

Odd Lots Proposal

BACKGROUND

The following is an initial proposal from the Participants of the Nasdaq Unlisted Trading Privileges (UTP) Plan and the Consolidated Quotation (CQ) Plan, which operate the securities information processors (SIPs) that are responsible for disseminating the national best bid and national best offer (NBBO) for quotations in NMS stocks. The Participants are considering a proposal for the SIPs to disseminate certain consolidated odd lot quotation data as ancillary information on the SIP data feeds. They are seeking feedback to this initial proposal.

DETAILS

- Create separate fields in which top-of-book odd lot quotes can be represented. The fields will display odd lot information in a form that parallels, but is separate from, the NBBO fields for round lot quotes. Individual exchange odd lot bids and offers will be ranked by price, size, and time, in the same manner as for the NBBO.
 - Odd lot quotes will be ancillary information and will in no way affect how the NBBO and round lot quotes are represented.
- Each exchange will send its top-of-book odd lot quotes to the SIP in the same form in which they send their top-of-book round lot quotes to the SIP.
- The overall odd lot best bid and offer, while calculated in the same manner as the round lot NBBO, will have a unique characteristic:
 - Across exchanges, the highest odd lot bid or lowest odd lot offer will not be represented whenever it is worse than the NBBO.
- The Odd Lot Bid will have an associated Odd Lot Bid Size, and the Odd Lot Offer will have an associated Odd Lot Offer Size. Size will be represented in actual shares.
 - The odd lot size fields will have the following ranges:
 - For a security with a round lot size of 100 shares, the odd lot size fields can range from 1 share to 99 shares.
 - For a security with a round lot size of less than 100 shares, except for securities with a round lot size of one share, the odd lot size fields can range from 1 share to 1 share less than the round lot quantity.
 - For a security with a round lot size of 1 share, no odd lot representation will be provided.

- Each time an Odd Lot Bid or Odd Lot Offer is displayed in the Odd Lot NBBO-equivalent fields, it will contain the exchange character code that was the source of the best quote, based on its price, size, and time ranking, using the same methodology as is used for establishing the NBBO.
- The Odd Lot Bid field and associated size will be recalculated each time the NBB changes, and the Odd Lot Offer field and associated size will be recalculated each time the NBO changes.
- Odd lot information on the SIP will be provided for informational purposes only. It will not in any way change Regulation NMS or Regulation NMS obligations.
 - Round lot quotes will continue to be the protected quotes.
 - Odd lot quotes will not be protected in any way.
- Subscribers to the SIPs will be able to access individual odd lot quote information on an exchange-by-exchange basis. That information will include the top-of-book odd lot quotes for each exchange, and will be delivered to the SIP in the same manner as round lot quotes, except that size will be represented in individual shares.
- The FINRA Alternative Display Facility (ADF) currently has no quoting participants, but anticipates making odd lot quotation data available as ancillary information to the SIPs, as outlined above, should circumstances change.

REQUEST FOR COMMENT

The Participants of the SIP Plans encourage public comment on the proposal outlined above regarding publication of odd lot data by the SIPs. The Participants request that commenters provide empirical data or other factual support for their comments wherever possible. In addition to general comments, the Participants specifically request comment on the following questions:

- Do commenters support the publication of odd lot data by the SIPs? Why or why not? In particular:
 - Do commenters believe that this additional information will be useful to investors? If so, what types of investors (e.g., institutional, retail, etc.) would benefit from the data and in what ways?
 - Do commenters believe that publication of this additional data could potentially be confusing or otherwise problematic for investors? Is there a minimum odd lot size (e.g., 1 share for lower priced securities) where potential confusion may outweigh the benefits? Do commenters feel that notional value is important in determining the threshold of price transparency (e.g. is 2 shares in a \$2 priced stock important = \$4 of notional value)

- How would commenters anticipate using the odd lot data? For example, would market participants display this new data to their retail customers?
- Do commenters obtain and use this data from other sources today, for example from exchange proprietary data feeds? If so, would publication of the data in the SIP feeds provide an additional benefit? Would commenters use the SIP odd lot data for the same uses as data obtained from other sources today or would commenters anticipate using both the SIP and other sources for different purposes?
- How would commenters prefer to see the new odd lot data presented? Would the proposal described above to provide Odd Lot NBBO-equivalent fields be useful? Why or why not?
- Should the Participants consider any alternatives to the manner of dissemination for odd lot data described above? For example, should multiple price points of odd lots above the round lot NBBO be displayed? Should odd lots be aggregated across exchanges and displayed in total?
- Should the Participants consider any other changes to facilitate additional transparency of odd lot orders and associated market data? For example, should exchanges consider reducing the round lot size for higher-priced securities? If so, why?
- Do commenters have other proposals that may present a better solution than the proposal above? Please describe.

HOW TO COMMENT

Please submit all comments by going to the odd lots web page at www.utpplan.com/oddlots and following the instructions. The Participants request that all comments be received within 45 days from publication on the web. Details are on the web page.

All comments will be made available to the public, so commenters should submit only information that they wish to make publicly available. Anonymous comments will be accepted.

For any questions about Comment Submissions, please contact Forefront Communications at oddlotcomments@forefrontcomms.com.