

Business Issues Policy and Procedure Standardization (BIPPS)
Best Practice Recommendation
Draft Version 1.0
March 31, 2005

Description of Issue and Initiative:

A recurring issue among the members of FISD is the desirability of uniformity in Content Provider and distributor administrative policies and procedures. The need to administer and comply with the policies and procedures for over 100 exchanges and numerous vendors and other Content Providers constitutes a significant burden on the market data industry. Reduction of this “tax” can be beneficial for all the constituencies represented within FISD. Increased uniformity would save resources for all parties and would reduce consumers’ and distributors’ exposure related to inadvertent non-compliance with the myriad of requirements and policies without undermining the commercial interests of Content Providers. In fact, a reduction in non-compliance would be welcomed by exchanges and other Content Providers as it would help ensure appropriate revenue recognition, augment cash flow, and reduce compliance costs (e.g., audits).

To encourage uniformity, FISD membership has undertaken the development of best practice guidelines for Content Provider and distributor market data policies in four key areas. This document is being promoted to Content Providers and distributors globally, seeking their cooperation and buy-in, as well as providing them with an implementation path. While global adoption of these recommendations is the ultimate goal, an initial step is to have the BIPPS recommendations adopted by a substantial portion of the North American and European Content Providers and in place by June 2005.

The BIPPS activity focuses on four key policy areas:

- 1) Exchange data delay intervals – Many Content Providers specify a delay period after which their market data is not fee liable. These delay requirements vary across Content Providers. More uniformity in delay intervals will ease the technical and administrative burden on distributors and their subscribers.
- 2) Unit of Count – Uniform definitions of the reportable and billable units that consumers and distributors must report to their information providers would streamline the administration process for data distributors and providers and reduce the risk of inadvertent non-compliance with reporting and payment rules.
- 3) Subscriber Agreement streamlining – Many Content Providers require distributors to obtain Content Provider-specific subscriber agreements with each of their third-party subscribers prior to initiating service. The proposal is that less burdensome standards be adopted across Content Providers.
- 4) Billing and Reporting Period Issues – The proposal is that standards be identified regarding billing and reporting timing.

These four areas constitute basic building blocks for Content Providers’ market data distribution policies and procedures. This document contains recommendations for the first three policy areas. The working group is continuing to work on the issue of Billing and Report Timing. Once these fundamental recommendations have been widely promoted and accepted, the working group intends to develop best practice recommendations for other areas related to market data distribution and/or extend progress made against these four areas.

General:

To the extent that Content Providers must amend their distributor agreements in order to adopt these Best Practice Recommendations, it is recommended that neither Content Providers nor Distributors use the amendment as an opportunity to renegotiate the established distribution agreements. The BIPPS working group suggests that Content Providers use the Uniform Vendor Agreement Addendum (Exhibit xx) as a model for amending their contracts to adopt BIPPS recommendations.

Definition of Relevant Terms:

An "End-user" is a natural person that a Subscriber Firm permits to receive data from a Content Provider.

A "Subscriber" is an organization that receives market data and uses or consumes it.

"Conventional market data usage" is access by an End-user to market data through a display device or devices that are generally dedicated to that user during the period which he/she is accessing the data.

"Distributor" is any organization that distributes market data to End-users. Market Data Distributors include both organizations that distribute data externally (i.e., vendors) and those that distribute data internally.

"Content Provider" is any organization that creates financial information content that can be redistributed. Examples include, but are not limited to, exchanges, news wires, analysis services, and credit ratings agencies.

Best Practice Recommendation - Exchange Delay Interval:

Content Providers that allow free access to their information if it has been systematically delayed should require a delay interval that is (1) 20 minutes or less and (2) a multiple of five minute intervals - i.e., either 5, 10, 15, or 20 minutes.

Working Group Comments:

The general sense of the working group is that the imposition of any significant systematic delay (five minutes or more) on real-time market data renders it an inadequate substitute for real-time data. As such, a majority of the group believes that even the vast majority of Content Providers that currently require delay intervals of 15 or 20 minutes could reduce those intervals without incurring any erosion of their real-time revenues. Nonetheless, the group recognizes that its views are not shared by all Content Providers and has chosen 20 minutes as an appropriate cap on the recommended delay intervals. It is hoped that, over time, Content Providers will come to agree that their delay intervals can be reduced without risk (reducing the number of distinct delay intervals) and subsequent versions of this best practice recommendation could reflect a lower cap. The working group does NOT recommend that Content Providers that have delay requirements less than 20 minutes raise their requirement to meet the 20 minute recommendation.

Best Practice Recommendation - Unit of Count:

The standard unit of count for the measurement, pricing, and reporting of traditional market data usage should be the End-user.

Content Providers are asked to support the recommendation in their pricing structures and policies and offer reporting, billing and administrative arrangements that permit traditional market data usage to be recorded, reported and paid for on an End-User basis.

Working Group Comments:

- Use of user ID/password combinations (or other biometric methods of uniquely identifying an End-user) as the basis for End-user reporting is recommended provided that the distributor does not permit simultaneous access by different End-users through a single user ID.
- Acceptable approaches to simultaneous access situations include (1) Denying the log-in attempt of a user ID that is already logged-in to the system on another device, (2) Terminating the earlier session for a user ID if that user ID opens a second session, (3) Recording, reporting, and paying for all logged-in sessions in instances where simultaneous access has occurred and (4) Demonstrating that End-users have strong business incentives not to share access information (e.g., corporate prohibitions against the behavior or User ID sharing would disclose proprietary information about the End-user's trading activity or holdings).
- If a distributor is only able to track and report its subscribers' usage on a display device basis, using display device as a surrogate for End-user is recommended.
- This recommendation applies to any given instance of a single market data distributor providing market data access to an End-user. It does not extend to situations where an End-user is receiving market data access from multiple distributors.

Best Practice Recommendation – Subscriber Agreements:

To reduce the administrative burden on themselves, Distributors, and Subscribers, Content Providers should offer simpler subscriber agreement requirements:

- 1) In lieu of a direct agreement between the Content Provider and the Subscriber, Content Providers should permit an external distributor's subscriber agreement to protect the Content Provider, provided that the subscriber agreement includes language that protects the Content Provider and its intellectual property to the same degree as the Content Provider's Subscriber Agreement protects the Content Provider.

Recommendation #1 is considered to be optimal by the working group. The working group recognizes that some Content Providers, particularly those that bill subscribers directly for their market data usage, and some vendors may not be able to adopt the recommendation. As a result, the working group makes the following two recommendations for instances where the administration of a Content Provider-specific subscriber agreement is still required:

- 2) Content Providers that require subscriber agreements should develop or identify an existing consolidated subscriber agreement that can be executed once by each subscriber firm and covers all Content Providers and vendors. In instances where a Content Provider requires that a separate agreement be executed, the Content Provider should strive to make the language of that agreement as similar to industry standards as possible.

AND

- 3) Electronic execution (i.e., “click-through”) of the consolidated subscriber agreement should be permitted for all types of subscribers. The process of electronic execution should be simple, consisting of the entry of (a) subscriber’s identifying information, (b) the execution date, and (c) a click or other action that indicates the subscriber’s affirmation that they have read and agree to the terms of the agreement. Steps (a) and (b) could be pre-populated by the Distributor. The Distributor must be able to maintain a legally-documentable historical record of which subscriber executed which version of the agreement, and when it was executed. The working group is not making any representation regarding the enforceability of an electronically executed agreement in any legal jurisdiction.

Working Group Comments:

- Adoption of any of these recommendations by a Content Provider should not trigger re-administration of subscriber agreements for existing subscribers taking data through their current Distributors.
- The adoption of Recommendation #1 is particularly emphasized for delayed data.
- Examples of potential models for standard subscriber agreement language are the U.S. futures exchanges Uniform Subscriber Agreement (USA) and the Securities Industry Association’s Electronic Access and Trading Agreement.
- These recommendations apply to both professional and non-professional agreements.
- Full adoption of recommendation #2 may require the establishment of a central utility and repository that would support:
 - Electronic execution of consolidated subscriber agreements;
 - Submission of executed hardcopy consolidated subscriber agreements in instances where electronic execution may not be permitted;
 - Distributor and Content Provider queries on whether a Subscriber had executed a consolidated agreement
- A Subscriber should be provided with the option of executing a hardcopy agreement.