

MSP Responds: Exchange Rebuttals Strengthen Case for Market Data Reform

- *Research update highlights inconsistent exchange disclosures and reinforces call for regulatory action*

Market Structure Partners (MSP) today published its [detailed response](#) to feedback from Turquoise, Euronext and the Federation of European Stock Exchanges on its study, “There’s No Market in Market Data”.

MSP finds there is little basis for most of the feedback and that many of the comments are surprising, given that they are based on, and sometimes contradict, the exchanges’ own publicly available information, which includes:

- Reasonable Commercial Basis Disclosures that Trading Venues and Data Reporting Service Providers are required to make according to EU and UK Legislation
- Annual accounts
- Fee schedules
- Publicly commissioned reports

This highlights the following issues:

1. **Exchanges have published regulatory disclosure information inconsistently, using different approaches**
2. **The lack of transparency in the exchanges’ annual accounts in relation to their equity and market data businesses prevents easy reconciliation with their disclosures or their statements**
3. **The highly subjective nature of the exchanges’ complex pricing schedules, which is related to the fact that fees are tied to the consumers’ variable costs of production (e.g. how they use data and how, and to whom, they disseminate it) and not the exchanges’ fixed costs of production.** MSP notes in its response how other consultants commissioned by the exchanges have had difficulty in accurately interpreting their fees.

MSP acknowledges specific feedback regarding Turquoise and LSE disclosures, as well as Euronext's reporting methodology, where they presented their 2020 market data revenue percentage against total group revenue rather than total trading revenue, as required by regulation. These technical clarifications, however, do not alter the fundamental conclusions of the MSP report, which remain:

- **Market data fees are not moving in line with market activity and market share, which suggests that they are being used to offset declining trading revenue.**
- **Market data fees are not linked to the exchanges’ costs of production (as laid out in regulation)**
- **The current approach to charging for market data is restricting equity market growth**

We are, therefore, releasing a [new version](#) which of the report today which:

1. Includes recommendations for EU and UK regulators on improvements to regulatory disclosures
2. Removes Turquoise's disclosure information and replaces it with LSE's 2019 – 2022 disclosures
3. Notes Euronext's use of group revenue instead of trading revenue in its MDR% in 2020
4. Reinforces the point that market data fees are unjustifiably linked to customers' costs of production instead of exchanges' costs of production.

Niki Beattie, CEO of Market Structure Partners, said: *“The definition of 'Reasonable Commercial Basis' has been hiding in plain sight all along. Market data pricing should reflect exchanges' actual fixed costs of production—not arbitrarily capitalise on consumers' variable usage and dissemination patterns. When these unjustified charges are removed, the facade of a standalone market data business crumbles, confirming our original conclusion that data is simply a by-product of trading. Policymakers in both the EU and UK must act decisively to enforce existing regulations or implement new ones to stimulate the innovation, competition and growth that European capital markets urgently need.”*

Mike Bellaro, CEO of Plato Partnership, said: *“The vigorous responses from exchanges to this independent research underscore just how critical the market data pricing issue has become for all participants in European equity markets. Plato Partnership co-commissioned this independent study to shed light on an increasingly important topic, and Market Structure Partners' analysis has served to do exactly that. What's clear to everyone in the marketplace is that these questions about market data pricing, transparency, and regulatory framework deserve serious attention. Indeed, the intensity of debate following the report's publication only reinforces its significance and the need for a constructive industry-wide dialogue about creating markets that work efficiently for all participants. Plato Partnership remains committed to facilitating evidence-based conversations that ultimately benefit the broader financial ecosystem.”*

A copy of MSP's response and the updated report can be found [here](#).

-ENDS-

Notes to Editors

The coalition of organisations that commissioned the original research are as follows:

Plato Partnership

Plato Partnership is a not-for-profit member organisation comprising asset managers and broker-dealers who collaborate to bring creative solutions and efficiencies to today's complex equity marketplace.

Members of the Plato Partnership include: ADIA, Allianz Global Investors, Axa Investment Managers, Bank of America Securities, Barclays, BlackRock, Capital Group, Citi, DWS Group, Exane BNP Paribas, Fidelity International, Goldman Sachs, Instinet, Invesco, Janus Henderson, Jefferies, JP Morgan, Kepler Cheuvreux, Legal & General Investment Management, Liontrust, MFS International, Morgan Stanley, Norges Bank Investment Management, Optiver, Pictet Asset Management, Point72, RBC, Redburn Atlantic, Schroders, Société Générale, T. Rowe Price, UBS, UBS Asset Management, and Union Investment.

EFAMA (European Fund and Asset Management Association)

EFAMA is the voice of the European investment management industry, which manages around 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. Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book. More information is available at www.efama.org

BVI (German Investment Funds Association)

BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 116 members manage assets of some EUR 4.4 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.

AFME (Association for Financial Markets in Europe)

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information, please visit the AFME website: www.afme.eu

FIA EPTA (European Principal Traders Association)

The European Principal Traders Association (FIA EPTA) represents the leading Principal Trading Firms in the EU and UK. Our members are independent market makers and providers of liquidity and risk transfer for markets and end-investors across Europe, providing liquidity in all centrally cleared asset classes including shares, bonds, derivatives and ETFs. FIA EPTA works constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe. More information about FIA EPTA and independent market makers is available on: www.fia.org/epta and www.wearemarketmakers.com

About Market Structure Partners

Market Structure Partners is a leading independent consulting firm specialising solely in global capital markets structure.

It aims to deliver real benefits to society through the work it does by ensuring that, as a niche specialist, it delivers valuable and non-biased advice to help develop capital markets.

Methodology Note: Understanding Market Data Pricing Variability

The research findings on market data price increases may appear varied, reflecting the complex and fluid pricing strategies of European stock exchanges and the lack of consistency and transparency on market data in the exchanges' publicly available accounts. Data prices are not fixed but dynamically adjusted based on multiple factors, including:

- The organisational type of the data purchaser
- Timing of data consumption
- The exchange's current trading revenue
- Specific usage parameters of the data

These nuanced pricing mechanisms mean that different stakeholders might report different percentage increases in data costs, depending on their specific context and data usage. Readers should understand that this variability is a deliberate feature of the exchanges' pricing models, not an inconsistency in the research.

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