Plan, the SEC's approval of a proposal to rescind effective-upon-filing procedures for NMS Plan fee amendments,<sup>7</sup> the SEC's continued scrutiny of exchange fee proposals,<sup>8</sup> and public disclosure by the SROs of the cost to produce market data are necessary predicates to control escalating market data costs.
- As a policy matter, Fidelity supports competing consolidators to address consolidated market data costs, latency and exchange conflicts of interest in the current operation of the exclusive SIPs. Fidelity agrees that competing consolidators should be Regulation SCI entities. Fidelity recommends further discussion regarding the implementation of the competing consolidator model, particularly the elimination of a single NBBO.

Each of these items is discussed in further detail below.

Fidelity supports expanding the content of core data to include certain odd-lot, depth of book, and auction information.

---

assure the prompt, accurate, reliable and fair collection, processing, distribution, and publication of information with respect to quotations for and transactions in such securities and the fairness and usefulness of the form and content of such information." 15 U.S.C. 78k-1(c)(1)(B). Section 11A further authorizes the SEC, by rule or by order, to authorize or require the SROs to act jointly with respect to matters as to which they share authority, including the NMS plans governing the dissemination of core market data. 15 U.S.C. 78k-1(a)(3)(B).

<sup>7</sup> Securities Exchange Act Release No. 87193, 84 FR 54794 (Oct. 11, 2019).

<sup>8</sup> See e.g., SEC Staff Guidance on SRO Rule Filings Relating to Fees (May 21, 2019), available at: <https://www.sec.gov/tm/staff-guidance-sro-rule-filings-fees>.

Under the Proposal, in place of the current exclusive SIPs, competing consolidators would be responsible for distributing consolidated market data which would be defined as data provided by all the SROs in the following categories: (1) core data; (2) regulatory data; (3) administrative data; (4) exchange-specific program data; and (5) additional regulatory, administrative or exchange-specific program data.

Regulation NMS does not currently define core data. The Proposal would incorporate a definition of core data into Regulation NMS which would include those data elements that are currently informally considered core data, namely (i) the price, size, and exchange of the last sale; (ii) each exchange's current highest bid and lowest offer, and the shares available at those prices; and (iii) the national best bid and offer (*i.e.*, the highest bid and lowest offer currently available on any exchange) ("NBBO"). The Proposal would also expand the definition of core data to include the best protected bid and offer ("PBBO"), certain aggregated odd-lot data, depth of book data and auction information, the majority of which is available today only through exchange proprietary feeds.

#### *Odd-Lot Data*

In today's equity markets, a single share of many NMS stocks can cost thousands of dollars. Due to a variety of factors, including the introduction of fractional or notional trading programs (such as those offered by Fidelity) and zero commission on-line trades for retail customers, odd-lot trading volumes have increased, and are likely to continue to increase, particularly for higher-priced securities.<sup>9</sup>

Under the Proposal, odd-lot quotes that when aggregated equal a round lot will be displayed as a round lot at the least aggressive price of the odd-lots in core data. Fidelity supports including this additional information in core data. We believe that this information will help provide market participants not subscribed to exchange proprietary feeds a more comprehensive view of the marketplace.

#### *Depth of Book Data*

The SEC proposes to include certain depth of book data in core data. Depth of book data would be defined as all quotation sizes at each exchange aggregated at each of the five price levels below a protected bid and above a protected offer as well as any quotations between an exchange's best bid and its protected bid and its best offer and protected offer. The minimum size requirement for depth price levels would be based on the proposed round lot sizes.

We support adding depth of book information to five levels away from a protected bid or offer in core data to provide a broader view of market activity beyond top of book liquidity. We believe that five levels of depth away from a protected quotation is a reasonable amount of depth for core data. If market participants would like a greater level of depth of book information, we

---

<sup>9</sup> See Alexander Osipovich, Tiny 'Odd-lot' Trades Reach Record Share of U.S. Stock Market, Oct. 23, 2019, Wall Street Journal, available at <https://www.wsj.com/articles/tiny-odd-lot-trades-reach-record-share-of-u-s-stock-market-11571745600>

believe that it is appropriate for them to obtain this information through exchange proprietary feeds.

### *Auction Information*

The SEC proposes to include certain information specified by each exchange related to their auctions (*i.e.*, opening, closing, reopening after a halt) in core data. This information would generally include, for example, estimated opening (or reopening) prices, the quantity of buy and sell orders during the preauction period, and order imbalance indicators (*i.e.*, more buys than sells).

Auctions, particularly closing-auctions at the exchanges, determine the final end-of-day prices of thousands of stocks and include a significant portion of trading activity that occurs each day. While some auction information is currently in the SIP for regulatory purposes, we believe that full open and close auction information is important to include in core data because of the growth of trading via auctions, particularly among institutional investors. We do not view auction information as exchange proprietary data.

### *Definition of a Round Lot, OPR, Broker-Dealer Best Execution Obligations*

Under Regulation NMS today, the NBBO, as disseminated by the SIPs, is calculated using bids and offers to buy or sell one or more round lots of an NMS stock. The size of a round lot is generally considered to be an order to buy or sell 100 shares of a given stock, consistent with some exchange's definitions of the term.<sup>10</sup> Round lot orders are protected quotes under the OPR and cannot be traded through. In contrast, odd-lots, or quotes to buy or sell fewer than 100 shares of a given stock, are not included in the NBBO, not distributed by the SIP and are not protected quotes under Regulation NMS.

The Proposal seeks to address several challenges associated with the increases in prices in many stocks in recent years, which has led to increased quoting in odd-lot quantities for such stocks and consequently less displayed liquidity available through the SIPs. First, it would add odd-lot quotations that, when aggregated, equal a round lot as part of consolidated market data and make this information available to all market participants, not just those that subscribe to exchange proprietary data feeds. As discussed above, Fidelity supports this enhancement to SIP data. Second, the Proposal would change the current general, standard 100 share definition of a round lot to a variable definition of a round lot based on the average closing price of a stock during the previous month as reported by its primary listing exchange. The Proposal would adopt a tiered, price-based definition of round lot that incorporates smaller sized orders, *i.e.* less than 100 shares, for higher priced stocks. Third, under the Proposal, the OPR would continue to only apply to displayed, round lot orders of 100 shares or greater (including aggregated odd-lot orders that equal a round lot). As a result, stocks with round lots of fewer than 100 shares may

---

<sup>10</sup> See for example, NYSE Rule 55 which states in part: "Securities traded on the Exchange shall be quoted in round lots (generally 100 shares), except that in the case of certain stocks designated by the Exchange the round lot shall be such lesser number of shares as may be determined by the Exchange, with respect to each stock so designated."

have better priced quotes that are not protected and can potentially be traded-through. Regulation NMS's prohibition on locked and crossed markets would also not apply where the best bid or best offer is less than 100 shares.

To address the increased trading that occurs in odd-lots, Fidelity supports a revised definition of round lot for certain higher priced securities; however, we recognize several challenges with the SEC's proposed approach. First, the current, standard definition of a round lot is well understood across all equity market participants and introducing different lot sizes for different categories of stocks may cause confusion, at least initially, in the marketplace. If the Proposal is approved, we suggest the SEC undertake an investor education campaign on the new round lot sizes to increase familiarity with them among investors and the marketplace. Second, the change to the definition of a round lot will impact a variety of broker-dealer's Regulation NMS obligations<sup>11</sup> and may require new systems to be developed to monitor the applicable round lot for stocks each month. If the Proposal is approved, we ask for enough implementation time to make necessary changes to our broker-dealer systems to reflect these new definitions.

We urge the SEC to take a simple, consistent approach to the OPR and Regulation NMS's prohibition on locked and crossed markets. The OPR should be extended to orders in the proposed smaller round lot sizes and Regulation NMS's prohibition on locked and crossed markets should similarly apply to these orders as well.

Since its inception in 2005, the OPR has served investors and the markets well. The OPR, along with other regulatory changes, has fostered competition and forced automation across all market venues. It has significantly reduced trade-throughs and provided a minimum standard for best execution on the routing of marketable orders. Under the OPR, if a broker-dealer routes an order to a trading venue that cannot execute the order at the NBBO, the venue cannot simply execute the order at an inferior price. The venue must either send the order back to the broker-dealer or route the order to another venue that will execute the order at the NBBO. We believe that current low trade-through rates<sup>12</sup> have served to bolster retail investor confidence in the equity markets. Although most non-U.S. equity markets do not have a form of

---

<sup>11</sup> For example, among other rules, under Rule 603(c) (the "Vendor Display Rule"): A SIP, broker, or dealer would be required to provide a consolidated display reflecting smaller-sized orders in higher-priced stocks; the required monthly execution quality statistics that market centers must publish under Rule 605 (Disclosure of Order Execution Information) would be based upon an updated NBBO that reflects the new lot sizes and under Rule 606 (Disclosure of Order Routing Information), the disclosures that a broker-dealer must provide about the handling of not-held orders may reflect more actionable indications of interest in higher priced securities.

<sup>12</sup> Current compliance rates for trade-throughs and locked and cross market rules are high. "There's another regulation called Regulation National Market System, Reg NMS, and there's a Lock/Cross rule and a trade-through rule that are part of Reg NMS. We're seeing for trade-throughs there is a 99.9 percent compliance rate, for lock/cross we're seeing 98 percent compliance rate." FINRA Podcast: Market Structure & Covid-19 Handling Increased Volatility and Volumes (April 28, 2020).

regulated price protection, we believe that a requirement to honor the best quote from a protected venue is a reasonable foundation for the U.S markets.<sup>13</sup>

We disagree with the Commission's proposed bifurcated approach to protected quotes on the grounds that it will create a complex, two-tiered market in which some quotes are protected, while other better priced quotes are not. Today, the PBBO and NBBO for a given stock are generally the same because stocks generally have a uniform round lot size of 100 shares. If the OPR is not extended to the proposed smaller round lot size orders, any time the best bid and best offer for such stocks is less than 100 shares each, the NBBO will be different than PBBO and the NBBO quotation would not be protected from a trade through.

If some round lot orders are protected, and others are not, broker-dealers may trade-through these smaller round lot orders, subject to their duty of best execution. We are concerned that the likely increased occurrence of trade-throughs will cause confusion, particularly among retail investors who will be rightly challenged to understand why they did not receive a better price available in the market. We believe that current low trade-through rates contribute to confidence in the marketplace, particularly for retail investors, and a course of action that protects some round lot orders, but not all, will serve to reduce this confidence.

A bifurcated approach to protected round lot orders also adds complexity to broker-dealer best execution obligations. Under the Proposal, when executing a trade, a broker-dealer would generally be required to consider NBBO quotes that are not protected quotes because of their duty of best execution. Different NBBOs and PBBOs will also make broker-dealer routing decisions more difficult. Moreover, we believe that the burden of NMS compliance would be higher under the proposed approach given that we would need to bifurcate our compliance systems to address different applications of the OPR to different types of round lots.

As an institutional investor, we believe that different PBBOs and NBBOs will add complexity to our transaction cost analysis. Under a regime where there are different PBBOs and NBBOs, institutional investors will need to further research whether a quote was protected, or not, at a point in time for purposes of reviewing execution quality.

We similarly recommend that the Commission continue to apply the Regulation NMS locked and crossed market restrictions to the proposed smaller round lot orders. We believe that the probability of a locked and cross market become higher with a different PBBO and NBBO and that locked or crossed markets are bad for the marketplace and cause confusion, particularly for retail investors. We urge the Commission to adopt a consistent approach to locked and cross market restrictions across all order sizes.

Over the past few years, there has been considerable discussion regarding the OPR. The SEC's Equity Market Structure Advisory Committee discussed the merits of the OPR and

---

<sup>13</sup> See Testimony of Bill Baxter, Head of Global Program Trading and Market Structure, Fidelity Management & Research Company before the SEC's Equity Market Structure Advisory Committee (May 13, 2015), available at: <https://www.sec.gov/comments/265-29/26529-17.pdf>.

outlined a potential pilot study.<sup>14</sup> Similarly, the Treasury Department recommended the SEC consider amending the OPR (1) to give protected quotation status only to exchanges that offer meaningful liquidity and opportunities for price improvement; (2) withdraw protected quote status for orders on any exchange that do not meet a minimum liquidity threshold; and (3) consider providing newly registered exchanges the benefit of protected quotation status for some period of time.<sup>15</sup>

The OPR is a complex topic and we believe that it would be disservice to address it in combination with the significant changes to market data infrastructure that the Commission has included in the Proposal. We do not believe that the Proposal is the appropriate mechanism to eliminate this important form of price protection for retail customers in connection with the proposed modification to round lot sizes.

The implementation of the New Consolidated Data Plan, the SEC's approval of a proposal to rescind effective-upon-filing procedures for NMS Plan fee amendments, the SEC's continued scrutiny of exchange fee proposals, and public disclosure by the SROs of the cost to produce market data are necessary predicates to control escalating market data costs.

The SEC's proposed expansion of core data to include certain odd-lot, depth of book and auction information is likely to come at a cost to market participants. How will the SEC's recent market data reforms ultimately serve to reduce high market data costs?

Fidelity agrees that the SEC's recently approved Order directing the SROs to establish a New Consolidated Data Plan provides a good framework to control market data costs. The New Consolidated Data Plan, once effective, will govern the SROs' provision of the data necessary to generate consolidated market data, including setting fees for the provision of such SRO data to competing consolidators and self-aggregators. These fees would be reviewed by the SEC under a "fair and reasonableness" standard. The Order also directs the Plan Participants to provide institutional investors, such as asset managers, and broker dealers membership and voting rights in the operating committee of the New Consolidated Data Plan, which should help mitigate conflicts of interest inherent to the current structure and establish a solid, new foundation through which future enhancements to market data infrastructure, as necessary, can be more efficiently and fairly made.

The approved Order is an important milestone, not a finish line. The SEC has significant work to do before its equity market data reforms are ultimately realized in the market. The New Consolidated Data Plan must be drafted, submitted to the SEC, noticed for public comment and

---

<sup>14</sup> See EMSAC Regulation NMS Subcommittee Framework for Rule 611 & 610 Discussion (April 3, 2017) available at: <https://www.sec.gov/spotlight/emsac/emaac-regulation-nms-subcommittee-discussion-framework-040317.pdf>

<sup>15</sup> Executive Order 13772 "Core Principles for Regulating the United States Financial System" signed by U.S. President Donald Trump on February 3, 2017; Final Report available at: <https://www.treasury.gov/press-center/press-releases/Documents/A-Financial-System-Capital-Markets-FINAL-FINAL.pdf>



approved before it is ultimately implemented. To see this good work through to completion, the SEC must ensure that the reasonable timelines it established in the Order are met.

The SEC should also approve its proposed rescission of effective-upon-filing procedures for NMS plan fee amendments (“Fee Exception Proposal”). SEC approval of the Fee Exception Proposal is necessary to ensure that market data stakeholders, such as Fidelity and our customers, have a meaningful opportunity to review and comment on proposed NMS plan fees, including New Consolidated Data Plan fees, before such fees go into effect.<sup>16</sup>

The SEC has recently increased its scrutiny of SRO market data fees<sup>17</sup>, a trend Fidelity urges the SEC to continue.

We also suggest that the Commission require the SROs to provide public transparency into the cost to produce consolidated market data, as a means for both market participants and the Commission to understand the difference between the cost to produce consolidated market data, the cost to purchase market data, and the reasonableness of that difference.

As a policy matter, Fidelity supports competing consolidators to address market data costs, latency and exchange conflicts of interest with the exclusive SIPs. Fidelity agrees that competing consolidators should be Regulation SCI entities. Fidelity recommends further discussion of the implementation of the competing consolidator model, particularly its elimination of a single NBBO.

As a policy matter, we support a competing consolidator model because it addresses our concerns with current SIP market data costs, latency, and exchange conflicts of interest and promotes competition for equity market data. The New Consolidated Data Plan would be responsible for establishing and filing with the SEC the fees for the data used by competing consolidators and self-aggregators to generate consolidated market data. A competing consolidator model would provide competition for consolidated market data, which over the long term, combined with other SEC reforms discussed above, would hopefully drive down equity market data costs.

---

<sup>16</sup> Securities Exchange Act Release No. 87193, 84 FR 54794 (Oct. 11, 2019). Fidelity comments *available at*: <https://www.sec.gov/comments/s7-15-19/s71519-6526198-200427.pdf>.

<sup>17</sup> For example, within the past two years, the SEC has, among other items: (i) issued a decision in an longstanding dispute finding that certain exchanges had not met their statutory obligation to demonstrate that certain market data fees were consistent with the Exchange Act. *See In the Matter of the Application of Securities Industry and Financial Markets Association*, Exchange Act Release No. 84432 (Oct. 16, 2018), *available at*: <https://www.sec.gov/litigation/opinions/2018/34-84432.pdf>; (ii) remanded 400 rule changes filed by exchanges and plan amendments to NMS Plans relating to market data to be considered in light of the litigation *See In the Matter of Applications of SIFMA and Bloomberg L.P.*, Exchange Act Release No. 84433 (October 16, 2018) *available at*: <https://www.sec.gov/litigation/opinions/2018/34-84433.pdf>; and (iii) SEC Division of Trading and Markets staff issued new guidance to national securities exchanges and other SROs regarding expectations for proposed changes to fees, including market data fees; SEC Staff Guidance on SRO Rule Filings Relating to Fees (May 21, 2019), *available at*: <https://www.sec.gov/tm/staff-guidance-sro-rule-filings-fees>.

Given that competing consolidators would likely include the current SIPs run by the exchanges, we agree that the Proposal provides the right structural incentives to contain the costs of consolidated market data as SRO members of the new Consolidated Data Plan who potentially run a competing consolidator (either directly or through an affiliate) would have an interest in ensuring that consolidated market data fees are low. In addition to cost, the Proposal would address also latency issues in core data by requiring the exchanges and FINRA to make data available to competing consolidators in the same manner that the exchanges make market data available to any other person. A competing consolidator model would also address conflicts of interest by eliminating the current exchange monopoly on consolidated market data dissemination as the current administrators of the SIP.

A competing consolidator model will also promote market competition. With all competing consolidators, whether owned by SROs or not, obtaining the same price for consolidated market data, individual competing consolidators will distinguish themselves in the marketplace based on their innovations and competitive products. Different market participants have different data demands and an individual competing consolidator's offerings may be more advantageous than another's. To this end, in a new environment of competing consolidators, regulators would likely need to examine why broker-dealers chose to use one competing consolidator over another.

*Competing Consolidators should be Regulation SCI entities*

Competing consolidators should be subject to certain standards with respect to the promptness, accuracy, reliability and fairness of their operations. We agree that Regulation SCI would be a good measure of these standards and would also promote resiliency for competing consolidators. Moreover, if a goal of the competing consolidator model is to reduce the costs of equity market data, broker-dealers should not be required to subscribe to multiple competing consolidators for contingency purposes. Applying Regulation SCI to competing consolidators would serve to bolster a competing consolidator's operational stability and increase their reliability.

*Elimination of a single NBBO deserves further discussion*

While we support the policy rationale of a competing consolidator model, we believe that further discussion regarding the potential transition from a single NBBO, in favor of a decentralized NBBO calculated by different market participants, is warranted.

While certain latency differences exist today with regard to the NBBO, due to the physics of sending information from one location to another, a benefit of the current model for distributing market data is that there currently exists a single, gold standard NBBO for an investor to determine the quality of their trade. Under the Proposal, different competing consolidators may produce different NBBOs. We believe that multiple NBBOs will add complexity and cause confusion for market participants. From a retail investor perspective, many of our customers have accounts at multiple retail brokers. Under the Proposal, retail customers placing orders in the same security at two different brokerage firms may receive two

different prices depending upon which competing consolidator each firm uses. For this reason, we believe that the impact of competing consolidators on retail customer orders deserves further discussion.

*Effects on the NMS Plan Governing the CAT*

Under the Proposal, the scope of the consolidated market data collected and retained by the CAT Central Repository would be expanded and the CAT Central Repository may need to obtain the data from a different source. Under the proposed decentralized consolidation model, we note that FINRA CAT LLC will potentially have a variety of competing consolidators from which it can choose to purchase consolidated market data. We recommend the SEC review which competing consolidator FINRA CAT chooses to use for the CAT Central Repository data.

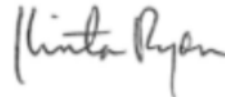
# # # # #

Fidelity would be pleased to provide further information, participate in any direct outreach efforts the Commission undertakes, or respond to questions the Commission may have about our comments.

Sincerely,



SVP, Enterprise Infrastructure  
Fidelity Investments



VP, Associate General Counsel  
Fidelity Investments

cc: The Honorable Jay Clayton, Chairman  
The Honorable Hester M. Peirce, Commissioner  
The Honorable Elad L. Roisman, Commissioner  
The Honorable Allison Herren Lee, Commissioner

Mr. Brett Redfearn, Director, Division of Trading and Markets