

Market Data Fees: The Real Story

Recent statements by various industry participants paint a distorted view of the role that stock exchanges – and the market data derived from them – have played in the smooth functioning of the global economy over the last decade. This document serves to address misconceptions as they relate to exchange market data fees.

- **Market data fee increases are not shouldered by mom-and-pop investors.** Main Street investors' trading costs generally comprise brokerage commissions and fund fees. The cost per trade for retail online brokerage firms has decreased meaningfully in the past 10 years. Similarly, mutual fund, 401(k) and ETF fees have also decreased significantly. **If Main Street investor costs are down, how can rising market data fees charged to Wall Street firms be costing the Main Street investor more?**
- **Trading firms are not required to buy exchange proprietary market data.** To be clear, *exchanges* are not even required to *provide* proprietary market data. If exchanges are not required to provide these data packages, how can firms be required to purchase them? Notably, many firms do not buy exchange proprietary data feeds at all. Are they in violation of some law or regulation? No, because **there is no law or rule that requires proprietary market data to be purchased.** Just because vocal critics repeatedly say there is a requirement does not make it so.
- **Exchange processes and fees are highly transparent.** From the moment an investor enters an order to buy or sell a stock, to the moment a fill confirmation is returned, the most transparent part of the process is the part that involves an exchange -- that is, when an exchange is actually involved. In fact, a meaningful portion of equity order flow is executed off-exchange on opaque dark pools. How exchanges process, display and execute orders is described in rules that are available online and approved by the SEC. Fees charged by exchanges are also expressly stated on SEC-reviewed fee schedules. In fact, the SEC has the ability to suspend every fee implemented by an exchange. No other industry participant is as transparent or subjected to that level of scrutiny. Indeed, do trading firms detail publicly what they do with customer orders or how their trading algorithms work?

- **It is not a two-tiered market.** Market participants select the market data products that are suitable for their investment and business needs. Market participants may choose proprietary market data products, such as depth-of-book or order-by-order details, because those provide additional information that may inform their technology-driven strategies. Longer-term investors tend to choose top-of-book quotes and last sale information offered by the SIPs because proprietary market data products contain more information than they require. In fact, the SIPs provide millions of market participants with a low-cost, single consolidated source of market data, which requires far less technical complexity to utilize.