



**FIA EPTA response to the  
FCA Call for Input on accessing and using wholesale data  
7 January 2021**

The FIA European Principal Traders Association (FIA EPTA) welcomes the opportunity to respond to the FCA Call for Input on accessing and using wholesale data. Below, we respond to the FCA's questions in relation to trading data, benchmarks and market data vendor services.

FIA EPTA represents 29 independent European Principal Trading Firms (PTFs) that deal on own account, using their own money for their own risk, to provide liquidity and facilitate risk-transfer in exchange-traded and centrally-cleared markets for a wide range of instruments, including shares, options, futures and ETFs. As market makers and liquidity providers, our members contribute to efficient, resilient, and high-quality secondary markets that serve the investment and risk management needs of end-investors and corporates throughout Europe, including the UK. FIA EPTA's members are based in the Czech Republic, Germany, Ireland, The Netherlands and the UK (~70% of our members having been licensed by the FCA).

FIA EPTA members observe that user data fees are high and have increased over the past years. Empirical data which we have analysed substantiates this. We also observe that new fees have been added and that market data policies and agreements are increasingly complex. In addition, existing rules and disclosures in relation to making certain market data available free of charge and the Reasonable Commercial Basis provisions are not being fully complied with.

In order to address these issues, FIA EPTA would encourage the FCA to ensure that existing rules are being complied with and, where needed, enforced. Additionally, we believe more prescriptive rules need to be developed. In our view, increased transparency around market data cost should be the primary near-term goal. We believe it would be premature to look at further regulation of market data (e.g., through price capping) before there is more transparency on the current costs and margins on market data.

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## **Trading data**

**Q3.1: What type of trading data do you use/obtain directly from trading venues and APAs, and how do you use trading data?**

In order to effectively make markets and provide liquidity FIA EPTA members require comprehensive pre-trade (order book) and post-trade (trade ticker) market data provided at the lowest latency for trading and risk decisions, sourced directly from the trading venue in colocation facilities. Real-time market data for such activities is not substitutable with other sources such as delayed market data or a Consolidated Tape.

For other, less latency sensitive processes such as fulfilling regulatory obligations, transaction cost analysis, post trade reconciliation and research our members also obtain data from APAs and a variety of data vendors. Some of these activities would be greatly improved through the provision of cost-effective, near-real time Consolidated Tape data but it should be noted that only in very limited, specific cases are FIA EPTA members able to substitute delayed market data for real-time market data product.

The non-substitutability of delayed for real-time market data for trading and risk purposes will be observable across the whole range of market participants and ensures that trading venues will continue to benefit from real-time market data subscriptions despite the publication of delayed data at no cost or following the emergence of a Consolidated Tape.

**Q3.2: Are you content with the price, quality, provision, coverage, speed and depth of trading data (or other data sold by trading venues or APAs)? If you are not satisfied with any of these elements, please explain why not and the impact this has on your business.**

FIA EPTA members are largely content with the quality, provision, coverage, speed and depth of trading data from trading venues.

However, FIA EPTA members are not satisfied with the pricing of trading data and has observed dramatic market data cost increases in nearly every Regulated Market since 2016. To illustrate the increases, FIA EPTA has undertaken an empirical analysis into the data through a model use case (Excel model provided separately) for a small principal trading firm in which the usage characteristics remain broadly unchanged over a four-year period. The model use case is set out in the Annex to our response, below.

Given the shifting demographics of the exchanges' user base (away from screen-based point-and-click trading to algorithmic trading), we contend that exchanges have started to adopt "value-based" pricing models that have little relationship to the cost of producing and disseminating data. FIA EPTA members argue that this shift to a value-based model can be seen particularly well in the introduction of new non-display fee categories (notably non-display fees for risk and QA usage and charges targeting systematic internalisers). We note that the fees directed at Systematic Internalisers are particularly onerous (they have risen 83% from 2016-2019 in our model) and do not relate to any specific changes in the market data (dissemination, protocol, or otherwise). Some FIA EPTA members who operate SIs have further suggested that the fees specific to systematic internalisation could be seen as anticompetitive and should be reviewed by the competent authorities.

**Q3.3: Do you consider any trading venues or APAs set of trading data a 'must have' for your business purposes? If so, please explain why. For example, is it linked to a liquidity threshold in the relevant financial instrument and/or to best execution requirements considerations?**

In order to fulfil the role of market makers and liquidity providers, FIA EPTA members regard real-time data from nearly all trading venues as essential for their businesses.

Market data is inherently monopolistic in nature, with each trading venue operating as a de-facto mini-monopoly in respect of the raw market data, i.e. the orders, quotes and trades that are sent to and occur on their venue. There can be no competition between trading venues when it comes to pre-trade market data as it is not possible to substitute the order book data from one trading venue where an investor wishes to trade in that of another.

This applies to a lesser degree for market data vendors where some competitive market forces are active but regulators should be sensitive to any complaints from participants regarding anti-competitive behaviours from dominant players with regards to the transparency of pricing, vendor lock-in or contract terms such as bundling of services.

Regulated markets (RMs) for primary share listings in Europe are vital to the price formation process and the market data, over which the market operator has monopoly control, is necessary for any investment decision. The central role of the primary listings to price formation has been demonstrated during recent exchange outages in Europe. Rather than price formation in the affected primary listed instruments shifting to secondary listings on MTFs and competing RMs (as seen in the US), trading in the shares with a primary listing on the affected market is curtailed across the Union.<sup>1</sup>

In the past two major primary exchange outages (Euronext on 19 October 2020, Xetra on 1 July 2020), the following shifts in total notional value and relative market shares occurred across the major European lit Markets and MTFs:

Relative Difference: Xetra Outage Day vs Baseline													
Notional Traded	Market Wide	CAC 40	AEX	FTSE 100	DAX	FTSE MIB	Relative Mkt Share	Market Wide	CAC 40	AEX	FTSE 100	DAX	FTSE MIB
Euronext	-5%	-7%	-2%	-	-	-	Euronext	0%	-1%	0%	-	-	-
Xetra	-10%	-	-	-	-14%	-	Xetra	-1%	-	-	-	-1%	-
Cboe CXE	-4%	-1%	-3%	-4%	-11%	-9%	Cboe CXE	0%	1%	0%	0%	0%	-1%
LSE	-3%	-	-	-1%	-	-	LSE	0%	-	-	1%	-	-
Borsa Italiana	0%	-	-	-	-	-3%	Borsa Italiana	0%	-	-	-	-	1%
Turquoise	-4%	-2%	2%	-4%	-8%	-6%	Turquoise	0%	0%	0%	0%	0%	0%
Aquis	-5%	3%	-10%	-4%	-14%	-19%	Aquis	0%	0%	0%	0%	0%	0%
Cboe BXE	-4%	-2%	-2%	-20%	-6%	6%	CBOE BXE	0%	0%	0%	-1%	0%	0%
<b>Total</b>	<b>-5%</b>	<b>-6%</b>	<b>-2%</b>	<b>-3%</b>	<b>-13%</b>	<b>-4%</b>							

Relative Difference: Euronext Outage Day vs Baseline													
Notional Traded	Market Wide	CAC 40	AEX	FTSE 100	DAX	FTSE MIB	Relative Mkt Share	Market Wide	CAC 40	AEX	FTSE 100	DAX	FTSE MIB
Euronext	-48%	-47%	-47%	-	-	-	Euronext	-6%	-5%	-7%	-	-	-
Xetra	-30%	-	-	-	-32%	-	Xetra	1%	-	-	-	1%	-
Cboe CXE	-31%	-32%	-26%	-32%	-35%	-43%	Cboe CXE	1%	2%	3%	-1%	0%	-2%
LSE	-26%	-	-	-30%	-	-	LSE	1%	-	-	0%	-	-
Borsa Italiana	-20%	-	-	-	-	-27%	Borsa Italiana	2%	-	-	-	-	2%
Turquoise	-36%	-43%	-44%	-33%	-38%	-40%	Turquoise	0%	0%	0%	-1%	0%	0%
Aquis	-24%	-27%	-11%	-28%	-30%	-19%	Aquis	1%	1%	3%	0%	0%	1%
Cboe BXE	-23%	-19%	-16%	-22%	-37%	-35%	CBOE BXE	1%	1%	1%	1%	0%	0%
<b>Total</b>	<b>-34%</b>	<b>-43%</b>	<b>-42%</b>	<b>-30%</b>	<b>-33%</b>	<b>-29%</b>							

It would be expected that relative share of traded notional on the affected primary markets declines significantly as trading moved to other venues. This is the observed result in the US during an outage at NYSE in 2015 but for affected EU venues relative market share was not impacted in this way. Instead, overall traded notional in shares with their primary listing on the affected market dropped across all exchanges in Europe. This shows that an outage on the primary market affects trading across the EU, not just on the affected market.

<sup>1</sup> <https://www.optiver.com/insights/news-articles/building-resilience-in-eu-equity-markets/>

It should be noted that the MiFIR concept of “most relevant market” for the determination of pre-trade transparency waivers and further transparency calculations in RTS 1 reinforces the primacy of the RMs’ market data. As a result, many algorithms and trading modalities are explicitly pegged to the Primary market Best Bid or Offer (PBBO), instead of a European BBO (EBBO). While MiFID and MiFIR do permit some discretion as to the definition and measurement of best execution policies, FIA EPTA members believe that the exclusion of the RMs’ market data for primary listings of equity instruments would make such best execution policies meaningless.

**Q3.4: For each data set you use, how have the trading fees, trading data costs and quality evolved over the last 5 years? What impact has this had on your business and your clients?**

In FIA EPTA’s 2019 submission to ESMA’s consultation on the development of costs for market data<sup>2</sup>, we demonstrated that a hypothetical, representative principal trading firm in Europe would have experienced an increase of 27% in market data costs between 2016 and 2019<sup>3</sup>. These findings are also set out in the below Annex to our present response.

FIA EPTA members are involved in market making and liquidity provision which are high volume, low margin businesses. High fees and significant increases in fixed costs impede our members’ ability to provide liquidity and competitively reduce spreads, ultimately leading to increased costs for end investors.

More generally, increased costs associated with market data present a barrier to entry for participants, decreasing efficiency and hindering the continued development of capital markets.

The actual content of pre-trade market data has been subject to modest improvement over the past 10 years with the introduction of order-by-order market depth feeds. More significant changes have occurred to post-trade data as a result of regulatory requirements from MiFID II and MiFIR which saw additional information required to be published but this additional information has no impact upon the price discovery process.

**Q3.5: How easy are trading data pricing/licensing terms to understand and comply with? What, if any, do you find to be complex or restrictive and what impact does this have on your business?**

FIA EPTA members have uniformly observed increasing complexity of market data policies and agreements. Agreements that originally were short and succinct texts are now often packages of multiple lengthy documents (consisting inter alia of the agreement itself, fee schedules, redistribution agreements, policy guides, order forms, usage declarations, audit procedures, etc.) and require review by multiple internal stakeholders (e.g., market data, legal, compliance, and potentially even technology specialists) before sign-off. As noted in the CFI document, some exchange agreements, policies and fee schedules exceed one hundred pages. Likewise, the frequency of revisions to these documents has increased, sometimes changing more frequently than once in a year.

The documentation is often so complex that even the market data teams at individual trading venues do not fully understand the agreements and schedules and are not always able to adequately explain how

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<sup>2</sup> <https://www.esma.europa.eu/file/52533/download?token=gXyHnVjN>

<sup>3</sup> [https://www.fia.org/sites/default/files/2019-12/FIA%20EPTA\\_ESMA%20Consultation\\_Market%20Data\\_CT\\_FL-NAL\\_09\\_06\\_2019%20FINAL\\_0.pdf](https://www.fia.org/sites/default/files/2019-12/FIA%20EPTA_ESMA%20Consultation_Market%20Data_CT_FL-NAL_09_06_2019%20FINAL_0.pdf) (see pp. 3-6).

usage should be categorised and reported when they are queried by customers. This ever-growing complexity has resulted in some firms needing to increase headcount by hiring dedicated market data specialists, focused on reviewing and interpreting market data policies and fulfilling subsequent reporting obligations. Specialist software systems to manage and account for market data entitlements and usage must be procured and integrated or developed in order to comply with market data licensing.

Under the “potential access” standard a display user is considered fee-liable if they potentially had the ability to access market data from a source, regardless of whether or not they actually had accessed the data. This means that simple administrative oversights or overlooked changes to the “fine print” contractual clauses for specific market data products in market data policies can render subscribers liable for substantial penalty fees, sometimes backdated without limitation, for potential access charges regardless of whether the participant can prove that the data was not accessed. This would be comparable to requiring a household to pay for the potential electricity consumption of all appliances that are connected to the mains supply rather than the energy actually consumed.

The complexity and ambiguity of market data licensing agreements facilitates the imposition of penalties while third party auditors that are compensated on a percent recovered basis are motivated to apply the strictest interpretation of market data policies. FIA EPTA members have experiences where a market data provider has given guidance to the interpretation of market data policies which has been reversed following a differing interpretation under audit. It places subscribers in a losing position where the market data provider is itself not only the rule setter but the arbiter of the interpretation those rules.

**Q3.6: Are you aware of trading venues or APAs charging different amounts to different customers for similar services? Please give specific examples and explain how these practices affect your ability to compete in the markets you operate in.**

FIA EPTA members not aware of trading venues or APAs charging different amounts to different customers for similar services.

**Q3.7: Please explain when you are charged for the use of delayed data.**

N/A

**Q3.8: To what extent do you think ESMA’s suggested improvements to the RCB requirement will adequately constrain trading data pricing (see 3.23)? Are there other ways to ensure trading data prices are competitive?**

FIA EPTA members believe the efforts to standardize terminology and concepts across market data providers is a necessary first step to making market data policies fit for purpose. However, more prescriptive accounting methodologies will be required with regard to the allocation of shared costs as well as guidance on what constitutes a “reasonable” margin.

As we noted in our response to question 3.3, the monopoly control that market operators have over the market data for the liquidity pools on their venues means that there is no possibility of stimulating competition in market data pricing. FIA EPTA members have frequently observed quite the opposite of a competitive landscape for market data pricing whereby new market data fees or usage classes initiated by one

provider are quickly adopted by the others as noted in FIA EPTA's response to ESMA's previous consultation on the development of prices for market data<sup>4</sup>. Examples of this are quite common, including the original emergence of non-display charges as well as the more recent adoption of the "non-display (other)" category fees for which ISE and Deutsche Börse were the last of the major European RMs to implement in 2018.

The cost to disseminate market data should be considered separately from the cost to produce as this is more closely related to the technical connectivity charges paid to both trading venue and data centre operators and should also be brought under the RCB provisions. These charges for physical and logical connectivity (lines and sessions), are also part of a monopolised market whereby a single provider, trading venue operator or data centre operator, sets pricing which is often opaque. In numerous, but not all cases the data centre operator and trading venue operator will be under common ownership. This is similar to the issue of common ownership of benchmark providers that will be discussed in question 3.15

ESMA's proposed changes will additionally need to address the lack of standardised accounting practices and compel meaningful disclosure to ESMA and NCAs of costs to produce and distribute market data as well as actual revenues generated. Only with such disclosure is there any chance of comparability and assessing compliance with the RCB for market data fees across the whole range of market data providers and vendors.

The lack of transparency and disclosure of the actual cost to produce market data makes it impossible for participants to have confidence in a reasonable cost basis (RCB) for market data charges. This is especially so in an environment of ever-increasing market data fees paid to market data providers and vendors by FIA EPTA members. While we understand the commercial sensitivity of this information for market data producers, this should not be a shield against accountability for compliance with the RCB provisions of the regulation.

It is imperative that NCAs are able to confirm that appropriate (preferably standardised) accounting standards are correctly applied to derive a cost to produce market data along with the revenues generated from market data licensing and sales. In order to determine compliance with the RCB provisions under MiFID II this information should be provided annually to NCAs so that changes can be tracked and assessed.

Any increase above a suitable index in the cost to produce and distribute, or the revenues generated from market data should trigger an audit of the disclosures and an RCB assessment by the NCA which should be publicly disclosed to ensure confidence that the regulatory framework is operating effectively. It is incumbent upon ESMA as the regulator for the Union, or the FCA for the UK, to ensure that these RCB provisions are applied consistently.

While competition in market data is not possible, an adequate outcome will ensure that the RCB is comparable across market data providers and that the requirement to provide market data on an RCB is enforced.

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<sup>4</sup> <https://www.esma.europa.eu/press-news/consultations/mifid-ii-mifir-review-report-development-in-prices-pre-and-post-trade-data>

## Benchmarks

### **Q3.14: Which type of benchmarks do you use in your business? How many benchmarks do you use, and how many administrators have you had agreements with, over the last 5 years?**

FIA EPTA members use a multitude of benchmarks provided by index providers in their normal course of business. As market makers and liquidity providers on secondary markets, FIA EPTA members provide liquidity in a wide range of instruments and, for any instrument that is based on an underlying index, there is a requirement for FIA EPTA members to be licensed with that benchmark provider in order to be able to correctly price that instrument. This range of instruments includes passive index-tracked ETFs (Equity/Fixed Income/Commodity), stock index futures, stock index options, ETF options, volatility index futures and volatility index options. Administrators that FIA EPTA members have agreements with include pure index providers and exchanges for instance FTSE, MSCI, STOXX, DAX, Euronext and Nasdaq OMX. The majority of these licensing agreements have been in place for over 5 years with FIA EPTA members' demand for newly created indices driven by regulated markets listing new instruments based on those indices.

### **Q3.15: Are you content with the price and quality of the benchmarks you use? If you are not satisfied with any of these elements, please explain why not and the impact this has on your business.**

Once licenses are in place, FIA EPTA members have minimal quality issues in terms of accuracy of the data and timing of delivery. However, FIA EPTA members are currently not content with the price of index data for the following reasons:

#### 1. Sudden Price Increases

In 2017, Stoxx announced a price increase of 12.5 times the cost for their daily Index data. This was negotiated down (with the help of other clients who also questioned the increase) to 7.33 times the cost but also included with a reduction in service from provision of the data to 3 client sites to 2 sites for that price.

#### 2. Annual Price Increases

All Index Providers increase the costs of their index packages from between 3% and 6% per annum which is automatically applied to recurring annual invoices. This is not the norm with other data vendors.

#### 3. Bundling of Indices

The main index providers MSCI, FTSE and Stoxx have their indices bundled together in large packages without the ability to opt-in/out of certain indices in order to reduce costs. For example, if an FIA EPTA member is only interested in 1 index of the UK Index Series there is still a requirement to pay for the full package.

Hang Seng is the only known index provider that allow clients to pick and choose what indices they would like to receive instead of forcing clients to choose a more expensive package.

#### 4. Regional pricing

The majority of index data vendors, with the exception of Euronext and Toronto Stock Exchange, do not allow for a global agreement. Instead, although, the same data is provided to all sites/regions (Europe, US and Asia) the index providers charge per site/region.

#### 5. Additional Fees

Additional fees apply to index providers such as FTSE who will charge extra to use the data in an 'automated application' and to be able to manipulate and derive the data.

#### 6. The same data via multiple vendors

The standard format is to receive the data from the index providers via a daily file. However, if an FIA EPTA member wants to get the same data via Bloomberg there will be an extra charge. In the case of MSCI this is the cost of the entire package again.

#### 7. No real-time pricing included

Paying for an index composition package does not include real-time pricing. This is extra and is usually delivered via Bloomberg. There is also an extra fee to use this pricing data in an automated application.

#### 8. Historical Data

Index providers (such as Stoxx and MSCI) also charge for storing historic data requiring clients to purchase a 'history' license. Some FIA EPTA members have recently been forced to purchase a 'history' license even after having the data for 5+ years. Although users of the index data will have paid for the data upfront they are contractually required to delete any stored data held after a specified period of time unless they enter into a 'history' license.

It must also be noted that all of these pricing changes have occurred without any change in the data provided. FIA EPTA members are very concerned that this is because of a monopolistic approach the index providers are taking with the prices increased because users cannot do without the data rather than there being any increase in underlying costs to provide the data. FIA EPTA members have also reported experiencing forced migrations from legacy index packages to newer packages at significantly higher costs. While index providers typically pitch these forced migrations as opportunities to receive significantly more data, FIA EPTA members consider that the additional data provided typically is of low value and would not justify the cost increases. With no opportunity to opt-out, FIA EPTA members have in such cases no choice other than to absorb the costs.

In addition, FIA EPTA members have experienced this monopolistic approach being used to advantage intra-group with one regulated derivatives market, for example, currently stating that they are unable to lower trading fees because of high index provider costs when the index provider is part of the same corporate group.

Similar to our response to Q3.4, higher index data charges inhibit FIA EPTA members' ability to tighten spreads and this results in increased trading costs for end investors. In a worst-case scenario, this could be a barrier to entry preventing our members from market making instruments as these fixed costs make it inefficient to do so.

**Q3.16: Do you consider any benchmarks a 'must have' for your business purposes? What factors do you consider in this assessment?**

Referring to the definition of benchmarks as detailed in the call for input, i.e. indices used to determine the amount payable under a financial instrument or contract or the value of it, FIA EPTA members would consider all benchmarks a 'must-have' where members want to market-make or trade products related to that index.

There are no alternatives to this data with the exception of just not trading the products related to that index. For example in order to trade any ETFs, Options or Futures based on the DAX index, FIA EPTA members need to know the current constituents of that index. This is not possible without a license directly with Deutsche Boerse.

**Q3.17: How have prices and quality evolved over the last 5 years across the types of benchmarks you use? What impact has this had on your use of benchmarks, on your business and your clients?**

Please refer to our response to Q3.15 above, the price increases seen in the last 5 years have had a significant impact in terms of overall market data costs for FIA EPTA members.

FIA EPTA members noted that the quality has slightly improved in recent years in that account managers are quick to reply if there are any issues. Also, there has been a very small number of instances where files have been late or incorrect.

**Q3.18: Are benchmark administrators' pricing/licensing terms established by benchmark administrators easy to understand and comply with? What terms, if any, do you find to be overly complex or restrictive and what impact does this have on your business?**

1. Pricing

The pricing terms established by index providers are not easy to understand or compare as there is a lack of transparency in that price lists are not readily available, they are not provided on vendor websites for instance. Also, the rationale behind the high costs or price increases are not fully understood as there is no background information provided to support the pricing.

In terms of the data, daily files are provided that can be download online, over ftp or via a portal which details the:

- index name
- index constituents
- constituent weightings
- constituent currencies and shares
- index divisor

With each index provider, the addition/removal of indices from packages is a manual process through the account manager. No portals exist to see what indices are available in a client's current package. In some cases like MSCI it's not clear what indices are included in what package, and FIA EPTA members must email an account manager each time they are interested in a new index to find if it has been added to a package they are already paying for or not.

Quotes for new packages are slow to turn around and in the case of FTSE almost never quoted over email as they prefer telephone. Upon verbal acceptance they will then draw up an official pdf which eventually shows the official quote.

In FIA EPTA members' opinion, greater transparency is needed and members would welcome the extension of the provision of the data on a reasonable commercial basis (RCB) under Article 37 of MiFIR to all market participants.

## 2. Licensing

Licensing terms are easy to understand and comply with, although, it is worth noting that contracts are tied to lengthy terms and conditions. Also the licensing agreements include a number of confidentiality clauses that further inhibit transparency with regards to pricing as users are not permitted to discuss or disclose pricing terms. This price opacity is detrimental to the industry as it undermines index data users' confidence that pricing is handled in a consistent, fair and non-discriminatory manner.

**Q3.19: Are you aware of benchmark administrators charging different amounts or imposing different contract terms, to different customers for similar services? Please give specific examples and explain the impact on your ability to compete in the markets you operate in.**

Referring to our earlier response to Q3.18, it would currently be very difficult to identify if benchmark administrators were charging different amounts or imposing different contract terms, to different customers for similar services, given the lack of transparency with regards to price and as users are contractually unable to find out. That being said, members have no knowledge of different clients within the same class being charged a different amount.

**Q3.20: How easy is it to compare and switch between benchmark providers? Please provide details on the benchmarks considered when choosing and possible hurdles affecting your ability to compare, choose and switch.**

There is no potential to compare and switch between benchmark providers. These providers essentially operate in a monopolistic manner, similar to primary market data providers. Although 'lookalike' indices have been created by newer index providers attempting to bring competition to this marketplace, these cannot currently exactly mirror the legacy benchmarks due to intellectual property considerations although exact replication would be theoretically possible from a technical perspective subject to mitigating related operational challenges. For example there are DAX-like alternatives provided by CBOE that have cheaper licenses, however, these are at best 98% correlated to the DAX indices whereas FIA EPTA members would need these to be at least 99.8% correlated to be considered usable substitutes.

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## Market data vendor services

**Q3.31: Are you aware of market data vendors charging different amounts or imposing different contract terms on different customers for similar services? As a user are you, or have you been, at a competitive disadvantage as a result?**

FIA EPTA members are not aware of market data vendors charging different amounts or imposing different contract terms to different customers for similar services. Market data vendors do differentiate between classes of client/user such as banks, market making and other trading firms. There is no direct evidence of different clients within the same class being charged a different amount for the same service. However, referring to our earlier response to Q3.18 and 3.19, it would currently be difficult to identify such a difference, were it to exist, given the lack of transparency with regards to price.

## Annex: Market data model use case for a principal trading firm

In order to provide an empirical view into the data, we have provided a model use case (Excel model provided separately) for a small principal trading firm in which the usage characteristics remain broadly unchanged over a four-year period. In this model we have added meta data categories in order to normalise the types of fees charged across exchanges.

### Model use case for a principal trading firm – assumptions with respect to the model use cases:

- The firm is active on a broad range of European financial markets and trades both equities and equity-like products in addition to listed derivatives;
- In all cases the firm is subscribing to market data directly from the trading venues;
- Due to the highly integrated nature of EU/UK and Swiss markets and in order to fully represent the costs to a principal trading firm based in the EU we have included SIX Swiss Exchange in our model;
- 10 display users;
- 15 non-display users;
- Up to 6 additional users under Risk/Compliance/Quality Assurance;
- Internal distribution within the group but no external distribution;
- Pricing is based on the most relevant update for each calendar year (normally by January 1 or within early Q1), except for certain cases as noted in the underlying Excel sheet where material changes were made to individual venue market data agreements mid-year;
- Any non-Euro prices were adjusted to Euro using ECB average rates for the relevant calendar year.

As shown in the tables below in our model use case, this hypothetical firm on aggregate would have seen its market data costs rise by ~27% between 2016-2019 (from €917k to over €1.16m).

**Table 1 – Year-on-year market data spend for a hypothetical EU principal trading firm**

Exchange	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
Bolsas y Mercado Espanoles	86,016	86,016	89,984	89,984	5%
Borsa Italiana	120,080	125,342	125,342	125,680	5%
Cboe Europe	31,483	44,760	45,303	49,085	56%
Deutsche Borse	61,878	82,591	152,136	173,526	180%
Euronext	68,280	72,180	108,810	111,751	64%
ICE Europe	144,303	139,754	159,581	158,664	10%
Irish Stock Exchange	9,734	9,984	47,280	17,562	80%
London Stock Exchange	72,674	80,607	83,978	98,681	36%
Nasdaq Nordic	80,440	81,120	81,120	81,120	1%

Oslo Bors	6,228	6,252	6,686	7,760	25%
SIX Swiss Exchange	78,044	81,067	78,029	79,623	2%
Turquoise	19,842	18,547	18,379	20,202	2%
Warsaw Stock Exchange	112,064	117,209	119,883	119,971	7%
Wiener Borse	26,220	26,220	30,840	32,100	22%
<b>Grand Total</b>	<b>917,287</b>	<b>971,650</b>	<b>1,147,351</b>	<b>1,165,710</b>	<b>27%</b>

In the 2016-19 period a number of technical and structural changes at different exchange groups specifically impacted certain fee categories. Notably, in the period Euronext launched its new Optiq Market Data gateway during 2017. While, also in 2017, Deutsche Boerse launched the new Xetra Order by Order product. Furthermore, in 2019, Euronext completed its acquisition of the Irish Stock Exchange.

The data set can be further broken down to look at the relative impacts across different types of usage as well as by asset class, as per Tables 2-4 below:

**Table 2 – Year-on-year market data spend linked to equities trading**

Exchange	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
Bolsas y Mercado Espanoles	66,576	66,576	68,760	68,760	3%
Borsa Italiana	65,830	71,092	71,092	71,430	9%
Cboe Europe	31,483	44,760	45,303	49,085	56%
Deutsche Borse	30,678	51,391	108,000	114,720	274%
Euronext	55,200	58,080	66,600	70,097	27%
Irish Stock Exchange	9,734	9,984	47,280	17,562	80%
London Stock Exchange	72,674	80,607	83,978	98,681	36%
Nasdaq Nordic	63,880	64,160	58,560	58,560	-8%
Oslo Bors	6,228	6,252	6,686	7,760	25%
SIX Swiss Exchange	78,044	81,067	78,029	79,623	2%
Turquoise	19,842	18,547	18,379	20,202	2%
Warsaw Stock Exchange	112,064	117,209	119,883	119,971	7%
Wiener Borse	26,220	26,220	30,840	32,100	22%

<b>Grand Total</b>	<b>638,454</b>	<b>695,946</b>	<b>803,390</b>	<b>808,552</b>	<b>27%</b>
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**Table 3 – Year-on-year market data spend linked to derivatives trading**

Exchange	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
Bolsas y Mercado Espanoles	19,440	19,440	21,224	21,224	9%
Borsa Italiana	59,530	59,752	59,752	59,860	1%
Deutsche Borse	31,200	31,200	44,136	56,847	82%
Euronext	13,080	14,100	42,210	41,654	218%
ICE Europe	144,303	139,754	159,581	158,664	10%
Nasdaq Nordic	23,560	23,360	29,760	29,760	26%
Warsaw Stock Exchange	20,389	23,246	26,019	26,912	32%
<b>Grand Total</b>	<b>311,502</b>	<b>310,852</b>	<b>382,682</b>	<b>394,921</b>	<b>27%</b>

In some cases, it is not possible to easily split fees on certain venues by asset class. These fees have been labelled as “Mixed” in the underlying Excel data and the value of these fees (€39,722 in 2019) is included in both Tables 2 and 3.

**Table 4a – Year-on-year market data spend (display usage)**

Exchange	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
Bolsas y Mercado Espanoles	9,360	9,360	11,820	11,820	26%
Borsa Italiana	5,280	5,502	5,502	5,610	6%
Cboe Europe	7,322	7,118	7,324	7,721	5%
Deutsche Borse	18,410	19,620	20,736	23,084	25%
Euronext	17,760	16,440	17,400	17,562	-1%
ICE Europe	28,678	27,774	31,714	32,324	13%
Irish Stock Exchange	2,246	2,496	3,480	2,442	9%
London Stock Exchange	24,601	23,961	25,470	28,645	16%
Nasdaq Nordic	13,440	13,920	13,920	13,920	4%

Oslo Bors	3,849	3,963	4,414	4,470	16%
SIX Swiss Exchange	9,246	13,601	13,091	13,359	44%
Turquoise	1,538	1,437	1,424	1,562	2%
Warsaw Stock Exchange	4,345	4,454	4,900	5,974	37%
Wiener Borse	4,920	4,920	5,520	5,580	13%
<b>Grand Total</b>	<b>150,996</b>	<b>154,566</b>	<b>166,716</b>	<b>174,074</b>	<b>15%</b>

**Table 4b – Year-on-year market data spend (non-display trading usage)**

Exchange	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
Bolsas y Mercado Espanoles	14,040	14,040	14,760	14,760	5%
Borsa Italiana	108,500	108,500	108,500	108,500	0%
Cboe Europe	24,162	37,642	37,979	41,364	71%
Deutsche Borse	43,468	62,971	82,200	92,899	114%
Euronext	33,120	33,120	64,620	66,209	100%
ICE Europe	72,347	70,066	80,007	79,435	10%
Irish Stock Exchange	7,488	7,488	28,800	9,450	26%
London Stock Exchange	35,462	34,540	36,603	47,324	33%
Nasdaq Nordic	60,000	60,000	60,000	60,000	0%
Oslo Bors	2,379	2,289	2,272	3,290	38%
SIX Swiss Exchange	68,797	67,466	64,937	66,264	-4%
Turquoise	18,304	17,110	16,955	18,640	2%
Warsaw Stock Exchange	103,135	108,057	109,117	108,180	5%
Wiener Borse	14,400	14,400	15,600	16,800	17%
<b>Grand Total</b>	<b>605,602</b>	<b>637,690</b>	<b>722,349</b>	<b>733,116</b>	<b>21%</b>

**Table 4c – Year-on-year market data spend (non-display other usage – includes risk/compliance and other non-trading usage)**

Exchange	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
Bolsas y Mercado Espanoles	5,616	5,616	5,904	5,904	5%
Borsa Italiana	6,300	11,340	11,340	11,570	84%
Deutsche Borse	0	0	49,200	55,584	-
Euronext	17,400	22,620	26,790	27,980	61%
ICE Europe	17,207	16,664	19,029	19,395	13%
Irish Stock Exchange	0	0	15,000	5,670	-
London Stock Exchange	12,612	22,106	21,905	22,712	80%
Warsaw Stock Exchange	4,584	4,698	5,866	5,816	27%
<b>Grand Total</b>	<b>63,718</b>	<b>83,045</b>	<b>155,035</b>	<b>154,631</b>	<b>143%</b>

**Table 4d – Year-on-year market data spend (administrative and internal distribution)**

Exchange	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
Bolsas y Mercado Espanoles	57,000	57,000	57,500	57,500	1%
ICE Europe	26,071	25,249	28,831	27,510	6%
Nasdaq Nordic	7,000	6,800	7,200	7,200	3%
Wiener Borse	6,900	6,900	9,720	9,720	41%
<b>Grand Total</b>	<b>96,971</b>	<b>95,949</b>	<b>103,251</b>	<b>101,930</b>	<b>5%</b>

As the tables above highlight, once one drills into the detail below the top-line increase for the hypothetical firm, there is a wide variation in both the absolute costs across EU venues and the year-on-year percentage changes. Notably, the display user costs increase on a relatively modest basis in percentage terms and have a relative low absolute cost in our model firm given the relatively low number of display users. Non-display usage accounts for the bulk of the absolute spend for our model firm and shows a larger percentage increase when compared with display use. As further explained in our response to Question 3 the largest percentage increase in costs over the period arose from non-trading uses for non-display data. The contribution here comes from a mixture of relatively large percentage increases on certain trading venues alongside other venues adding this as a new explicit pricing category from 2018.

One of the major market structure changes arising from the implementation of MiFID 2 was the broad increase in the number of EU investment firms registering and operating systematic internalisers (SIs) in EU equities. If our hypothetical principal trading firm had registered as an SI at the start of 2018 it would have seen a more significant increase of ~ 83% in overall costs.

**Table 5 – Year-on-year total market data spend including market data cost linked to operating an SI in EU equities from 2018.**

	Sum of 2016 Total in EUR	Sum of 2017 Total in EUR	Sum of 2018 Total in EUR	Sum of 2019 Total in EUR	% Change 2016-19
<b>Grand Total</b>	<b>917,287</b>	<b>971,250</b>	<b>1,447,526</b>	<b>1,682,273</b>	<b>83%</b>