



26 February 2021

Giles Ward
International Organization of Securities Commissions (IOSCO)
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Spain

By email: consultation-03-2020@iosco.org

Dear Mr Ward

Public Comment on Market Data in The Secondary Equity Markets

The Australian Financial Markets Association (AFMA) welcomes the opportunity to provide comment to IOSCO on the Market Data in the Secondary Equity Markets Consultation Report. AFMA's membership includes a wide range of financial market participants that access global market data to carry out their business functions, regulatory compliance, and investment strategies. AFMA's comments in this submission are provided from the perspective of members firms that conduct business on the global financial markets.

Principal Comment

AFMA would like to endorse the principles set out in the joint response to the consultation by the International Council of Securities Associations (ICSA) and the Global Financial Markets Association (GFMA). The ICSA/GFMA submission provides information and analysis that illustrate both the causes of high market data costs and the market efficiency consequences. It establishes the case for further policy work by IOSCO and sets out measures required to ensure that the securities markets can most effectively serve their many users and the broader economy.

In summary terms, AFMA agrees with the following propositions:

1. The price of market data and connectivity should be based on the efficient cost of producing and distributing the data with a reasonable mark-up and measured against a recognised cost benchmark.
2. Trading venues should standardise key market data contract definitions, terms, and interpretations.
3. Market data licensing contracts should be simplified to ease the burden of administration burden on broker-dealers and avoid unnecessary audits.

While it is appropriate and desirable for exchanges to earn revenue commensurate with their capital investment and business risks, there is concern that revenues from market data services are often materially in excess of this.

Data costs that exceed a competitive economic level, adversely impact financial market efficiency, securities pricing and liquidity. The large increase in market data costs in many jurisdictions is in part a consequence of regulatory requirements (notably best execution) and the outcomes reverse some of the gains from more integrated and competitive market systems. For these reasons, we welcome IOSCO's initiative to consult on market data in the secondary equity markets.

Increasing costs of accessing market data

The increased cost of market data is a consequence of changes to traditional data fees, but it also reflects a broadening of the range of fees and the terms and conditions under which data is provided. Market data licensing contracts are characterised by:

- increased number of items in the price/fee list,
- complex market data policies for functions like access and usage, and
- ambiguous definitions.

Participants pay for receiving the same data over differing platforms, for storing the data, for displaying the data on traders' terminals viewable by multiple people, for risk purposes, for non-display usage and so on.

Market participants spend significant resources to understand and estimate how much they should buy and how to limit any unnecessary data access to put a correct agreement in place. Additional resources are employed to manage contracts with other exchanges that come with differing complexities.

As an alternative to simplifying contracts or working to create a common approach to data licensing, many exchanges and data providers rely on rigorous auditing procedures to resolve contract issues. These audits often do not assist the participants in their understanding of the current cost profile, but instead work on a backward-looking charging model. Coupled with vague contractual terms and billing for poorly defined items such as "derived data" uses, this can lead to points of contention. In this context, the ICSA/GFMA proposals to support simplified contracts and avoid unnecessary audits is a positive initiative.

Having regard to the industry feedback we received, we also see merit in the proposal for IOSCO to recommend that the contractual arrangements adopted by exchanges should provide equivalent terms and conditions for all clients that use the same service and to censure any practices that are discriminatory in this regard.

Thank you for the opportunity to comment on the Consultation Report. We look forward to receiving the outcome of IOSCO's consideration of related policy proposals.

Yours sincerely



Nikita Dhanraj
Policy and Research Officer