afme/
Finance for Europe

Fixed Income Market Data Costs - The Burden Continues to Rise

February 2025

Contents

Executive Summary

- This paper provides a comprehensive view of the continuing rise in FI data costs since publication of our last such report, published in February 2022. We look again at the scale of the overall spend increase, what individual components are the main drivers of this increase as well as changes in the pace of increases of individual components and how these have impacted on the profile of overall spend. As previously, we have broken down the overall spend into 8 categories (terminals, pricing and reference data, exchange fees, research and analytics, data feeds, indices, ratings and other) from 6 types of providers (exchanges, MTFs, data vendors, brokers, ratings agencies, and index providers).

- In aggregate, the most notable, and concerning, aspect of the updated figures is that the characteristics and trends identified previously have persisted and, in some cases, actually accelerated. We find this to be particularly concerning in light of the position taken by the FCA in their wholesale market data study, published in February 2024, that ruled out making any significant intervention in the market. This was despite finding that competition was not working well in some areas and that, as a consequence, users may be paying higher prices than they would if competition "was working more effectively".

- Across the sell side, growth in spend on overall (cross-market) market data actually accelerated. Costs grew by 25% between 2017 and 2021, a CAGR of 5.74%. Over 2022 and 2023 the annual rate of increase accelerated to 7.33% and reached an index value of 144 – a rise of 44% over 6 years.

- Looking at FI market data specifically, growth in spend continued to outpace the rate of growth in spend for overall market data, albeit with a smaller differential. Over the periods 2017-21 and 2022-23, FI spend increased at a CAGR of 10.7% and 7.7% respectively against increases in overall spend of 5.7% and 7.3% over the same periods.

- Separately, looking at growth in FI data spend vs growth in user numbers, again, growth in spend significantly outpaced growth in user numbers. Notwithstanding likely growth in usage per user, this metric suggests a continued increase in unit price. As noted above, over 2017-21 and 2022-23, annual growth in spend was 10.7% and 7.7% respectively whilst growth in users over the 2 periods was only 3.6% and 6.3%.

- Turning to individual spend components within the overall picture, the relative sizes of spend between components was broadly similar across the 2 periods. Some notable changes between the 2 periods were evidenced by a significant proportional increase in data feeds costs as well as a proportional decrease in spend on indices.

- Within this overall picture however were a number of eye-catching spend increases on individual components. Over the full 6 year period analysed, the most notable of these were Research & Analytics (110%), Ratings (75%) and Indices (57%).

Project Purpose, Data Sources and Research Methodology

Purpose

The purpose of this report is to provide the market with an update to a previous AFME / Expand Research paper on the same topic, published in February 2022 and that can be found here. This 2022 paper analysed and quantified the outsized increases in fixed income market data spend in Europe (incl. UK & Switzerland) over the period 2016/17- 2021. This report expands the analysis and underlying dataset to further cover years 2022 and 2023 and seeks to determine if there has been a change in the rate of increase of both total aggregate spend as well as for each data category individually and, if so, what is driving this. As previously, the report categorises the overall spend into 8 separate segments: terminals, pricing and reference data, exchange fees, research and analytics, data feeds, indices, ratings and other from 6 types of providers (exchanges, MTFs, data vendors, brokers, ratings agencies, and index providers). Maintaining this same structure of analysis is in the interests of continuity and ease of cross-referencing.

Our aim in this report is to maintain the level of focus on this ever more important cost driver as workflows across all parts of the fixed income markets, as well as the wider world, become increasingly automated and data reliant. It remains the belief of AFME and its members that much of the regulatory focus in this area has centred specifically on the equity markets while in fact, the most notable increases in both price and aggregate spend continue to occur in the fixed income markets. This is important to highlight as ultimately, these rapidly increasing costs for the industry get passed through to end investors in the form of higher trade costs and unnecessarily high fund administration costs.

A critical characteristic of the analysis contained in the report is not just to quantify the rapidly increasing aggregate spend but also identify the individual segments that are the key drivers of the overall increase as well as the 'unit cost' of each segment in order to establish how much of the increased spend is owing to increased demand and usage and how much to straightforward price increases from vendors. As before, the report focuses solely on costs relevant to fixed income cash securities and does not contain data or analysis on the adjacent derivatives markets.

Data Sources and Research Methodology

Sources and Scope

Expand Research (Expand), which is a subsidiary of The Boston Consulting Group, has for many years established a fixed income data collection and mapping process, which ensures a consistent and robust comparison across a peer group of c. 10 major European fixed income market makers, all of whom are AFME members. This report is based on data voluntarily submitted by this peer group community as well as publicly available sources.

AFME asked Expand to analyse information that Expand collected as part of their fixed income data costs benchmarking processes. During the course of this data project, Expand also received some anecdotal feedback from these AFME member firms as part of the data collection process.

"European" includes the geographical region of Europe, i.e. EU27, UK, Switzerland and other countries. Expand also maintains a similar database for investors, which is referenced in this document.

Fixed income asset classes include sovereign bonds (but not bills), supranationals (such as EIB, EBRD) corporates (investment grade and high yield), syndicated loans, securitisations and covered bonds.

Methodology

Data Collection and Anonymisation

- Expand analysed raw inventory data from a subset of AFME members, which was then anonymised before being securely stored on Expand's database.
- The data analysed only includes cost data from transactions conducted with those AFME members included within the scope of data collected by Expand.

Taxonomy Alignment

- The inventory data from all firms within the scope of this report was then mapped to Expand's industry standard product taxonomy. This taxonomy is a standardised list of market data vendors and products that facilitates alignment across the peer group on naming conventions and data categorisation.

Data Aggregation

- Once aligned, the data was aggregated to create a granular industry average. No single datapoint contains data from fewer than five firms, to ensure individual firm data could never be identified.

MiFID II and Data Quality Issues

MiFID II/MiFIR implementation resulted in the generation of an enormous amount of trade data and has gone some way to providing improved transparency into fixed income markets and supporting best execution for trades. The responsibility for collecting and publishing details of executed trades lies with the ESMA-registered Approved Publication Arrangements (APAs), created as a result of MiFID II to facilitate participants in fulfilling their transparency obligations. For transactions executed on a Multilateral Trading Facility (MTF) the responsibility lies with the trading venue.

However, since implementation of MiFID II/MiFIR there have existed fundamental and wide-ranging problems with the quality of this data. These problems with quality have a number of apparent causes including, but not limited to, inconsistent formats in individual reporting fields owing to misinterpretation of guidance, inconsistent frequency of updates, inconsistent formats of publication between different APAs and platforms, incorrect and out of date reference data, replication of trade records, missing fields, incorrect/implausible reported trade sizes, large numbers of trade record revisions and incorrect bond type categorisations, to name a few. Many of these issues are explored further in a recent Data Quality Report paper issued jointly by Finbourne Technology and Propellant.digital and supported by AFME alongside other trade associations and which can be found here. The cumulative impact of these issues has been that effective real-time use of the data in a reliable manner is very challenging and few market participants attempt to do so. Historical analysis is more effective but only after the expenditure of resources employed to 'clean', reorder and 'interpret' the raw data.

This has also contributed to increased data costs and inefficiencies due to the need to procure additional data from multiple data sources to obtain usable information. A large amount of delayed data is available for free from APAs, however, these sources remain disparate, with different timings and non-standard structure, requiring significant amounts of analysis work before any value can be obtained from it.

Revised Transparency Regimes & Consolidated Tapes

Notwithstanding the above, both the FCA and ESMA are in the process of revising their respective bond post-trade transparency regimes and, as a consequence, substantially expanding the scope of trades that are subject to real-time transparency – especially in corporate bonds. This will result in a much increased pool of data that, in theory, *should* be usable on a real-time basis. While AFME and the wider market very much welcome this initiative we remain concerned that without forceful efforts to improve the quality of the data itself there is a danger that this effort will not reap the rewards it should. We and our members are advocating strongly that current renewed efforts in both the EU and UK finally to facilitate the advent of consolidated tapes (CT) for fixed income securities present a good opportunity to also address the existing problems around data quality.

CTs of fixed income trade prints in both the EU and UK have been mooted for a number of years but have yet to come to fruition. This will change come late 2025 / early 2026 owing to the renewed efforts referenced above. It has been suggested that the introduction of such tapes for fixed income markets might contribute to resolving some (but importantly not all) of the data cost issues discussed in this paper.

A CT is an electronic system which collates and provides access to continuous real time market data and trading activity generated by market participants. A CT is however unlikely to be the sole solution to the fundamental issues regarding the cost of market data discussed in this report. Market participants and market making desks in particular will still need real-time, relatively low latency feeds usually bought directly from the trading venue or APA.

Defining Market Data

Definition

Market data is generally regarded as either real-time or delayed-price quotations. The term also covers static or reference data, meaning any type of data related to securities that does not change in real-time, such as, but not limited to:

- Historical pricing
- Name and address of the issuing company
- The terms of the security
- Information about the issuer, such as outstanding corporate actions

In relation to individual financial instruments, a summary of what constitutes market data can be divided into two categories:

- Pre-trade data: Data used leading up to a trade, i.e. Instrument details, best bid/ask
- Post-trade data: Market data that is created on execution, which includes details of the instrument traded such as the price, volume, timestamp of trade

Expand's broader definition of market data also includes a range of other data products consumed by financial institutions including ratings, research & analytics, indices and news.

Usage of data

Market data is used to price and trade an instrument as well as for risk analysis and regulatory reporting purposes. Data requirements differ depending on the use case. For example, real time data is required for trading activities, including algo trading, while delayed data can be used for modelling or risk/regulation reporting. There is a financial cost associated with the different use cases and delivery mechanisms such as:

Data frequency

The frequency at which data is refreshed, which has an impact on the cost of that data

Access fees

Flat fees paid for access to a given data feed, unaffected by the number of users

User/display fees

Fees paid for data that will be visually displayed on screen, charged on a per user or per display basis

Non-Display fees

Fees paid for the use of data for non-display purposes, such as trading applications that make use of execution algorithms, smart order routing or market making

Redistribution

Fees paid when data is delivered to a system or user other than the initial purchaser of that data

Enterprise fees

Fees paid under an enterprise-wide agreement that can dictate usage and costs of a wide range of data from a single provider to a whole firm consuming that data

Derived data fees

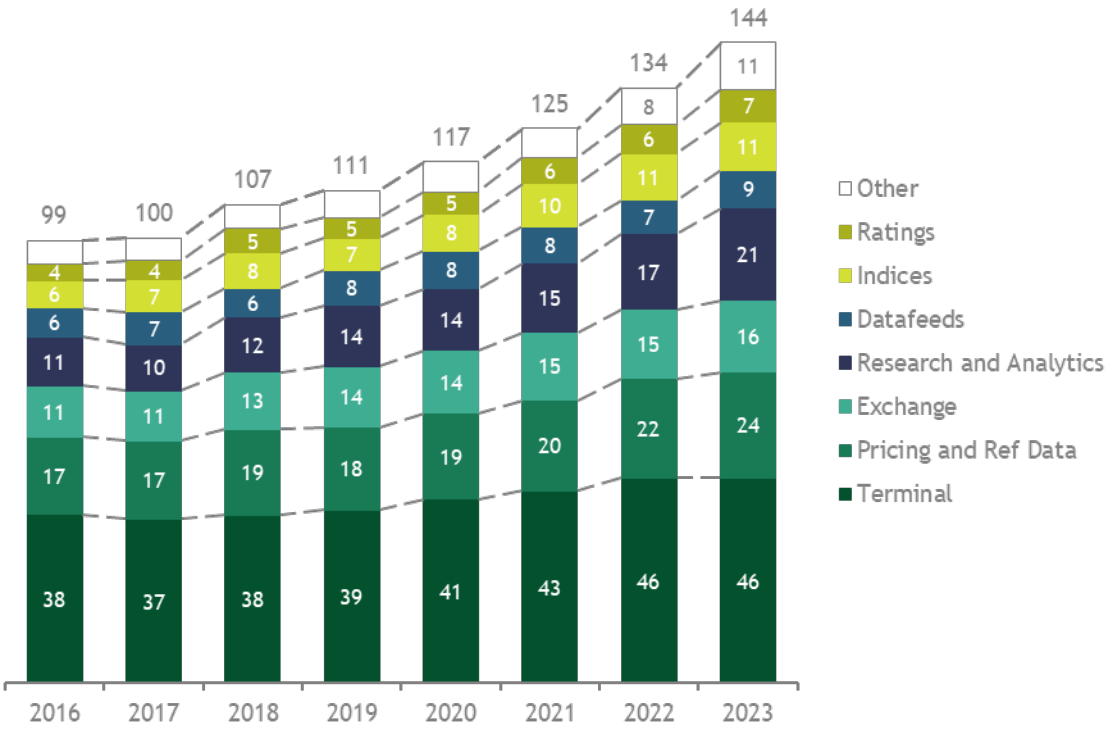
Fees paid to use a provider's data in the creation of any derivative work

In practice therefore, data users often pay to use the same source data multiple times. In addition to purchasing trading data, market makers need to pay costs to the trading venues to make markets in the first place.

The Evolution of Fixed Income Market Data Spend

Context – wider market data cost trends

Figure 1: Overall sell-side market data spend trend 2016-2023

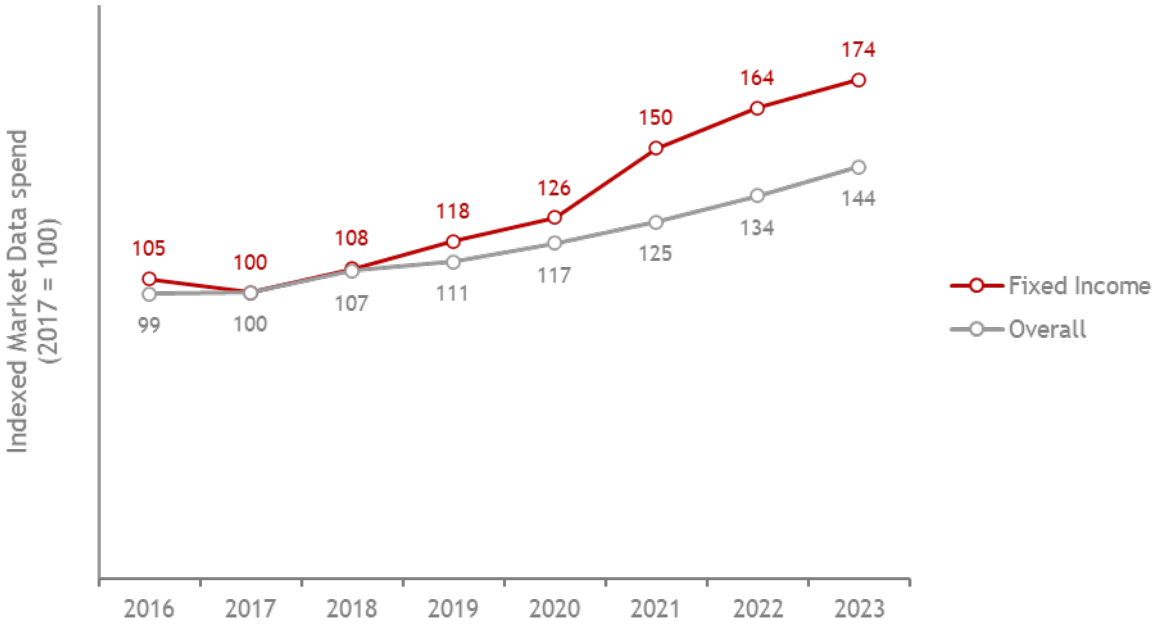


Across the sell side, market data costs grew by 25% between 2017 and 2021 which represents a Compound Annual Growth Rate (CAGR) of 5.74%. Between 2021 and 2023 the rate of increase grew markedly, reaching a CAGR of 7.33% and an index value of 144 – a rise of 44% over 6 years.

While all categories of market data have seen at least 20+% growth over the 6 years, the largest proportional increases have occurred in Research & Analytics (110%), Ratings (75%), Indices (57.1%), Exchange fees (45.5%) and Pricing & Reference Data (41.1%).

Overall trends and main drivers

Figure 2: Sell-side fixed income and overall sell-side market data spend trend 2016-2023



As can be seen in Figure 2, between 2017 and 2021 sell-side fixed income market data spend increased by 50% compared to 25% for the data used by the sell side overall. In the 2 subsequent years, increases in fixed income spend have continued to marginally outpace the wider market demonstrating a CAGR of 7.7% vs 7.3% for the market as a whole.

Price increases reflect data vendors' commercial model changes

Figure 3: Fixed income market data spend and user count 2017-2023

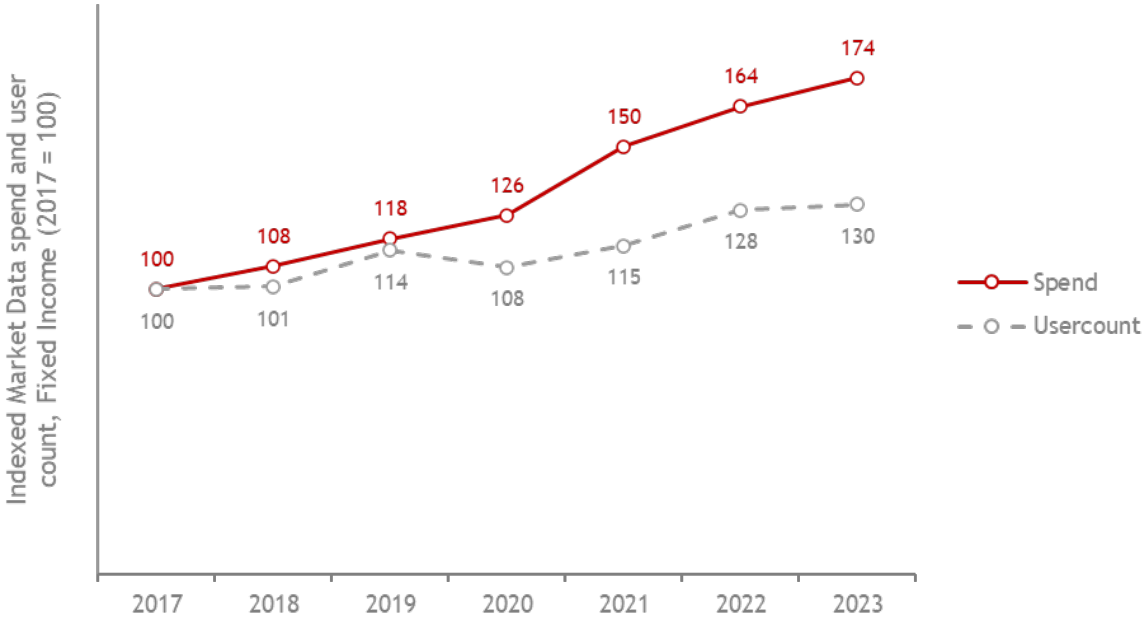


Figure 3 illustrates that between 2017 and 2021 the number of market data users (defined as the distinct count of users consuming market data) in fixed income increased by only 15% in the same period as the 50% spend increase. As such, this spend increase was not purely attributable to an increase in users. Report participants echoed this, acknowledging a marked increase in their fixed income market data costs, a significant proportion of which is not driven by new data needs but rather due to price increases and changes to vendor commercial models.

This dynamic has continued apace in the 2 subsequent years to 2023 with total fixed income spend increasing a further 24% from 2017 base levels while user count only increased a further 15%.

Market data product types

Figure 4: Breakdown of total fixed income spend increase 2017-2023 by product type

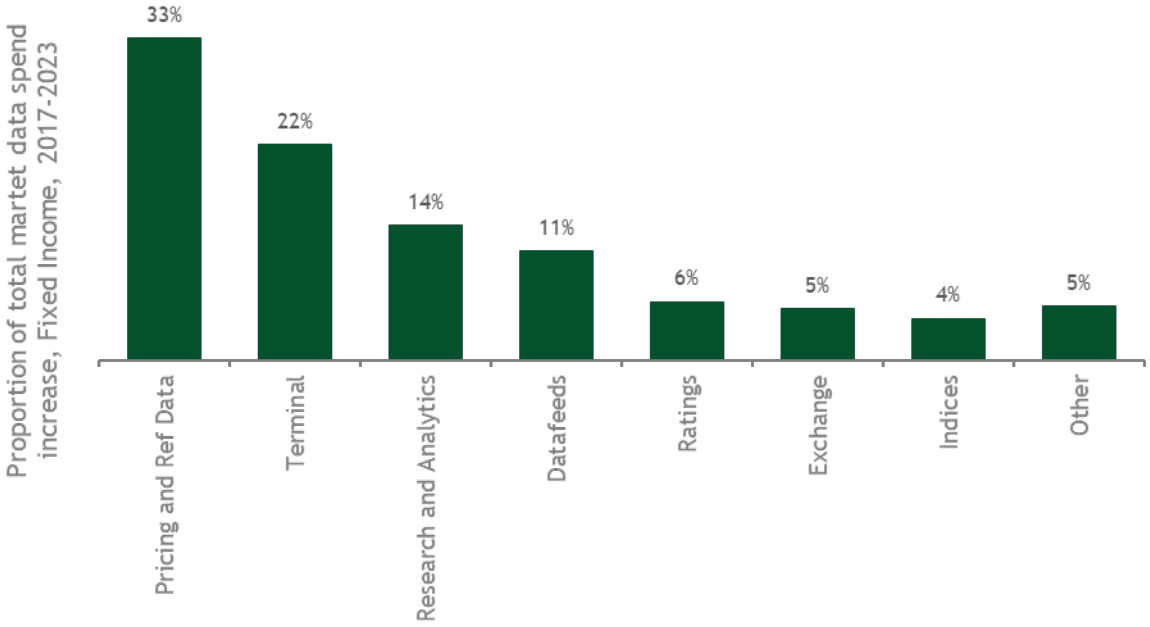


Figure 4 displays the breakdown of the spend increase within fixed income over the last 6 years by product type. For definitions of each category, see appendix – table 4.

It is worth noting that while the two largest components of growth in spend saw below average individual increases of 41.1% (Pricing & Ref. Data) and 24.3% (Terminal fees) their relatively large share of aggregate spend in absolute terms (see Figures 1, 9 & 10) means they are the largest contributors to overall growth of spend. We further note that the Research and Analytics category has a relatively large absolute spend as well as by far the highest proportional increase (110%) over the 6 years.

Pricing Data

Pricing data includes a range of different products, the most significant of which in the context of this report are:

- Evaluated pricing data

This covers any prices based on a vendor's measured assessment of a product's value under current market conditions, as opposed to pure reporting of actual traded prices (e.g. S&P Global (formerly HIS Markit), Bloomberg BVAL, ICE Evaluated Pricing)

- Interdealer broker (IDB/OTF) data
- MTF data

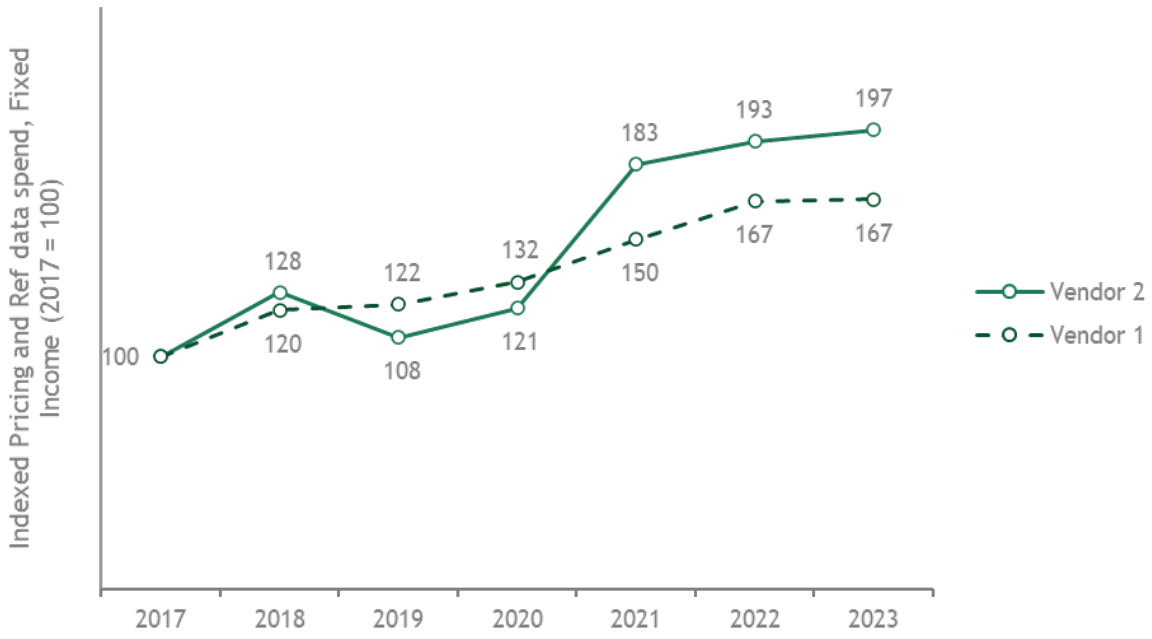
Data provided by exchanges, broken out as a separate category above, is also a form of pricing data

Spend in pricing and reference data has been directly impacted by:

- The requirement to review more data for making better informed decisions, including the use of evaluated pricing data feeds
- Changes in data vendor licensing structures
- The need to procure additional data to support MiFID II/MiFIR obligations (Best Execution, Pre-and Post-Trade Transparency, Transaction Reporting)

Evaluated pricing from data vendors

Figure 5: Data spend trends in fixed income with selected providers of evaluated pricing data, 2017-2023

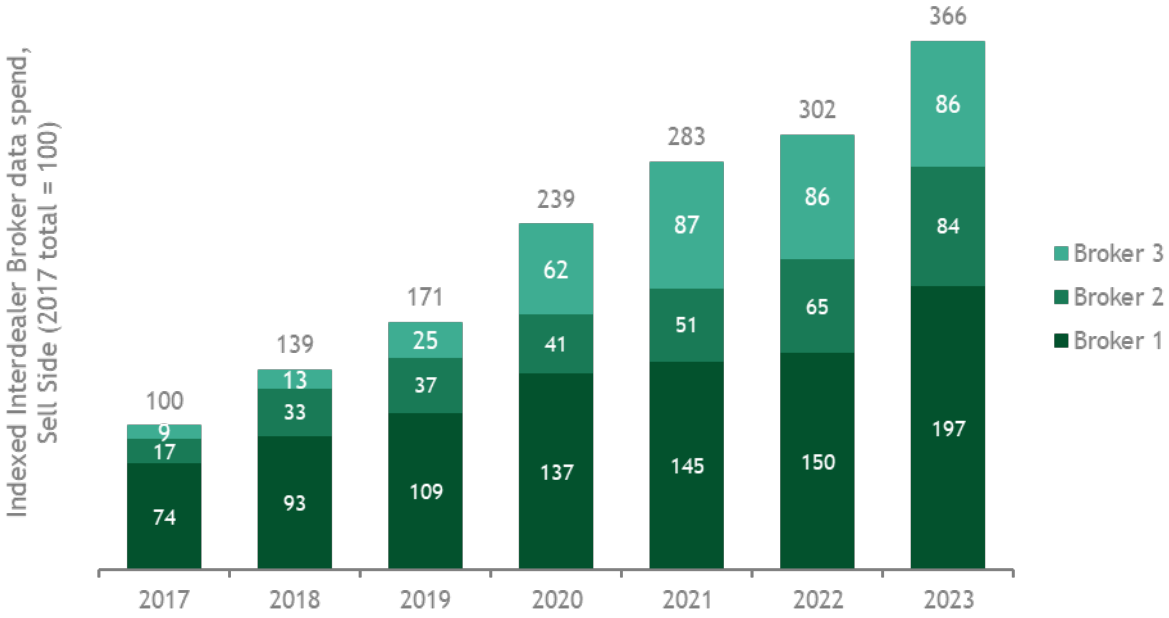


As we note immediately above, demand for Pricing & Reference data has been impacted by regulatory changes implemented under MiFID 2. This may partially account for the steep increases in spend from 2017 to 2021, especially to Vendor 2 which saw spend increase by 83%

over those 4 years. This is exacerbated by the fact that this category represents a relatively large spend in absolute terms, being the second largest category of spend after Terminal fees (Figure 1) and representing the single largest component of spend increase (Figure 4). However, we do note that the rate of increase in spend has decelerated in the most recent figures with Vendor 2's CAGR reducing to 3.75% in the period 2021-3 compared to 16.3% in the period 2017-2021. Likewise Vendor 1, which overall has seen more measured but consistent spend increases, saw CAGR drop to 5.5% in period 2021-2023 from 10.7% in period 2017-2021.

Pricing data from Interdealer Brokers / OTFs

Figure 6: Data spend trends from three major interdealer brokers, 2017-2023

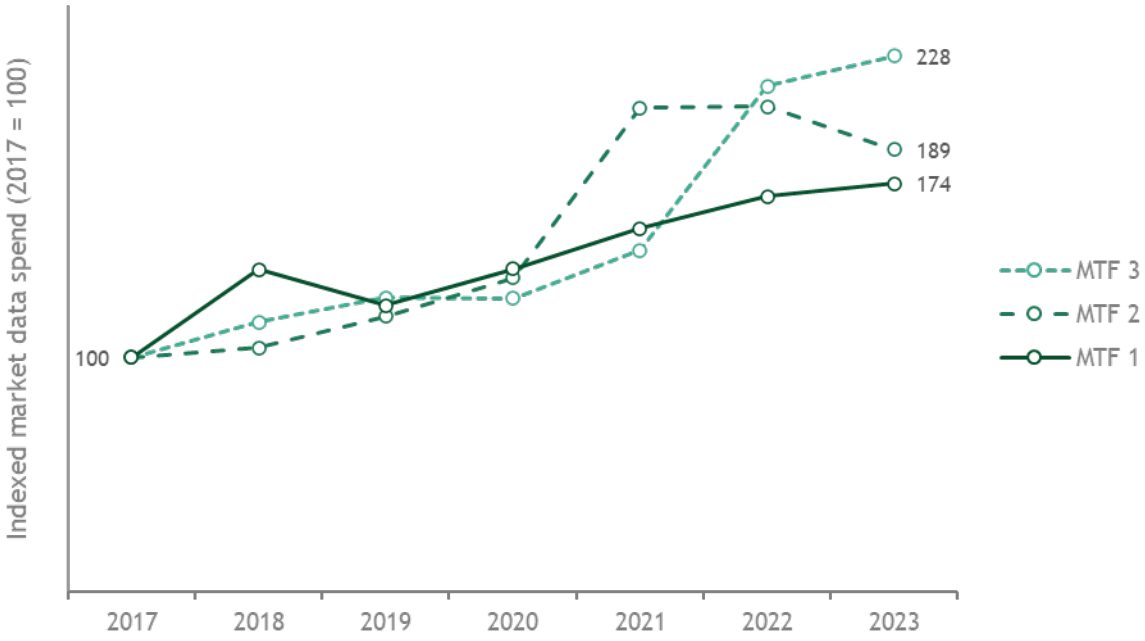


It is this segment of pricing data suppliers that has seen the biggest increase in spend of all categories and segments analysed with total spend to the above 3 selected brokers increasing by 266% over 6 years, representing a very notable CAGR of 24.1% over a sustained period. Most eye-catching of all are the revenues of Broker 3 above which has experienced a CAGR over the 6 year period of an astonishing 45.7%.

As with other segments, it should be noted that the increase in aggregate spend over the full 6 year period will be due partially at least to an increase in usage and user count. It is unlikely however that this dynamic has continued over the last 2 years at the same pace as it did in the years following MiFID 2 implementation.

Pricing data from Multilateral Trading Facilities

Figure 7: Market data spend trends with selected MTF providers, 2017-2023



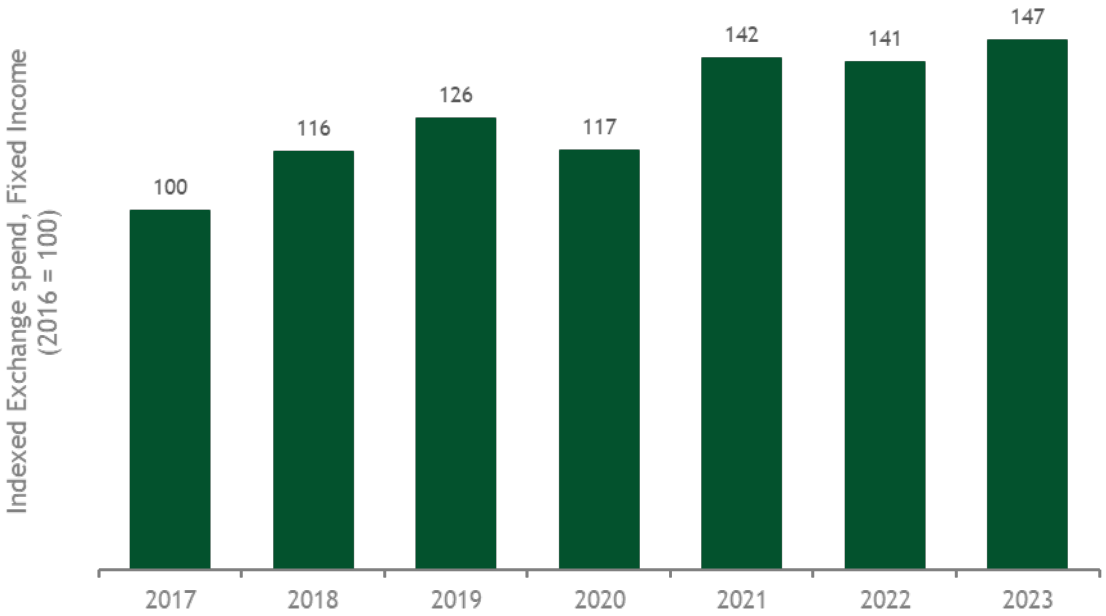
The spend on these three data vendors in the fixed income space has increased significantly over the last 6 years. Whilst the rate of spend increase for MTF 1 has exactly matched the pace of growth for wider fixed income spend overall (both reaching index values of 174 in 2023) those for MTFs 2 & 3 have far outpaced overall fixed income spend growth.

One aspect of interest over the last 2 years however is the reduction in spend with MTF 2; in stark contrast to that with MTF 3 which has grown by 82% over the same 2 year period. One positive perspective one might take is that this increase with MTF 3 was in direct response to the 73% increase seen with MTF 2 in one year between 2020 and 2021. One might deduce therefore that competitive forces are functioning in this segment of the market and that sell-side data purchasers moved their business from one to the other. Further consideration of this possibility however leads to 2 further implications: 1) if this is a competitively induced switching of suppliers then it is probable that the great majority of the increases in spend are due to increases in price rather than an increase in aggregate demand and 2) it is notable that this is the only segment where the numbers are indicating a market where competition is functioning as one would expect in a competitive market.

It should further be noted that the growth in data spend with MTFs represents a relatively small proportion of their overall revenue. Strong anecdotal evidence from AFME members indicates fee schedules for execution on these venues have also been increasing.

Pricing data from Exchanges

Figure 8: Exchange data spend in fixed income, 2017-2023



Spend on data from exchanges has also risen but by a relatively more modest 47% over the whole 6 year period and therefore by less than the rate of increase for fixed income overall at 74% but still more than for the overall sell-side spend at 42%. It should be noted here however that fixed income market participants rely far more heavily on pricing data from sources other than Exchanges. Exchange based trading volumes in cash fixed income markets are minimal.

Other Data Types

Credit Rating Agencies

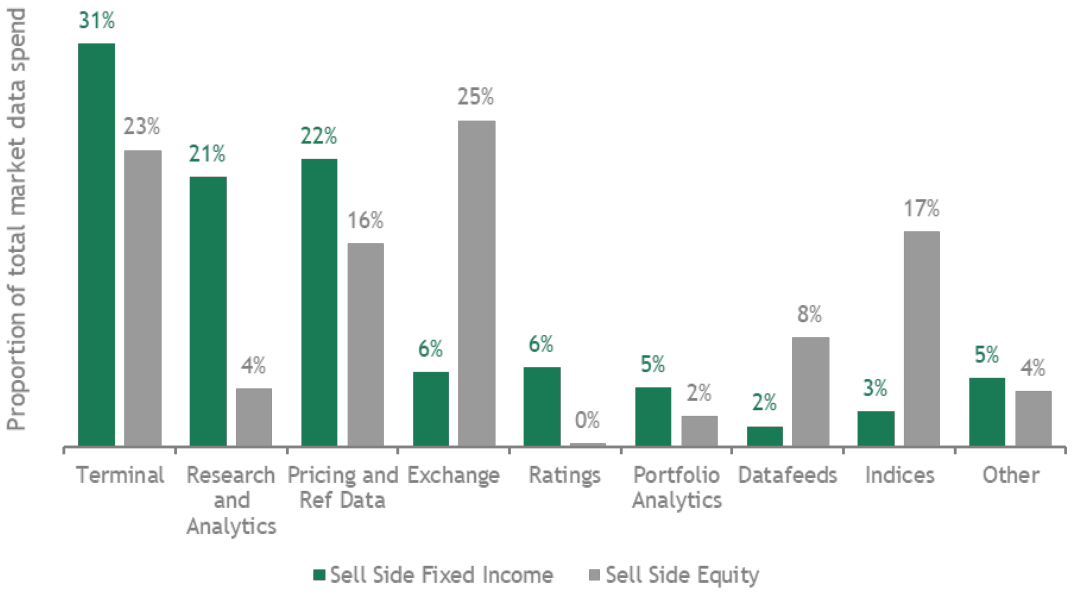
Credit ratings are used to measure the creditworthiness of a bond, which corresponds to the cost of borrowing for an issuer. Agencies evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. These agencies charge bond issuers for providing the ratings in the first place, but market participants must also pay a fee to get access to the resulting data. The use of these ratings is a regulatory requirement.

Indices

The Benchmark Regulation (BMR) saw several European benchmarks transfer to another benchmark administrator with resulting cost increases. Concerns around compliance have resulted in firms contracting at an enterprise level in order to better monitor adherence to BMR.

Market data spend: Fixed Income vs Equity

Figure 9: Sell side market data spend in fixed income vs equity, 2023



Differences in sources of price data for equity and fixed income instruments can be attributed to the fundamental differences between these types of securities, most importantly their innate liquidity.

Because of their greater liquidity, equities are mostly traded on Central Limit Order Books (CLOBs) on exchanges such as the London Stock Exchange, Euronext, Deutsche Boerse and many others. Markets in shares from the largest companies are relatively easy to access and highly transparent. All trade data is made public, with many trades being small in size. Most companies issue a single class of shares and so there is only 1 instrument to trade.

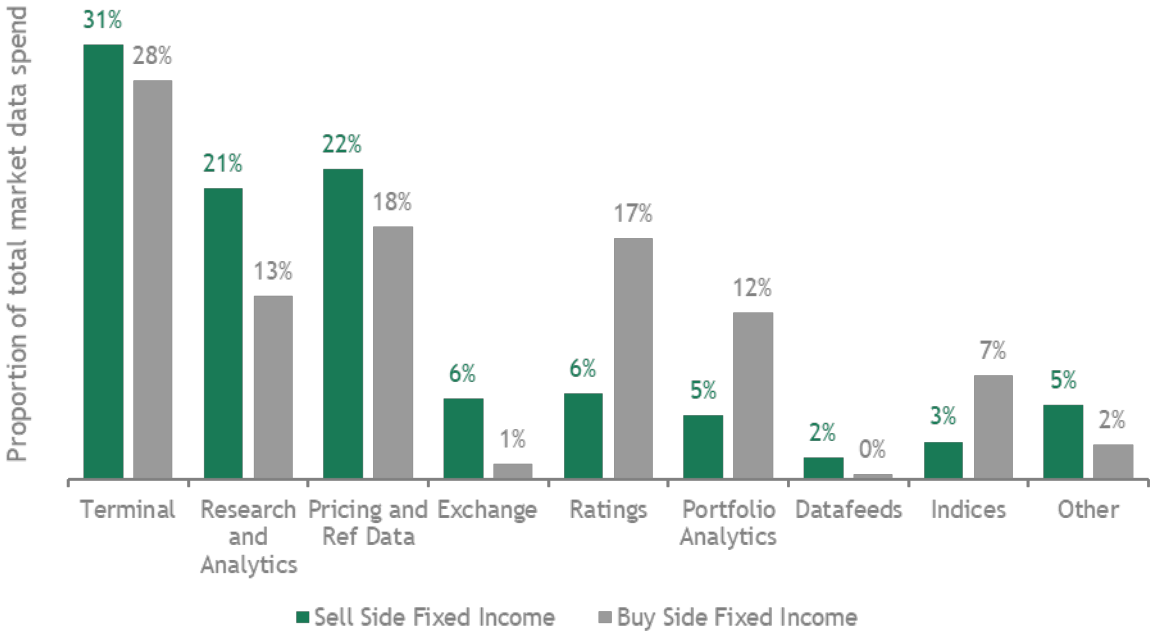
The fixed income markets, on the other hand, cover a much wider range of bonds issued by large corporations & governments, with varying maturities, security (unsecured and secured), coupon and interest payment features, and optional redemption features (calls and puts). Thus, liquidity in a single company's bonds is dispersed across a much wider range of instruments than is the case in equities. The investor base is also more institutional in nature, generically meaning fewer orders/trades but in greater size. Since the frequency of trading in most instruments is low, and the risk profile of market makers and liquidity providers is different than for the equities market, pricing data is in some cases harder to access.

Fixed income relies more heavily on non-exchange pricing data, such as evaluated bond pricing, as well as reference data, research and analytical tools and premium terminals. Equity market data users have a much heavier reliance on real-time Exchange data.

MiFID II/MiFIR increased transparency within fixed income and recent regulatory reviews of the bond markets' post trade transparency regimes in both the EU & UK should do so further, however, there remain, and will remain, challenges with the non-standardised nature of data contracts, the trading frequency and illiquid nature of the bond market. It is still mostly the case that fixed income products are traded bilaterally over the counter (OTC), electronically or otherwise.

Market data usage: Sell-side vs Buy-side

Figure 10: Market data usage in fixed income, Sell-Side vs Buy-Side, 2023



MiFID II/MiFIR and the above mentioned transparency regime reviews have and will continue also to impact buy-side organisations. Resulting new regulations, including those related to best execution, 3rd party research and transaction reporting, have resulted in process changes and increased spend.

Under MiFID II/MiFIR, 3rd party research became chargeable, which had a significant impact on investment managers' P&L. Policy documents and client disclosure documentation had to be updated accordingly. However, these regulations are being reviewed currently which may give rise to at least a partial reversal of this dynamic.

Appendix

Table 1: Entities with reporting obligations under MiFID II/MiFIR

Trading venues	**Investment firms**
Regulated Market (RM) Non-discretionary venue run by a market operator	**Qualifying Investment Firm (QIF)** Any firm providing investment services or activities on a professional basis
Multilateral Trading Facility (MTF) Non-discretionary venue run by a market operator or an investment firm	**Systematic Internaliser (SI)** Investment firm that deals on its own account when executing client orders outside a trading venue
Organised Trading Facility (OTF) Multilateral system (not an MTF or RM), run by an investment firm, that uses discretion when executing orders	

Table 2: Data required to be reported under MiFID II/MiFIR

All products	**Non-equity products only**	**Additional Fields (minimum required for APA)**
Trading date and time	Instrument identification code type	Executing entity identification code
Instrument identification code	Price notation	Systemic Internaliser (SI) status indicator
Price	Notation of the quantity in measurement unit	Trading capacity
Venue of execution	Quantity in measurement unit	
Price currency	Notional amount	
Quantity	Notional currency	
Publication date and time	Type	
Venue of publication	Transaction to be cleared	
Transaction identification code	Type	

Table 3: Market data product type definitions

Product type	**Definition**
Pricing and Reference Data	Securities pricing data and historical data provided by vendors and brokers
Ratings	Ratings feeds and research from ratings providers

Data feeds	Real-time information feeds from a vendor to a bank
Research and Analytics	Research Reports, charting, estimates, fundamental data
Exchange	Data provided by stock exchanges (excluding indices)
Terminal	Physical desktops
Indices	Index data provided by vendors and exchanges
Other	Additional market data types such as news and portfolio analytics tools

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We advocate for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society.

We aim to act as a bridge between market participants and policy makers across Europe, drawing on our strong and long-standing relationships, our technical knowledge and fact-based work.

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deep policy and technical skills

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with European and global policymakers

Breadth
broad global and European membership

Pan-European
organisation and perspective

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via the Global Financial Markets Association (GFMA)

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