

**SIIA / Financial Information Services Division
2004 FISD Market Data Administration Conference
Meeting Notes**

Summary:

Overall, the Market Data Administration Conference was a success. The conference was attended by over 100 participants representing almost all of the major organizations that are stakeholders in the market data admin process. We received very positive feedback from attendees about both the value of the sessions and the prospects for further progress in this area.

There seemed to be a general consensus that, despite strides that have been made by all the players, the issues that surround market data administration are both significant and ripe for action. The need to administer and comply with the policies and procedures for over 100 exchanges and scores of vendors and other data providers constitutes a significant tax on the market data industry. Reduction of this “tax” can be beneficial for all the constituencies represented within FISD. There seemed to be a consensus that the first agenda item that should be tackled is to encourage uniform policies and practices among exchanges and vendors with an immediate focus on four specific policy areas.

Session Issues:

Policy Uniformity:

A recurring issue in a number of the sessions was the desirability of uniformity in exchange and vendor administrative policies and procedures. Increased uniformity would save resources for all parties and would reduce consumers’ and vendors’ exposure related to inadvertent non-compliance with the myriad of policies required by the information providers.

One discussion group (Glen Madeja’s “It’s 2:00 PM, do you know where your market data is?” panel) proposed that the industry take on the goal of the adoption of uniform practices among the North American exchanges in four key areas within six months. There was general agreement among the conference participants that these areas should be the first priority for FISD and its members. There was also recognition, however, that the geographic scope of the activity be limited to North America and Europe initially to keep the activity manageable.

The four areas identified:

- 1) Exchange data delay intervals – Many exchanges specify a delay period after which their market data is not fee liable. These delay requirements vary across exchanges. The idea is that all exchanges would adopt the same delay interval thereby easing the technical and administrative burden on vendors and their subscribers.
- 2) Subscriber Agreement streamlining – Many exchanges require vendors to obtain exchange-specific subscriber agreements with each of their subscribers prior to initiating exchange service. The proposal is that less burdensome standards be adopted across the exchanges potentially including: (a) click-through agreements for professional subscribers, (b) uniform subscriber agreement language across

exchanges – similar to what exists today in the U.S. futures world; and/or (c) elimination of the agreement requirement based on protections baked in to the vendors’ own agreements and vendor indemnification of the exchanges.

- 3) **Billing and Reporting Period Issues** – The proposal is that standards be identified regarding billing and reporting timing. Examples of these standards include uniform treatment of a partial month’s service (e.g., no pro-ration, pay for the entire first month of service and none of the final month of service) and adoption of uniform dates for billing and reporting cut-offs.
- 4) **Unit of Count** – The goal is uniform definitions of the reportable and billable units that consumers and vendors must report to their information providers. Among the issues that would need to be addressed are (a) treatment of simultaneous access by a user; (b) treatment of situations where a single user or device is able to access fee-liable data through multiple channels (i.e., vendor services); and (c) device vs. user.

Other areas were noted for standardization after we address these first four:

- Use of data in non-display applications – “black boxes” and program trading applications
- Elimination or at least reduction of reporting and pricing based on site fees
- Streamlining of the “Exhibit A” process – Amex web site was cited as a potential best practice
- Allowing the capping of per quote fees at the applicable non-pro or pro per user fee

Contract Uniformity:

Several panelists expressed frustration with the numerous distributor agreements that they had to execute and comply with. The current structure of individual exchange agreements has built-in barriers to change that amount to a huge additional management burden and tax on the industry. It can take months for a vendor to get approvals from individual exchanges for a new website or product. It can also take months for an exchange to get data vendors to agree to a new contract, even if the new contract is clearly a good faith attempt to introduce best practices and meet the requirements of banks and brokers.

A uniform contract model would benefit all players in the industry. It was noted that the FISD sponsored the development of a “model exchange contract” back in the 90’s. This document should provide a good starting point for revisiting this issue.

VRXML and Electronic Reporting:

Panelists noted that while VRXML could be an emerging standard, it is one among many potential formats for collection of reporting information. A great deal of current usage reporting still occurs in legacy VARS formats and Excel spreadsheets. Regardless of the format, the consensus among the commentators was that solid underlying systems and data are the key – i.e., garbage in, garbage out.

A number of panelists and audience members expressed frustration with their difficulty in migrating to the use of VRXML. Among the issues cited were the lack of support for transmission of change information (vs. population information), the all-or-none

requirement that file submissions be completely correct in order to be accepted, and the obscurity of information on the cause of file failures. The panelists who had already implemented VRXML reporting expressed the wish that they had been provided with more tools and instructions to help them through the process.

Electronic Invoicing:

Several panelists indicated that an electronic invoicing standard would be desirable. It was noted that the standard for the market data industry could be either an existing commercial standard or a new standard expressly developed for the market data industry. The idea was expressed that invoice standards should be created or chosen with participation of all the stakeholders in the process – exchanges, vendors, and consumers of data. The general sense of the conference participants was that this issue should be addressed but that it was not of as high a priority as some of the policy standardization issues noted above.

Business Model Issues:

A number of panelists thought that the underlying exchange and vendor business models are unnecessarily complex and cause the complexity of the administrative model. In essence, the technology for market data processing and distribution has outstripped the business model and associated administrative policies. One observer noted that, possibly as a result of this mismatch, he believed that he was seeing an increase in unauthorized use and distribution of exchange information. There was considerable interest in enterprise license models that reduce or eliminate the need for detailed reporting and billing.

Next Steps:

It was clear that a significant portion of the conference attendees were energized about moving quickly on the issues discussed. To take this forward, the process should look something like this:

- The Market Data Business Issues Advisory Committee (MDBIAC), a sub-committee of the FISD Executive Committee, will meet to discuss the issues and authorize any activities identified during the conference. The next MDBIAC is scheduled for December 13 in NYC.
- The issues that the MDBIAC should consider are as follows:
 - Creation of an FISD working group (or groups) to address the need for uniformity among information providers and then develop and promote best practice recommendations. Emphasis would most likely be on the four priority items noted above; but this group could move on to other policy items after addressing the first four.
 - Creation of an FISD working group to review the existing Model Contract document and suggest possible changes to it and any promotional activities.
 - The future direction of the FISD's existing VRXML working group
 - Creation of an FISD electronic invoicing group that would consider development or identification of an electronic invoicing standard recommendation