

Financial Conduct Authority

12 Endeavour Square

London E20 1JN

12 April 2024

To whom it may concern,

RE: Investment Association response to the FCA’s Wholesale Data Market Study Report

I am writing to you on behalf of The Investment Association (the IA). The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.8 trillion for savers and institutions in the UK and beyond. The UK asset management industry is the largest in Europe and the second largest globally.

We have read with interest the FCA’s final report on its Wholesale Data Market Study and welcome the opportunity to respond.

The IA and our members have long-held concerns regarding the rapidly increasing cost and complexity of wholesale data markets. It is a topic of significant importance to our members and the IA has been communicating our members’ views continuously to the FCA through our responses to the Wholesale Market Data Study.¹

We appreciate that the FCA’s report appropriately identified some of the issues prevailing in the wholesale data market, in particular the concentrated market and lack of competition. However, the IA members are disappointed that the final report does not specify clear actions to tackle the issues. It appears that the immense challenges faced by asset managers, a vital group of data users in the wholesale data market, are being overlooked.

We reiterate that all IA members, from the largest global asset managers to the smallest firms, have faced high and rising prices to acquire data that is critical to their business. For instance, the FCA found some trade data subscription prices rose up to 41% between 2017-2021.² The increasing cost of data poses a serious challenge to the asset management industry, which relies on data for product creation, investment decision-making and regulatory compliance. We would like to emphasise that market data is a cost that significantly

¹ [IA Comments on the FCA Wholesale Market Study, IA response to the FCA’s Update Report on Wholesale Data Market Study.](#)

² FCA, [Wholesale Trade Data Review Findings Report.](#)

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affects our members' operations – market data ranks among the top five, or sometimes even the top three cost items to some of the IA members.

The FCA report identifies that there is limited scope for consumers of market data to switch data providers and negotiate contracts due to the lack of alternative providers available.³ This is particularly true when IA members need the data for regulatory compliance, such as the use of fund benchmarks for assessment of value (AoV) purposes, or other consumer duty requirements. Furthermore, data licenses are often case-specific and data vendors impose separate license charges for each. As data costs continue to rise, asset managers are being squeezed by their data providers, who enjoy significant market power and limited competition. It is our members' experience that such increasing data costs and restrictive use of data hinder the industry's ability to innovate, offer competitive products and services, fulfil regulatory requirements and ultimately deliver value to their end clients – both institutional and retail investors.

We question the FCA's view that limitations on pricing could have unintended consequences such as lowering the quality of wholesale data and reducing innovation. As the report findings suggest and as is aligned with our members' experience, the high data cost is a result of the lack of transparency and competition in the wholesale data market, not a result of the high costs incurred by data vendors to produce quality data. For example, an analysis shows that rating agencies and index providers have, on average, increased charges for unchanged use cases by 12 and 13% on top of inflation during the latest renegotiation cycles. Some data consumers are paying more than 26 times the amount paid by their peers for very similar requirements – an illustration of opaque pricing by data providers.⁴ Given the non-competitive nature of the wholesale data market, we do not believe there is a direct correlation between price and data quality. Instead, the high profitability of key data providers identified by the FCA suggests there is room for data vendors to innovate and improve data quality without increasing their fees.

There also does not seem to be any proposed actions from the FCA to address the practice of providers disclaiming liability for the accuracy, completeness, and/or timeliness of delivery. The IA members are concerned whether the FCA view this as an acceptable practice for consumers of market data. Clarity should be provided as to whose responsibility it is to ensure that the data is reliable and useable. As this is not the case currently, this often results in data consumers building teams and functions to verify the data at their own expense. Coupled with the persistent, unjustified cost increases the providers levy, this adds significant cost and time burden to the consuming company, and potentially negatively impacts outcomes for the end customer.

As outlined above, the issues faced by our members and identified by the FCA are significant and we ask the FCA to provide clearer next steps, including how to tackle the issues through the Smarter Regulatory Framework and the possible use of the FCA's existing powers under the Competition Act 1998 to address the non-competitive practices of data vendors. We believe that a set of clear action points is necessary to ensure that the wholesale data market operates transparently and competitively, and that asset managers can access data at a reasonable cost.

In addition to the points made above, as part of a cohesive programme of reforms, the IA recommends the FCA to reprioritise its work on an equities/ETF consolidated tape (CT), so that progress is made in parallel to the delivery of the bond consolidated tape – an approach in keeping with the UK's stated goal of increasing growth and the competitiveness of its capital markets and ensuring access to market data regardless of resource or sophistication. Further to this, ensuring progress on the consolidated tapes in the UK will ensure the Reasonable Commercial Basis (RCB) framework is reviewed in a timely manner, given the FCA's decision to delay any potential amendments to the RCB framework until after the implementation of the consolidated tapes in the UK stated in this report. We note that while the IA recognises the development of a CT would

³ For instance, in the report the FCA found that there are usually no more than three key providers in each market, most of whom maintained a significant market share. In the case of credit rating agencies, the three largest providers collectively have over 90% share of the UK issuer services market.

⁴ Substantive Research, [Market Data Pricing 2023 in Review](#).

improve access to market data, a CT will not address *all* issues of market data costs or complex licensing in the wholesale data market.

We also reiterate our previous recommendations, provided in our response to the Wholesale Data Market Study, that:

- Data fees be tied to costs, with cost increases based on a reasonable profit margin, or demonstrable growth in operating expenses (excluding contracting and audit costs).
- Regulators should consider how to rationalise licensing agreements – by, for example, requiring standardised contract terms and standards.
- Regulators should also consider how to achieve greater pricing transparency, through public availability of pricing lists or models.
- An option for ‘enterprise’ licencing of market data (i.e. having one licence with a data provider for use throughout the firm) be introduced.

Finally, we do welcome the FCA’s recognition of the global nature of the wholesale data markets. Our members purchase from global data and note that it is difficult to address the issue in a UK-only context. We are keen to understand how the FCA would approach the broader issue of wholesale market data in their collaboration with regulators in other jurisdictions.

We await with interest the FCA’s reply and further details on your possible next steps, and would be happy to discuss further any of the issues we have raised with this letter.

Yours sincerely



Chris Cummings
Chief Executive