



# Inside Market Data

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## DATA DISPLAY & ANALYTICS

- 5 AltX Adds Advanced Search, Behavioral Analytics to Alternatives Platform

## DATA DISPLAY & ANALYTICS

- 6 Inovestor Begins US Push for Fundamentals, Analytics Platform

## ADMIN & MANAGEMENT

- 7 Asset Control Adds Data Quality Assessment, Stress-Testing to Data Management Tools

## DELIVERY TECHNOLOGIES

- 8 Equinix Already Looking Beyond New LD6 Slough Datacenter

## DELIVERY TECHNOLOGIES

- 8 Velocimetrics Debuts FX Price Quality Tool

## SPECIAL REPORT

- 9 Panel: EU Data Reg 'Monster' Yet to be Tamed

## COLUMNS

- 4 **OPENING CROSS**  
Beyond Evaluations, Will Buyout Put Interactive Data on ICE?
- 5 **HERD**
- 6 **SCROLLING NEWS**

## Users Express Caution over Competitive Impact of ICE's IDC Valuations Play

Intercontinental Exchange (ICE) has unveiled plans to become a "foremost" provider of valuations data to help firms manage risk, after announcing the acquisition of market and reference data provider Interactive Data from private equity firms Silver Lake Partners and Warburg Pincus for \$5.2 billion, though market data consumers are so far apprehensive about the deal, citing concerns around pricing, commercial policies and competition.

During a conference call discussing the

exchange's third-quarter revenues and the IDC acquisition, ICE chief financial officer Scott Hill announced that revenues from data services for Q3 2015 reached "a record" \$209 million, up 24 percent over Q3 last year, and said that "data is a key driver for growth" at ICE.

From a strategic standpoint, IDC will enable ICE to become a "foremost provider of tools and information required to value risk across energy, agriculture, credit futures, equities, equity derivatives, ETFs, foreign >3

## SIX Streamlines Ops in Strategic Global Reorg

Exchange and clearinghouse operator and data provider SIX Group has embarked on a "global functional [re]organization" of its divisions and related offices, as part of a long-term process to deliver a more streamlined product strategy.

The reorganization will see the vendor shift management of regional and country-based groups into a new central management structure comprising three function-based groups—sales operations, data operations, and product management and strategy—that will enable a "streamlined decision-making

process and ultimately a streamlined product portfolio that can help serve customers globally," officials say.

The changes are the brainchild of Robert Jeanbart, chief executive of the group's SIX Financial Information division, who says the reorganization has been on the cards since he joined the vendor in June 2014, and are not just limited to his Financial Information division, but are group-wide.

"As of Jan. 1, we have deployed this within SIX Financial Information worldwide. We have moved from having 24 independent >3

## Deutsche Börse Changes Data Fees, Policy

German exchange group Deutsche Börse's Market Data + Services arm has made a number of changes to its Market Data Dissemination Agreement, including clarifying definitions used in the policy, the introduction of new licenses, and sweeping price rises across all market data products.

End users say the changes are creating an undue administrative burden, but Deutsche Börse officials insist the amendments are necessary to ensure that users remain compliant with the exchange's market data usage policies, and that increased data volumes mean the new prices are commensurate with the data's value.

Deutsche Börse Market Data + Services sent a notification to customers at the end of September, three months ahead of the Jan. 1, 2016 date when the changes will take effect. The changes cover: price increases for all products; the introduction of a new license category and fee for contract-for-difference information; modifications to the definitions in the Market Data Dissemination Agreement;; and amendments to the reporting and audit guidelines for the policy.

The exchange is implementing a four percent fee increase for all of its distribution license fees, non-display license fees, >10

1

# IMD APP

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## Users Express Caution over Impact of ICE's IDC Valuations Play

◀1 exchange, gold, and now, fixed income,” said ICE chairman and chief executive Jeffrey Sprecher. About 70 percent of IDC's \$939 million annual revenues come from evaluated bond pricing, with the remaining 30 percent coming from technology platforms and datafeeds, Sprecher said.

Combining IDC's fixed income valuations business with ICE's previous acquisitions—including the New York Board of Trade (now ICE Futures US), NYSE's Euronext equity value calculator for valuing 95 percent of the exchange-traded fund market and SuperDerivatives' valuation service for complex instruments, particularly FX contracts—and the exchange's ICE Benchmark Administration interest rate swaps benchmark calculation service means that ICE is now positioned to help firms optimize capital adequacy and meet demand for data to support hedging and managing risk, Sprecher said.

The acquisition of IDC—in addition to previous ICE acquisitions—reflects that the exchange is shifting from a transactions-based business to one that is based on recurring subscription revenues, Sprecher said. “Market fragmentation caused by regulation, including MiFID and MiFID 2, mean that buyers who can't or won't spend money on technology will not necessarily find the seller with the best price, and as a result, the value of data is increasing,” he added.

ICE is not the first exchange to move squarely into the market data business—for example, NYSE Euronext operated NYSE Technologies and Wombat, prior to being acquired by ICE—though some data consumers are nonetheless concerned about any competitive advantage IDC users may gain from ICE ownership.

“It's a little bit unnerving that the source of core ICE market data will have a commercially competing service with other carriers, vendors and users. It's disconcerting that other people might have an inferior product,” says a market data manager at a US market maker. “As a consumer of data, I'm

concerned that while I may be able to get the ICE data from different vendors, IDC might have the inside edge—some advantage in time or space, quality or speed that tilts the equality of the system—whether it's insidious or not,” the source adds.

In addition, a market data manager at a European investment management firm cites concerns that ICE may enforce a more aggressive pricing structure at IDC.

“If you look at recent acquisitions of index providers by exchanges, they have already gone aggressive on price structure, so I cannot see ICE being nice with IDC and acting any differently.... Exchanges are facing diminishing trading volumes and revenues from how they generate traditional income, so they have to survive and develop,” the market data manager adds.

However, not everyone believes that ICE will have a negative impact on IDC's fees. “I'm not inclined to think we'll see any material changes in the short term, as IDC is a long-standing institution,” says the head of market data at a tier-one US investment bank. “If ICE has plans to markedly change IDC, then they are coming into a competitive marketplace, and they can't double prices overnight and think it's not going to have an effect.”

Addressing the possibility of raising prices for IDC's products, Sprecher said, “We don't know, as we don't own the business yet, but our policy at ICE is that increases in value-add should be coupled with appropriate price increases,” though he added that “IDC has a 98 percent renewal rate, so it seems they are liked and respected at the current prices levels.”

Sprecher also said ICE expects to save \$150 million in synergies from the acquisition, particularly around IDC's 7Ticks network, its market data desktops, staff and redundant operations, though he declined to say whether the exchange plans to spin off these business or merge them with other ICE offerings.

*Faye Kilburn*

## SIX Global Reorg

◀1 P&Ls towards one global P&L, and not local P&Ls.... We also have global function heads for our three functional lines—sales operations, data operations, and product management and strategy,” which has helped “align the entire organization around a streamlined strategy that could be deployed in a global way,” Jeanbart says.

While work is still being done to “fine-tune” and optimize the group's efficiency, Jeanbart states that planning for this began in the second half of 2014. “In some cases this was deployed immediately, in others, it took three to four months, but the train is in motion and it is happening, has happened and will continue,” with tweaks being carried out as the plan continues to be rolled out, as is expected with an organization of more than 1,000 people which has operated in a certain mold. “When a company has existed for so long with local independent officers, now we have a global thing, there will always been more changes,” Jeanbart says.

The reason behind the restructure is not to protect or improve costs, or for performance improvements, but to “streamline our strategic thinking, the subsequent product, [our] decision making, and services [we provide] to the customers,” Jeanbart says.

“When you want to change the product line and you want to adopt a strategy, you need to have a coherent communication in place to execute it. This is not best achieved when you have 24 independent P&Ls because they think tactically, whereas here it is a global vision... a globalization strategy of a product portfolio,” he says, adding that when cutting down more than 60 products into a more streamlined portfolio—as will eventually take place—the group is having to bear in mind what is currently deployed with its customers and the current constraints. “Changing an organization is simple; adopting the product and portfolio to a global strategy is a longer-term story,” he says.

*Joanne Faulkner*

## Beyond Evaluations, Will Buyout Put Interactive Data on ICE?

Last week's acquisition of Interactive Data by Intercontinental Exchange came as something of a surprise to the data world: It's not entirely unexpected that private equity owners Silver Lake Partners and Warburg Pincus wanted to divest the data vendor after a five-year investment—after all, IDC was ostensibly preparing to go public, and there had been persistent rumors that the company was for sale—but rather that ICE was willing to pay a premium to take IDC off the market.

After all, ICE had only just divested one data business—the former NYSE Technologies arm of the New York Stock Exchange, claiming that ICE didn't want to be in businesses that it didn't understand—and only recently acquired another in the form of SuperDerivatives, ostensibly to support its clearing operations.

So perhaps surprisingly, ICE has doubled down on data. And with around 40 percent of ICE's revenues now expected to come from the combination of its proprietary data plus IDC's revenues, "this makes ICE a data company," says Brad Bailey, research director in Celent's securities and investments group.

In fact, according to Burton-Taylor International Consulting, the deal makes ICE the third-largest data vendor, behind Bloomberg and Thomson Reuters. Both Bailey and Burton-Taylor founder and managing partner Douglas Taylor highlight IDC's fixed income pricing and valuation capabilities as an asset that will help ICE move into over-the-counter marketplaces as the electrification of these markets

continues. This begs the question of what ICE will do with the rest of IDC, and whether it overpaid to get what it wanted.

At \$5.2 billion compared to IDC's \$939 million in revenues, ICE certainly paid a premium (though, says Bailey, no higher, percentage-wise, than other recent acquisitions), but whether or not it overpaid will depend on how much value it can extract long-term. ICE's management team isn't stupid, and if there's one thing we've learned from ICE's steady rise, it's that ICE doesn't waste money on trophy acquisitions: it gets what it wants, and leverages each acquisition to the fullest to strengthen its core business—its exchange—an approach that now sees it overtake CME Group by revenue, according to figures from Burton-Taylor. That said, with clearing, OTC markets and now even more data distribution capabilities, is ICE's core business really operating an exchange, or is that just the prerequisite for these other profit centers?

Taylor notes that although Nasdaq is smaller than ICE, its revenue is much more diverse, and suggests that "after [IDC's] \$1 billion in market data revenue is added, you can see how ICE could be moving in the direction of Nasdaq to service more segments of the industry."

And while it occurs to me that ICE may well simply repackage and sell off any of the IDC business lines that it doesn't want (perhaps even including some elements of SuperDerivatives, which it bought last year) to create a streamlined version of IDC, Taylor and Bailey both suggest the

exchange may want to retain as much of the IDC footprint as possible to give it a "captive audience" for new data products. "It's not hard to see new exchange data products generating new revenue from the IDC client base," Taylor says.

This may put ICE in competition with Bloomberg, Thomson Reuters and Markit, among others, notes Taylor. And indeed, some end users expressed concern about the impact on vendor competition, and whether IDC and its clients—versus clients of other vendors—would gain some advantage under ICE ownership. However, Bailey questions what impact this would have on existing relationships with vendors and its overall distribution. ICE still needs those distribution channels—unless it plans to turn IDC into its exclusive distribution vehicle, which would hark back to some of the exclusive deals that made Telerate famous (for a while).

So the question is, does ICE want to be in the data vendor business, or does it just want control over datasets that it believes will be big revenue-generators? My money's on the latter.



**Max Bowie**

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## AltX Adds Advanced Search, Behavioral Analytics to Alternatives Platform

San Francisco, Calif.-based AltX, which provides a platform for monitoring funds and regulatory disclosure documents, is adding new search functionality and behavioral analysis of fund managers to its platform for alternative investments, to help its buy-side and sell-side clients to make better informed alternative investment decisions.

AltX was founded by chief executive Sam Hocking—previously managing director and co-head of prime brokerage at BNP Paribas—and combines data and analytics, proprietary behavioral finance insights and network mapping, with machine learning, artificial intelligence and Big Data technologies.

The vendor has added two new features in recent months to provide additional value-add to customers, the first of which is a natural-language search tool designed to make search more intuitive. Typically, hedge fund technology platforms have a rudimentary screener but do not have Google-type search, Hocking says. “Now, for example, you can type ‘European mid cap’ or ‘David Shaw,’ and the platform will display all the funds, all the people, all the associated news. You can search based on anything of interest,” he says.

The second new addition is behavioral analysis of fund managers to help users better understand the hedge funds in which they are investing. AltX hired an in-house team of PhD researchers and psychologists to build a survey system to assess the behavioral tendencies of hedge fund managers. The survey polled a group of hedge fund managers to determine behavioral elements, including past performance, safety, growth,

conventionality, originality, steadiness and agility, and then used an algorithm to extrapolate the results across all hedge fund managers listed on the platform.

“Observed behavioral analysis is just coming into the product, but it’s something that we had always planned alongside our other analytics and social elements to extract more meaning from hedge fund investing. We’ve developed a very accurate and scalable approach by using this algorithm as opposed to going out and interviewing every hedge fund manager in the world,” Hocking says.

The platform already includes relationship mapping, digitizing information from online sources such as LinkedIn, Facebook and Twitter, covering everything from political contributions, associated companies and funds, and board memberships to a fund manager’s golf handicap. The vendor then displays the unstructured data visually on network graphs that show how each fund manager is connected.

Currently, the key challenge for unstructured data providers is how to display and aggregate their data in a way that will provide insights and help asset owners, funds of funds, intermediaries, hedge funds and banks to make decisions. “We are taking a systematic approach of using a rich data environment and then applying algorithms to automate insights,” Hocking says. For example, the platform includes a range of tools, such as network mapping to help users filter the data, and an algorithm that allows users to search for funds with similar characteristics.

*Faye Kilburn*

### DeltaOne Hires Burke for Buy-Side Push

Markit-owned DeltaOne, a provider of index and exchange-traded fund (ETF) data to investment banks, asset managers, exchanges, ETF issuers, hedge funds and trading firms, has hired **Garrett Burke** as vice president, responsible for growing the vendor’s buy-side business in North America. Before, Burke held various roles over eight years at economic and benchmark data management platform vendor Rimes Technologies, including vice president of sales engineering and product management. Based in New York, Burke reports to **Giles Sarton**, head of DeltaOne business development.

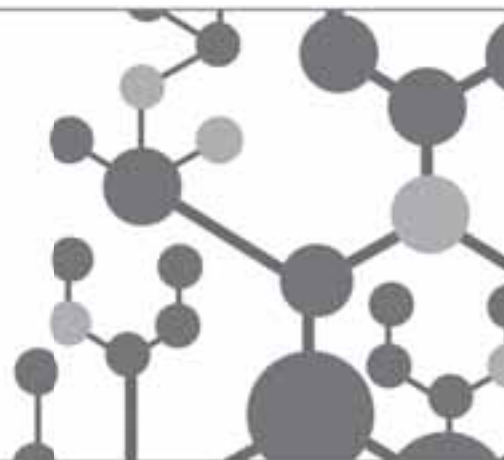
### OneMarketData Shuffles Sales

Tick database and complex event processing software vendor OneMarketData has reorganized its sales and marketing team following the departure of former senior vice president of global sales and marketing **Richard Chmiel**. Chmiel’s duties will be split between **Ross Dubin**, who has been promoted from director of sales to global head of sales, and senior vice president **Jeff Banker**, who takes over market development. Dubin has spent over six years at OMD, prior to which he was senior sales executive at Vhayu Technologies. Banker joined OMD in 2013, from agricultural data and analytics provider Farmlink, where he was managing director, prior to which he was EVP of real-time market data and trading solutions at Interactive Data. Both report to OMD president **Leonid Frants**.

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# Inovestor Begins US Push for Fundamentals, Analytics Platform

Canadian fundamental data and analytics provider Inovestor is planning to roll out its products to US-based asset managers and investment advisors, and to grow its US staff over the coming year, officials say.

The move follows the recent hire of former FTSE and Nasdaq exec Jim Cemprola as chief commercial officer. The Montreal-based vendor currently has three staff serving the US market—Cemprola, Inovestor president Pascal Lefrancois, and one other project manager—though Lefrancois says he hopes to grow this to around 10 staff within 12 months by hiring product specialists and business development executives to focus on the US market.

Initially, the vendor will target US media companies that might want to carry or display its fundamental data and analytics, as a way of growing awareness of the Inovestor brand, before turning its attention to financial firms. But Lefrancois says the main reason for entering the US market is to expand the vendor's potential client base among asset managers and hedge funds, adding that he expects the value of the fundamental data market to grow from its current \$10 billion annual value over the next decade.

Cemprola says Inovestor will aim to sell its fundamental data and analytics to clients such as registered investment advisors seeking better tools to differentiate themselves and serve clients better as many investors and asset owners move from active to passive management styles

and smart beta strategies. "We can apply some of the products that Inovestor has had since 1999 around smart beta, and work with passive managers and exchange-traded fund issuers," Cemprola says, adding that almost \$600 billion in assets are linked to smart beta strategies. For example, in Canada the vendor has created EVA (economic value added) model portfolios based on the analytics derived from its fundamental data, and in the future may also roll out these models or smart beta indexes in the US.

In addition, the vendor plans to boost its presence by rolling out a robo-advisor tool, starting in Canada before expanding to the US. "In Canada, especially on the retail side, a lot of people are self-managing accounts... but you have to spend a lot of time on it, and they aren't professional traders. So that's why robo advisors are popular," Lefrancois says. As a result, the vendor will roll out a robo-advisor tool in Canada next year that firms can white-label as their own product.

However, he says that any robo-advisor product implemented on a standalone basis simply contributes to "a race to the bottom in terms of fees," adding that he sees the tool as a vehicle for investors to leverage Inovestor's fundamental data and analytics. A key differentiator of the vendor's data is that Inovestor sells rather than licenses its content, so firms own it outright and can create any derived data or ratios that they want based on the datasets, Lefrancois adds.

*Max Bowie*

## WALLBOARD

**Nov. 6:** Buy-Side Technology Awards.

London. Organized by Incisive Media.

Details at:

[waterstechnology.com/events](http://waterstechnology.com/events)

**Nov. 11–12:** Asia-Pacific Financial

Information Conference. Organized by

Incisive Media and FISD. Details at:

[waterstechnology.com/apfic](http://waterstechnology.com/apfic)

**Nov. 17:** European Trading Architecture

Summit. London. Organized by Incisive

Media. Details at:

[waterstechnology.com/events](http://waterstechnology.com/events)

**Nov. 26:** Cossiom European charity

event. Paris. Organized by Cossiom.

Details:

[event2015.vendor@cossiom.com](mailto:event2015.vendor@cossiom.com)

**Nov. 27:** European Ipub meeting.

Paris. Organized by Cossiom. Details:

[European-meeting2015@cossiom.com](mailto:European-meeting2015@cossiom.com)

**Dec. 7:** Waters USA. New York.

Organized by Incisive Media. Details at:

[waterstechnology.com/events](http://waterstechnology.com/events)

**Dec. 7:** The American Financial

Technology Awards. New York.

Organized by Incisive Media. Details at:

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## SCROLLING NEWS

### >>Thomson Reuters Adds Evaluations for Marketplace Loans

Thomson Reuters has begun providing evaluated prices for hard-to-value marketplace loan origination instruments—also known as peer-to-peer lending, where borrowers and investors are matched using online platforms—using its Thomson Reuters Pricing Service (TRPS) and in partnership with fixed income valuations provider MountainView Independent Pricing Service (IPS). The vendors will provide fixed income investors and investment managers with

valuation and price verification, delivered via TRPS and Thomson Reuters' Data-Scope product suite. Marketplace loan origination reached \$12 billion in value in 2014, and exceeded \$16 billion in the first six months of 2015, Thomson Reuters officials say.

### >>Options Opens Bigger NY Office

Data and trading infrastructure-as-a-service provider Options (formerly Options IT) has expanded its US operations with a new office in New York to support its

expanding team. The provider has relocated its Midtown office to a new, larger space on Third Avenue to accommodate the vendor's continued growth in the US. The new Midtown office allow for Options to grow its engineering, account management and sales teams, as well as US staff on its 24/7, global support team. This follows the recent consolidation of Options' two existing London offices into one larger space in central London. Combined, the new offices in New York and London will have capacity for over 150 employees.

# Asset Control Adds Data Quality Assessment, Stress-Testing to Data Management Tools

Data management software vendor Asset Control has made a string of developments to its Data Service Manager and Risk Data Manager (RDM) data management tools, to help its customers tackle rising regulatory data requirements.

The initial focus of the Data Service Manager was to identify interdependencies between data management processes and “how one delay is impacting other jobs further down the chain,” says Martijn Groot, vice president of product strategy at Asset Control. But over the coming months, Asset Control will focus on further developing the quality metrics used in its templates to help firms assess the quality of data sources, and whether they should consider alternative sources. “So we’re going from the job, the status, and how different data acquisitions, data management and data production jobs interrelate, down to a much deeper level about the actual quality metrics on the datasets—so how often did we get data from source A or source B? How often did we find an issue? What were the implications? Did we have to go out and request specific information from another supplier?” he says.

The vendor’s Risk Data Manager tool, launched in April, aims to improve client efficiency and ensure an “optimum” data supply chain is in place from the source through to the end user, Groot says. The vendor has now begun development on version 2.0, which will expand the product to cover management of stress testing scenarios, both for internal testing, as

well as for regulatory compliance, such as requirements for Europe-wide stress testing laid out by the European Banking Authority.

“What we see coming in the medium-term future is the review of the trading book regulation, which will also put new demands on historical market data and on the need to do stress testing,” Groot says.

The move is partly in response to the “broadening of the regulatory net,” which will impact more banks impacted, especially in the US, and will only become more important in the future, Groot says, and partly because the vendor discovered that a number of clients were already using the time-series functionality of the tool to manage scenarios and shocks.

“They would put into RDM the collection of shocks from regulators, linking those shocks to the relevant risk factors and applying the shocks to generate the scenarios, and we saw that this was happening with clients both in the US and Europe.... It came as a very natural extension of our historical market data and risk factor capabilities,” he says.

Version 2.0 is scheduled for launch in the second quarter of next year, and will include new functionality in its data model to handle the different types of shocks, logic to map the shocks to the



Martijn Groot

risk factors, and a new user interface to control the creation of scenarios.

Whereas version 1.0 was “really an end-user/workflow improvement around the sourcing and the production of risk factors, version 2.0 will focus more on helping clients live up to their reporting key performance indicators,” which will be extended to include KPIs on quality metrics, including the effectiveness of the sources used. In the future, Asset Control will link directly from the data requested by a bank or buy-side institution to the costs incurred to produce those datasets, including the license fee, as well as the cost of internal resources to prepare the dataset, based on the number of manual interventions needed to produce a dataset, Groot adds.

He says the vendor continues to evolve its data model to keep pace with banks’ reporting obligations. “We’ve seen that with EMIR, with classification of counterparties that needed to be included, we saw that with the European transaction tax, with FATCA (Foreign Account Tax Compliance Act), with new fields that qualify for fiscal status of securities, and we see that also now with broader expansion of the data model to cover the regulatory stress testing libraries. When there are standard rules in the market for data quality measurements and for the application of risk factors, our aim is to package those in the standard product to make the lives of our clients much easier,” Groot says.

*Joanne Faulkner*

## SCROLLING NEWS

### >>ESMA Gives Ratings Nod to Poland’s INC Ratings

European regulator the European Securities and Markets Authority has approved the registration of Polish ratings provider INC Rating Sp as an authorized credit rating agency, effective Oct. 27. INC Rating will provide ratings for sub-sovereign securities, including solicited and unsolicited credit ratings for local government agencies. The ESMA registration requires ratings providers to demonstrate governance and the ability to manage conflicts of interest, the develop-

ment and application of methodologies for assessing credit risk, and to disclose information to ESMA and market participants. There are now 25 ESMA-registered ratings agencies operating in the EU.

### >>Silverfinch Adds Fitch Ratings to Solvency II Service

Silverfinch, a London-based provider of Solvency II look-through data and data-sharing tools for asset managers and insurers, has incorporated Fitch’s credit ratings into its Solvency II look-through

service, to help its insurance firm clients to comply with Solvency II regulatory reporting and capital requirements. The deal with Fitch Solutions, the data services arm of ratings agency Fitch, allows Silverfinch’s clients to seamlessly incorporate Fitch ratings into their decisions at no additional cost, officials say.

### >>Colt Pulls Trigger on PrizmNet US Entry

Network service provider Colt has expanded its PrizmNet financial services Ethernet into the US, connecting financial content

## Equinix Already Looking Beyond New LD6 Slough Datacenter

Datacenter and co-location provider Equinix is preparing to start building the second phase of its LD6 datacenter in Slough, having sold 40 percent of available capacity since opening the facility in April, and is already planning further datacenters at the location to accommodate future demand.

Phase two should be ready to begin hosting financial services, market data and cloud-based services providers by the third quarter of next year, says Michael Winterson, managing director of Equinix Services.

"We will be ready to hit the button between December of this year and January of next to start the build," which will double the available space, Winterson says, adding that Equinix rolls out phases of its data centers based on consumption. "It takes us a certain amount of time to build a phase. A phase could take us—depending on if it's a new build—

between 12 and 24 months. If it's a second phase, it can be anywhere from four to nine months, so when we hit a certain fill rate, we will then execute, and the execution to deliver phase two—which will trigger the development of the next phase of LD6—will be timed to match the filling of phase one," he adds.

Equinix is already drawing up plans for the next stages beyond LD6, including LD7. "In three years, we expect the whole of the building [LD6] to be sold, which means as we deliver phase two we are going to be going to the drawing board for LD7... the long-run plan for the number of datacenters we have planned depends on the economy, but we can see LD8 and LD9 in our sights," Winterson says.

While declining to specify who has taken space in LD6 so far, he says that the majority has been bought by two significant cloud service providers who

are new to London, but adds that it will also appeal to existing clients who are attracted to the "hundreds" of cloud-interested financial services firms that they have the potential to connect to.

Winterson says that LD6's attraction for customers boils down to two main reasons: firstly their familiarity with Equinix's operating norms and procedures, and secondly "because we've connected London 6 to the other datacenters with our own dark fiber network. It appears as if LD4, LD5 and LD6—which are actually around 500 meters away from each other—are one building. These clients have access to any of the customers and any of the clients in any of the buildings... and there are hundreds of these customers in the other buildings, so over a hundred networks that these cloud services providers want to have access to," he says.

*Joanne Faulkner*

## DELIVERY TECHNOLOGIES

## Velocimetrix Debuts FX Price Quality Tool

Real-time performance monitoring and analysis technology provider Velocimetrix has launched a solution that enables foreign exchange brokers to assess the quality of data moving across their FIX engine.

The solution combines real-time market data quality assessments and transaction-tracking capabilities to enable FX brokers to instantly detect performance issues that could negatively impact trade profitability. It also introduces the ability to assess the live performance of price information sent between FX brokers and trading partners via FIX and other protocols. FX brokers can be alerted to issues that may impact market data quality, or client communications that could lead to costly mistakes.

Many FX brokers rely on their FIX engines to send and receive electronic communications with liquidity providers and clients, Velocimetrix officials say. Issues with receiving pricing streams, or delays in publishing timely and accurate prices to all clients—such as publishing potentially unprofitable or uncompetitive prices calculated using incomplete or delayed pricing—can have consequences on trade profitability.

By monitoring the activity of all the flows over a FIX engine, and all the resulting price data that will be published, clients will be able to see a real-time view of their overall system performance.

"Ultimately, the trading organizations are concerned about anything that could impact the profitability of their trading. And if they are trading on prices that are delivered late or the pricing streams are incomplete, it's significant because it increases the chance that their trading systems won't make the optimal decisions, and therefore they could lose money on trades rather than making money... which is why this is a concern to those who use this data for trading," says Velocimetrix chief operating officer Paul Spencer.

The solution will provide FX brokers with analysis of the quality of individual price streams down to the symbol and bid/ask field level, in real time. Velocimetrix can identify if any individual stream is missing, or if there are abnormal pricing tick delays on a given stream, and can also assess the frequency with which trading messages are transmit-

ted and received by the broker and its clients. The solution then alerts users should communication levels unexpectedly decline, or if response times exceed broker-defined limits, so the impact on orders, trades and clients can be investigated and solved.

"What we provide is a more real-time granular view of everything that's going on, and therefore alert FX brokers to any imperfections and give them a rapid access to detailed analysis so they can quickly identify the issue's root cause," Spencer says. "We're looking at this in terms of the data that would impact the user's business, rather than just looking at the system health of the server on which it's running... with more relevance to business impact rather than just looking at technical details of what's going on within systems."

Velocimetrix has recently completed a proof-of-concept with a major FX broker, and expects a full global production deployment to follow, which is a "major breakthrough in terms of the scale of deployment," Spencer says.

*Joanne Faulkner*



## Panel: EU Data Reg ‘Monster’ Yet to be Tamed

End-user firms and regulators butted heads over the volumes of data that firms must retain under looming European regulations at this week's Zurich European Regulatory Roadshow event, hosted by *Inside Market Data* and *Inside Reference Data*, with users calling the rules and their data demands a “monster,” and European regulator the European Securities and Markets Authority (ESMA) responding that the requirements are necessary for a harmonized understanding of the pan-European financial markets.

Ulf Klebeck, general counsel at Woodman Asset Management, who moderated a panel reviewing the current European regulatory landscape, questioned what European regulators are actually doing with all the trade-related data deemed necessary for firms to capture and store.

Konstantinos Botopoulos, member of ESMA's management board, cited four reasons why firms are required to hand over so much information. “First of all, [because] ... we believe that more reporting will lead to more transparency,” which he said is the main driver, though he admitted that it remains to be seen whether the rules will actually deliver this goal.

The second reason is to create an EU-wide “harmonized approach” to data collection; the third is because the data is necessary to make calculations to determine the liquidity thresholds required by MiFID and MiFIR; and the fourth is that this data is required to “understand the state of the market, the state of the economy, the state of firms... and if that data is granular and analytical enough, it can help from a regulatory point as well,” Botopoulos said. “You may say that regulation

is a monster, but the regulator is trying to tame it, and that data can help us from a practical point of view, as well as being used to better understand the market.”

Other panelists noted that the current push for transparency and increased reporting obligations poses a major challenge when combined with an ongoing push for more data protection. Gabriele Holstein, managing director of regulatory strategy and initiatives at UBS, said that most of the debate about EU data protection regulation centers around a “horizontal regulation, so it's not specific to financial services. Yes, there will be conflicting aspects with the financial services regulations, because it's introducing the right for data to be forgotten... the question is what the balance will be.”

Botopoulos said ESMA has already held discussions with the European Court of Justice to find the balance between reporting and protecting clients. “The fact is, this is being done officially and done for good reasons.... The important thing is having everything in plain view and reporting and taping everything, but this is far from resolved,” he said.

Chris Johnson, head of product management for market data service at HSBC Securities Services, who moderated another panel around planning for MiFID 2, also emphasized that resolutions to most data problems remain some way off, concluding that the current landscape is the “first time that there has been vast amounts of information flowing between firms,” all of which should carry a “whole



lot of health warnings” that firms need to be wary of.

Speaking on that panel, Silvano Stagni, global head of research at consultancy Hatstand, said the main challenges are around new players entering the market data game, and conflicts between data licenses and regulatory requirements. MiFID 2 will do two things, he said: expand the number of products traded on an exchange, because everything that is liquid has an obligation to be traded; and expand exchanges themselves. “This implies the expansion of market data. Market data will have to be provided by entities which are new to this game and therefore may not have [the same] high standard of quality that may come out of one of the traditional exchanges,” he said.

Finally, Stagni warned users that the current data licenses they hold may prohibit sharing of information outside of their organization, in conflict with the demands from European regulators, which require this information for compliance with transparency demands. Stagni emphasized that he responsibility for ensuring that this information is being recorded correctly, lies with end users; not vendors.

*Joanne Faulkner*

### SCROLLING NEWS

◀ providers—including market data, research and trading services vendors—to capital markets firms. The launch of PrizmNet in the US supports Colt's growing presence in North America, and will allow customers to tap into global markets across Europe and Asia. Exchanges already distributing content via Colt's extranet service include IEX, Moscow Exchange, Nasdaq, Aquis Exchange and CME Group. Colt will continue to roll out PrizmNet and other connectivity services in North American

cities over the next year, including Toronto and Montreal, with expanded capabilities available globally by early 2016.

#### >>TR Injects Drug Data into Eikon

Thomson Reuters has added a new application to its Eikon desktop workstation that enables research analysts to find information on pharmaceutical products to support investment decisions in healthcare-related companies. Dubbed Healthcare Intelligence, the app uses content from Thomson

Reuters' Cortellis life sciences data platform to provide a “one-stop location” for existing and in-development pharmaceuticals, and was developed in response to client demand for access to consolidated information from different sources to make it easier to identify a company's existing presence and R&D pipeline for particular drugs or diseases. The vendor's Cortellis platform covers more than 61,000 drugs under development and 215,000 clinical trials, plus patent, financial and company data.

# Deutsche Börse Changes Data Fees, Policies

and for professional use of real-time and delayed data across its cash markets. For example, a distribution license for Deutsche Börse's Xetra CEF Ultra feed, which provides real-time market data for German and international instruments traded on the Xetra platform used by the Frankfurt Stock Exchange, has increased from €3,366 to €3,500 per contracting party per month.

Meanwhile, the cost of subscribing to price data from Deutsche Börse's Eurex derivatives market will increase by 20 percent from €1,000 to €1,200 per contracting party per month, and prices for the Eurex Order-by-Order feed and volatility indexes will rise by four percent. Fees for all data products from the Irish Stock Exchange, the EEX (European Energy Exchange) spot and derivatives market, and Deutsche Börse's other partner exchanges will also increase by four percent. The exchange will also introduce non-display license fees for Bulgarian Stock Exchange and iBoxx index data from April 1, 2016.

"It's the case for many of our data products that we haven't done price increases for many years, and these particular price increases are modest and reflect the value of the data and the effort to distribute it," says Georg Gross, head of Deutsche Börse Market Data + Services. "For

example, we are the exclusive licensor of Irish Stock Exchange data since 2004/2005, and as you can imagine, volumes have increased and market pricing has changed."

Deutsche Börse is introducing a new license for CFD data used to calculate and provide prices for trading in CFDs, spread betting and binary options, effective Jan. 1, 2016. "We had the feeling that these specific customers didn't fit into our licensing model, so the new model will bring more clarity and also facilitate compliance," Gross says, adding that it is hard to say exactly what price increase customers will face as it depends on whether they had non-display or distribution licenses before.

Among a range of changes to definitions in the market data agreement, Deutsche Börse has added a clause to its definition of "Information" to clarify that the exchange can "at its sole discretion" define derived data as information.

"There's always some interpretation of what constitutes information, but there



**"For many of our data products, we haven't done price increases for many years, and these particular price increases are modest and reflect the value of the data and the effort to distribute it."**

Georg Gross, Deutsche Börse

are cases where people were trying to use certain definitions under the license structure, so we've added this clause to say that it is Deutsche Börse's judgment in the end," Gross says, adding that the exchange uses industry association FISD's guidance on market data policies to form its own policy definitions.

Gross says the majority of the definitional changes are to ensure greater compliance. However, end-user firms say their market data departments are being swamped by increasing amounts of data notices. "We have more notices, new fees, changes in fees, products going from free to fee-liable. Our market data budgets are never a fixed pool. We try to cut costs, but for the most part these fee increases are not going anywhere, so we can never cut anything," says one market data manager at a US investment management firm.

Faye Kilburn

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