



Market Data Fees and consolidated tape

FSUG open letter

About FSUG

The Financial Services Users Group (FSUG) is composed of experts who represent the interests of consumers, retail investors, micro-enterprises and include individual experts in financial services from the consumer perspective. FSUG's tasks include: advising the European Commission in the preparation and implementation of legislation or policy initiatives affecting the users of financial services; proactively identifying key issues affecting users of financial services; advising and liaising with financial services user representatives and representative bodies at the EU and national level.

Fundamental changes have been encountered in the market for equity trading in Europe over the past decade. Next to significant technological improvements also regulatory changes, especially through MiFID I and II, have fundamentally changed the landscape of equity trading markets in Europe.

On 12 July 2019 the European Securities and Markets Authority (ESMA), the EU securities markets' regulator, has launched a public consultation on the development in prices for pre- and post-trade data and on the post-trade consolidated tape (CT) for equity instruments. This consultation is based on a mandate of the EU Commission.

The FSUG welcomes this consultation which we believe will allow ESMA to gather solid evidence of market data prices and the reasons for the lack of a consolidated tape at EU level.

Specifically, the FSUG would like to underline the following:

1. Market data is generated during the submission of bids and offers and the execution of trades on a trading venue. The current landscape in EU markets shows a rise¹ in market data cost at least since

¹ Notwithstanding the Oxera study, p. 84, which states that since 2012 the unit costs (calculated as total joint revenue from trade execution and market data as a proportion of total value of trading in relevant securities) have declined for all stock exchanges considered, except one (BME).

2010. This rise comes despite technological developments which would have been expected to have an adverse effect. The FSUG considers that prices for standardized market data should be set at marginal cost plus a reasonable profit margin equal for all users using the same kind of service and independent of the differences between them. FSUG further considers, that the current delay in receiving data free of charge is far too long. In times of increasingly automated trades, AI and high frequency trading, market data should be made available to all market participants free of charge at a delay of up to max. 2 min.

2. The FSUG acknowledges that market data cannot be seen independently from price formation. Market data is the outcome of a price formation process which in equity markets is provided by stock exchanges. The FSUG is wary that transparent trading on stock exchanges plays a key role for individual investors and contributes to fairer and more efficient markets. We are aware that, while MiFID I and II were introduced to better regulate financial markets and to ensure investor protection, in fact these regulations have increased the disruption of markets by facilitating alternative trading venues and so-called “dark trading venues” to emerge. Any action at EU level therefore needs to ensure that a stable price formation is being maintained and in no case is further weakened in order to ensure properly functioning equity markets. We consider it nevertheless visionary but possible that all exchanges, systematic internalisers (SIs), and alternative, including dark trading venues, could be obliged to supply prices and transactions to a European trading aggregator who in turn should release bid and ask prices to all market participants, for free and at the same time. Exchanges could be authorised to send real time market data feeds to private subscribers, but in that case would also need to be obliged to disclose that information to the public (cost of the service, speed of the service allowing for x transactions per second).

3. The FSUG is truly supportive of the introduction of a publicly enforced and controlled consolidated tape and support a publicly enforced and controlled “consolidated tape” which would be easily and quickly accessible by all investors in the market.

24th of July 2019