

Mar 2023

US Market Structure Monthly

MICROSTRUCTURE OBSERVATIONS

- The average daily share volume in US equities was 12.5B shares in March 2023, which was up 10% month over month (MoM) but down 10% year over year (YoY).
- Trade reporting facility (TRF) share volume as a percent of total consolidated share volume decreased 3.1% MoM to 41.7% in March 2023.
- Spreads in S&P 500 and Russell 2000 stocks widened in March 2023 compared to the prior month. Excluding the first and last half hour of the day, the median S&P 500 stock's spread increased 2% to 5.1bps in March, from 5.0bps in February 2023, while the median Russell 2000 stock's spread widened 7% to 19.6bps in March 2023, from 18.3bps the prior month.

VIRTU FINANCIAL COMMENT LETTERS

Virtu Submits Comment Letters to the SEC in Response to its December 2023 Market Structure Proposals

Virtu submitted comment letters on each of the SEC's four market structure rule proposals. Virtu's comment letters request the SEC to:

1. First, enhance Rule 605, update round lot definitions, and publish best odd lot quotes.
2. After enhancing Rule 605, the SEC should pause to study and assess market quality based on the newly collected data from the Rule 605 enhancements before determining whether to move forward with the other Proposals. If, after reassessing, the SEC wants to change tick sizes or fees, the SEC should use a multi-factor criteria to determine which stocks are tick constrained and then conduct tests to see how reducing ticks to ½ penny (and similar fee reductions) impacts liquidity and competition in the market.
3. The SEC should:
 - a. Not create rules to restrict trading increments
 - b. Not move forward with its auction proposal
 - c. Work with FINRA and the industry to make changes to FINRA's Best Ex rule rather than adopting an SEC rule.

Read the full comment letters here:

- [Virtu Comment Letter on SEC's Proposed Amendments to Regulation NMS](#)
- [Virtu Comment Letter on SEC's Proposed Amendments to Enhance Disclosure of Order Execution Information](#)
- [Virtu Comment Letter on SEC's Proposed Regulation Best Execution](#)
- [Virtu Comment Letter on SEC's Proposed Order Competition Rule](#)

Virtu Submits Joint Letter to the SEC in Response to its December 2023 Market Structure Proposals

Virtu Financial, along with Cboe Global Markets, T. Rowe Price, State Street Global Advisors, and UBS Securities, submitted a comment letter on the SEC's December 2023 market structure proposals. The recommendations made in the joint letter echo the views expressed by Virtu in the company's stand-alone comment letters referenced above.

[Joint Comment Letter on SEC Proposals by Cboe, State Street, T. Rowe Price, UBS, and Virtu](#)

US MARKET STRUCTURE NEWS

SEC Market Structure Proposal Comment Period Ends

The comment period for the Securities and Exchange Commission's (SEC) four market structure rule proposals, originally released in December 2022, ended on March 31, 2023. Many large asset managers, including Blackrock, Fidelity, State Street Global Advisors, Capital Group, and T. Rowe Price as well as exchanges, including NYSE, Nasdaq, and Cboe submitted letters voicing concern on the rule proposals. Virtu Financial also submitted comment letters on each of the four SEC proposals. Please see the [Virtu Comment Letters](#) webpage for more detail.

<https://www.sec.gov/newsroom/market-structure-proposals-december-2022>

<https://www.ft.com/content/0331ce82-0411-408e-a81b-a1963ccc44a6>

SEC Plans Lawsuit Against Coinbase

Coinbase, the largest U.S. cryptocurrency exchange, said it received a Wells notice from the SEC, informing the exchange that the SEC plans to take enforcement action against the company. The SEC's notice highlighted certain aspects of Coinbase's business, including assets listed on its exchange, its wallet service, and its Coinbase Earn service, which allows Coinbase customers to earn rewards in return for locking their crypto assets for a period of time to help facilitate transactions on the underlying blockchain network.

<https://www.wsj.com/articles/sec-plans-lawsuit-against-coinbase-according-to-exchange-624f3a69>

CFTC Sues Binance for Evading U.S. Rules

The Commodity Future Trading Commission (CFTC) sued Binance Holdings LTD, the largest cryptocurrency exchange globally, for allegedly maintaining an illegal presence in the U.S. and violating rules designed to prevent illegal financial activity. The CFTC lawsuit alleges that Binance has established a long running pattern of hiding conflicts of interest and illegal activity, and claims that Binance's CEO, Chagpeng Zhao, was aware of the issues but failed to effectively supervise the conduct.

<https://www.wsj.com/articles/cftc-sues-binance-holdings-in-chicago-federal-court-4280ada3?>

SEC Proposes Rules on Data Protection and Market Resiliency

The SEC [proposed new rules](#) on protecting consumer financial data, preventing hacking at stock exchanges and broker dealers, and enhancing market infrastructure resiliency. Among other things, the proposed rules would require broker dealers and money managers to maintain programs to detect and respond to unauthorized data access and the notify affected customers in 30 days. Additionally, broker dealers and exchanges would be required to maintain cybersecurity risk policies and notify the SEC immediately of significant incidents. The proposals are now available for public comment.

<https://www.reuters.com/legal/transactional/wall-street-regulator-unveils-new-hacking-data-market-resiliency-rules-2023-03-15/>



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