The Paradox of Increasing Cost of Trading Data

*Concern over market data costs continues to stoke real debate*

By Robert Iati
Director, Burton-Taylor International Consulting

In a recent call, the Financial Conduct Authority (FCA) raised concern that the lack of competition for the securities pricing data that is now the key component to trading algorithms and programs (i.e., “market data”), enables exchanges—where this data originates—to unfairly control the price of these datasets. The FCA has posed that this leads to higher data prices, which are then passed on by resellers to end investors, who as a result are less able to access these prices.

Since this data has become critical to identifying trading signals for both institutional and retail investors, the FCA is concerned about the potential lack of fairness for those end users that are unable to afford market data fees and, thus, can’t compete with well-capitalized firms. Without a level playing field, the competitive balance of the participants—essential to an efficient and liquid market—will tilt to the side of those that can afford it.

According to Burton-Taylor’s upcoming study of market data, leading data resellers such as Bloomberg, Refinitiv, Factset, SIX, Morningstar and IHS Markit, who themselves purchase trading data from the exchanges, **earned just over $13 billion from real-time and trading data in 2019, up from $12.35 billion in 2014** (see chart). While it is clear that the

![Resellers' Revenue from Real Time and Trading Data](chart)
exchanges, as the original sources of all trading data, do indeed hold a monopolistic control over this data, our 2020 study of market data reveals that the revenue earned by the top resellers of this data has risen just 1.1% compounded annually over the past five years. It then stands to reason that if the resellers’ revenue from this data is growing at a nominal 1.1% CAGR, their acquisition costs of this data (from the exchanges) has not increased at an abnormally high rate.

In sum, on the surface it seems that the cartel-like structure of the market for real time and trading data limits access and creates an unfair competitive. And indeed, it may be true. The market should always be diligent in striving for fair and open access. However, if we use the resellers’ revenue growth as a proxy for that of the exchanges, we can assume that the prices are not rising at a rate that appears to be unfair or prohibitive.

Robert Iati is the Director of Burton-Taylor’s Market Data Research and Strategic Consulting businesses. Bob is a well-known capital markets expert with more than 30 years of experience in data management.