

# Jun 2023

## US Market Structure Monthly

### MICROSTRUCTURE OBSERVATIONS

- The average daily share volume in US equities was 11.3B shares in June 2023, up 7% month over month (MoM) but down 12% year over year (YoY).
- Trade reporting facility (TRF) share volume as a percent of total consolidated share volume was 43.1% in June 2023, almost unchanged compared to the prior month.
- Spreads in S&P 500 and Russell 2000 stocks narrowed in June 2023 relative to the prior month. Excluding the first and last half hour of the trading day, the median S&P 500 stock's spread narrowed 8% to 4.6bps in June 2023 from 5.0bps in May 2023, while the median Russell 2000 stock's spread narrowed 9% to 17.9bps in June 2023 from 19.6bps the prior month.

### US MARKET STRUCTURE NEWS

#### Republicans Request the SEC to Rescind Proposal on Exchange Definition

In a letter sent to the Securities and Exchange Commission (SEC), U.S. House Financial Services Committee Republicans asked the regulator to rescind its proposed rule to change the definition of 'exchange'. The letter cited the proposal would "stifle competition and harm digital market participants and the U.S. economy broadly." In January 2022, the SEC proposed amendments to Exchange Act Rule 3b-16 that would include "Communication Protocol Systems" within the agency's definition of an exchange. In April 2023, the SEC reopened the comment period on the proposal, as well as provided supplemental information related to cryptocurrency platforms.

Virtu Financial has submitted two comment letters on the SEC's exchange definition proposal, one in April 2022, and the second in June 2023. Virtu opposes the rule proposal, citing that the SEC exceeded its statutory authority by not conducting a sufficient economic analysis and that the SEC failed to define a key term in the proposal, "communication protocol system", leaving it open for enforcement interpretation.

<https://news.bloomberglaw.com/crypto/mchenry-tells-sec-to-rescind-proposed-definition-of-an-exchange>

<https://virtu-www.s3.amazonaws.com/uploads/documents/Virtu-Financial-Regulation-ATS-Comment-Letter-20220418.pdf>

[https://virtu-www.s3.us-east-](https://virtu-www.s3.us-east-1.amazonaws.com/uploads/documents/Virtu%20Comment%20Letter%20on%20SEC%27s%20Reg%20AT)

[1.amazonaws.com/uploads/documents/Virtu%20Comment%20Letter%20on%20SEC%27s%20Reg%20AT%20Proposal%20%2806132023%29.pdf](https://virtu-www.s3.us-east-1.amazonaws.com/uploads/documents/Virtu%20Comment%20Letter%20on%20SEC%27s%20Reg%20AT%20Proposal%20%2806132023%29.pdf)

#### SEC No Action Letter on Research Payments from MiFID II Firms Expires

The SEC allowed their MiFID II Relief no action letters to expire on July 3, 2023, barring U.S. broker dealers from accepting cash payments for research from MiFID II impacted firms unless the broker dealer is also registered as an investment advisor. The SEC originally issued their no action letters in 2017 post the changes of MiFID II which required European asset managers to pay for sell side research from their

own assets instead of through bundled brokerage commissions. SEC Commissioner Mark Uyeda issued a statement expressing disappointment in the SEC not extending their no action letters, citing concern on increased difficulty for U.S. broker dealers to provide research moving forward. Additionally, Commissioner Uyeda highlighted current European Union and United Kingdom discussions on easing the current commission unbundling requirements, and the potential best course of action for the SEC would have been to extend the no action letters considering these potential changes.

<https://www.sec.gov/news/statement/uyeda-statement-staff-no-action-letter-07-05-2023>

### **SEC Cites Recent Bitcoin ETF Applications as Inadequate**

The SEC recently informed Nasdaq and Cboe Global Markets that their spot Bitcoin ETF applications, which were filed on behalf of asset managers, were inadequate. Specifically, the SEC cited a lack of clarity on applications “shared surveillance agreement”, where surveillance would be shared by the stock exchange and the spot bitcoin trading platform. The SEC said the applications did not name the bitcoin exchange or provide enough information about the details of the surveillance agreements. The exchanges can update and refile their applications based on the SEC’s feedback.

<https://www.wsj.com/articles/sec-says-spot-bitcoin-etf-filings-are-inadequate-390336e8>

### **House Republicans Introduce Bill to Remove SEC Chair**

U.S. House of Representatives Whip Tom Emmer (R-Minn) and Representative Warren Davidson (R-Ohio) introduced the SEC Stabilization Act in mid-June. The bill would restructure the SEC by adding an additional commissioner (bringing the total to six commissioners) and establishing an executive director to oversee the agency’s operation, effectively removing the role of chairman. Each political party would hold three commissioner seats. In explaining the rationale for the bill, Mr. Emmer said the SEC chairman currently “retains a concerning level of discretion which leaves the other four commissioner positions effectively redundant.”

<https://www.pionline.com/washington/republicans-propose-removing-sec-chairman-gary-gensler-restructuring-agency>

### **Nasdaq to Acquire Financial Software Firm Adenza**

Nasdaq has agreed to acquire Adenza, a maker of software that helps manage trading, risk management, and post trade processing and regulatory reporting, for \$10.5 billion. If completed, the transaction would mark the largest acquisition in Nasdaq’s history. Adenza’s client roster includes most banks and brokerages that regulators have deemed as systematically important. The deal further diversifies Nasdaq’s revenue towards sources that are less susceptible to market volumes and volatility.

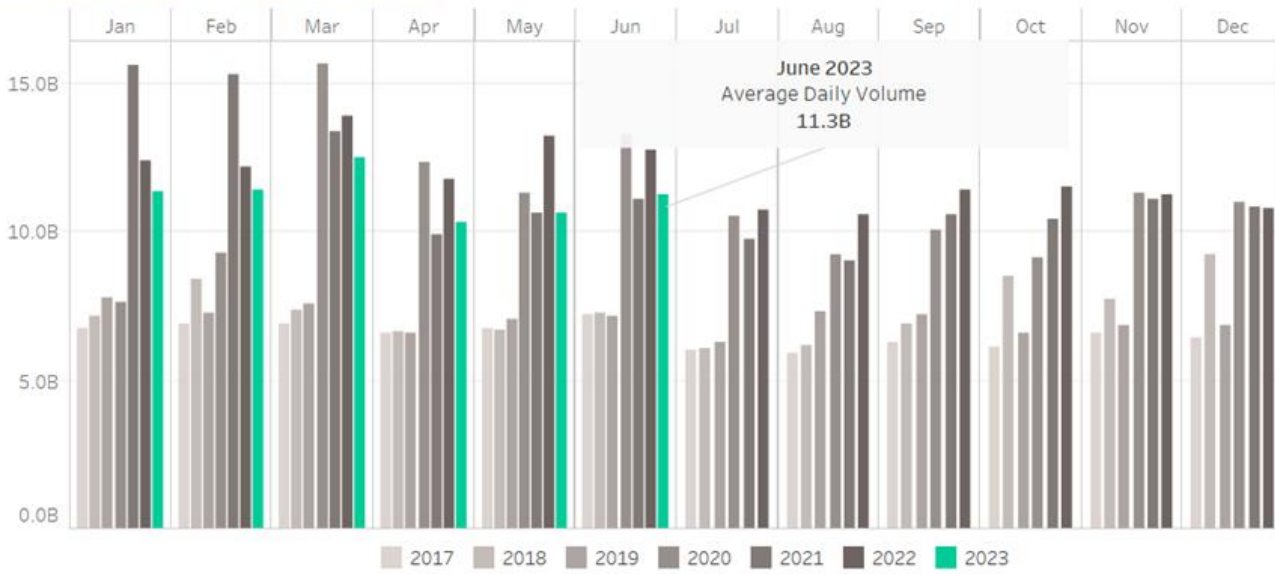
<https://www.wsj.com/articles/nasdaq-to-buy-financial-software-firm-adenza-for-10-5-billion-ec711194>

### **SEC Advisory Group Requests Name Change for Single Stock and Leveraged ETFs**

The SEC’s Investor Advisory Committee in a draft recommendation called for a name change for single stock and leveraged ETFs. The committee highlighted in its letter that single stock and leveraged ETF products have caused confusion and capital loss among retail investors due in part to these investors associating the ETF term with more standard, diversified products. According to ETF.com, four asset managers have launched 29 single stock ETFs since July 2022.

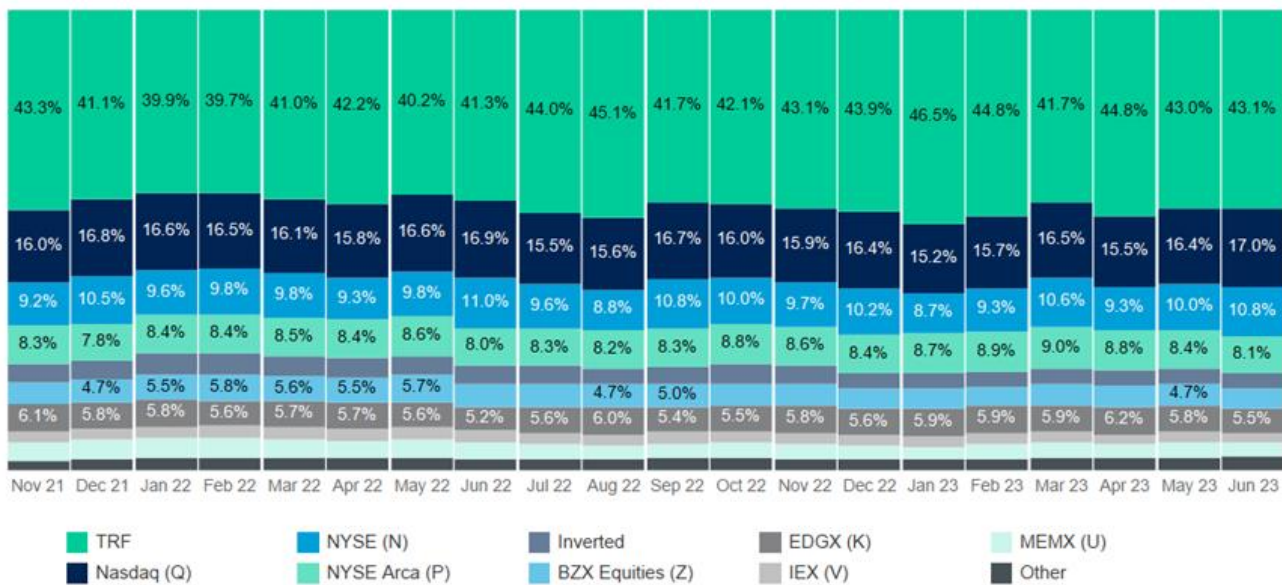
<https://www.ft.com/content/3e81d4f7-8f94-4c73-a7db-1d7c22166a74>

### Average Daily Market Volume



Source data: Cboe Global Markets

### Venue Market Share



Source data: Cboe Global Markets

### TRF Volume Breakdown

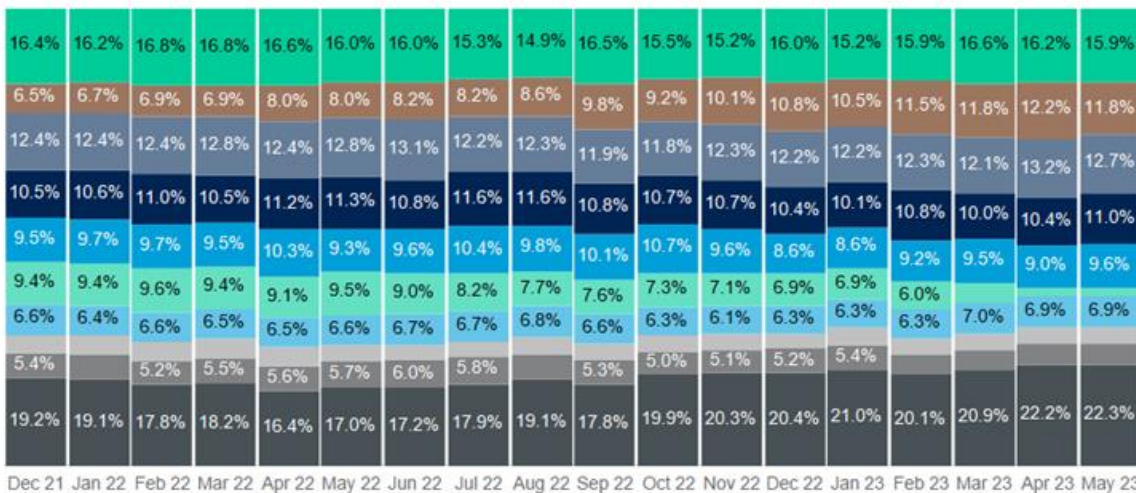
■ ATS  
■ OTC Non ATS



Tier1 and Tier2 only; Excludes Dealerweb, Source data: FINRA

### ATS Market Share

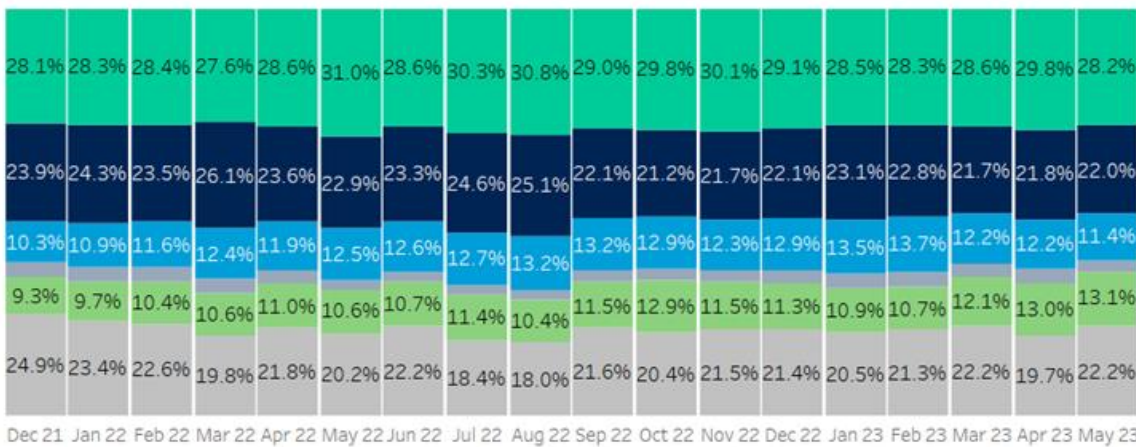
■ UBS  
■ Intelligent Cross  
■ Goldman Sachs  
■ Morgan Stanley  
■ JP Morgan  
■ Credit Suisse  
■ Level  
■ BIDS  
■ Virtu  
■ Other



Excludes Dealerweb, OTC; Venues rolled up to firm level; Source data: FINRA

### OTC Non-ATS Market Share

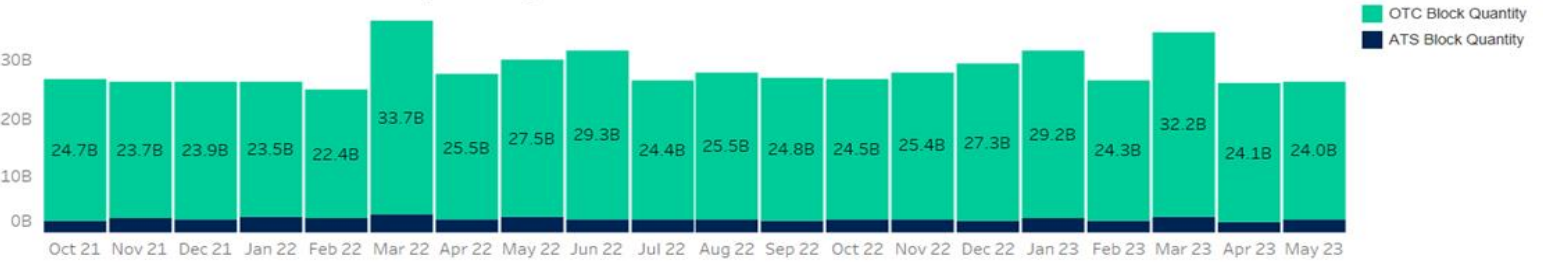
■ Citadel  
■ Virtu  
■ G1  
■ Two Sigma  
■ Jane Street  
■ Other



Source: FINRA, NMS Tier 1 & 2 Securities

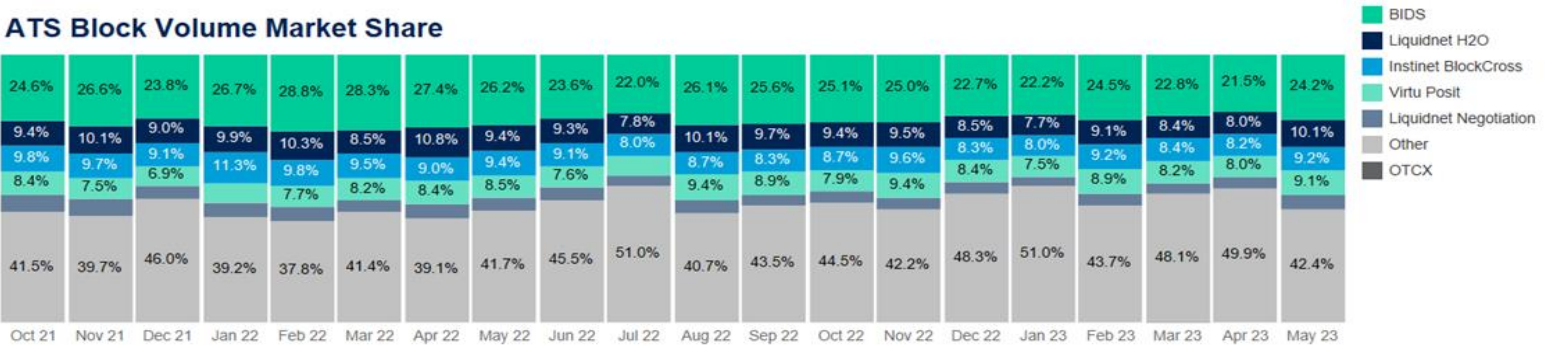


### TRF Block Volume Breakdown (Shares)



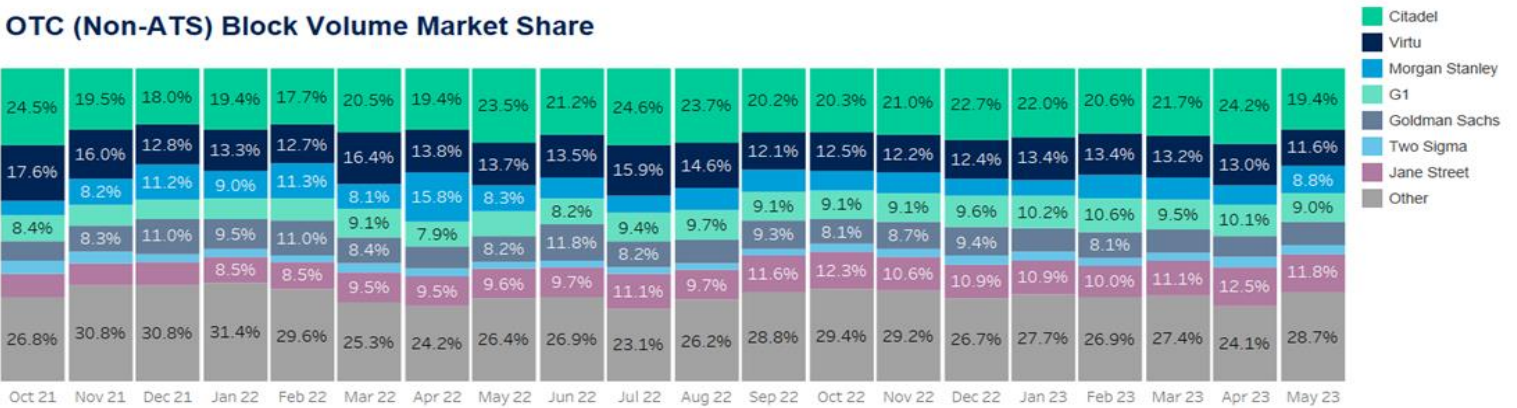
Source: FINRA

### ATS Block Volume Market Share



Excludes Dealerweb; Blocks defined as >10K shares; Source data: FINRA

### OTC (Non-ATS) Block Volume Market Share



Blocks defined as >10K shares; Source data: FINRA

## Quotesize in Shares

	2Q 22			3Q 22			4Q 22			1Q 23			2Q 23		
	Apr 22	May ..	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May ..	Jun 23
First 30 Min SP500	180	196	195	188	185	183	187	186	189	194	218	235	229	227	227
RUS2000	236	250	243	232	228	225	232	226	231	250	271	300	300	298	292
Mid Day SP500	176	186	190	181	179	184	189	192	194	199	214	228	224	217	218
RUS2000	232	234	246	237	234	235	245	248	250	257	262	279	283	280	275
Last 30 Min SP500	190	190	198	197	201	201	212	210	210	216	222	230	231	222	226
RUS2000	255	259	276	267	265	263	274	279	291	289	283	300	309	300	301

## Spread Bps

First 30 Min SP500	13.4	15.1	13.5	13.2	11.8	10.7	12.5	12.9	12.3	11.7	11.4	10.7	9.6	10.7	11.1
RUS2000	51.3	57.0	50.4	48.1	45.3	43.2	49.2	51.1	49.8	47.8	47.1	48.9	44.7	47.7	45.7
Mid Day SP500	5.5	6.5	5.7	5.2	4.7	4.9	5.4	5.5	5.1	4.9	5.0	5.1	4.4	5.0	4.7
RUS2000	22.5	25.0	21.6	20.4	19.1	18.7	19.9	21.2	18.6	18.1	18.3	19.6	18.0	19.6	18.2
Last 30 Min SP500	3.6	3.9	3.5	3.2	2.9	3.2	3.4	3.2	3.2	3.1	3.2	3.2	3.0	3.3	3.1
RUS2000	16.6	18.1	16.2	15.4	14.1	14.1	14.7	15.5	14.2	13.6	14.1	14.7	14.2	15.2	14.2

## One Minute Volatility Bps

First 30 Min SP500	20.2	24.0	21.4	20.7	15.6	17.5	20.4	17.7	14.4	14.5	13.9	14.9	12.9	13.8	14.9
RUS2000	21.7	26.9	24.1	26.6	21.0	20.8	23.1	21.4	16.2	16.2	17.0	17.2	14.6	15.9	17.1
Mid Day SP500	8.2	9.9	8.3	7.5	6.2	8.6	8.1	6.8	5.8	5.7	5.9	6.7	4.9	5.4	5.0
RUS2000	6.8	9.0	6.8	6.1	5.5	7.4	6.7	5.4	4.1	3.8	4.5	5.5	2.9	3.6	3.6
Last 30 Min SP500	9.1	10.8	9.0	7.9	6.2	9.3	8.8	7.1	6.5	6.3	6.9	7.4	5.9	6.0	5.7
RUS2000	8.8	9.8	8.1	6.9	6.2	8.9	7.2	6.8	5.7	5.4	6.9	7.9	5.4	5.9	5.9

## Percent ADV by Time of Day

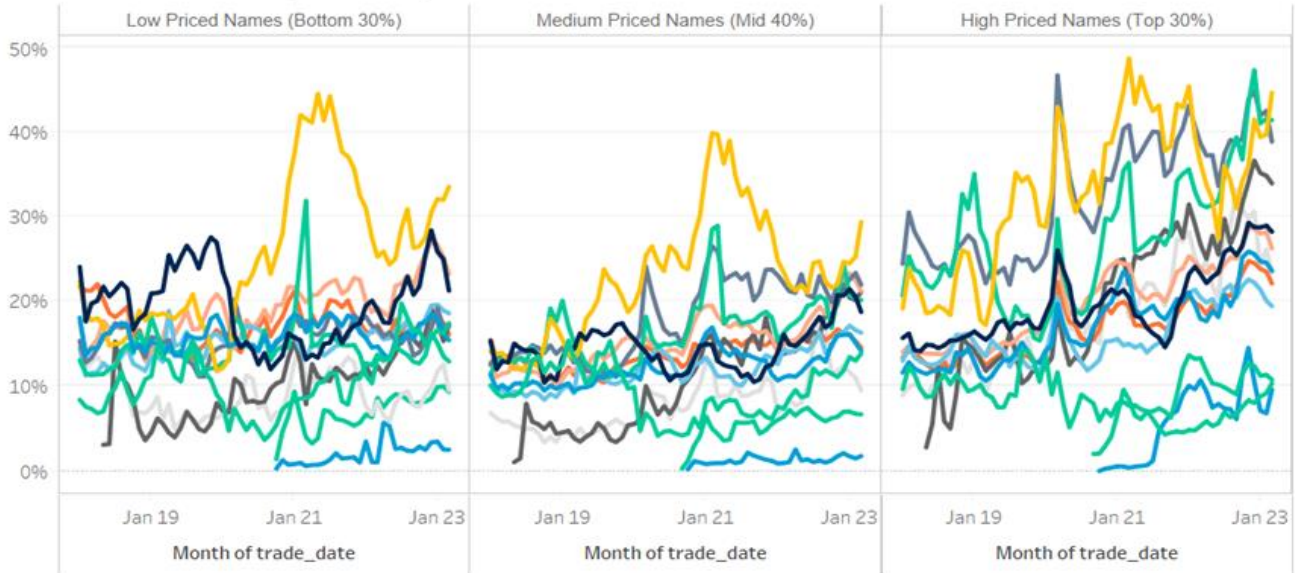
Open SP500	1.1%	1.0%	1.0%	1.1%	1.0%	0.9%	0.9%	0.9%	1.1%	0.9%	1.0%	0.9%	1.1%	1.0%	0.9%
RUS2000	0.7%	0.7%	0.7%	0.7%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.7%	0.6%
First 30 Min SP500	9.3%	9.3%	9.4%	9.8%	9.6%	9.0%	9.0%	9.2%	8.6%	8.7%	8.6%	8.5%	8.7%	8.8%	8.7%
RUS2000	7.6%	8.2%	7.6%	8.1%	8.2%	7.4%	7.6%	7.5%	7.2%	7.5%	7.5%	7.2%	7.3%	7.5%	7.3%
Last 30 Min SP500	19.0%	18.6%	19.2%	18.6%	18.8%	18.7%	18.8%	18.7%	19.0%	19.3%	19.3%	18.7%	19.4%	18.9%	18.8%
RUS2000	19.6%	19.7%	19.8%	20.3%	20.4%	20.1%	20.0%	21.0%	20.0%	20.3%	20.6%	19.9%	20.4%	19.9%	19.8%
Close SP500	11.8%	10.9%	13.1%	12.5%	11.9%	12.3%	11.9%	11.6%	14.7%	12.9%	12.2%	13.4%	13.6%	12.9%	14.6%
RUS2000	10.6%	9.1%	10.8%	11.8%	10.4%	11.4%	11.6%	10.4%	11.9%	10.7%	11.0%	11.4%	11.8%	11.0%	12.2%

Median used for all metrics

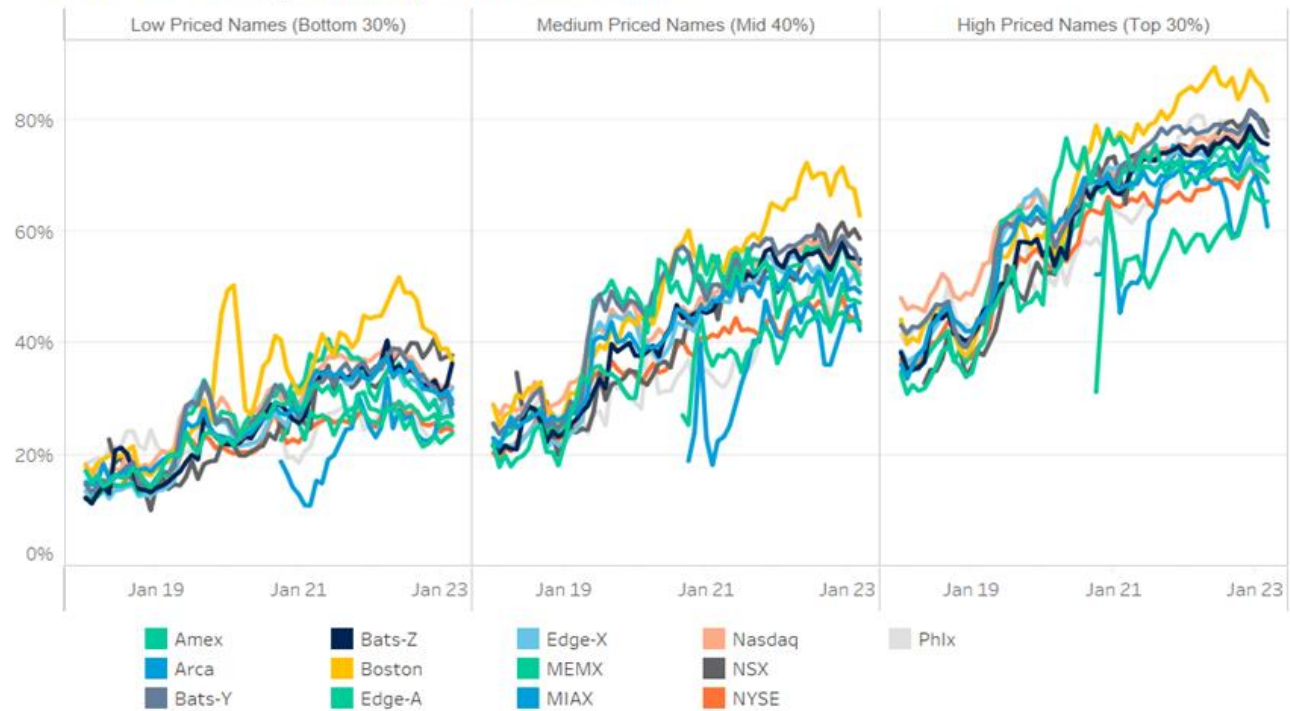
One minute volatility is calculated using the difference between the high and low price within a one minute time bin, divided by that bin's VWAP

Source data: Virtu Financial

### Hidden Trades Proportion by Price and Venue



### Oddlot Trades Proportion by Price and Venue



Source data: SEC



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