



February 28, 2020

Submitted via electronic filing: www.sec.gov/rules/proposed.shtml

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

Re: 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 (File No. 4-757)

Dear Ms. Countryman:

BlackRock, Inc. (together with its affiliates, “BlackRock”)¹ appreciates the opportunity to comment on the SEC’s Proposed Order to replace the existing Equity Data Plans with a New Consolidated Data Plan, which would reform the governance of the Securities Information Processors (SIPs). For instance, as proposed, the New Consolidated Data Plan would redistribute votes from exchanges to exchange groups, formalize voting representation for Non-SRO Members, and ensure that the plan administrator remains independent of any entity that offers for sale its own proprietary market data product.

BlackRock believes that consolidated market data plays an integral role in unifying otherwise dispersed buyers and sellers across a fragmented equity ecosystem into a true national securities market. Furthermore, market data integrity promotes fair and efficient markets and facilitates the ability of broker dealers to achieve best execution for their clients. However, our current market data model is rife with inherent conflicts of interest and this has perpetuated an inequitable two-tiered system with increasing costs and administrative burdens for consumers.

BlackRock welcomes the SEC’s willingness to address such complex and multifaceted issues as the modernization of our market data system. We support the current proposal’s objective to simplify and strengthen the governance of our market data plan. However, effective governance only addresses one dimension of market data regulation. BlackRock believes that more comprehensive reforms are warranted. As such, we would encourage the Commission to enact rules to expand the content of the SIP, modernize its infrastructure, simplify the administrative burden for subscribers

¹ BlackRock is one of the world’s leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers, and other financial institutions, as well as individuals around the world. BlackRock is the investment adviser to the iShares family of exchanges-traded funds (“ETFs”). BlackRock also advises non-US ETFs.

and ensure that market data costs are fair and reasonable. We look forward to commenting further on recent SEC rule proposals which address some of these issues.²

Non-SRO Participation

As we've noted in a prior *ViewPoint*, National Market System (NMS) plan governance is long overdue for a revision to reflect the changing nature of exchanges as publicly owned companies.³ Post demutualization, exchanges have become much less representative of the wider industry, yet still retain disproportionate influence on the design and operation of NMS plans. Broadening the governance of NMS plans to include a more diverse set of market participants, including broker-dealers, investors, issuers, and vendors would make them better informed and more impartially operated. As a result, we support the provision to establish full voting representation for Non-SRO Members on the New Consolidated Data Plan.

We are concerned however that without an equitable share of the vote, the input of Non-SROs may be easily diluted. The proposed definition of an "augmented majority vote" can still be met if all exchanges act in concert to pursue an exchange-friendly agenda. Such voting bloc tendencies cannot be fully prevented without a greater share of votes allocated to Non-SROs Members. Operating committee actions should require the approval of at least some Non-SRO Members in order to ensure that the New Consolidated Data Plan addresses the needs of all market participants. Furthermore, a more meaningful share of voting rights would better reflect the significant role of Non-SROs as the suppliers of the order flow which generates market data and the primary consumers and source of funding for the SIP.

We believe that it would be important for the Non-SRO Members appointed to the New Consolidated Data Plan to have relevant industry experience or knowledge about market data infrastructure. Such credentials are essential to ensure that these individuals are qualified to responsibly exercise their duties. However, the proposed restriction that vendors, issuers, and retail investors may not be affiliated with an SRO, a broker-dealer, or an institutional investor may contravene this prudent criterion. As an example, the proposal would disallow representatives from an issuer of exchange-traded products due to their association with an institutional investor or a broker-dealer. This would eliminate from consideration issuers who have substantial industry expertise and whose securities typically represent approximately 25-30% of traded equity market value. Therefore, we would recommend that the SEC lift this restriction to permit the most qualified candidates to provide effective governance for the New Consolidated Data Plan.

Proprietary Data Feeds

The adoption of Regulation NMS permitted exchanges to distribute their own market data independently of the market data plans.⁴ But as the Commission has recognized,

² BlackRock recognizes that the SEC has also recently proposed rules to update the infrastructure for collecting, consolidating and disseminating information with respect to quotations for and transactions in NMS stocks at <https://www.sec.gov/rules/proposed/2020/34-88216.pdf>

³ BlackRock, *ViewPoint – Mark-to-market structure: An end-investor perspective on the evolution of developed equity markets*, (Feb. 2019), available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-mark-to-market-structure-an-end-investor-perspective-on-the-evolution-of-developed-equity-markets.pdf>

⁴ Securities Exchange Act Release No. 34-51808, File No. S7-10-04, 70 FR 37569 (June 29, 2005) at <https://www.govinfo.gov/content/pkg/FR-2005-06-29/pdf/05-11802.pdf>

“changes in the market have heightened an inherent conflict of interest between the Participants’ collective responsibilities in overseeing the Equity Data Plans and their individual interests in maximizing the viability of proprietary data products.”⁵ While more inclusive governance of the market data plans will help to mitigate this conflict, it cannot eliminate it entirely. The very existence of proprietary data feeds alongside a public tape creates incentives which are incompatible with promoting fair and orderly markets. As such, we believe that the Commission should re-evaluate whether the benefits of proprietary data feeds outweigh the harm that a two-tiered system inflicts upon the market. In particular, the Commission should consider whether additional non-core content such as auction imbalance information or depth-of-book data should be offered exclusively via an expansion of SIP product offerings, in lieu of private data feeds.

BlackRock thanks the Commission for the opportunity to comment on the New Consolidated Data Plan. Overall, we believe that the proposed order would improve the governance of the SIP and create a sustainable foundation for driving further accountability and transparency in our market data ecosystem. We welcome any additional questions or further discussion.

Sincerely,

Hubert De Jesus
Managing Director, Global Head of Market Structure and Electronic Trading

Joanne Medero
Managing Director, Global Public Policy

⁵ Securities Exchange Act Release No. 34-87906, File No. 4-757, 85 FR 2166 (January 14, 2020) at <https://www.govinfo.gov/content/pkg/FR-2020-01-14/pdf/2020-00360.pdf>