

**FISD Exchange Constituency Group**  
**Datafeed Definition White Paper**  
**August 2010**

An important policy issue for members of the real-time data value chain – exchanges, vendors, and consumers - is defining when a vendor's delivery of exchange data is considered to be a "datafeed". The answer to this question has significant impact on the fee, contract, and reporting requirements for both vendors and customers. Recognizing the importance of this issue, the ECG has had a series of discussions on this topic, comparing their respective policies and interpretations. This brief white paper provides a sense of the issues and concerns.

General Observations:

- One of the major implications of a data delivery situation being deemed a “datafeed” is that it may result in the exchange setting up a direct contractual relationship with the service recipient. There is range of exchange criteria for deciding when a datafeed situation also requires a direct contractual relationship:
  - o Direct feed from exchange – Almost always requires direct contracts
  - o External distribution of data (“Sub-vendor”) – Almost always requires direct contracts
  - o Use of data for “non-display” purposes – This is a sufficient threshold for some exchanges to require a direct contract
  - o Internal distribution – A variety of approaches among exchanges. Many exchanges permit the vendor to report their clients’ usage. This is generally backed-up by the ability for the exchange to audit the vendor’s clients’ usage at the clients’ sites.
  - o And a few exchanges require some sort of direct contract with and subscriber that receives the exchange’s data from a vendor, regardless of whether it is a datafeed or vendor-controlled service.
- Direct relationship between exchanges and clients – contracts, reporting, auditing – are a significant burden on both parties.
- Another factor that exchanges consider is the administrative burden on their vendor intermediaries. Tasks like the collection and verification of client usage reports (or honesty statements) and analyzing client data usage (to determine whether non-display usage or index creation occurs) are significant efforts for vendors. Vendors are generally pushing back when asked to take on more of these responsibilities.
- Some exchanges have distinct datafeed products for trading members (often including trading connectivity) and data vendors and consumers.

Common and Competing Approaches:

- A number of European exchanges do not make a distinction between datafeed access (uncontrolled by vendor) and vendor-controlled access.
- The exchanges that do make the distinction generally take similar approaches to defining a “datafeed”. Emphasis tends to be more on ability of datafeed recipient (client) to control usage and redistribution of the exchange’s data, not one a particular technical classification of the product (e.g., streaming vs. inquiry/response).

- Some vendors can control or track whether (and how much) data is exported from a display device via DDE. Some exchanges rely on this capability in order to deem the service vendor-controlled.
- There was some disparity among exchanges regarding what constitutes “control”. It was generally one or more of these three mechanisms:
  - o Contractual – Provisions against redistribution of the data
  - o Technical control – An authorization system that permits certain devices or applications to access the data, and is able to report them
  - o Tracking – A system that can identify which devices and applications actually access the data after-the-fact

Issues and Concerns:

- DDEs and APIs can be particularly tricky situations for exchanges. In many cases the data theoretically could be redistributed but in practice is only used on the desktop machine to which it is delivered. Challenge is ensuring proper control of data without unnecessarily taking on burden of new direct relationships with clients.
- Usage of exchange data as a reference price by non-exchange trading venues (MTFs, ECNs etc.) can also be problematic.
- Commercial models for distribution by websites, mobile devices, and non-display usages like Algo applications.
- Increasing variety in services offered by Vendors may require new pricing structures or dissemination policies.