3 QUESTIONS TO

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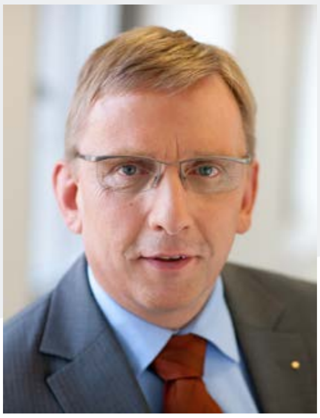
Chair of EFAMA's Trading, Trade Reporting & Market Infrastructures Standing Committee – MD, BVI

on Market Data Costs



Q #1 Have you witnessed an increase in the cost of market data over the last couple of years? If so, how can it be explained?

Yes, the increase in prices of market data is both undeniable and very significant.

According to a recent Cossiom survey[1], over 80% of market data users have experienced substantial cost increases in the last two years.

This finding is corroborated by ESMA according to whom "overall market data prices increased, in particular for data for which there is high demand"[2].

This increase can be explained by changes in the market infrastructures landscape.

Over the years, exchanges have experienced a decrease in their market share in the execution of transactions in financial instruments, mainly due to the increased competition from other types of venues brought about by MiFID. This has led to a reduction in their trading revenues. As a response to this downward trend, exchanges have sought to diversify their sources of revenues, including by further monetizing their market data. Nowadays, major stock exchange groups derive most of their revenues from sources other than trading activities.

Also, exchanges, other trading venues and data vendors have been using the mandatory regulatory reporting requirements as an opportunity to increase their prices directly and/or through the "slicing and dicing" of their data licenses.

In addition, some data providers are forcing data users to acquire the information they need in bundled packages.

[1] *Cossiom's 2019 market data exchange fees survey of buy- and sell-side institutions*
[2] *MiFID II/MiFIR Review Report No. 1 on the development in prices for pre- and post-trade data and on the consolidated tape for equity instruments, pp. 37-38.*

The fact that this joint pricing strategy by data vendors applies at each step of the value chain is inflating the overall cost of transactions, without adding value.

Similar trends can be observed in the index and ratings space and we see a clear risk that the cost of ESG data will meet the same fate.

Q #2 Why is this issue important? What impact does it have on asset managers and the end investors?

The sharp, recurring increases that we are witnessing in market data costs are unjustifiable and detrimental to investors. Regulators and policymakers need to address this issue.

In some cases, the price increases have reached 400% since 2017, as highlighted by ESMA[3].

The increased cost of data, compounded by the recent extension of reporting requirements imposed by several legislations, is forcing asset managers to scale back data purchases by 40 to 50% for certain strategies. This leads to less information being available to the fund managers and the need to buy specific research information.

These increased costs negatively affect the net performance of investment funds and, by way of consequence, the return to investors.

Q #3 How to remedy the situation?

Strict enforcement of existing MiFID provisions by ESMA and national competent authorities is a necessity. To date, the requirement for trading venues to provide post-trade data on a "reasonable commercial basis" has been largely ignored.

Properly enforced, this requirement could lead to buy-side market participants benefitting from better market data license terms & conditions, as well as improved cost transparency and eventually fairer pricing. This means pricing correlated with the cost of production and dissemination of the data by data providers.

We are pleased to see that ESMA and the European Commission acknowledge this issue.

[3] *Steven Maijoor, Chair of ESMA, ESMA (2018):* MiFID II implementation – Achievements and Current Priorities, p. 5

A well-structured, reasonably priced Consolidated Tape fed by all trading venues and systematic internalisers would also be of great benefit. It would ideally cover both pre- and post-trade information, for all financial instruments, under the control of ESMA.

Giving access to a unique source of data would reduce reporting errors, avoid duplication of data feeds and provide the necessary transparency.

On a more general note, while we recognize the vital role played by exchanges in bringing companies to market and in facilitating the buying and selling of securities between investors, as well as the importance of having vibrant public markets, we urge all relevant stakeholders to ensure that access to data, the oil of the 21st century, is not unduly restricted and is provided in a reasonable and transparent manner.

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