

November 2013

## Market Structure Update

The Security Traders Association (STA) recently held its 80th Annual Market Structure Conference in Washington D.C. Below are some topics that were discussed during the conference:

- **MIDAS (Market Information and Data Analysis System)** - MIDAS is the SEC's new system that combines advanced technology with empirical data to promote a better understanding of markets. Each day MIDAS collects one billion records which are time-stamped to the microsecond. Information is collected from the consolidated tapes and the proprietary feeds of each exchange and includes data on posted orders and quotes on national exchanges, modifications and cancellations of those orders, trade executions both on and off-exchange as well as data on equity options and futures contracts.
- **Market Structure Data and Analysis** - The SEC recently launched a new analysis tool on their website which will help promote a better understanding of the US equity markets and equity market structure. Using the data collected in MIDAS, the new tool will allow users to create their own charts and other visualization tools to explore market metrics and perform proprietary analyses.
- **Consolidated Audit Trail (CAT)** - CAT is designed to collect all data pertaining to the life cycle of a trade and will be used to enhance and create market regulation. CAT will apply to all market participants and will include options trades and will eventually expand to include fixed income and futures. One major concern of CAT is possible information leakage. Bids are currently being accepted by vendors to build CAT. The process will be long and implementation is still years away.
- **One Size Fits All** - Today's market has evolved into a "one size fits all" structure. Some industry participants believe a separate market structure is needed for smaller companies. In an effort to address industry concerns, the SEC is looking into allowing smaller companies to use wider tick sizes.
- **Exchange Competition and the Self-Regulatory Model** - In light of the evolving market structure and trading practices, the SEC believes the nature of exchange competition and the self-regulatory model should be evaluated. Questions to be asked include - Does the current exchange regulatory structure continue to meet the needs of investors and public companies? Does the current structure provide sufficient flexibility for exchanges to implement transparent trading models that can effectively

compete for investor orders? Does the current approach to self-regulation limit or support exchange trading models?

- **Odd Lot Reporting** - Beginning December 9, 2013, odd lots will be reported to the consolidated tape in an effort to boost market transparency. Over the years, odd lot trades have increased partially due to the use of high frequency trading. High priced stocks, such as Google, Apple and Amazon, are expected to be affected the most.



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