



BETTER MARKETS

February 4, 2019

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Comment File No. 4-729, Roundtable on Market Data and Access:
The Need for Most Robust, Comparable Data From Market Participants

Dear Mr. Fields:

Better Markets¹ appreciates the opportunity to submit this comment to be included in the above-captioned Roundtable's record. We thank the Commission and the staff for immense amount of effort that must have required to put the Roundtable together. We are particularly grateful to Director Brett Redfearn and his staff for their informed and concerned focus on the crucial aspects of the market structure that have direct, but often undetected, impact on retail and long-term investors.

During those two days, we heard from many participants about the deleterious impact excessive market data and access fees have on investors and the integrity of the markets. We further heard from some about trading practices, and how costs and execution quality vary greatly across different venues. We were particularly intrigued when we heard from a representative of a certain large family of exchanges that it is cheaper to trade on their exchanges than, for example, on Investors Exchange (IEX).²

As you know, on January 29, 2019, IEX sent a comment letter to you which included a detailed report analyzing the various costs that go into creating and running a national stock exchange.³ The report compared IEX's own costs, on a per user basis, to the fees charged by

¹ Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

² See remarks of Ms. Stacey Cunningham, President of the New York Stock Exchange. Published transcripts, p.97, available at <https://www.sec.gov/spotlight/equity-market-structure-roundtables/roundtable-market-data-market-access-102518-transcript.pdf>.

³ See Comment Letter from Brad Katsuyama. January 29, 2019. Available at <https://www.sec.gov/comments/4-729/4729-4845907-177246.pdf>.

NYSE (ICE), Nasdaq, and Cboe. IEX is in a unique position to have done this sort of analysis because, to run its own exchange, IEX is required to pay for market data and connectivity at levels that are similar to what other industry firms must pay. The findings were eye-opening. For example, the IEX report shows that the three large family of exchanges charge:

- For depth of book data products, fees between 900–1,800% over IEX’s costs to offer a comparable product;
- For physical connectivity in their data centers, fees between 2,000–4,200% over IEX’s costs to offer comparable services, and;
- For virtual sessions needed to trade (i.e., “logical connectivity,”) other exchanges charge fees 500–1,800% over IEX’s cost to offer comparable services.

The robust data in the report convincingly suggests that the fees these exchanges impose on market participants are neither fair nor reasonable, and that they go well-beyond what is necessary to produce and make available this data and connectivity services. It appears that these large exchanges are able to impose such burdensome, needless costs on market participants because – for market participants to meet their regulatory obligations – those market participants have no choice but to purchase these data and access rights.

As you are no doubt aware, a vigorous discussion has occurred since the publication of the IEX data and report. For example, the large exchanges have reportedly raised questions about IEX’s findings, arguing, among other things, that IEX’s analysis does not include certain costs that they incur to be able to offer the trading services and data.⁴ Additionally, at least two of the largest exchanges repeated the claim that on average it is more expensive to trade on IEX than on their exchanges, all without providing data.

This debate is an excellent development that we urge the Commission to encourage and deepen. IEX has provided the Commission and the public a great service by producing this data and report and precipitating this discussion. However, for the discussion to be valuable to the public and the Commission, the other exchanges, whether they have criticized IEX or not, must be required to produce equally comprehensive data that is comparable to the data IEX has publicly released. Specifically, all exchanges should produce:

- Costs for market data and connectivity to the same detail level as IEX’s disclosures
- Each of the exchange pricing tiers and number of brokers qualifying for each tier
- A member volume distribution and corresponding “All in Cost” to trade.

Absent this information, it is not possible for the public or the Commission to understand whether the fees being charged by the exchanges are fair, reasonable, not unreasonably discriminatory, and not a burden on competition. As Chairman Clayton and the Commission know, this is increasingly important because small brokers have been shutting their doors at concerning levels, and the costs retail and long-term investors are paying to invest are rising. The systems seem to work well for large exchanges and large brokers and high-frequency traders who

⁴ IEX has rebutted these arguments with more disclosures and analysis. *See* <https://www.linkedin.com/pulse/iex-all-in-pricing-transparency-john-ramsay/>.

recoup their costs (and even more it seems) through rebates that are financed by the high data and access fees paid by everyone else.

The Commission should act in the interest of all investors and the integrity of the markets by requiring the full disclosure of this robust, comprehensive and comparable data which would increase transparency, accountability and oversight of the capital markets in general, and the large exchanges in particular. This would enable a data-based substantive discussion of policy and practices, and should greatly inform the Commission as it debates much needed fixes to how exchanges serve market participants while continuing their role as a self-regulatory organization (SRO).

We urge the Commission to require these SROs to promptly disclose the information and thank the Chairman, Commission and staff for their continued focus on these critical issues.

Sincerely,



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cc: Chairman Jay Clayton
Commissioner Rob Jackson
Commissioner Hester Peirce
Commissioner Elad Roisman
Director Brett Redfearn