

# Jun 2024

## US Market Structure Monthly

### MICROSTRUCTURE OBSERVATIONS

- The average daily volume in US equities was 11.9B shares in June 2024, down 5% month over month (MoM) but up 5% year over year (YoY).
  - Volume in sub \$1 dollar stocks as a percent of total consolidated share volume was 16% in June 2024, down from 24% in May and up from 12% in June 2023.
- Trade reporting facility (TRF) share volume as a percent of total consolidated share volume fell to 46.1% in June 2024, down from 46.9% the prior month.
- Quoted spreads in both S&P 500 and Russell 2000 stocks widened in June to their highest levels in 2024. Excluding the first and last half hour of the trading day, the median S&P 500 stock's spread increased to 5.2bps in June, from 4.7bps the prior month, while the median Russell 2000 stock's spread increased to 20.5bps in June from 19.2bps the prior month.

### US MARKET STRUCTURE NEWS

#### **Supreme Court Limits Enforcement Power of SEC In-House Tribunals**

The U.S. Supreme Court, in a 6-3 decision split along political lines, said that the Securities and Exchange Commission's (SEC) use of in-house tribunals to seek civil penalties violated the right to a jury trial enshrined in the Seventh Amendment of the Constitution. The SEC historically has been able to sue defendants in either federal court or in the agency's internal venue, where an administrative judge can impose fines or other financial punishments. After the 2008 financial crisis, Congress authorized a change that allowed the SEC to try any defendant in their in-house tribunals, expanding its usage from just stockbrokers and financial companies. Detractors of the SEC's in-house proceedings have argued that defendants do not have the same rights as the SEC to challenge the commission's witnesses and evidence.

<https://www.wsj.com/us-news/law/supreme-court-curbs-secs-enforcement-powers-d88fb59c>

<https://www.nytimes.com/2024/06/27/us/politics/supreme-court-sec-tribunal.html>

#### **SEC to Repropose Plan on Swing Pricing for Open-End Funds**

The SEC, in its rulemaking agenda released on July 8<sup>th</sup>, said that Commission staff is preparing to recommend reproposing rules that would require asset managers of open-ended mutual funds to invoke swing pricing during periods of high redemptions. Swing pricing allows asset managers to adjust the net asset value up or down of a fund when inflows and outflows meet certain thresholds, allowing the fund to impose a higher cost on investors redeeming shares in times of stress and protecting remaining shareholders. Critics of the original proposal from November 2022 said swing pricing would harm investors and exacerbate moves to low-cost ETFs from mutual funds, while the SEC argued the proposal would bolster markets in times of high volatility. Last year, the SEC scrapped plans for a similar rule proposal for money market funds.

<https://www.reuters.com/markets/us/wall-st-regulator-re-propose-swing-pricing-rule-open-end-funds-2024-07-08/>

### **Coinbase Sues SEC and FDIC on Freedom of Information Act Requests**

Cryptocurrency exchange Coinbase sued the SEC and the Federal Deposit Insurance Corporation (FDIC), accusing the agencies of overregulation and failing to respond to Freedom of Information Act (FOIA) requests. The lawsuit seeks to grant access to internal SEC and FDIC records related to restricting crypto firms from accessing the federal banking system. Specifically, Coinbase is looking for information related to SEC investigations into crypto firms between 2018 and 2024, including the recently closed probe into the Ethereum blockchain network, as well detail on “pause letters” sent by the FDIC to banks to pause activity with any crypto firms until further regulatory guidance was provided.

<https://finance.yahoo.com/news/coinbase-sues-sec-fdic-clarity-162537974.html>

<https://www.foxbusiness.com/markets/coinbase-sues-sec-fdic-information-relating-crypto-regulation>

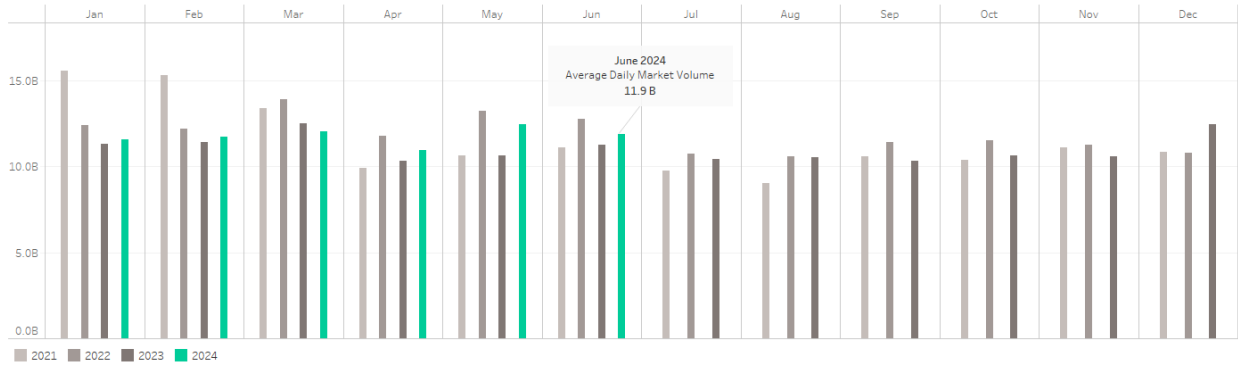
## **VIRTU COMMENTS LETTERS**

### **Virtu Requests the SEC to Re-Propose and Re-Open Comment Period on Market Structure Proposals**

Virtu submitted a comment letter to the SEC on June 21, 2024, requesting that the Commission refrain from proceeding with the rule-making process related to the three market structure proposals from December 2022 (Regulation Best Execution, Order Competition Rule, and Minimum Pricing Increments, Access Feed, and Transparency of Better Priced Orders). Virtu proposes that the Commission should wait one year after the new Rule 605 Amendments have in place before proceeding on the other three market structure proposals. The additional time would allow the Commission to gather sufficient data on the effect of the Rule 605 Amendments on other aspects of market competition. Alternatively, Virtu requests that the Commission re-open the comment period for the three market structure proposals, allowing for further comment considering the recent Rule 605 Amendments.

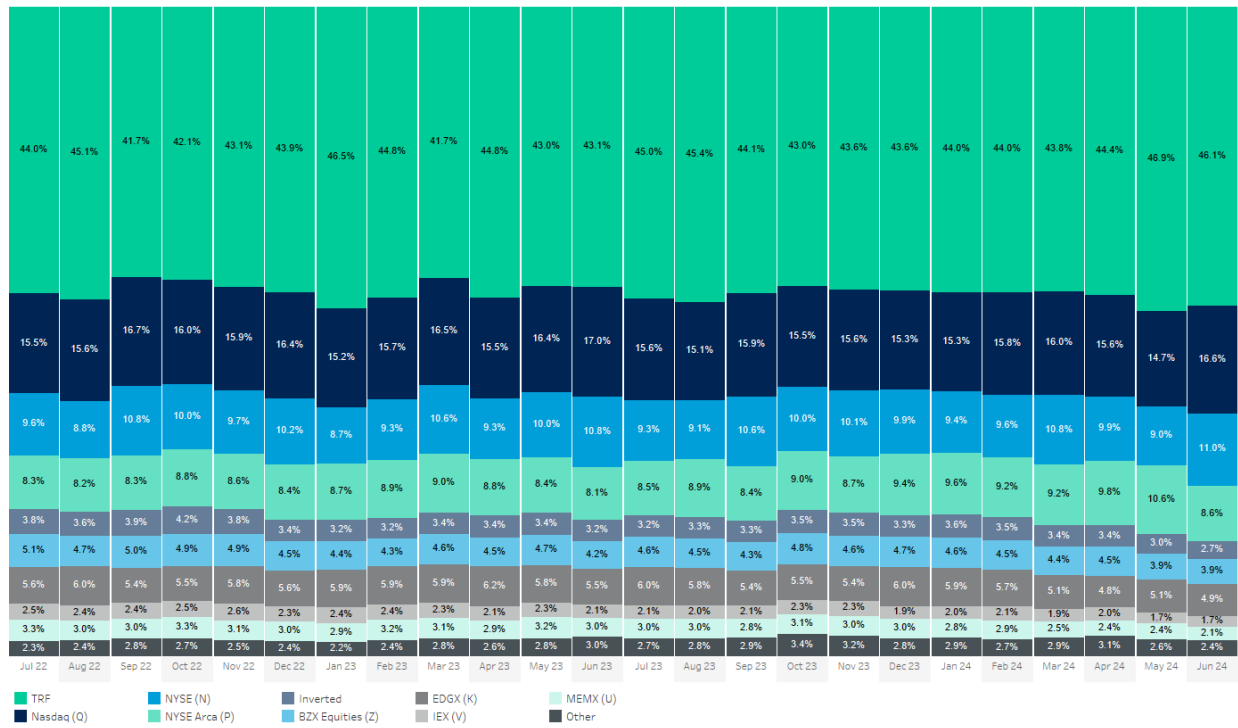
<https://virtu-www.s3.us-east-1.amazonaws.com/uploads/documents/Virtu%20Letter%20re%20Re-Proposal%20and%20ReOpening%20Comment%20Period%20286.21.2024%29%20%5BEXECUTED%5D.pdf>

### Average Daily Market Volume



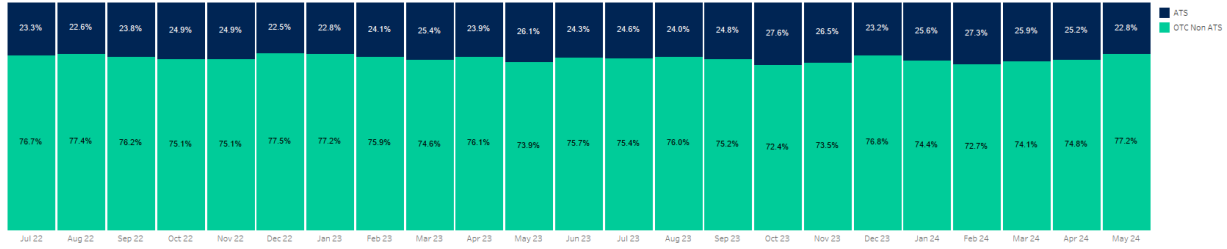
Source: Cboe Global Markets

### Venue Market Share



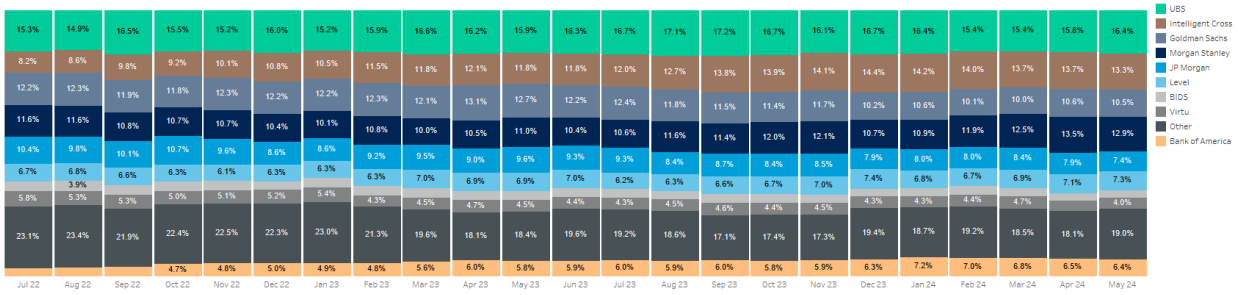
Source: Cboe Global Markets

### TRF Volume Breakdown



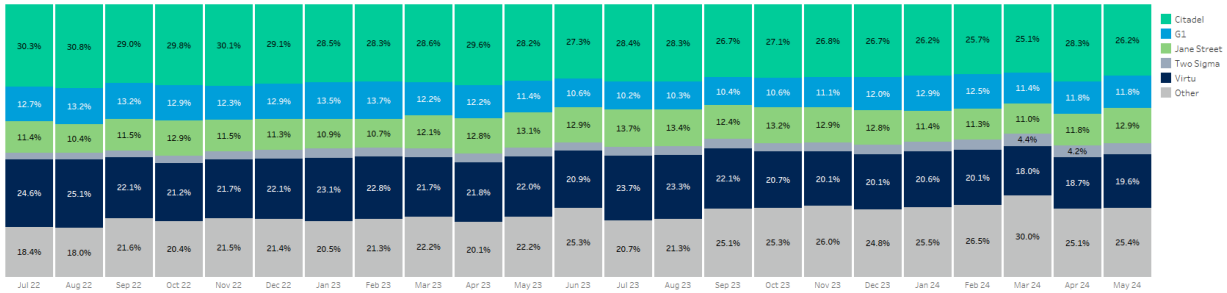
NMS Tier 1 & 2 Securities; Excludes Dealerweb  
Source: FINRA

### ATS Market Share



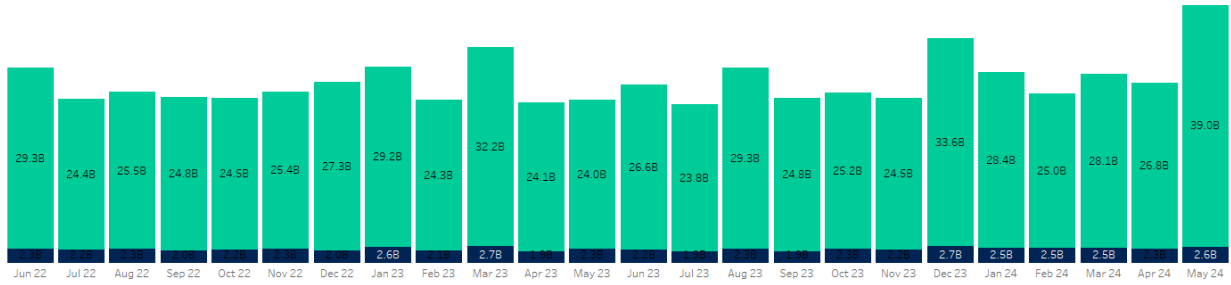
Excludes Dealerweb and OTC; Venues rolled up to firm level  
Source: FINRA

### OTC Non-ATS Market Share



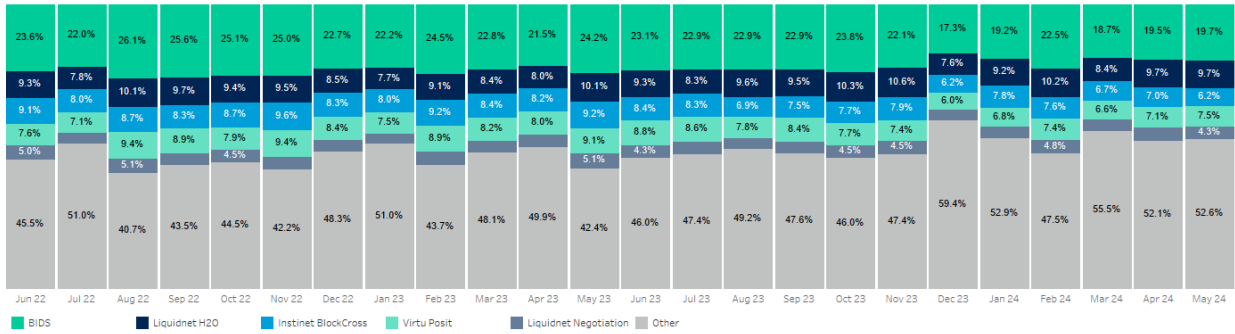
NMS Tier 1 & 2 Securities  
Source: FINRA

### TRF Block Volume Breakdown (Shares)



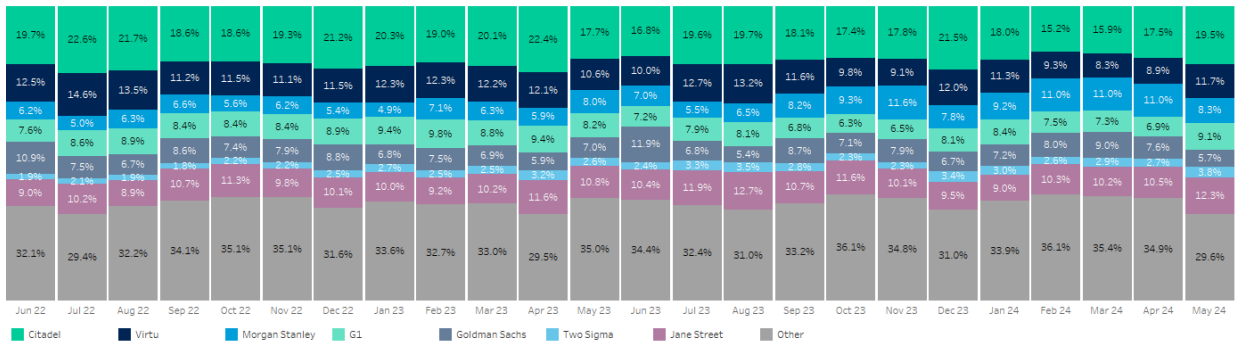
■ OTC Block Quantity ■ ATS Block Quantity

### ATS Block Volume Market Share



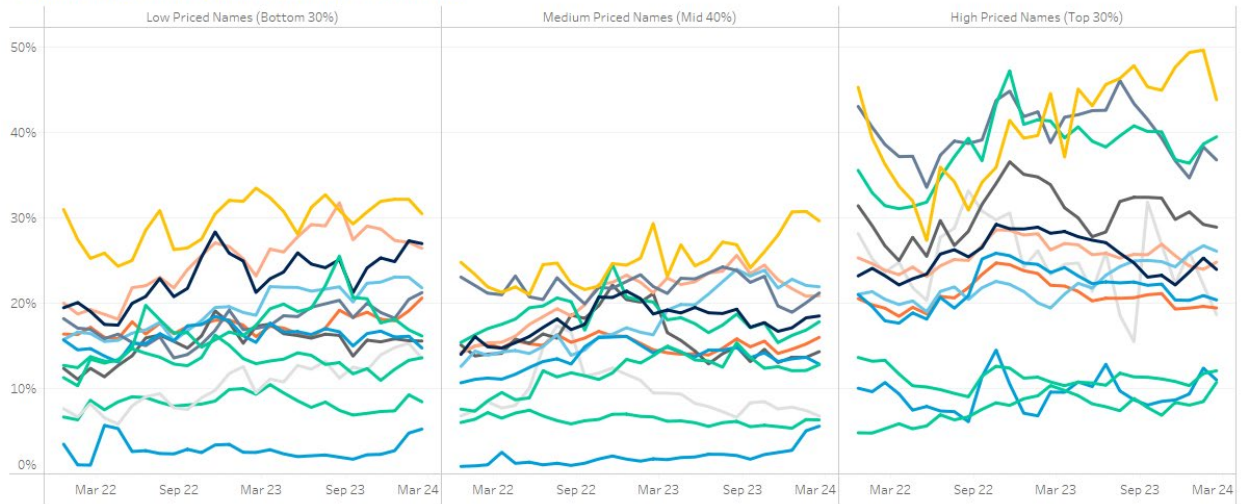
Excludes Dealerweb; Blocks defined as >10K shares  
Source: FINRA

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

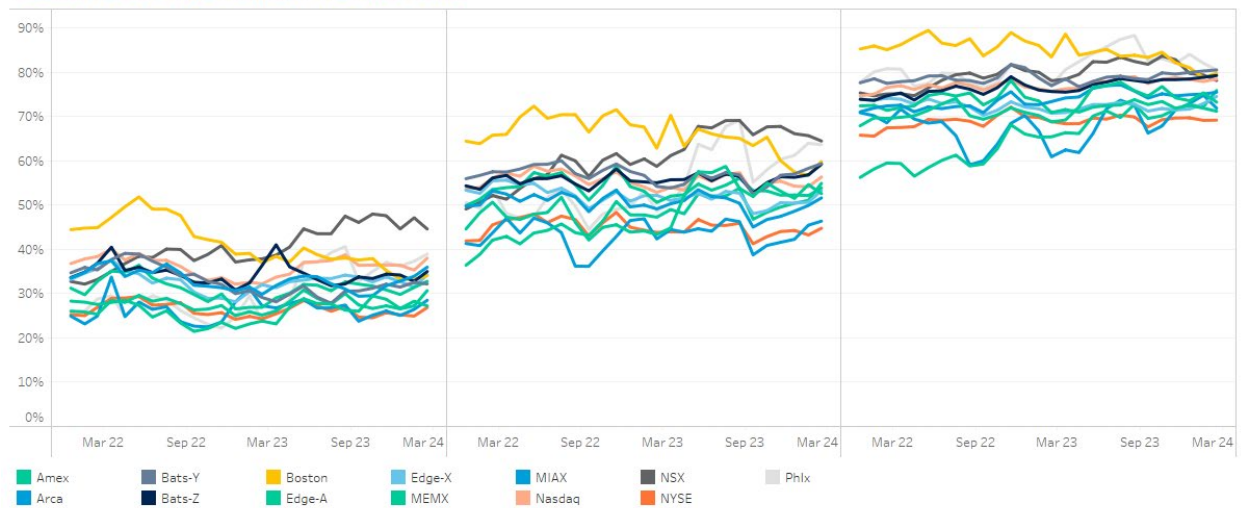


Blocks defined as >10K shares  
Source: FINRA

### Hidden Trades Proportion by Price and Venue



### Oddlot Trades Proportion by Price and Venue



Source: SEC

### Quotesize in Shares

		3Q 22			4Q 22			1Q 23			2Q 23			3Q 23			4Q 23			1Q 24			2Q 24		
		Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24
First 30 Min	SP500	188	185	183	187	186	189	194	218	235	229	227	226	222	224	222	230	236	243	247	240	240	239	236	240
	RUS2000	232	228	225	232	226	231	250	271	300	300	298	290	278	288	288	300	301	307	306	300	295	293	285	293
Mid Day	SP500	181	179	184	189	192	194	199	214	228	224	217	216	213	212	211	211	220	224	221	218	220	219	221	223
	RUS2000	237	234	235	245	248	250	257	262	279	283	280	275	270	275	283	286	300	300	294	283	288	287	292	300
Last 30 Min	SP500	197	201	201	212	210	210	216	222	230	231	222	226	222	212	217	212	226	227	222	221	221	217	221	222
	RUS2000	267	265	263	274	279	291	289	283	300	309	300	304	289	288	303	316	331	318	314	304	302	306	314	317

### Spread Bps

First 30 Min	SP500	13.2	11.8	10.7	12.5	12.9	12.3	11.7	11.4	10.7	9.6	10.7	10.9	10.1	10.8	10.3	12.4	11.7	10.8	11.6	11.6	11.4	11.8	11.7	13.1
	RUS2000	48.1	45.3	43.2	49.2	51.1	49.8	47.8	47.1	48.9	44.7	47.7	45.4	40.3	40.8	39.4	45.6	48.1	44.8	43.6	43.9	43.4	42.9	44.0	50.7
Mid Day	SP500	5.2	4.7	4.9	5.4	5.5	5.1	4.9	5.0	5.1	4.4	5.0	4.6	4.2	4.8	4.6	5.4	5.0	4.4	4.2	4.4	4.4	5.0	4.7	5.2
	RUS2000	20.4	19.1	18.7	19.9	21.2	18.6	18.1	18.3	19.6	18.0	19.6	17.8	16.3	17.2	17.4	20.4	20.6	19.2	18.1	18.7	17.9	18.9	19.2	20.5
Last 30 Min	SP500	3.2	2.9	3.2	3.4	3.2	3.2	3.1	3.2	3.2	3.0	3.3	3.0	2.8	3.1	3.1	3.3	3.1	2.9	2.8	2.9	3.0	3.2	3.1	3.4
	RUS2000	15.4	14.1	14.1	14.7	15.5	14.2	13.6	14.1	14.7	14.2	15.2	13.8	13.0	13.3	13.2	14.4	14.7	13.9	13.0	13.5	13.3	14.5	14.4	15.5

### One Minute Volatility Bps

First 30 Min	SP500	20.7	15.6	17.5	20.4	17.7	14.4	14.5	13.9	14.9	12.9	13.8	14.8	14.6	12.7	12.3	16.4	13.7	12.0	13.5	13.7	13.3	12.6	11.0	11.8
	RUS2000	26.6	21.0	20.8	23.1	21.4	16.2	16.2	17.0	17.2	14.6	15.9	16.5	16.2	15.1	14.0	17.6	17.6	16.3	16.1	15.4	14.8	11.8	11.1	10.2
Mid Day	SP500	7.5	6.2	8.6	8.1	6.8	5.8	5.7	5.9	6.7	4.9	5.4	4.8	4.6	4.9	4.1	6.2	4.9	4.3	4.6	4.8	4.6	4.9	3.5	3.5
	RUS2000	6.1	5.5	7.4	6.7	5.4	4.1	3.8	4.5	5.5	2.9	3.6	3.3	3.0	2.8	1.5	3.2	2.4	2.8	2.9	3.6	2.7	2.4	1.5	1.0
Last 30 Min	SP500	7.9	6.2	9.3	8.8	7.1	6.5	6.3	6.9	7.4	5.9	6.0	5.5	5.4	5.7	5.1	6.3	5.3	5.0	5.3	5.7	5.9	6.4	5.0	5.1
	RUS2000	6.9	6.2	8.9	7.2	6.8	5.7	5.4	6.9	7.9	5.4	5.9	5.2	4.9	5.0	3.8	4.5	4.5	5.6	5.0	5.8	6.1	5.8	5.0	4.3

### Percent ADV by Time of Day

Open	SP500	1.1%	1.0%	0.9%	0.9%	0.9%	1.1%	0.9%	1.0%	0.9%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	RUS2000	0.7%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.7%	0.6%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%	0.9%	0.8%	0.8%	0.7%	0.8%	0.8%
First 30 Min	SP500	9.8%	9.6%	9.0%	9.0%	9.2%	8.6%	8.7%	8.6%	8.5%	8.7%	8.8%	8.7%	9.1%	8.4%	8.1%	8.1%	8.5%	8.0%	8.3%	8.6%	8.8%	7.9%	8.1%	7.7%
	RUS2000	8.1%	8.2%	7.4%	7.6%	7.5%	7.2%	7.5%	7.5%	7.2%	7.3%	7.5%	7.3%	7.5%	7.3%	6.9%	6.4%	7.0%	6.9%	7.7%	7.5%	7.4%	6.4%	6.7%	6.4%
Last 30 Min	SP500	18.6%	18.8%	18.7%	18.8%	18.7%	19.0%	19.3%	19.3%	18.7%	19.4%	18.9%	18.8%	19.2%	20.3%	20.1%	19.5%	19.1%	19.2%	19.1%	19.0%	19.0%	19.9%	20.2%	19.7%
	RUS2000	20.3%	20.4%	20.1%	20.0%	21.0%	20.0%	20.3%	20.6%	19.9%	20.4%	19.9%	20.1%	20.3%	20.8%	21.3%	20.9%	20.6%	20.1%	19.6%	20.3%	19.9%	20.7%	21.0%	21.3%
Close	SP500	12.5%	11.9%	12.3%	11.9%	11.6%	14.7%	12.9%	12.2%	13.4%	13.6%	12.9%	14.1%	13.4%	13.8%	16.3%	13.7%	14.7%	16.2%	15.3%	14.2%	14.4%	15.1%	15.7%	17.0%
	RUS2000	11.9%	10.4%	11.4%	11.6%	10.4%	11.9%	10.7%	11.0%	11.4%	11.8%	11.0%	11.7%	11.6%	11.7%	14.5%	14.5%	13.3%	14.2%	13.8%	13.8%	12.2%	15.0%	14.0%	13.8%

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: Virtu Financial

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