

Blog Post – Friday 18th May 2018

The market for market data

It's no secret that financial services organisations are in a generation of change, committing to dramatic transformation programmes, not only to survive but to pave a stable future for themselves and their clients. This transformation, driven by a multitude of factors, has meant that market data has become increasingly intrinsic to every day operations, touching almost every aspect of the trading lifecycle. Today, market data stands as one of the highest line items on a firm's P&L and reports suggest that the total cost will reach an all-time high of \$28Bn* this year. For the last 25-30 years the market has changed very little, until now...

Despite the ever growing spend, in reality there are rationalisation initiatives happening in probably 90% of firms. For too long traders have spent lavishly on services and technology which they believe will help them make more cash. Or - they are just buying it because the person next to them has it. Or more likely, it's the kudos of using well-known market brands to chat and sometimes make trades on.

Increasing pressure to cut costs has meant that the days of non-essential spending are almost over. Most organisations have now adopted market data management programmes to address the historic inefficiencies. This means that every use case across a bank or IDB is now very carefully evaluated as to what features they need from their trading terminals. Their overall approach is based on a 'fit for purpose' strategy in an attempt to right-size their infrastructure and ultimately reduce costs. But let's be clear - it is absolutely not about trying to do more with less, traders still (more than ever) need access to accurate real-time data and that will always be their fuel to thrive.

The market data vendors aren't taking this lying down. They have responded with even more creative licencing structures, stringent audit policies and significant penalties for early exit on contracts. They are offering more and more features and working harder to earn their crust. And despite the overall market data spend on the up, the main players have seen a reduction in sales* (by unit not profit).

So, everyone is working smarter - for the greater good but financial firms still want to drive down costs further - why stop now? For too long the incumbent providers have dictated pricing but now the tides are turning, with new players offering better services at lower prices. The kudos of owning



well-known, high priced brands in all aspects of our lives is on the way out and it's now cool to be different. Adopting new and innovative technologies is no longer frowned upon and is being actively encouraged. The way we acquire goods and services is far more democratised than ever, what can we learn from the likes of Amazon, iTunes and Skyscanner? It's only a matter of time before the market for market data catches on.

*Burton Taylor report

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