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**VIA ELECTRONIC SUBMISSION**

June 2, 2020

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

**Re: Market Data Infrastructure (File No. S7-03-20)**

We appreciate the opportunity to respond to the United States Securities and Exchange Commission's (the "Commission") request for comments on proposed amendments to 17 CFR 242, Rules 600 and 603 and adoption of new Rule 614 of Regulation National Market System (the "Proposal") under the Securities Exchange Act of 1934 ("Regulation NMS").<sup>1</sup>

The Capital Group Companies is one of the oldest asset managers in the United States. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. The majority of these assets consist of the American Funds family of mutual funds, which are U.S. regulated investment companies managed by Capital Research and Management Company, distributed through financial intermediaries and held by individuals and institutions across different types of accounts. The American Funds is one of the nation's oldest mutual fund families which invests approximately \$1.8 trillion in assets for more than 50 million shareholder accounts.

We commend the Commission for its thoughtful Proposal and strongly support the Commission's ongoing efforts to modernize U.S. equity market structure, including the collection and dissemination of equity market data in national market system ("NMS"). We believe that the consolidated market data available via the Consolidated Tape Association Securities Trade Processor ("SIP") is an essential feature of the U.S. securities exchange and non-exchange venue landscape. The accessibility of trade and quote data in a manner that is prompt, accurate, and reliable is critical to fair markets and contributes significantly to the United States' leading position in global equity

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<sup>1</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>.

markets. As the Proposal notes, “the structure of the equity markets has changed dramatically since the Commission adopted the rule now known as Regulation NMS in 2005.”<sup>2</sup> We agree with the Commission’s view that significant changes in market structure since the adoption of Regulation NMS require the Commission to newly address the form and content of consolidated market data distribution. We believe that any final rule should aim to create a SIP that is a viable alternative to the exchanges’ proprietary feeds.

Over the last 15 years, the discrepancy in data elements and latency between proprietary feeds and the consolidated tape has expanded such that the SIP is no longer a realistic tool for institutional investors or broker-dealers in meeting their respective best execution obligations when routing orders. We believe that the measures set forth in the Proposal are meaningful improvements to the current NMS plan and will significantly close the gap between existing proprietary feeds and the consolidated tape. We also believe that a final rule that expands core data and allows competing consolidators will allow broker-dealers to utilize the consolidated tape when routing decisions for most client orders in accordance with best execution obligations. In this regard, we generally support the comments submitted by the Investment Company Institute and offer our views on certain aspects of the Proposal in this letter.

#### Proposed Definition of “Consolidated Market Data”

We support the expansion and modernization of the content of NMS information and agree with the proposed amendment to Rule 600(b) to include core data, regulatory data, administrative data, exchange specific program data and additional data required under Rule 603(b) of Regulation NMS. Expanding the scope of NMS information will support more informed trading and reduce information asymmetries between market participants and, therefore, align the effectiveness of the SIP and proprietary feeds. Also, the addition of these elements to historical data will help enhance post trade analysis in support of best execution obligations.

#### Proposed Definition of “Core Data”

We largely agree with the proposed definition of Core Data but believe that certain adjustments would meaningfully improve the effectiveness of the Proposal.

#### *Auction Information and Depth of Book Data*

We support the addition of auction and depth of book data to the definition of Core Data. Auctions represent over 10% of US daily volume. Because auction data is only available through proprietary feeds today, in order to access this volume in an intelligent manner we must purchase data feeds directly from the exchanges. Adding this information to the SIP would be a meaningful improvement. With respect to depth

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<sup>2</sup> See Proposal, *supra* note 1.

of book data, we agree that five levels of depth as proposed is sufficient for most market participants. We believe that a firm that requires more depth is also likely to require other data elements only available from an exchange proprietary feed. Therefore, we agree that requiring five levels of depth would not, in and of itself, preclude most trading firms from using consolidated data.

### Round-Lot Data

We support updating the existing round lot definition to include smaller lot sizes for higher priced stocks but suggest consolidating the proposed definition of round lot from five tiers to three. The Commission correctly observes that odd lot trades have become an important execution consideration for all market participants, not just for retail investors. In 2019, 25% of Capital Group’s U.S. exchange executions were less than 100 shares. For shares priced over \$1,000, 65% of Capital Group’s exchange executions were for less than 100 shares and 18% of all executions were for a single share.

The Commission’s Proposal establishes five tiers within the definition of round lot with different maximum dollar values as shown in Table 1 below. We do not believe that maintaining five tiers is necessary to accomplish the Proposal’s goals, and we believe this complexity will cause confusion for market participants. We propose instead three tiers with lot sizes of 100, 10, and 1 as outlined in Table 2 below. The minimum dollar values of a round lot for the second two tiers would be \$1,000 and the maximum dollar values of a round lot for the first two tiers would be \$10,000. We believe this approach achieves the Proposal’s goal of incorporating meaningful dollar value orders into the displayed quote data while reducing the complexity of the tiers by using base 10 breakpoints for the round lot sizes and share price.

**Table 1 - Lot Sizes in the Proposal**

Proposed Round Lot	# of Stocks in Group	Minimum Stock Price	Maximum Stock Price	Minimum Lot \$ Value	Maximum Lot \$ Value
100	7,188		\$50.00		\$5,000.00
20	1,094	\$50.01	\$100.00	\$1,000.20	\$2,000.00
10	575	\$100.01	\$500.00	\$1,000.10	\$5,000.00
2	14	\$500.01	\$1,000.00	\$1,000.02	\$2,000.00
1	15	\$1,000.01		\$1,000.01	

**Table 2 - Capital Group’s Proposed Lot Sizes**

Proposed Round Lot	# of Stocks in Group	Minimum Stock Price	Maximum Stock Price	Minimum Lot \$ Value	Maximum Lot \$ Value
100	8,282		\$100.00		\$10,000.00
10	589	\$100.01	\$1,000.00	\$1,000.10	\$10,000.00
1	15	\$1,000.01		\$1,000.01	

## *Order Protection Rule ("OPR")*

The Proposal discusses at length the details of having a separate National Best Bid and National Best Offer ("NBBO") and Protected Best Bid or Offer ("PBBO"). We believe that this part of the Proposal could work as described and that it represents an improvement on the current national market system. However, we recognize several challenges to the Commission's approach and believe that extending protection under the OPR to the new round lot definitions would be a better implementation. This would avoid the complexity set forth in the Proposal creating distinct NBBO and PBBO quotes and give market participants a clearer view of market data and best execution obligations. If OPR is extended to all round lots, we support aggregating odd lots in the manner currently described for the PBBO.

## Competing Consolidators

We fully support the concept of competing consolidators set forth in the Proposal. Low latency proprietary traders with independent decision engines in different data centers will always be the fastest actors in the system; however, lessening the information asymmetry between these actors and other market participants has great value.

We believe that a market with competing data feeds will be more efficient and effective. We execute orders through broker-dealers who make real time routing decisions using a central decision-making engine – typically called a 'smart order router' or 'SOR' – in a single data center. These smart order routers are required to take in direct data feeds from all exchanges to make routing decisions. However, the current SIP is not sufficient to make these types of routing decisions, and as a result, broker-dealers are already consolidating proprietary exchange data feeds to create their own 'enhanced' SIP. The Proposal would give that function the force of regulation and put the consolidators on more equal footing with the proprietary data feeds provided by the exchanges. We believe that the Commission's Proposal, with its requirement that exchanges make the data available to any consolidator via any transmission mechanism available, furthers the goal of ensuring market data is accessible in a prompt, accurate, reliable, and fair manner.

We also support the proposed commercial competing consolidators. Different users have different needs with regards to data complexity (e.g., what data elements are included or excluded), latency and price. We do not see this as the creation of 'multiple truths' or 'multiple markets.' Because the data will also be available for post trade analysis, market participants will be able to analyze outcomes using the difference between the originating venue timestamps and the consolidator timestamps to determine if best execution obligations were fulfilled and if the speed they chose to pay for meets their needs.

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We thank the Commission for its efforts in modernizing Regulation NMS in a manner that benefits all investors and for its consideration of the above comments. If you should have any questions or wish to discuss our views on the Proposal, please feel free to contact me at [REDACTED].

Sincerely,



Peter D. Stutsman  
Global Equity Trading Manager  
The Capital Group Companies, Inc.

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

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