

# June 2021

## US Market Structure Monthly



### US Market Microstructure Observations

- The average daily volume in US equities was 11.1B shares in June 2021, up 4.7% month over month while down 15.3% year over year.
- Trade reporting facility (TRF) market share bounced back slightly, increasing 1.4% month over month to 43.8% in June 2021.
- Spreads for the S&P500 symbol narrowed for the first time to below pre-COVID levels. Excluding the first and last half hour of the day, median spreads decreased by 18.6% and 20.3% month over month for S&P 500 and RUS 2000 symbols, respectively, in June 2021.
- Consistent with the trends in spreads, intraday volatility dropped by 26.2% and 24.6% month over month for S&P 500 and RUS 2000 symbols, respectively, in June 2021.
- The proportion of volume traded in the closing auction for S&P 500 and RUS 2000 symbols increased by 1.2% and 1.3% in June 2021, respectively

### Market Structure News

#### **SEC Chairman Gensler Outlines Broad Examination of Market Structure**

Speaking at an industry conference, SEC Chairman Gensler outlined plans for a broad examination of US market structure, including:

1. Whether individual investors might get better prices if more trading was done on public exchanges, versus the current system where retail orders are handled by wholesalers through payments for order flow
2. Whether the NBBO is a complete enough representation of the market
3. Rule changes related to how exchanges and brokers price shares
4. Rule changes governing minimum price increments on exchanges
5. Rule changes surrounding exchange rebates
6. Regulation of trading apps to curb 'gamification' of trading

<https://www.wsj.com/articles/sec-pursuing-broad-review-of-stock-market-structure-chairman-says-11623256566>

#### **SEC Calls for New Restrictions on Executive Stock-Trading Plans**

The SEC is drafting a proposal to revise the 10b5-1 plans, that corporate insiders use to avoid insider-trading claims when trading their own company's stock. Analysts believe the SEC's refinement of the plan could include a waiting time of several months between plan setup and trading, limitations on plan cancellations or modifications, increased disclosure on plan adoption and changes, and curbing the number of plans that executives can setup.

<https://www.wsj.com/articles/secs-gary-gensler-speaks-at-wsj-event-11623070099>

#### **SEC Considers Shortening Window to Disclose Large Stakes in Companies**

The SEC is considering shortening the disclosure deadline for investors when they amass an ownership stake of more than five percent of a company's stock. Currently, investors have ten days to disclose their large stakes through filing form 12-D. Many critics of the current rule believe that the ten-day window, which was set 50 years ago, is outdated.

<https://www.wsj.com/articles/sec-considers-shortening-10-day-window-for-investors-to-disclose-large-stakes-in-companies-11624477468?st=jf2gfb3jex96m8s&reflink=e2twmkt>



## Market Structure News Continued

### **Robinhood CEO Says Exchanges Should Be Allowed to Quote in Hundredths of a Penny**

Posting on the company blog, Robinhood CEO Vlad Tenev suggested an amendment to the Sub-Penny Rule (SEC Rule 612) that would allow exchanges to quote prices up to four decimal places for all stocks. Enacted in 2005, Rule 612 restricts sub-penny pricing for stocks that trade above \$1. According to the blog post, removal of the sub-penny limitation and lower fees for retail orders could lead to a tighter NBBO, better retail execution quality, more transparency and more retail orders executed on lit markets.

<https://blog.robinhood.com/news/2021/6/24/the-sub-penny-opportunity>

### **SEC Names New Jersey Attorney General as Enforcement Director**

New Jersey Attorney General Gurbir Grewal will lead the SEC's enforcement division. Previously, Mr. Grewal has worked on a range of issues, including a role as a federal prosecutor leading a unit that investigated white-collar crimes.

<https://www.bloomberg.com/news/articles/2021-06-29/sec-names-n-j-attorney-general-grewal-as-enforcement-director>

### **SEC Appoints New Trading and Markets Director**

The SEC appointed David Saltiel as acting Director of the Division of Trading and Markets, which provides oversight of exchanges, securities firms, self-regulatory organizations and clearing agencies. Previously, Mr. Saltiel was Head of the Office of Analytics and Research in the SEC Division of Trading and Markets.

[https://www.securitiesfinancetimes.com/securitieslendingnews/peoplemovesarticle.php?article\\_id=224776](https://www.securitiesfinancetimes.com/securitieslendingnews/peoplemovesarticle.php?article_id=224776)

### **SEC Delays Ruling on Bitcoin ETF**

The SEC announced that it will seek more public comment on a proposal to list a Bitcoin-underlying ETF on Cboe Global Markets Inc, delaying the decision to later this year.

<https://www.bloomberg.com/news/articles/2021-06-16/sec-seeks-more-comment-on-vaneck-bitcoin-etf-delaying-decision>

### **FINRA Proposes New Rules on Short Sell Disclosures**

In an effort to enhance transparency on short sale interest, the Financial Industry Regulatory Authority (FINRA) proposed changes to its short-interest reporting requirements (Rule 4560) to increase the frequency of short-interest reports and to require reporting of synthetic short exposure.

<https://www.reuters.com/business/wall-street-body-proposes-new-rules-short-positions-stock-loans-2021-06-07/>

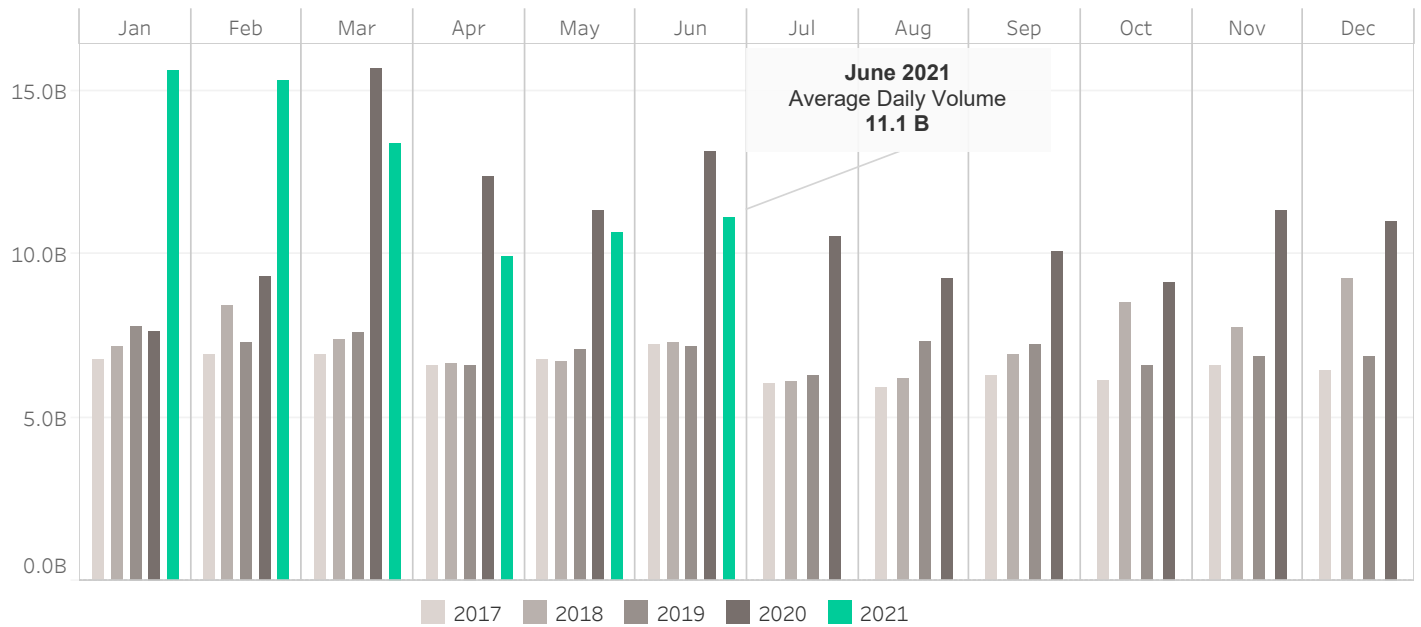
### **SEC Closely Monitoring Activity in Meme Stocks**

Amid the volume and price surges of certain symbols such as AMC, an SEC spokesperson confirmed that the SEC is monitoring activity in meme stocks to determine if there has been any disruption to the market, manipulative trading or other misconduct.

<https://www.reuters.com/world/us/us-sec-says-observing-market-meme-stocks-rally-2021-06-07/>

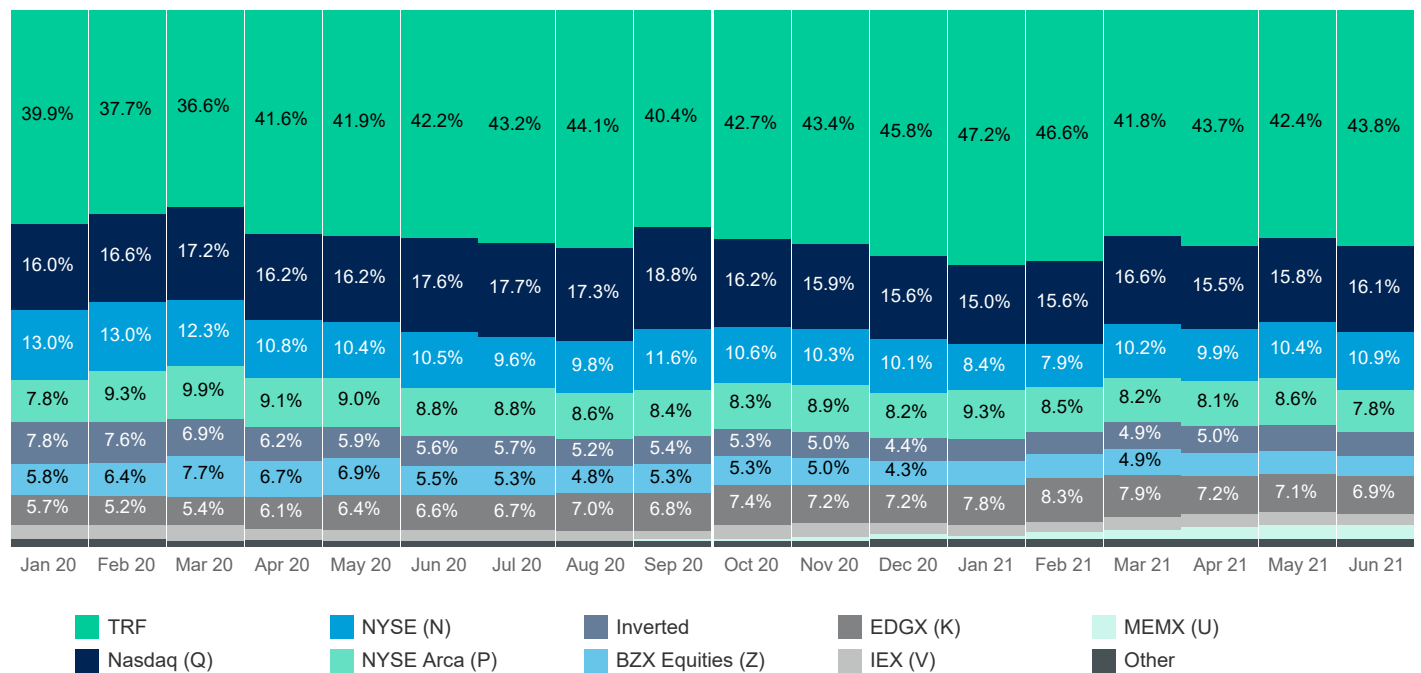


## Average Daily Market Volume



Source data: Cboe Global Markets

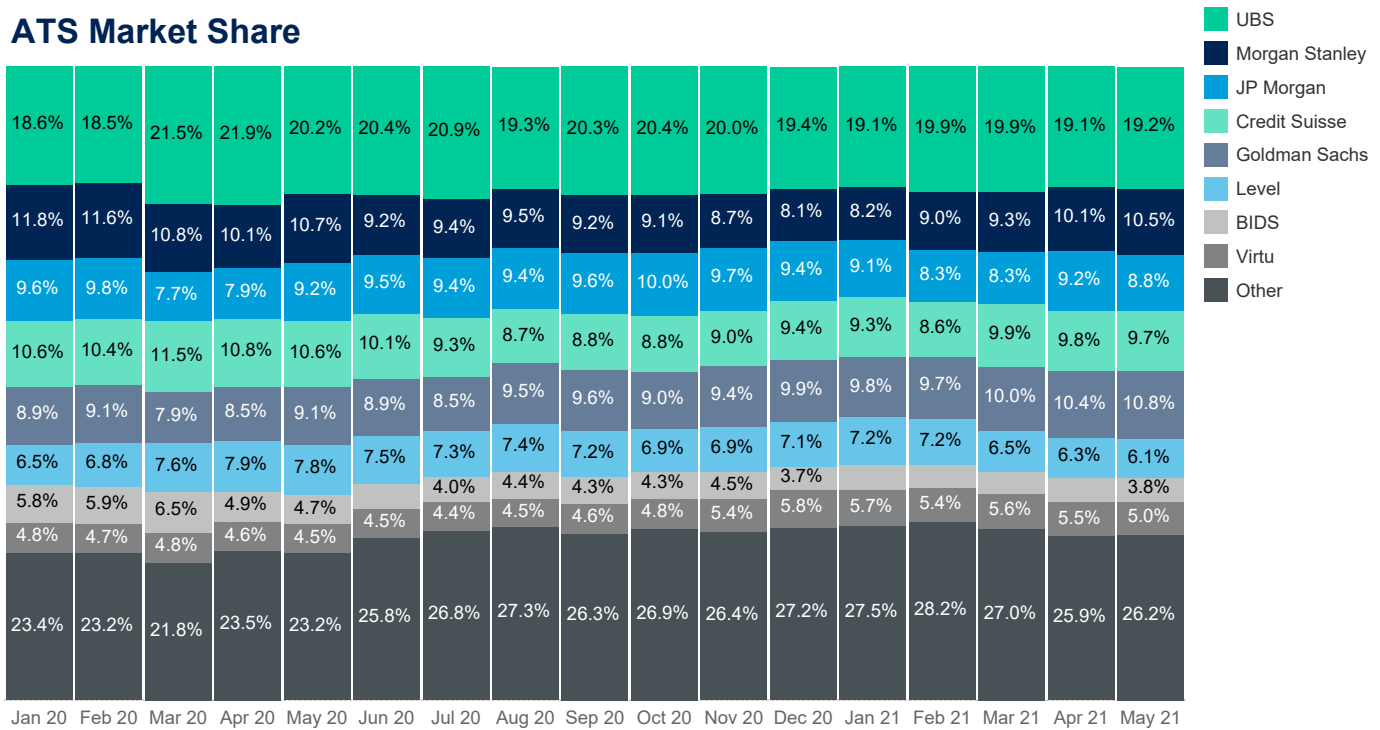
## Venue Market Share



Source data: Cboe Global Markets

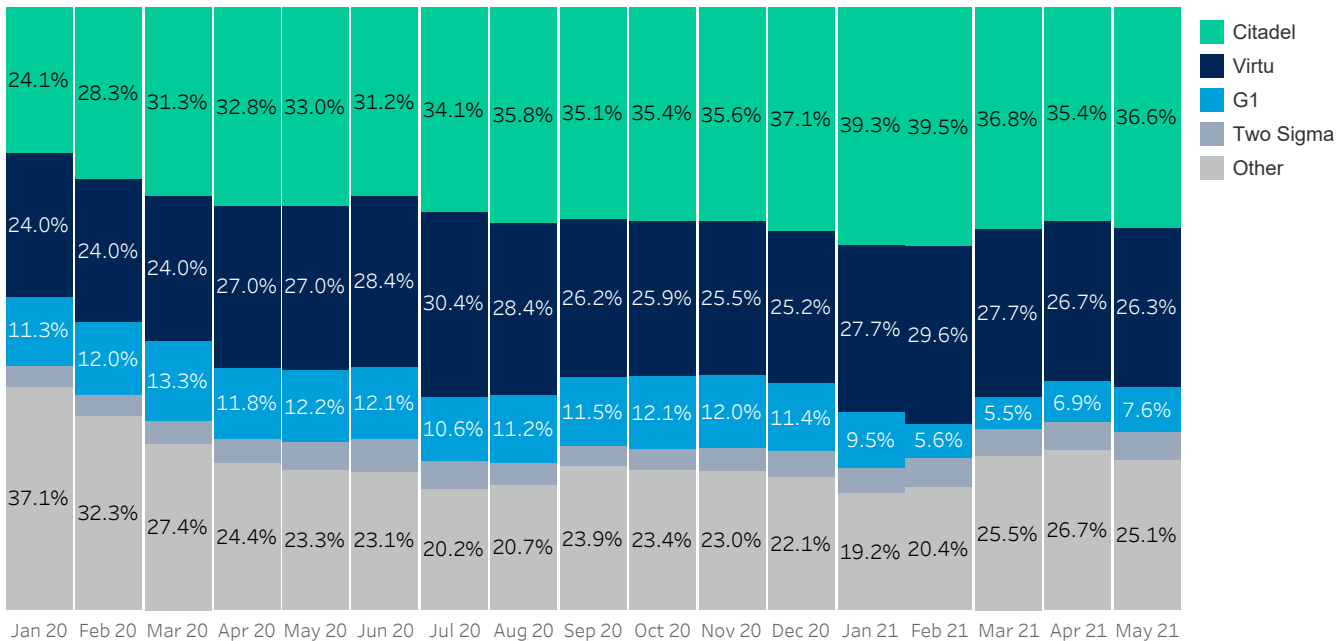


## ATS Market Share



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

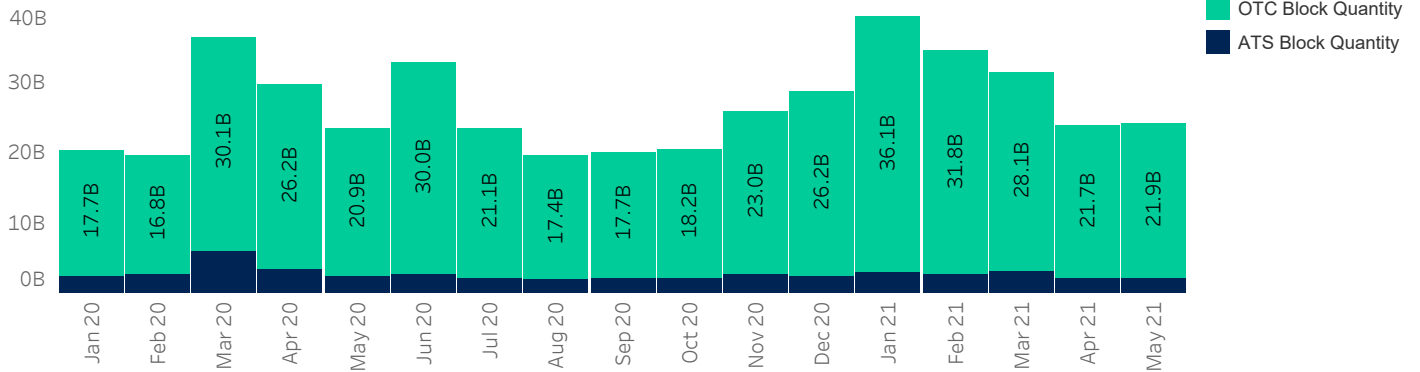
## OTC Non-ATS Market Share



Source: FINRA, NMS Tier 1 & 2 Securities

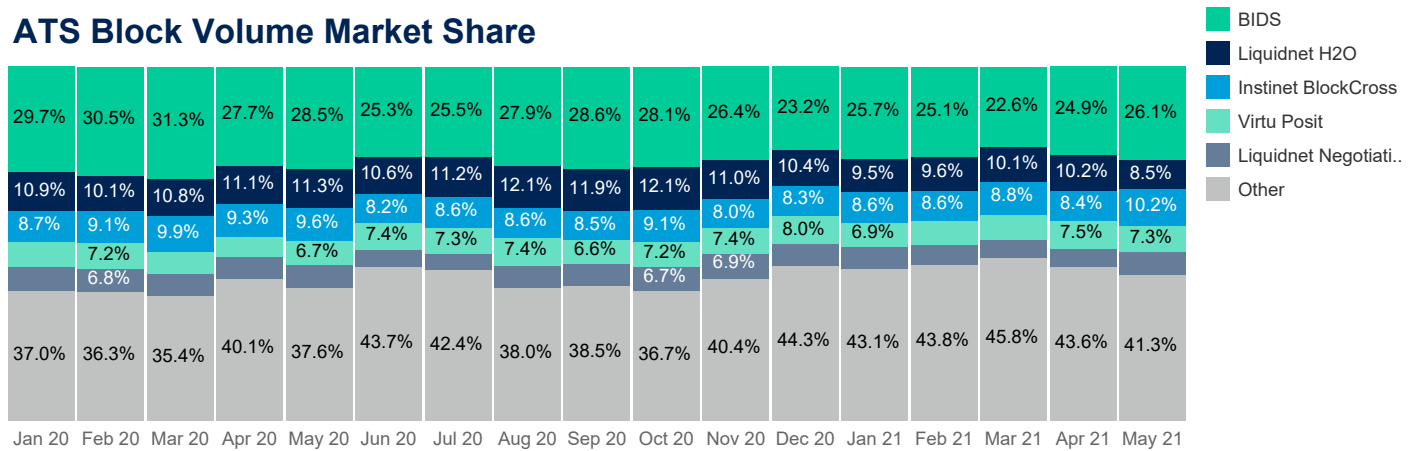


## TRF Block Volume Breakdown (Shares)



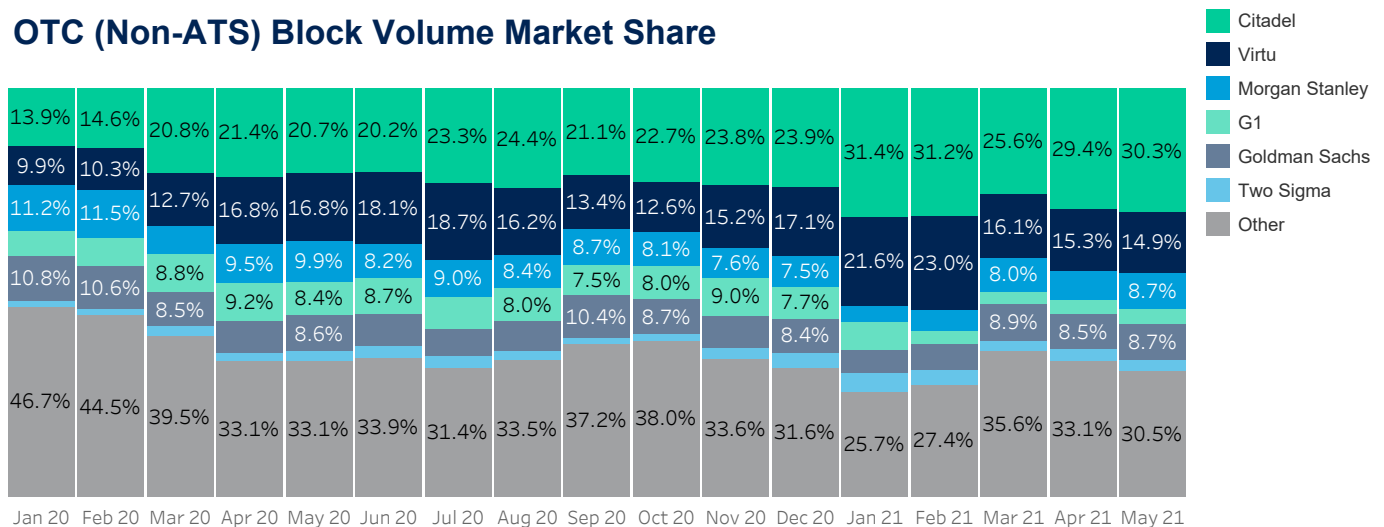
Source: FINRA

## 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 20	3Q 20			4Q 20			1Q 21			2Q 21		
		Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21
First 30 Min	SP500	200	207	205	204	206	201	197	192	193	191	188	184	178
	RUS2000	206	209	207	207	225	226	228	216	217	222	231	225	217
Mid Day	SP500	204	212	220	215	206	206	206	201	204	195	198	193	197
	RUS2000	218	227	235	233	236	236	232	223	220	207	216	211	213
Last 30 Min	SP500	229	242	264	239	236	231	233	231	238	217	225	224	239
	RUS2000	243	264	283	272	274	263	260	250	255	225	238	235	243

## Spread Bps

First 30 Min	SP500	11.0	10.4	9.6	11.0	13.0	14.7	12.4	13.2	13.6	13.2	10.3	10.2	8.1
	RUS2000	56.7	50.6	41.8	44.7	57.1	67.2	60.3	63.2	61.8	67.0	57.7	56.8	45.0
Mid Day	SP500	5.3	4.8	4.2	5.3	6.4	6.5	5.4	5.7	5.3	5.6	4.4	4.3	3.5
	RUS2000	23.3	20.2	17.1	18.9	24.9	26.9	24.6	26.8	25.5	27.7	23.1	22.6	18.0
Last 30 Min	SP500	3.8	3.3	3.0	3.6	4.2	4.5	3.8	3.7	3.6	3.8	3.1	3.1	2.6
	RUS2000	18.2	15.4	13.5	15.0	18.9	21.2	19.1	19.7	19.3	20.8	17.5	16.9	14.1

## One Minute Volatility Bps

First 30 Min	SP500	23.3	19.5	16.0	20.1	16.0	20.2	15.3	17.5	18.7	18.8	14.5	16.4	12.8
	RUS2000	31.3	25.3	23.7	26.0	16.9	20.9	16.5	20.7	22.1	25.8	18.4	21.6	15.9
Mid Day	SP500	9.7	7.6	5.9	8.4	7.1	7.7	5.8	6.9	6.7	7.9	5.4	6.1	4.5
	RUS2000	11.5	9.1	7.0	8.3	5.7	6.3	5.3	6.6	6.9	9.3	5.9	6.5	4.9
Last 30 Min	SP500	11.5	8.9	6.9	9.9	7.8	8.9	6.8	7.6	7.3	8.8	6.2	7.1	5.2
	RUS2000	14.8	10.2	7.7	9.9	7.3	8.8	7.4	8.7	8.7	11.8	7.5	8.6	6.5

## Percent ADV by Time of Day

Open	SP500	1.1%	1.0%	1.1%	1.0%	1.1%	1.1%	1.1%	1.3%	1.2%	1.1%	1.3%	1.2%	1.1%
	RUS2000	0.9%	0.8%	0.9%	0.8%	0.9%	0.9%	0.8%	0.9%	1.0%	0.9%	0.9%	0.9%	0.8%
First 30 Min	SP500	9.1%	9.6%	9.9%	9.5%	9.2%	10.3%	9.5%	9.6%	10.1%	9.2%	9.6%	9.7%	9.5%
	RUS2000	7.3%	7.6%	8.2%	8.0%	7.6%	8.4%	7.8%	8.1%	8.7%	8.4%	8.1%	8.4%	7.9%
Last 30 Min	SP500	17.9%	18.3%	18.7%	17.9%	18.1%	17.4%	17.4%	16.9%	17.2%	17.6%	17.8%	18.4%	18.5%
	RUS2000	18.5%	20.0%	19.8%	18.7%	19.8%	18.8%	19.0%	18.5%	18.6%	18.6%	19.3%	19.3%	19.4%
Close	SP500	10.3%	9.9%	10.5%	12.0%	11.0%	10.7%	13.7%	12.0%	10.6%	11.9%	13.2%	11.1%	12.3%
	RUS2000	8.9%	9.4%	7.9%	9.6%	9.3%	9.9%	10.6%	10.0%	8.3%	9.2%	9.5%	8.7%	10.0%

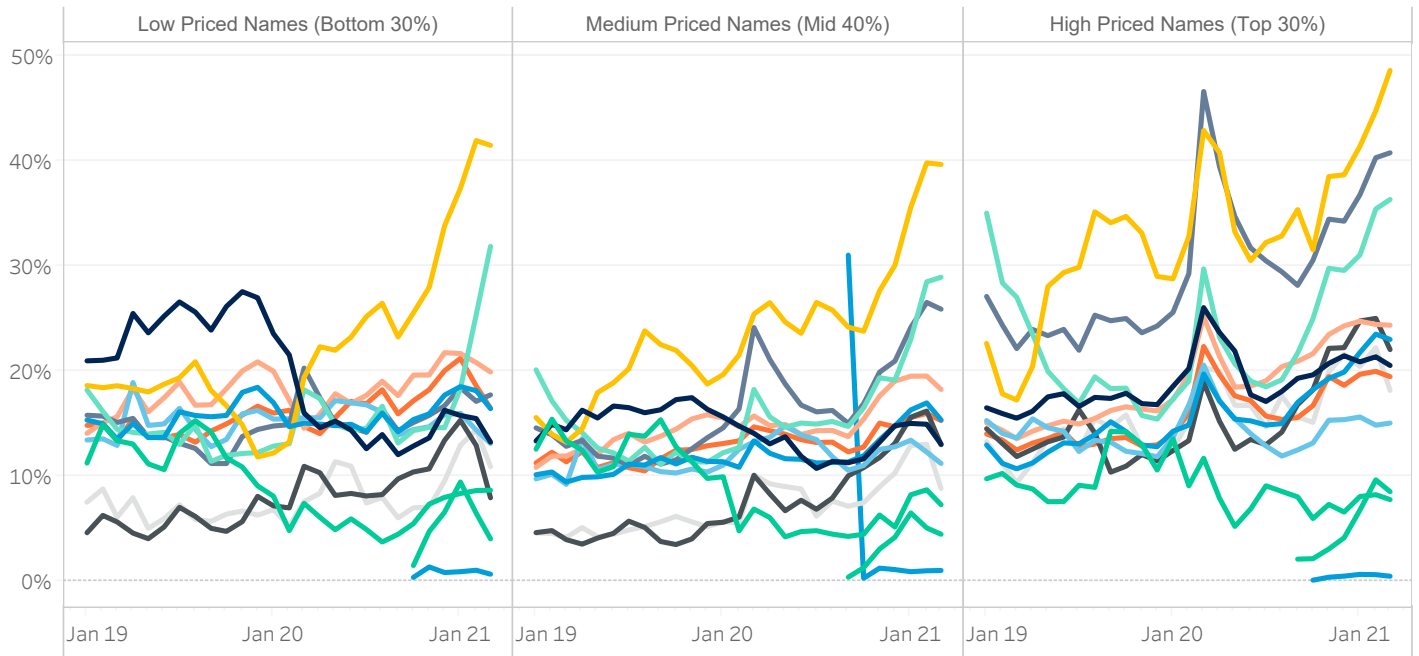
Median used for all metrics

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

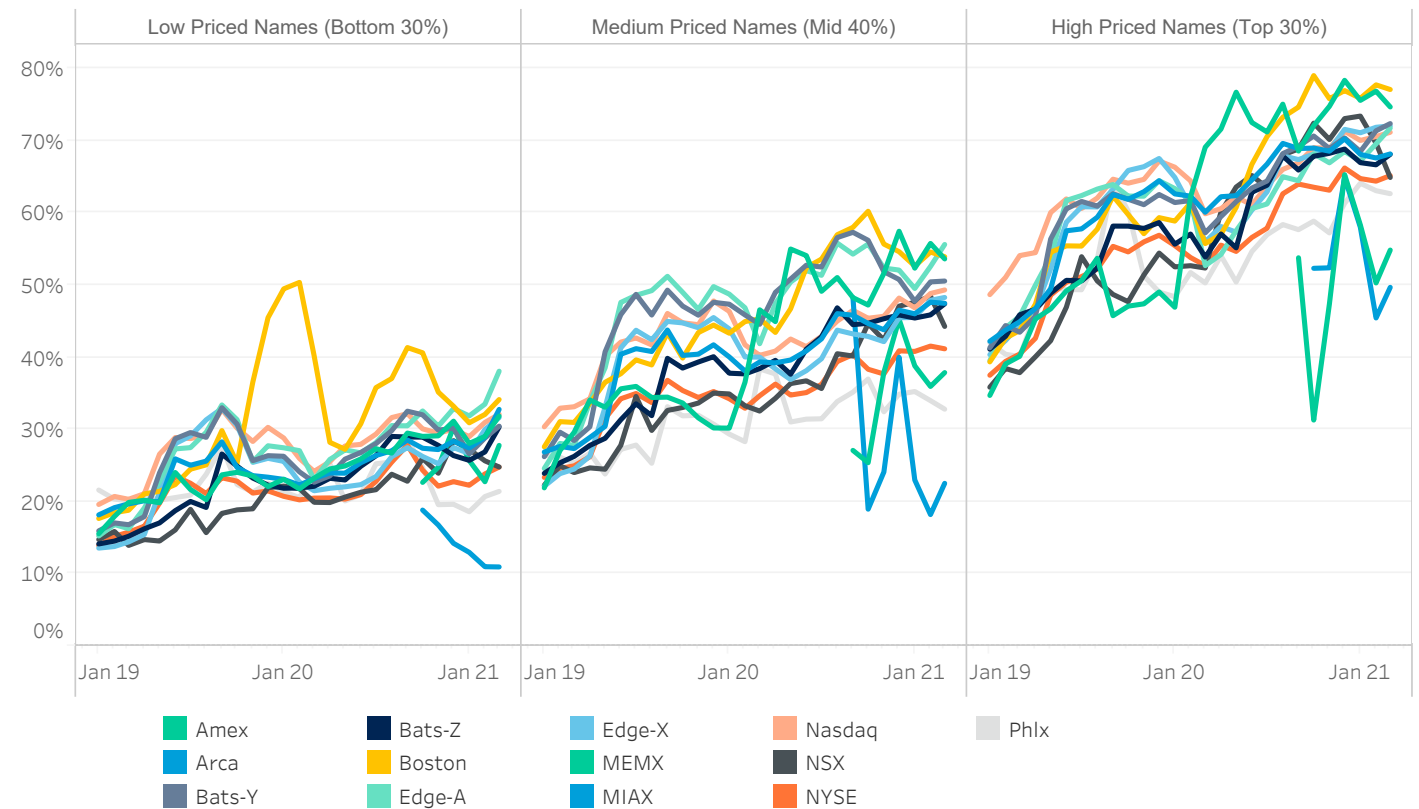
Source data: Virtu Financial



## Hidden Trades Proportion by Price and Venue



## Oddlot Trades Proportion by Price and Venue



Source data: SEC



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info@virtu.com | www.virtu.com

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