SECURITIES AND EXCHANGE COMMISSION


Consolidated Tape Association; Order Approving the Twenty Third Substantive Amendment to the Second Restatement of the CTA Plan

August 11, 2015.

I. Introduction


II. Description of the Proposal

Historically, the Plan participants have not applied device fees to devices that receive consolidated volume (i.e., aggregate volume for trades taking place on all market centers under the Plan) in displays that do not also include CTA Plan prices or CQ Plan quotation information. The participants do not plan to change this policy.

However, some data redistributors include consolidated volume in displays of unconsolidated last sale prices and/or unconsolidated bid-asked quotes, such as displays of one exchange’s trade prices and quotes. The Participants believe that such displays, whether displayed internally or externally, could mislead investors regarding the nature of the information they are viewing. A significant number of data users receive proprietary trade prices and quotes. Unless the data users understand the content being displayed, they could mistakenly think that they are seeing consolidated trades and quotes because the volume is consolidated volume.

To make the displays transparent and less likely to mislead, data redistributors that include consolidated volume in displays of unconsolidated prices and quotes must incorporate into those displays the following statement (or a close iteration of the statement that the network administrator(s) have approved): “Realtime quote and/or trade prices are not sourced from all markets.”

A data redistributor must also assure that any person included in the redistribution chain starting with the data redistributor places the statement in any such display that it provides. The statement must be clearly visible to the end users so that they understand the differences in the sources of the data. In addition, data redistributors need to assure that they, and any person or entity included in the redistribution chain starting with them, clearly incorporate the display statement into any advertisement, sales literature or other material displaying CTA Consolidated Volume alongside unconsolidated prices or quotes. These requirements apply to both real-time and delayed displays of consolidated volume.

In order to ensure compliance with these requirements, all recipients of the CTA last sale price datafeed (whether directly or indirectly) must submit a declaration. The Amendment will require firms that include consolidated volume in displays of unconsolidated prices and quotes to submit to NYSE a screen print of the displays, which include the display statement. The CTA Administrator will work with firms to facilitate their compliance.

The Approving Participants’ representatives met with SIFMA and the CTA Plan’s Advisory Committee to discuss the consolidated volume requirements and responded to their questions. They shortened the display statement in response to comments and made clear that a datafeed recipient that provides an exchange’s trading volume with displays of the exchange’s trade prices and quotes is not subject to the display requirement.


3 17 CFR 242.608.

4 See Securities Exchange Act Release No. 10787 (May 10, 1974), 39 FR 17799 (declaring the CTA Plan effective). The CTA Plan, pursuant to which markets collect and disseminate last sale price information for non-NASDAQ listed securities, is a “transaction reporting plan” under Rule 601 under the Act, 17 CFR 242.601, and a “national market system plan” under Rule 608 under the Act, 17 CFR 242.608 (Rule 608(b)(1) and Rule 608(b)(2) of Regulation NMS). As a result, the Amendment must be approved by the Commission. See Letter from Emily Kasparov, Chairman, CTA Plan Operating Committee to Brent J. Fields, Secretary, Commission, dated June 17, 2015. The Amendment was originally designated as the Twenty Third Charges Amendment to the Plan. The Amendment proposed to establish a fee on data redistributors that fail to comply with the CTA Plan participants’ consolidated volume display statement, and related requirements. The non-compliance charge seeks to provide incentives for data redistributors to comply with the participants’ consolidated volume requirements. The proposed Amendment was published for comment in the Federal Register on July 10, 2015. No comment letters were received in response to the Notice. This order approves the proposed Amendment to the Plan.


7 A firm with access to CTA consolidated volume data must submit the declaration and, if applicable, the screen print within 120 days from the effective date of the amendment or within 30 days of the effective date of the firm’s market data agreement with the participants that governs its receipt of the CTA datafeed (‘‘Vendor Agreement’’). Thereafter, each firm must submit its declaration and, if applicable, its screen print annually by the 31st day of January.
In order to motivate data recipients to comply with the display statement requirements, including the requisite declarations and screen submissions, the Amendment establishes a non-compliance fee for each month of non-compliance. For each of Network A and Network B, the monthly fee is $3,000.

A datafeed recipient must submit the required screen prints upon the Amendment’s implementation date or within thirty days of the effective date of its Vendor Agreement. It must submit those screen prints (including previously provided, new, or changed screen prints) annually by the 31st day of January.

The non-compliance charges will be assessed against a data redistributor for each month in which it fails to provide the declaration or a copy of a Consolidated Volume screen print with the required display statement in a timely manner. The charge will be assessed against a data redistributor each month for non-compliance by persons in the redistribution chain starting with the data redistributor where such persons have not entered into an applicable agreement with CTA.

The Approving Participants expect the non-compliance charges to provide incentives for data redistributors to comply with the consolidated volume requirements; they do not view the non-compliance fee as establishing a new revenue source. Rather, they hope it encourages all data redistributors to submit their declarations and screen prints (where applicable) in a timely fashion. They hope that the fee will motivate non-compliant redistributors to adopt the same practices that the majority of redistributors follow.

The Approving Participants included delayed displays of consolidated volume in the Amendment to make it clear that if a data redistributor accompanies displays of real-time unconsolidated prices and quotes with delayed consolidated volume, it is subject to the new requirement.

III. Discussion

After careful review, the Commission finds that the proposed Amendment to the Plan is consistent with the requirements of the Act and the rules and regulations thereunder, and, in particular, Section 11A(a)(1) of the Act 10 and Rule 608 thereunder 11 in that it is necessary or appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanisms of, a national market system.

The proposal is consistent with Section 11A(a)(1)(C)(iii) of the Act, 12 which sets forth Congress’ finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers, and investors of information with respect to quotations and transactions in securities. These goals are furthered by the proposed changes to establish a fee that will be charged to a vendor or other data redistributor that fails to comply with the CTA Plan participants’ Consolidated Volume display statement, and related requirements. Consolidated data continues to provide a great deal of value for investors in assessing the current market for trades and the quality of the execution they receive for their trades. The Commission believes it is important for market participants to know when Consolidated Volume is displayed alongside unconsolidated prices and quotes by data redistributors. The Consolidated Volume display policy should provide greater transparency on the source of the data for users of displays that contain both consolidated and proprietary data from redistributors. Additionally, the non-compliance charge should provide incentives for data redistributors to comply with the Consolidated Volume requirement.

IV. Conclusion

It is therefore ordered, pursuant to Section 11A of the Act, 13 and the rules thereunder, that the proposed Amendment to the CTA Plan (File No. SR–CTA–2015–02) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority. 14

Jill M. Peterson,
Assistant Secretary.

[FRC Doc. 2015–2014 Filed 8–13–15; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Adopt FINRA Rule 3210 (Accounts At Other Broker-Dealers and Financial Institutions) in the Consolidated FINRA Rulebook

August 10, 2015.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”) 1 and Rule 19b–4 thereunder, 2 notice is hereby given that on July 31, 2015, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to adopt FINRA Rule 3210 (Accounts at Other Broker-Dealers and Financial Institutions) in the Consolidated FINRA Rulebook, and to delete NASD Rule 3050, Incorporated NYSE Rules 407 and 407A and Incorporated NYSE Rule Interpretations 407/01 and 407/02.

The text of the proposed rule change is available on FINRA’s Web site at http://www.finra.org, in the principal office of FINRA and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

11 17 CFR 240.608.