FACT SHEET

Nasdaq Market Data Proposals

September 2018

Building off our 2017 Blueprint to Revitalize Capital Markets, Nasdaq is proposing three reforms to market data governance we hope will inform the upcoming roundtable and advance our shared goals to make our markets fairer, more transparent, and more competitive. Nasdaq welcomes the series of market structure roundtables convening later this year by the SEC’s Division of Trading and Markets, and we hope these proposals help guide conversation, and advance our shared goals of increased transparency and enhanced access to markets and to reliable market data.

Goals of Nasdaq Proposals:

- **Enhance multi-stakeholder participation in market governance**
- **Encourage better price discovery**
- **Provide broker-dealers more clarity, choice, and flexibility**

Nasdaq Proposals:

1. **EXPAND THE AUTHORITY AND RESPONSIBILITIES OF THE SIP ADVISORY COMMITTEES**

The consolidated stock market data feed and infrastructure that links U.S. exchanges and trading systems, known as the Securities Information Processors (SIP), is governed by a committee of operating exchanges. The Advisory Committees, consisting of market participants, provide guidance to the SIP Operating Committees. SIP governance should be structured in a way that reflects a true public-interest partnership between exchanges and the industry, while also reflecting the varying degrees of legal obligations among market participants.
We propose:

- Expanding the Advisory Committees’ authority on fee and policy-related matters
- Acknowledging and mitigating potential conflicts of interest among committee members
- Providing the general investing public a voice on the Advisory Committees
- Increasing obligations to advisors to promote public transparency

2. MODIFY THE SIP REVENUE FORMULA TO INCREASE MARKET QUALITY AND STRENGTHEN “LIT” QUOTES

Quotes on public exchanges are known as “lit” quotes because they are transparent and are seen by the public and therefore help inform current prices for retail and professional investors. Additional trading—approximately 40% on any given day—takes place on off-exchange or “dark” venues, commonly known as dark pools. Our financial system is stronger when there is vibrant competition between trading platforms and when more trading happens on public, rather than on dark venues.

We propose:

- Modifying the SIP revenue allocation formula in a way that strengthens lit quotes and rewards behavior that increases market quality, tightens spreads, deepens quotes, and holds all trading platforms accountable for best execution, whether they are “lit” or “dark”

3. CLARIFY THE VENDOR DISPLAY RULE

The SEC’s Vendor Display Rule requires broker-dealers to show investors SIP data in certain circumstances. Recent SEC guidance created confusion among broker-dealers about when they must use SIP data and when they may rely on proprietary data, which is often a more economical choice, and can create value for retail investors.

We propose:

- Beginning a dialogue between the SEC, exchanges, and the investor community to remove this ambiguity
- Using the SEC’s forthcoming market data roundtable to generate more clarity about the Vendor Display Rule

A detailed discussion of these proposals, as well as of the role of vibrant exchanges in the U.S. equity markets, is available here.