

October 2020

US Market Structure Monthly



US Market Microstructure Observations

- Average daily volume in US equities was 9.1B shares in October 2020, down 9.0% month over month but up 37.9% year over year.
- Trade reporting facility (TRF) market share increased to 42.7% in October 2020, up 2.3% month over month. Correspondingly, Nasdaq and NYSE market share decreased by 2.6% and 1.0% month over month.
- Excluding the first and last half hour of trading, the median size at the National Best Bid and Offer (NBBO) decreased by 4.2% month over month for S&P 500 symbols in October 2020, while RUS 2000 symbols saw a 1.3% increase over the same period.
- Excluding the first and last half hour of the day, median spreads rose by 20.8% and 31.7% month over month for S&P 500 and RUS 2000 symbols respectively in October 2020, erasing the amount of spread tightening over the past six months.
- Contrary to the trends in spreads, intraday volatility decreased in October 2020. Excluding the first and last half hour of trading, intraday volatility for S&P 500 and RUS 2000 symbols dropped by 15.5% and 31.3% respectively month over month.
- Median proportion of volume traded in the close auction volume for S&P 500 and RUS 2000 symbols decreased by 1.0% and 0.3% month over month to 11.0% and 9.3% in October 2020.

Market Structure News

New Jersey Bill Reduces Proposed Tax on High-Speed Trade Processing

New Jersey lawmakers scaled back the proposed equity trading fee amidst opposition from financial firms. The bill's revised draft would reduce the proposed tax from a quarter-cent per trade to a hundredth-cent per trade and end after two years.

<https://www.bloomberg.com/news/articles/2020-10-15/n-j-bill-reduces-proposed-tax-on-high-speed-trade-processing>

SEC Committee Proposes Standardized Electronic Bond Trade Reporting

The Fixed Income Market Structure Advisory Committee proposed the SEC adopt a standardized definition of electronic trading in corporate and municipal bond markets. The proposal would capture a broader range of trades, avoid double-counting and standardize reporting across different venues.

<https://www.wsj.com/articles/sec-committee-tackles-disorderly-electronic-bond-trade-reporting-11602092914>

SEC Approves Rule Change for Leveraged ETFs

The SEC passed new regulations governing the use of derivatives, opening the door to more leveraged exchange traded funds. Under the rule change, ETF providers that pass certain requirements could offer products with up to 200% leverage without seeking prior approval from the SEC.

<https://www.ft.com/content/2f44ab60-5fa5-4ec4-8fef-de4dfca44520>

SEC to Shelf Rule Change to Report Holdings

The SEC will shelve a controversial plan to change the requirements for 13F filings, which are reports where asset managers disclose their investments in US shares. The proposed rule change, which met with overwhelming opposition, would only require fund managers who owned at least \$3.5 billion in equities to publicly report their holdings, versus the current threshold of \$100 million.

<https://www.bloomberg.com/news/articles/2020-10-27/hedge-funds-shot-at-stock-secrecy-fades-as-sec-shelves-revamp?sref=GrQuSk5T>



Market Structure News (Continued)

Cboe Heads off-Exchange With Deal for BIDS Trading

Cboe Global Markets has agreed to acquire BIDS Trading LP, pending regulatory review and other closing conditions. The deal, if approved, would be the first instance of a US securities exchange owning an ATS.

<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/cboe-heads-off-exchange-with-deal-for-major-dark-pool-bids-trading-60764125>

Citadel Securities to Buy NYSE Market-Making Unit of IMC

Subject to NYSE approval, Citadel Securities seeks to buy the NYSE market-making business of IMC Financial Markets. The proposed combination raises concern over the designated market maker (DMM) business becoming overly concentrated, as Citadel Securities would oversee trading for more than half of the securities listed on the exchange

<https://www.wsj.com/articles/citadel-securities-to-buy-nyse-market-making-unit-of-smaller-rival-imc-11602191976?mod=searchresults&page=1&pos=1>

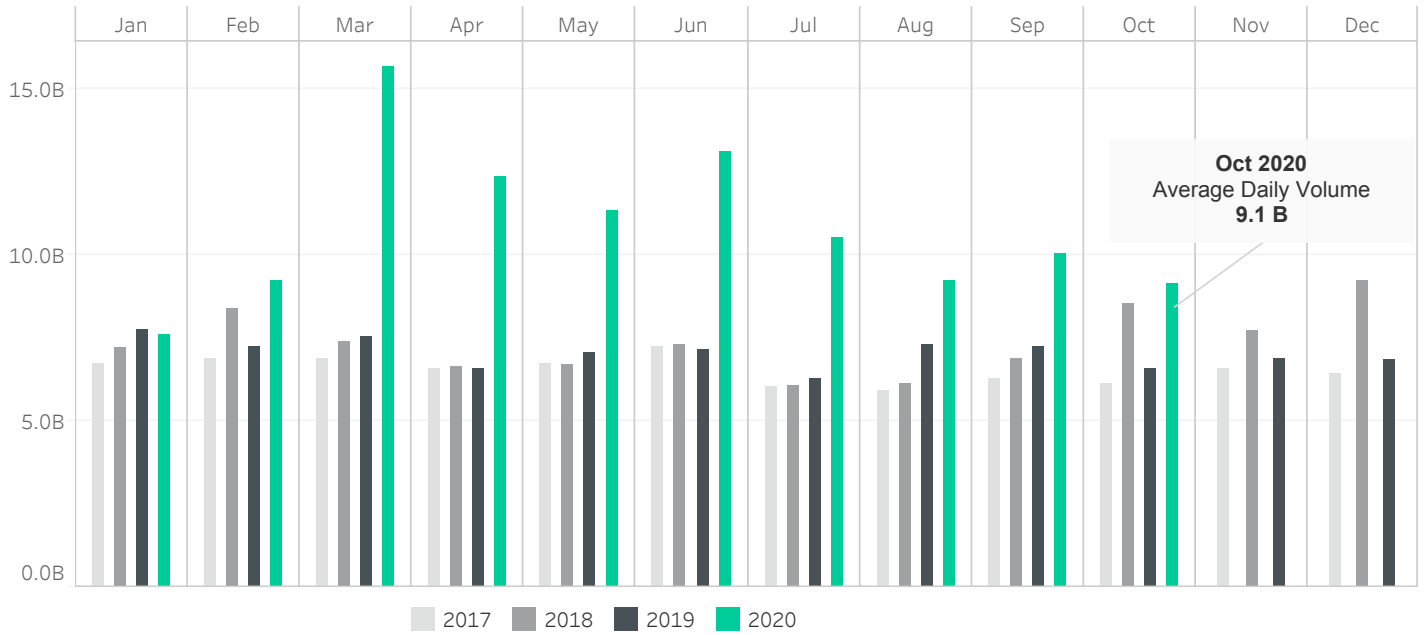
Citadel Securities Sues SEC for Approving New Stock Order Type

Launched on 1 October, 2020, IEX's D-Limit order type is designed to provide a way to trade at the exchange that will offer protection against unfavorable price moves. Citadel Securities argue that the D-Limit unfairly discriminates against firms that try to trade stocks with participants using the new order type.

<https://www.wsj.com/articles/citadel-securities-sues-sec-for-approving-new-stock-order-type-11602889484>

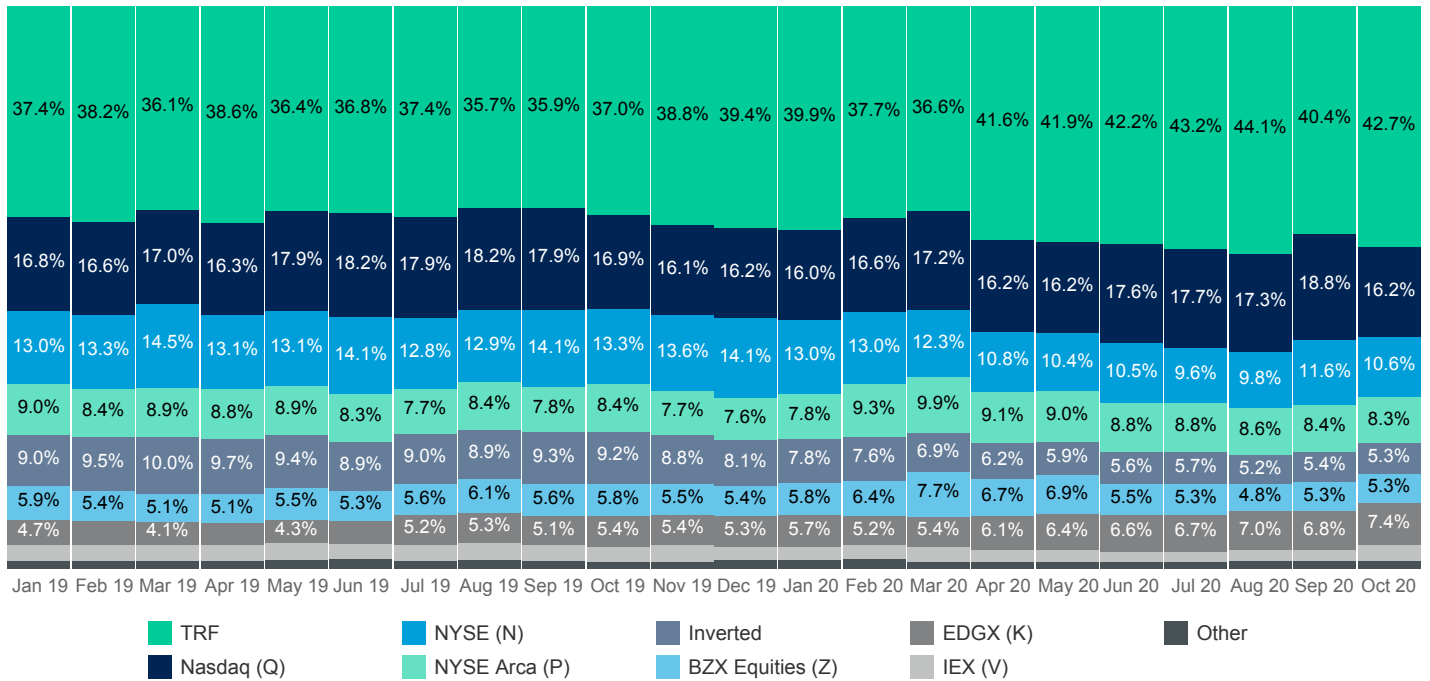


Average Daily Market Volume



Source data: Cboe Global Markets

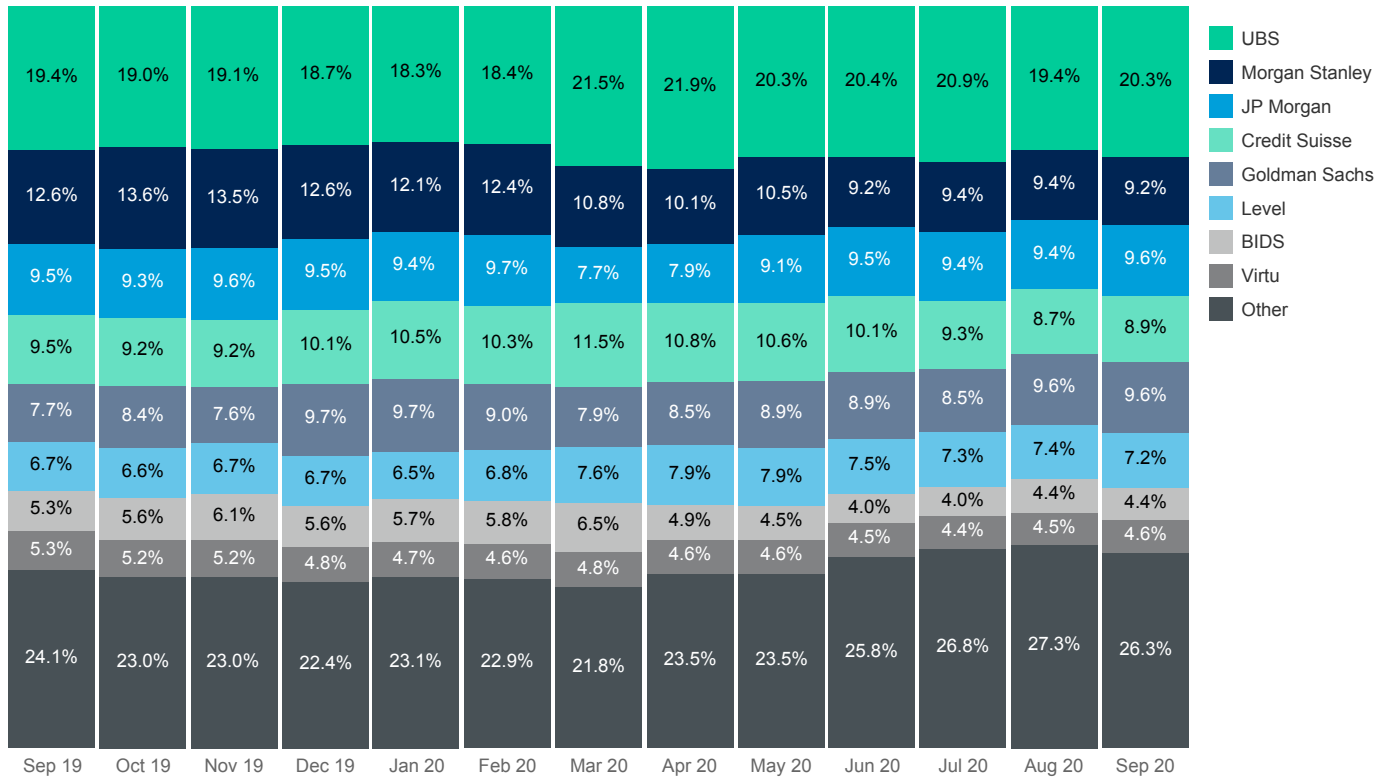
Venue Market Share



Source data: Cboe Global Markets

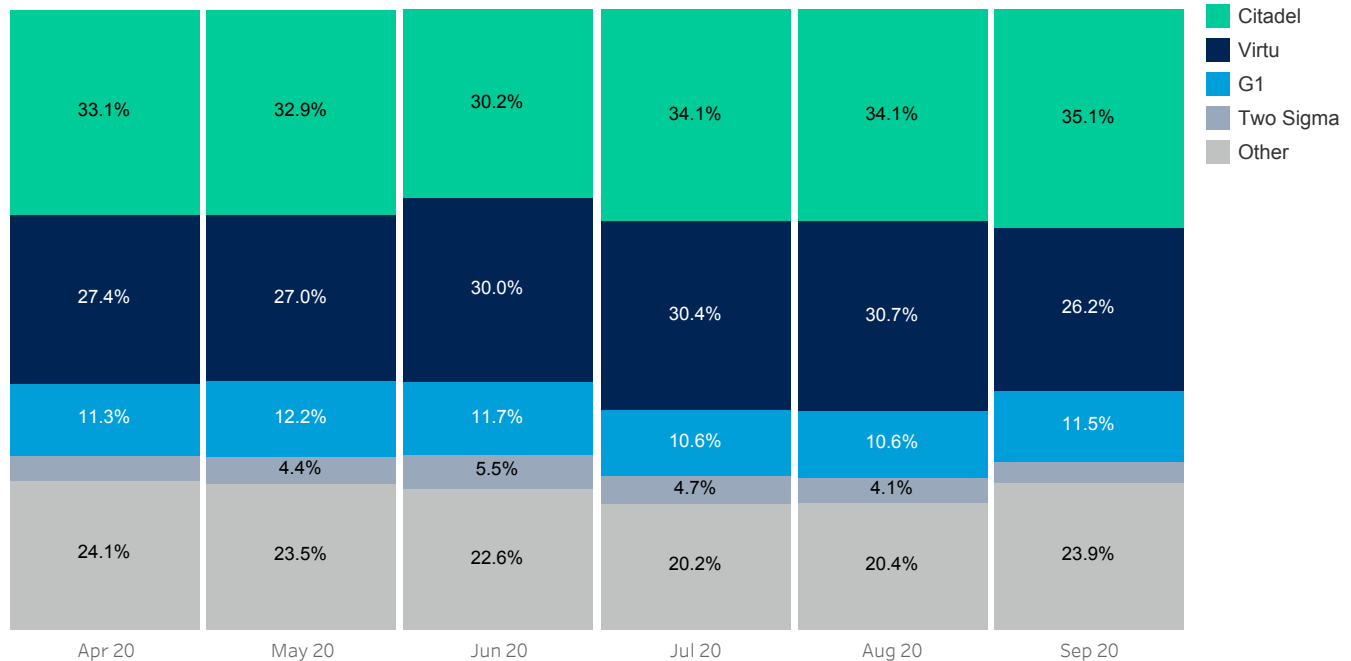


ATS Market Share



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

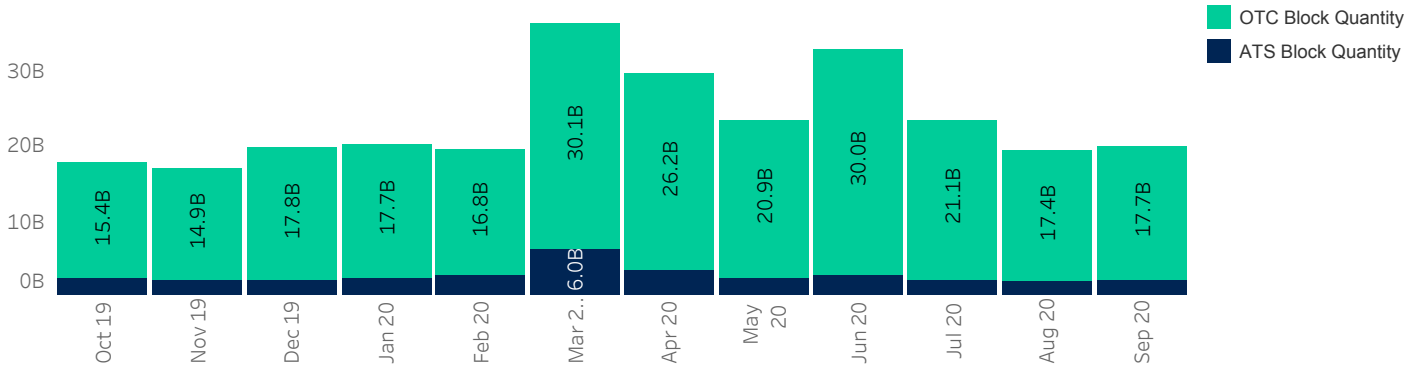
OTC Non-ATS Market Share



Source: FINRA, NMS Tier 1 & 2 Securities

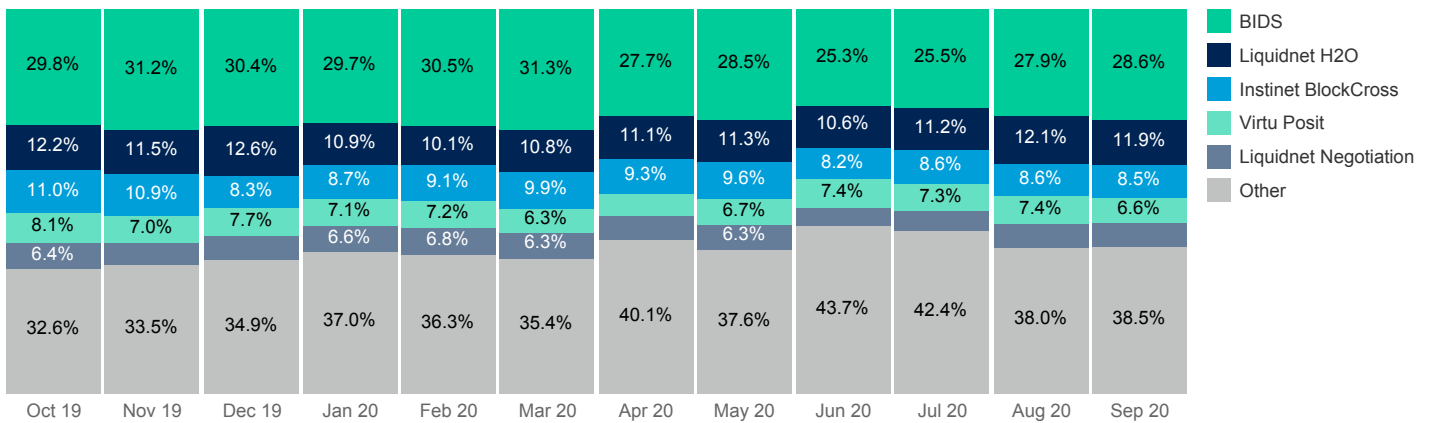


TRF Block Volume Breakdown (Shares)



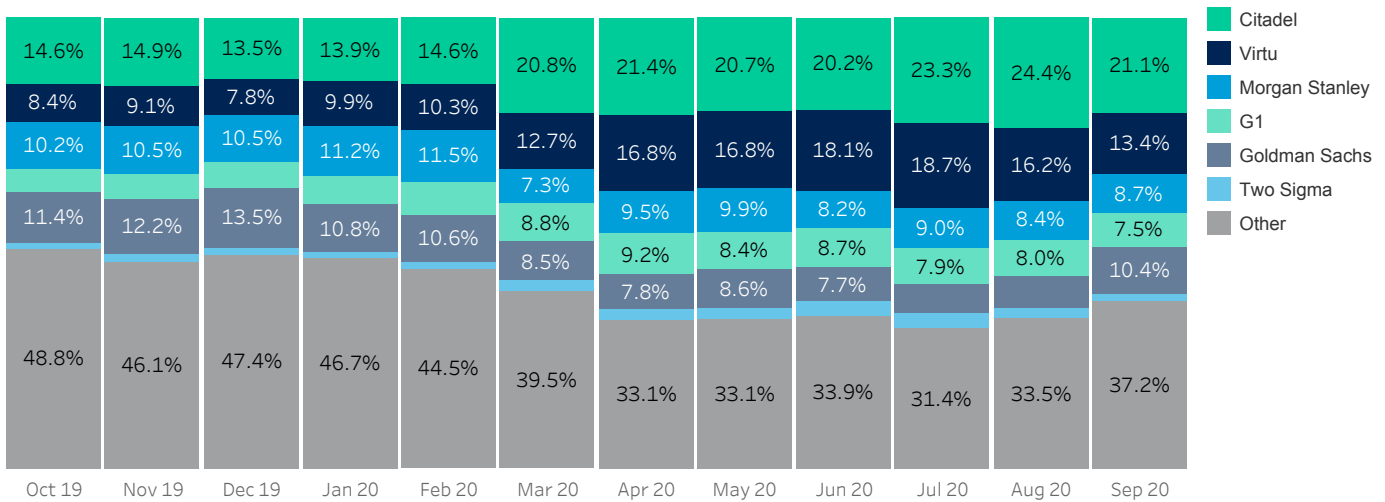
Source: FINRA

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



Quote size in Shares

	4Q 19			1Q 20			2Q 20			3Q 20			4Q 20
	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20
First 30 Min SP500	175	178	178	176	185	185	184	196	200	207	205	204	206
RUS2000	200	200	195	193	204	200	194	200	206	209	207	207	225
Mid Day SP500	201	210	212	199	194	174	177	197	204	212	220	215	206
RUS2000	219	224	219	210	216	200	198	209	218	227	235	233	236
Last 30 Min SP500	277	302	290	254	240	193	200	229	229	242	264	239	236
RUS2000	268	279	266	250	264	233	228	239	243	264	283	272	274

Spread Bps

First 30 Min SP500	8.9	8.2	7.5	7.7	9.8	28.1	19.4	11.8	11.0	10.4	9.6	11.0	13.0
RUS2000	44.3	41.0	36.4	36.3	43.7	108.1	87.0	65.2	56.7	50.6	41.8	44.7	57.1
Mid Day SP500	3.7	3.2	3.1	3.4	4.1	13.1	8.4	5.7	5.3	4.8	4.2	5.3	6.4
RUS2000	16.5	15.3	14.0	14.5	16.4	42.5	34.8	25.0	23.3	20.2	17.1	18.9	24.9
Last 30 Min SP500	2.4	2.1	2.1	2.3	2.5	9.7	5.8	4.2	3.8	3.3	3.0	3.6	4.2
RUS2000	11.7	11.1	10.8	10.9	11.2	33.2	25.1	19.3	18.2	15.4	13.5	15.0	18.9

One Minute Volatility Bps

First 30 Min SP500	12.5	11.6	10.6	11.2	14.6	53.4	32.8	24.5	23.3	19.5	16.0	20.1	16.0
RUS2000	15.2	16.1	14.8	15.4	16.9	45.1	40.8	33.2	31.3	25.3	23.7	26.0	16.9
Mid Day SP500	4.6	3.9	3.4	4.3	5.6	27.7	14.4	9.6	9.7	7.6	5.9	8.4	7.1
RUS2000	4.8	4.2	3.8	4.7	5.7	21.8	16.4	11.9	11.5	9.1	7.0	8.3	5.7
Last 30 Min SP500	5.1	4.1	4.0	5.1	6.1	36.1	17.0	11.5	11.5	8.9	6.9	9.9	7.8
RUS2000	5.1	4.3	4.4	5.3	5.8	28.0	20.1	15.0	14.8	10.2	7.7	9.9	7.3

Percent ADV by Time of Day

Open SP500	1.0%	1.0%	1.1%	1.1%	1.1%	1.0%	1.1%	1.0%	1.1%	1.0%	1.1%	1.0%	1.1%
RUS2000	0.8%	0.8%	0.8%	0.9%	0.9%	0.8%	0.8%	0.9%	0.9%	0.8%	0.9%	0.8%	0.9%
First 30 Min SP500	7.6%	8.0%	7.7%	7.9%	8.6%	8.2%	8.7%	9.4%	9.1%	9.6%	9.9%	9.5%	9.2%
RUS2000	6.6%	7.2%	7.1%	7.3%	7.2%	6.3%	7.0%	7.9%	7.3%	7.6%	8.2%	8.0%	7.6%
Last 30 Min SP500	18.7%	18.8%	18.4%	18.0%	17.9%	18.3%	17.7%	17.7%	17.9%	18.3%	18.7%	17.9%	18.1%
RUS2000	19.5%	19.5%	19.3%	18.8%	18.6%	19.9%	18.9%	18.7%	18.5%	20.0%	19.8%	18.7%	19.8%
Close SP500	10.4%	11.4%	13.5%	13.8%	12.0%	9.9%	9.8%	9.0%	10.3%	9.9%	10.5%	12.0%	11.0%
RUS2000	8.0%	7.8%	10.0%	9.4%	8.1%	9.0%	8.9%	8.3%	8.9%	9.4%	7.9%	9.6%	9.3%

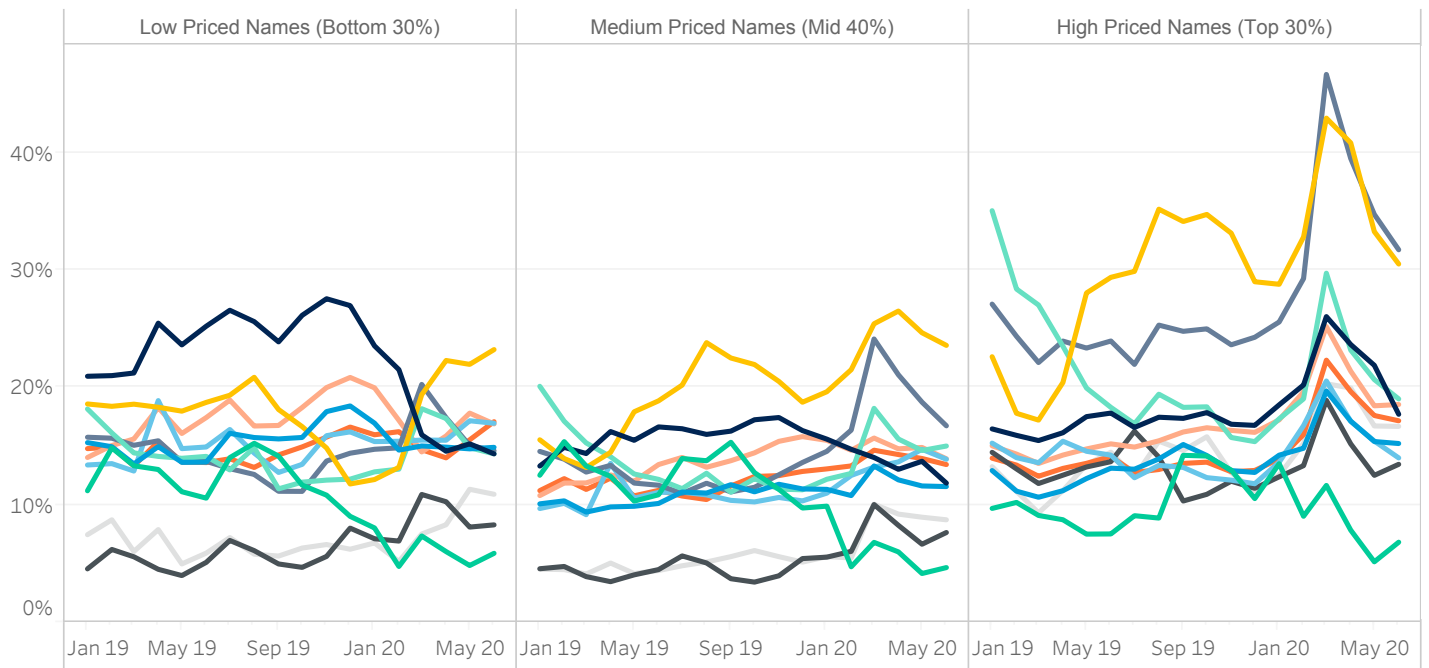
Median used for all metrics

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

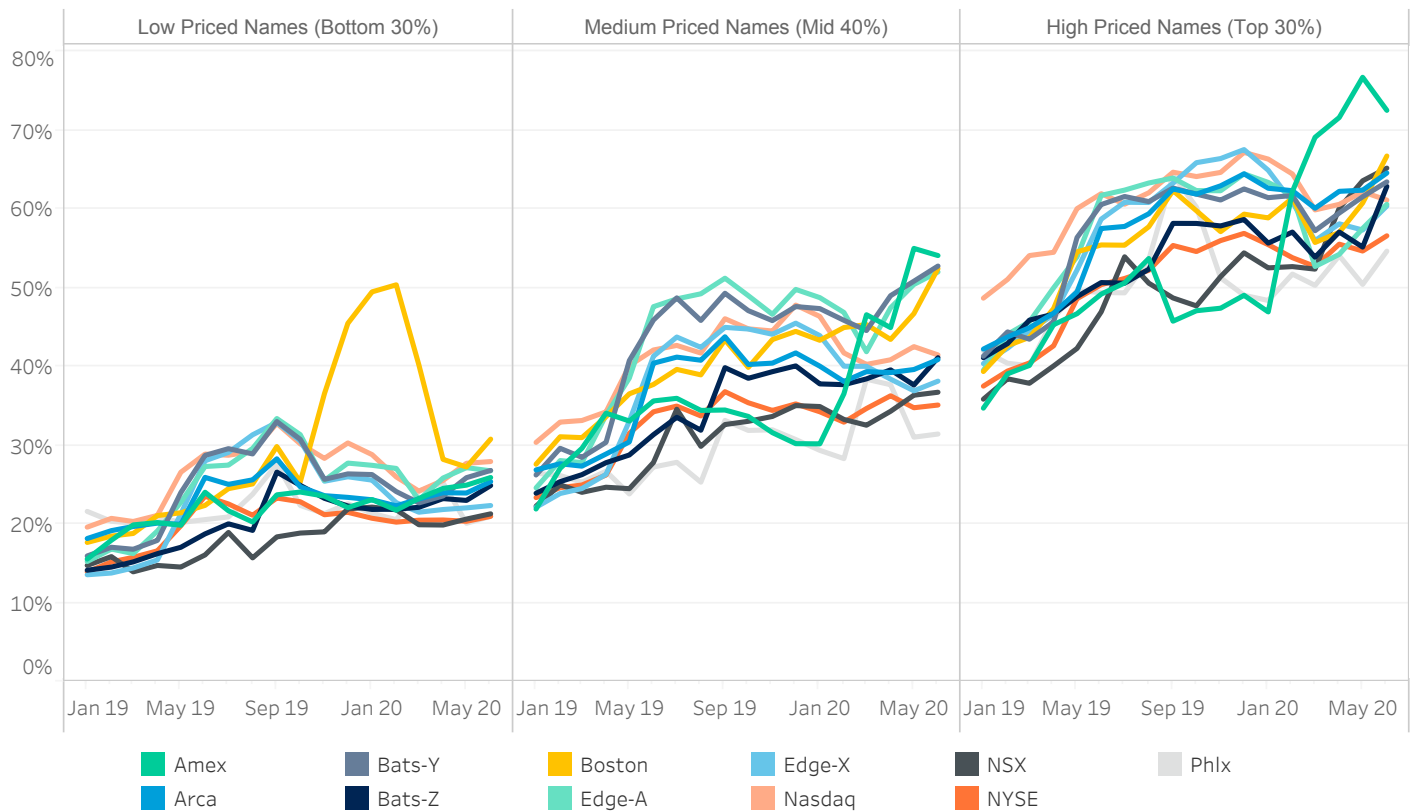
Source data: Virtu Financial



Hidden Trades Proportion by Price and Venue



Oddlot Trades Proportion by Price and Venue





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