

EFAMA, ICSA & MFA welcome IOSCO Feedback Statement on “Market Data in the Secondary Equity Market”

EFAMA, ICSA and MFA¹ (the Associations) have read IOSCO’s Feedback Statement on “Market Data in the Secondary Equity Market”² following the IOSCO consultation in 2021, and warmly welcome its conclusions³.

The Associations would like to draw attention towards the executive summary in particular, where a number of valuable insights and recommendations are presented. For example, we fully support the statement below, though we would suggest an important addition:

*“Market data and access to market data are necessary to trade in the secondary markets. Market data is an essential element of efficient price discovery and helps to support fair and efficient markets. Market participants, including investors, need timely access to market data to make investment, order routing, **liquidity management and** trading decisions. Further, market data is necessary for market participants to comply with certain regulatory requirements, including risk management, best execution and order protection rules, where applicable. As the markets have evolved to become largely electronic, the market data needs and means to access such data have likewise changed for many market participants. Market participants in many jurisdictions have raised concerns about the content, costs, accessibility, fairness and consolidation of market data...”*

In the recommendations aimed at regulators, IOSCO stresses that:

- **Fair access to market data is an important consideration in the provision of market data to market participants.** Fair access may cover issues including market data pricing, connectivity terms and pricing, and contractual arrangements. Market data is not interchangeable in all cases, and where appropriate, helping to ensure fair access across different execution venues is an important consideration. In addition, the extent to which access to free or delayed data can meet the needs of some participants may be a useful consideration.
- **Where appropriate, consolidation of data may improve access to market data and may, in some circumstances, be useful in helping to reduce costs of market data, identify liquidity and compare execution quality in jurisdictions where there may be fragmented liquidity.**

We strongly support the notion of ‘fair, equitable and timely’ access to market data as mentioned at the outset of the IOSCO report. We see great value in consolidated data, though consolidated tape data should also be subject to fair and equitable access based on a reasonable commercial basis.

EFAMA, ICSA and MFA believe that the IOSCO Recommendations could further be enhanced by the following Core Principles, which are relevant across jurisdictions.

The Core Principles should entail

1. **The price of market data and connectivity must be based on the efficient costs of producing and distributing the market data (as opposed to the value market participants derive from market data) with a reasonable mark-up. The cost should be measured against a recognised cost benchmark.**
 - a) Regulators should require trading venues to submit detailed cost and revenue data in order to understand the amount of mark-up exchanges impose.
 - b) As market data should be based on cost with a reasonable mark-up, exchanges should simplify contract terms and eliminate “non-display” categories. Instead, exchanges should consider simply differentiating between professional and non-professional users.

Please see the IEX’ cost study⁴ and Copenhagen Economics guideline to a cost benchmark⁵ for inspiration in addressing principle one in more detail.

2. **Trading venues of a single market system should standardize key market data contract definitions, terms and interpretations. Contract definitions, terms and policies should be specific and avoid overly broad or general terms.**
 - a) Market data licensing contracts should avoid “derived data” terms, which are lopsided and unfair and standardized agreements should be subject to regulatory review.
3. **Market data licensing contracts should be simplified to ease administration and so that audits are not necessary⁶.**

¹ [Global Memo on Market Data Costs by EFAMA, ICSA and MFA \(2020\)](#)

² [FR04/2022 Market Data in the Secondary Equity Market: Current Issues and Considerations \(iosco.org\)](#)

³ [CR03/2020 Market Data In The Secondary Equity Markets \(iosco.org\)](#)

⁴ <https://iextrading.com/insights/cost-transparency-whitepaper/>

⁵ <https://www.copenhageneconomics.com/publications/publication/a-guideline-to-a-cost-benchmark-of-market-data-how-to-obtain-reasonable-prices-of-market-data>

⁶ Please see Appendix B and C in Global Memo on Market Data by EFAMA, ICSA and MFA for inspiration on principle two and three.



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