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EFAMA – the urgency behind a consolidated tape for Europe A Buy-side view on consolidated tape and market structure reforms

The European Fund and Asset Management Association (EFAMA) has today [published its position paper on the European Commission's proposed Markets in Financial Instruments Regulation review](#) which establishes a blueprint for a consolidated tape (CT) across Europe's capital markets. EFAMA supports most aspects of the CT proposal, including the provisions for real-time delivery of data, mandatory contributions by trading venues, voluntary consumption of the CT, a single CT provider model and a CT that encompasses multiple asset classes.

However, EFAMA has strong reservations on the charges associated with a consolidated tape. The European Commission's proposal suggests a tender process will be set up so that the winning bidder for the Consolidated Data Provider (CTP) is the one who can guarantee the highest revenue amounts back to data contributors.

The urgency behind the CT and the business case for it revolve around the need for a complete and accurate data feed on a single tape, for European and global investors. The remuneration of contributing exchanges is not and should not be a policy goal in itself. Stock exchanges already enjoy healthy revenue streams from listing and trading activities and the emergence of a CT will not materially impact exchanges' data revenues. We fully expect users to continue to subscribe to exchanges' proprietary data feeds as these deliver high-speed data (micro/nanoseconds), compared to the CT which will only deliver slower (seconds speed) data.

EFAMA, therefore, recommends that the minimum revenue targets as defined in the European Commission proposal be removed, in favour of a revenue participation scheme based on cost of production, with the proviso that the preferential treatment extended to smaller markets, with less liquid shares, should stand.

The benefits of a CT cannot be overstated. The democratisation of capital market data is a key priority for Europe to ensure all investors have access to liquidity and trading opportunities across the EU. This is currently only true for the largest asset managers, who build a full picture at significant cost. Smaller asset managers and retail investors with little to no budget, on the other hand, simply do not have access to such data.

A real-time consolidated tape will also help attract global investment flows into Europe as foreign investors will no longer undervalue the European markets vis-vis the US due to the availability of real-time trading data for both markets.

Susan Yavari, Regulatory Policy Adviser at EFAMA, comments: *“We believe that smaller markets will see a net benefit from the additional visibility that the consolidated tape provides, but at the same time we understand that preferential treatment under the revenue scheme for smaller markets is required to sustain existing business models that have lower listing and trading volumes. But a blanket approach maximising the stock exchanges’ data revenues should not be a policy objective. Therefore, with the exception of smaller markets, all data contributors should be compensated for their data on a cost of production basis. That means the exchanges, as well as Multilateral and Organised Trading Facilities. This will establish a level playing field between trading venues, and provide a sound revenue model for the tape, unlike the current proposal where tape revenues are to be maximised to inexplicably subsidise the core activities of stock exchanges.”*

EFAMA calls upon the co-legislators to amend the Commission’s proposal accordingly and to introduce a revenue model for the consolidated tape that is cost-based with a reasonable margin for the CT provider. The proposed market structure reforms should be delayed until accurate and complete data on trading activity is available in Europe. This will be possible once a CT is in place for equities and bonds.

ENDS

Note to the Editor

Link to the EFAMA position: [EFAMA position MiFIR review - a buy-side view on consolidated and market structure reforms | EFAMA](#)

Link to the infographic: [Visual | Why do we need a real-time Consolidated Tape in the EU? | EFAMA](#)

Link to the buy-side use cases: [Buy-side use-cases for a real-time consolidated tape | EFAMA](#)

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ABOUT EFAMA

EFAMA is the voice of the European investment management industry, which manages over EUR 30 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry’s crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors. More information available at www.efama.org.

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