European Stock Exchanges' Over-Reliance on Equity Market Data Revenues: Stifling Growth and Innovation

Rising data fees to offset declining trading revenue burden market participants with surging costs

London, UK February 4, 2025 – Research by Market Structure Partners (MSP) reveals that European stock exchanges are increasingly turning to market data sales to compensate for adverse market conditions that should have resulted in a downturn in equity market revenues such as declining equity trading volumes, shrinking market share, and a diminishing customer base. This shift has dramatically driven up the cost of equity market data, which is essential for issuers, investors, and market intermediaries to conduct their daily business.

The research, commissioned by a coalition of trade and other industry associations,[a] presents a critical analysis of how the equity market data business and fee structures of Europe's largest exchanges (Deutsche Börse, Euronext, LSEG, Nasdaq Nordics and SIX Swiss Exchange Ltd) have evolved and how it stifles growth and innovation.

Niki Beattie, CEO of MSP said "This Study shows the ease with which exchanges can rely on market data income to supplement what should otherwise be a natural decline in total revenue earnt from equity markets and suggests that, as a result, market growth has become a secondary objective. European policymakers with competitiveness and innovation agendas should rigorously challenge the current separation of trading and data revenues at all trading venues."

Total equity market revenues consist of trading revenue and market data revenue combined. However, the market data pricing does not appear to align with the trading activity it underpins. Despite these adverse conditions, EU regulatory disclosures from Europe's largest exchanges show that they appear able to sustain overall equity market revenues by increasing the portion that they generate from market data as trading revenues decrease. For example:

- Transacted value on Euronext's equity markets reduced by 17% between 2020 and 2023. However, the total equity market revenue only declined by 0.5%. This is because market data revenues increased and, as a proportion of overall revenue, rose from 11% to 19%.
- Transacted value on at Deutsche Börse's equity markets reduced by 29% between 2020 and 2023. However, total equity market revenue only declined 12%. This is because market data revenues increased and, as a proportion of overall revenue, rose from 21% to 31%.
- Transacted value on Nasdaq Nordics' equity markets reduced by 26.9% between 2021 and 2023. However, the total equity market revenue only declined by 8.8%. This is because market data revenues increased and, as a proportion of overall revenue rose from 19% to 23%.
- LSEG only has to make regulatory disclosures for its EU subsidiary, Turquoise. Trading turnover on Turquoise reduced by 61% between 2020 and 2022. Nevertheless, during the same period, market data revenues increased and, as a proportion of overall equity revenue, rose from 10.5% to 27%.

These increases in market data revenue have occurred even though there are no specific costs for producing market data and the costs of running a trading platform, such as software, hardware, energy prices and other factors are stable or declining. Additionally, exchanges in the UK and Europe have run the same trading technology for more than a decade and there is no evidence of any significant expenditure in their accounts. Costs for disseminating data across the market are borne by third parties.

The research argues that, exchanges have managed to maintain revenues by charging higher prices to fewer participants for more limited data.[b] This appears to have been achieved through the introduction of arbitrary and complex fee structures for use of the same data that are based on multiple factors that have a cumulative effect on cost including: data consumption method (human use on display terminals versus machine use of non-display data), user type (broker/agent), competitive status, professional versus retail users, and number of devices that may be able to see the data. Restrictive clauses also limit data use to exchanges' predefined purposes, making it hard for innovators to use data without taking on indeterminate financial risk.

As a result, every firm and user has a different cost profile and, if an exchange lowers prices for one set of customers, it may offset the revenue loss by raising prices for other customers.

The pricing model has led to extraordinary price increases, particularly as exchanges appear to seek to stem losses that arise that result from their customers' increasing automation. Most dramatically, under certain conditions, it is now 35 to 97 times more expensive in 2024 for a machine to use data compared to the cost for a human to use the same data for the same activities in 2017.

Additionally, according to the research, firms that compete with traditional stock exchanges, either as trading venues or index providers are amongst those that have seen the most dramatic price increases. Competing trading platforms have seen costs for non-display data rise by up to 481% between 2017 and 2024, while proprietary index creators that compete with exchange owned indices experienced cost rises between 97% and 170% across three exchanges over the same period.

Since the introduction of MiFID I in 2007, these exchanges have collectively earned at least £5.67 billion from market data, justifying their pricing as essential for the maintenance of fair and orderly markets but other competing trading venues have managed to become profitable and process similar volumes in a fair and orderly manner without the same reliance on market data revenues. If market data costs were directly correlated to market share, the study finds that exchanges, leveraging their incumbent status, could have generated up to £4.93 billion (€5.83 billion) in surplus revenue from market data fees since 2008. Alternatively, they could be earning up to 7.64 times more than competitors for processing similar volumes and market share.

The research raises critical questions about exchanges' role in regulated markets including: whether they are truly serving the equity market community, whether they are investing in equity market development and whether regulation has kept pace with the evolving business models and interests of exchanges where equity markets are now a minority business.

Ultimately, the Study argues that market data's value must align directly with trading activity. It calls for regulation to ensure data is treated as a by-product of trading by all trading venues rather than a separate revenue stream. Failing that, legislative intervention should redefine all trading venues' objectives to ensure they support market growth as their primary objective explicitly. Once the transparency of exchange data fees is improved, it will be easier to understand the pricing of data dissemination imposed by third party data vendors within the value chain.

"This study reveals a concerning trend in European equity markets," said **Mike Bellaro, CEO of Plato Partnership**. "When essential market data becomes disproportionately expensive, it creates barriers to entry and stifles the very innovation that policymakers are trying to encourage. This is particularly relevant as the UK and European Union seek to enhance their market competitiveness."

Adam Farkas, CEO of AFME, said: "Accessible market data is a critical component of healthy and well-functioning capital markets. Irrespective of the asset class, data empowers and allows all market participants to make informed decisions when allocating capital which in turn, supports a competitive and growing capital market. We thank Market Structure Partners for undertaking this critical research which shows that the much-needed growth in Europe may be undermined if attention is not paid to these concerning developments".

Thomas Richter, CEO of the German Investment Funds Association, **BVI**, said: "Asset managers are legally forced to use stock market prices, benchmarks, credit ratings, and other data from third-party providers. Because of the existing oligopoly market structures with only a few providers per segment, there is a case for competition law authorities. We call for an EU data vendor act that regulates the commercial behaviour of these entities. Because if we don't, the already considerable cost pressure in the fund industry will intensify even further – also to the disadvantage of the consumers."

Tanguy van de Werve, Director General of EFAMA, said: "Competitiveness is high on the policy agenda, including boosting the competitiveness of EU capital markets. Addressing the harmful impact of the oligopoly at the heart of market data access would lower trading costs, encourage new market entrants, and promote innovation. EU capital markets are underperforming their global peers, a trend that has only solidified over the last few years. Tackling high market data costs should be an obvious choice for policymakers looking to reinvigorate European capital markets."

Piebe Teeboom, Secretary General of the FIA EPTA said, "The MSP report evidences the ongoing increase in the cost of market data over recent years. This adds significant cost to participating in European financial markets, at a time when Europe is focussed on finding ways of boosting growth and competitiveness. In the interests of ensuring Europe remains an attractive destination for capital allocation, we encourage policymakers and regulators to consider how the report's findings impact these objectives."

A copy of the complete research can be downloaded **here**.

-ENDS-

Notes to Editors

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

Plato Partnership

Plato Partnership is a not-for-profit member organisation comprising asset managers and brokerdealers 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.

b 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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