
AFME Response to FCA's Market Study MS23/1.5

FCA's Final Report on Wholesale Data Market Study

April 2024

AFME welcomes the final report on the FCA's Wholesale Data Market Study. This study is an important part of the wholesale market data investigation into competition in three key markets: provision of benchmarks, credit ratings data, and market data vendor (MDV) services.

The FCA's final report reflects many of the concerns of market participants. These include the persistent user concerns about how wholesale data markets are working through six lenses: (1) barriers to entry and expansion; (2) network effects; (3) vertical integration; (4) suppliers' commercial practices; (5) data users' behaviour; and (6) incentives for innovation.

For example, the FCA has found drivers and interlinked evidence of market power in the three key markets in the form of market concentration, high profit margins, essential use of data, opaque market features and pricing practices, levels of charging, bundling practices and complex licensing agreements. These issues are frequently global in nature and require international supervisory coordination to address systemic issues with a view to improving outcomes for data users globally.

We note the FCA's decision not to make a market investigation reference to the Competition and Markets Authority. However, **we strongly recommend the FCA does not delay any potential amendments to the reasonable commercial basis (RCB) framework until after the implementation of the consolidated tape.**

We also note that in the EU, ESMA is to develop a binding technical standard specifying the detailed application of the RCB framework and that this is due to be delivered in advance of the emergence of the consolidated tapes. Cooperation on this topic would be welcomed by data users who would benefit from a robust and coordinated approach across the UK and the EU.

Data users and consumers face high market concentration which increases costs and limits choice. We note the FCA's finding in its previous analyses that, while high start-up costs are not insurmountable to overcome, recent entrants have not been able to achieve the growth necessary to acquire significant market share. Certain data providers are extremely embedded in the UK and global financial ecosystem, and further concentration from mergers and consolidations have exacerbated their market power.

The previous findings from the FCA [study](#) on trade data reflect our concerns regarding the significant market share exchanges hold as data providers, particularly as proprietary data is unique for trading activity, and indispensable for users to stay in business and fulfill their regulatory obligations. While concentration is less prominent in Fixed Income markets, the AFME commissioned [report](#) highlights the rising cost of European Fixed Income market data.

Data users and consumers face restrictions around usage rights due to complex and unreasonable license terms: long standing practices within licensing and data-use agreements and non-transparent pricing have contributed to the rising cost of data, which is one of the most significant challenges facing the effective functioning of wholesale markets. Users can often be required to obtain multiple licenses for the same data or pay a rate much higher than previously for the same data with no improvement to quality or access.

These higher market data costs affect the whole value chain. In the end, private investors and pension savers suffer from fewer choices, less transparency, higher costs, lower savings, and companies may face reduced access to capital.

Solving this issue is of utmost importance, particularly considering the evidence of market power highlighted in the FCA study, in order for the UK and the EU to achieve their stated objectives of growth and competitiveness in their respective capital markets.

We encourage the FCA not to wait until the consolidated tapes are launched, and to take action under a clearer and expedited timeline. We urge the FCA to provide more concrete proposals for a regulatory reform plan covering exchange data and data vendors, including ESG, CRAs, and benchmark providers.

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