



## Research by Mightier and Global Market Data Expert Reveals Hidden Costs and Confusion over Exchange Fees

Exchange News *from* Automated Trader Magazine  
4th June, 2008 - Mightier has announced the results

Mightier, along with other members of the market data community including Peter Esler, Managing Director of PvE Consulting and formerly global head of market data at Bear Stearns and Citigroup, conducted the research collating feedback from some of the largest exchanges and global investment banks. This research highlights the disparity between the ways exchanges are charging institutions for real-time quotes. This is greatly impacting the costs of accessing market data on trading floors and causing confusion as to what the varying exchange's policies are - and therefore where fines might be incurred.

Of the 88 equity exchanges, 23 futures exchanges, 17 commodity exchanges and 11 fixed income exchanges, only eight allow the netting of market data fees across multiple market data platforms, on a per user basis. This policy, termed MISU (Multiple Instance Single User) however, is not providing the cost benefits it should. Many of the banks questioned stated that the complexity of calculating the fees accurately and the fact that they must often pay exchange fees up front and wait for a rebate (resulting in the loss of working capital), demonstrates the inefficiencies of MISU.

The remaining exchanges are then split into two main categories, those that either bill clients on an end user basis (irrespective of instances of access) or those that bill on a "per device/unique user ID" basis (where the unit count is much less clearly defined). Further research revealed that in excess of 50 percent of the world's exchanges charge on a per device/per user ID basis. This includes major players such as the London Stock Exchange (LSE), Deutsche Borse and NYSE Euronext. The result of this is that institutions are required to pay exchange fees for every market data terminal that a trader uses.

Peter Esler, Managing Director PvE Consulting, stated: "The confusion and misunderstanding over exchange fees has been examined by professional bodies such as SIFMA, IPUG the FISD and COSSIOM, but the industry is no closer to a standard resolution. One way around the confusion is to create a central access point for multiple devices to satisfy those exchanges that charge on a "Per Unique User/ Device" basis demands and remain compliant with their 'device' policy. It is proving increasingly important for tier-two banks to find a way to achieve this as they have less power to strike deals with the exchanges to net their fees." Esler continued.

The results of the research also demonstrated how the tension between banks and exchanges is growing because:

Many exchanges believe firms are under reporting the market data count by standardising on a per user basis.

Fines are then levied if a bank cannot prove that the market data count was made by reporting users who are under a "controlled access point," i.e. where a user cannot share his/her user ID to grant access to market data quotes to others.

From the bank perspective, exchanges have exacerbated the issue by being too vague in their count policy definition, stating simply that counts should be made per "device".

Mike Murton, CEO, Mightier stated: "Our research shows the strain caused by technological developments such the 'arms race' around advanced algorithmic trading methods. This has inevitably led to an increasing number of machines and devices at desks and introduced complications with existing exchange fee models. There is a large risk of incurring heavy fines, in some cases many millions of dollars, if the bank under reports their usage or break the exchange rules. Creating an environment where traders can access multiple devices, which use exchange data from a single source through a single device such as the Mightier Millennium Trading Keyboard, is a way to satisfy many of the exchange demands regarding not being able to "simultaneously access" multiple devices. This can help drive down costs."