



THOMSON REUTERS

July 8, 2008

Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: File No. SR-NYSEArca-2006-21, "Notice of Proposed Order Approving Proposal by NYSE Arca, Inc. to Establish Fees for Certain Market Data and Request for Comment," Release No. 34-57917

File No. SR-NYSE-2007-04, "Notice of Filing of Amendments Nos. 1 and 2 and Order Granting Accelerated Approval to Proposed Rule Change, as Modified by Amendments Nos. 1 and 2 Thereto, Relating to Approval of Fee for NYSE Real Time Reference Prices," Release No. 34-57966

The Markets division of Thomson Reuters ("Thomson Reuters Markets") is pleased to offer its views on the above-captioned rule proposals by the Securities and Exchange Commission (the "SEC" or "Commission"). Resulting from the combination earlier this year of The Thomson Corporation and Reuters Group PLC, Thomson Reuters combines industry expertise with innovative technology and news to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets. Every day, professionals in the trading (equities, fixed income, foreign exchange, money, commodities and energy markets), investment management, wealth management, investment banking and corporate markets use Thomson Reuters Markets products. Our open technology, based on industry standards, enables our customers to integrate our information with content from other sources to manage risk, generate greater returns and manage efficiently their overall information infrastructure.

As the world's leading provider of market data, Thomson Reuters Markets is uniquely qualified to comment on market data issues. Thomson Reuters Markets knows the importance of timely and reliable quote and price information to market participants. Investors rely on this information to make investment decisions and evaluate the quality of the executions they receive. Broad dissemination of information improves the efficiency of markets and increases investor confidence, leading ultimately to greater liquidity.

Thomson Reuters Markets commends the Commission for its increased focus on market data issues in recent years. Developments including decimalization, the

introduction of new exchanges, and electronic trading venues outside exchanges, have combined to produce dramatic increases in market data traffic. At the same time, some market participants have raised concerns about the reasonableness of equities market data fees and the effect on competition of the current fee structure. The Commission has responded to these developments, first by issuing a concept release on the subject<sup>1</sup> and next by establishing an Advisory Committee on Market Information.<sup>2</sup> The Commission then addressed several market data issues in Regulation NMS.<sup>3</sup> The Commission properly delineated the “core data” subject to consolidation requirements as best-priced quotations and comprehensive last sale reports. Thomson Reuters Markets was encouraged by elimination of the “montage” portion of the consolidated display requirements. We also saw merit in requiring a consolidated display only in contexts in which a trading or order-routing decision could be implemented.<sup>4</sup> Thomson Reuters Markets supports the reliance of Regulation NMS on market forces to determine the terms on which non-core data is made available to market participants. We supported allowing broker-dealers greater freedom to make information available outside of their self-regulatory organizations. We believe the requirement that they do so on terms that are fair and reasonable and not unreasonably discriminatory is a sensible approach to ensuring availability of information.

#### A. Support for Greater Role of Competition in Market Data

As a general principle, Thomson Reuters Markets supports the greatest possible role for competition and flexibility in the consolidation and distribution of U.S. securities market data. As we have previously indicated to the Commission,<sup>5</sup> we believe that application of market forces to the consolidation and distribution of market data is generally preferable to increased government supervision of the process of setting fees for and licensing subscribers to market data. We believe vendors and investors should have the greatest freedom possible to decide which information they need to conduct their business and make investment decisions. It is our view that market forces should play a greater role in determining the value of information and ensuring that it is provided to investors. Competitive pressure should be given the greatest possible scope to ensure that data is provided efficiently and affordably.

#### B. Comments on Specific Proposals

Thomson Reuters Markets believes that that the Commission has set forth an appropriate template for consideration of future market data proposals by exchanges. We believe further that the specific market data product proposals referenced above are in

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<sup>1</sup> “Concept Release: Regulation of Market Information Fees and Revenues,” SEC Rel. No. 34-42208 (Dec. 9, 1999), 64 FR 70613.

<sup>2</sup> See SEC Press Release No. 2000-102, “SEC to Establish Advisory Committee on Market Information,” July 25, 2000.

<sup>3</sup> SEC Rel. No. 51808 (June 9, 2005), 70 FR 37496.

<sup>4</sup> *Id.*

<sup>5</sup> See Letter to Chairman Pitt and Commissioners Hunt and Unger from Edward Nicholl, Michael Dorsey, Devin Wenig and Carrie Dwyer, October 16, 2001.

keeping with the broad direction set forth in Regulation NMS and therefore deserve approval by the Commission.

With respect to review of market data proposals in general, Thomson Reuters Markets agrees with the Commission that “reliance on competitive forces is the most appropriate and effective means to assess whether terms for the distribution of non-core data are equitable, fair and reasonable, and not unreasonably discriminatory,”<sup>6</sup> as required by the Exchange Act. In particular, we believe that competitive forces will help guarantee that the terms of a market data proposal are reasonable so long as all market participants have equal access to the proposed product on the same terms. So long as this important condition is met, Thomson Reuters Markets believes the Commission is correct in concluding that “competitive forces generally will constrain an exchange in setting fees for non-core data because it should recognize that its own profits will suffer if it attempts to act unreasonably or unfairly.”<sup>7</sup>

With respect to the ArcaBook and NYSE Arca Data proposals, Thomson Reuters Markets believes that the Commission has properly analyzed the action of competitive forces on the proposals. Given the competitive market for order flow and trade execution, we agree that “an exchange generally will have strong competitive reasons to price its depth-of-book order data so that it will be distributed widely to those mostly likely to use it to trade.”<sup>8</sup> Thomson Reuters Markets is pleased that in analyzing the degree of competition for depth-of-book products, the SEC has reiterated that Regulation NMS authorizes broker-dealers to distribute their own data. We believe this is an undeveloped but important potential source of market data and are prepared to work with the broker-dealer community to explore opportunities in this area.

With respect to the Last Sale Proposal, Thomson Reuters Markets in general supports the pricing of market data for the retail market and believes that the Commission has correctly concluded that competitive forces ensure that the standards of the Securities Exchange Act have been met.<sup>9</sup> So long as all market data vendors, internet service providers, and other market participants have access to the product on equal terms, Thomson Reuters Markets believes that the Commission can safely conclude that competitive forces shape the terms and pricing of the product. Thomson Reuters Markets is gratified that vendors will be able to provide this product “without requiring the end-users to enter into contracts for the benefit of the Exchange.”<sup>10</sup> As described in greater detail below, we believe this simplification is long overdue in the non-retail space and would help reduce overall costs of the market data system.

### C. Administration of Market Data Dissemination System

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<sup>6</sup> Notice of Proposed Order at 4.

<sup>7</sup> Draft Approval Order at 43.

<sup>8</sup> Id. at 52.

<sup>9</sup> Notice of Filing at 6.

<sup>10</sup> Id. at 3.

Thomson Reuters Markets believes that reduction of the administrative burden on market participants should be a priority in the market data area. While much attention has paid to the reasonableness of market data fees, we believe that the high costs of administration impose hidden costs on all users of market data. Effective market data costs are therefore higher than the fees published by the self-regulatory organizations.

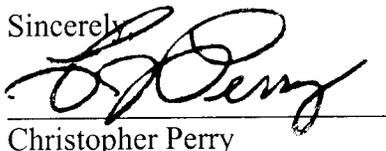
Reducing administrative burdens and simplifying the fee structures would reduce the true costs of market information for system participants. The Commission should encourage the exchange members of the National Market System Plans to streamline the market information dissemination process. It should be easier to administer and more flexible, to accommodate new technologies and electronic commerce initiatives. This in turn will lower costs of information to investors, who will then enjoy greater access to information.

We have previously provided the Commission with suggestions for reducing the administrative costs of the market data dissemination system.<sup>11</sup> While Thomson Reuters Markets is pleased to see these suggestions are being applied to non-core data, as reflected in the filings referenced above, we believe their application to core data would be beneficial as well. First, the SEC should promote uniformity among the different National Market System plans. Currently, each plan has unique administrative requirements and fee structures. The plans covering the listed market charge based on how the data is used, in addition to the number of users, and require users to file exhibits detailing their planned use. These features complicate and increase the costs of administration for end users with no corresponding benefits to investors. Second, prior approval requirements for vendors and end users should be eliminated. Information vendors and sub-vendors should not have to give a potential competitor advance notice of their business plans via the prior approval process. It should be replaced by simple, clear contract language defining unauthorized uses, eliminating the need for subscribers to seek approval for innovative uses. Click-on agreements should be allowed for all users. Finally, fee structures should be simplified and contract terms should be more flexible.

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Thomson Reuters Markets looks forward to working with the Commission, the National Market System plans, and its customers and other market participants to refine the proposals discussed above and improve the U.S. market information dissemination system. Please do not hesitate to contact me at (646) 223-4000 to discuss these issues at greater length.

Sincerely,



Christopher Perry

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<sup>11</sup> See Letter from Devin Wenig to Jonathan G. Katz, Re: Securities and Exchange Commission File No. S&-28-99, April 5, 2000.