



Inside Market Data

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Users Seek Justification for LSE Fee Hikes

The London Stock Exchange Group (LSEG) is introducing an average 4.8 percent fee increase for its UK and International Level 1 and Level 2 market data products, which officials say reflects continued enhancement of its “content delivery and scope,” but data consumers say the exchange is simply raising fees to combat falling data revenues.

Combined with two earlier fee hikes for the same products in July 2013 and January 2014, the new fees represent a cumulative increase of between five and 15 percent over two-and-a-half years. However, with the LSE’s market

share of trading in FTSE 100 stocks currently below 60 percent, data subscribers say the price of the data no longer reflects its value.

In a notification sent to end users on Sept. 29, Caroline O’Shaughnessy, global head of sales and marketing for LSEG’s Information Services division, informed customers of the new pricing model, which will take effect on Jan. 1, 2016.

Monthly non-member fees for UK Level 1 data will rise by 4.75 percent from £40 to £41.90 per device for professional users, while UK Level 2 data will rise by 4.9 per- [>3](#)

Markit Unveils Total Return Swap Data Service

Information and services provider Markit is rolling out a new total return swap (TRS) data service to provide quote data and daily trading volumes to market makers, hedge funds, asset managers and institutional fixed income investors, in a bid to bring greater transparency to the TRS market.

The service combines end-of-day TRS consensus prices as well as daily trading volumes—which are currently between \$200 million and \$300 million notional—to help market participants understand flows and to provide independent data for valuation and risk control.

In 2012, Markit launched a set of standardized TRSs based on a series of its iBoxx bond market indices. The iBoxx TRS enables users to trade swaps and receive quotes across multiple market makers electronically. These trades became electronically confirmable at the end of March 2015 via the vendor’s MarkitSERV trade confirmation service.

“Previously, we were more bespoke, but in 2012, we began to work with market participants on the buy- and sell-side to develop a set of standardized swaps. As liquidity in the fixed income markets has decreased, which [>3](#)

Bloomberg Blames Router Hardware for Asia Terminal Interruption

Clients of Bloomberg’s Professional terminal in the Asia-Pacific region experienced issues with data display on the morning of Monday, Nov. 9, as a result of a hardware failure on a router in one of the vendor’s US datacenters, *Inside Market Data* has learned.

Sources say the impact on user firms was limited because the incident occurred early in the morning local time in Japan, before market open in other regional markets, and because all users were equally affected, so no one was able to gain an advantage over other market partici-

pants as a result.

In a notice sent to clients, Bloomberg officials say some users in the region experienced terminals disconnecting or running slowly. The vendor traced the problem to a router in one of its US datacenters, and disabled the router, sending data traffic through a backup router. Terminal service then returned to normal, officials say, though some users continued to experience slowness “for a short period of time.”

After investigating the incident, Bloomberg found that the “control board”— [>12](#)

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Users Seek Justification for LSE Fees

◀ cent from £157.50 to £165.05. Member fees for Level 1 and 2 will also increase by around five percent.

Meanwhile, monthly non-member fees for International Level 1 and Level 2 market data will increase by 4.77 percent and 4.82 percent respectively, from £22 to £23.05 and £82 to £85.95 per device. International Level 1 and Level 2 data for members will also increase by five percent.

Back in July 2013, the LSEG increased member and non-member professional fees by more than 5 percent for UK Level 1 data, 7.5 percent for International Level 1 data, and between 2 and 3 percent for International Level 2 data. Then six months later, in January 2014, the exchange introduced a further 2.5 percent increase for non-members for its Level 1 and Level 2 UK and International feeds (*IMD*, Oct. 18 2013).

“To put it in plainly, a real-time non-member professional terminal user of the LSE’s UK core UK Level 1 data service has seen a combined price hike of nearly 14 percent in real terms... from the end of June 2013 to the beginning of January 2016, in addition to a 15 percent increase in fees for international data over the same period and excluding any additional fees charged by vendors that distribute the data,” says an exchange data policy expert who requested anonymity.

To obtain a full picture of LSE Level 2, users must take both the UK and International datafeed, which effective Jan. 1, 2016, equates to £251 per device per month for non-members. In comparison, Euronext will charge €94 (£67) per month for full Level 2 data from Jan. 1, 2016, which includes the French, Dutch, Belgian and Portuguese markets. Meanwhile, Deutsche Börse will charge €80.62 (£57) per month from Jan. 1, 2016, for its Xetra Ultra Level 2. From January 2016, the LSE will be nearly four times more expensive for Level 2 data than Euronext, and more than four times more expensive than Deutsche Börse.

“Are they four times more important or liquid?” asks a market data manager at a bank in London. “How else can they explain their value?”

Simon Youdan, head of business development for LSE real time data declines to comment on the disparity between the LSE and other exchange’s Level 2 fees, but says that the LSEG offers customers of a range of data options for over 26,000 tradeable instruments with prices that are fully transparent on its public website. “We have provided our customers with notification of the changes ahead of their introduction in January 2016 in line with industry-wide best practise timelines. There is no fee increase on non-display or redistribution licences, and the changes reflect continued investment and enhancement of our content delivery and scope, including our Group Ticker Plant project, which will considerably improve customer performance,” Youdan adds.

However, according to one market data manager, “such a sustained pricing premium” could be seen as both “unacceptable and unreasonable” in competition terms, and also “perhaps in conflict with both the spirit and letter” of the forthcoming MiFID 2 regulations.

Fair Share

The LSEG’s real-time data revenues across the London Stock Exchange and Borsa Italiana markets fell by 11 percent from £94.4 million in 2013 to £84.3 million in 2014, down from £102.8 million for 2012. Some end users suggest that the falls are likely a result of fewer individuals consuming the data, and that the LSE is trying to compensate for declining terminal numbers by increasing prices.

“When looking at both the trends in declining revenues and increases in pricing, it appears that the LSE is quite content to charge more and more for data to those users who absolutely require it in order to trade effectively, achieve best execution for their clients, and perform other increasingly mandatory regulatory requirements,” says the exchange data policy expert. “One can perhaps only then interpret such actions as cynical pricing tactics, by a dominant market provider, that a) does not have to deal with any real competition and b) has yet to be challenged by any pricing or regulatory authorities.”

Faye Kilburn

Markit

◀ has been documented by a whole host of sources, iBoxx TRS has become a well-accepted mechanism to trade fixed income exposure, total returns as indices, rates and credit...That’s the background to this new service,” says Marc Barrachin, managing director of Markit indices.

Following the development of the iBoxx TRSs, Markit has decided to launch a new standardized end-of-day data service to help further the market’s maturity. The vendor is sourcing end-of-day prices, buy and sell quotes and yields from its Markit parsing tool, which sits on the desks of 250 buy-side customers and digests unstructured messages from market makers—including emails, instant messages and Microsoft Excel—and electronically turns them into a consumable content set. Meanwhile, trading volumes are being sourced from MarkitSERV, which processes all OTC TRS trades.

The price data can be used for end-of-day pricing valuation, risk management and marking-to-market. Meanwhile, the inclusion of daily trading volumes—which are available only from Markit and date back to January this year—was in response to demand from users such as banks, hedge funds, asset managers and institutional fixed income investors for more detailed information on market liquidity, Barrachin says. “We’ve had a lot of customers say, ‘I read articles about what the volumes may be but haven’t seen any real figures,’” he adds.

The data service—which was launched four weeks ago prior to a testing period with a number of key design partners—is provided to customers in an XML file. “People trading TRSs like to have pricing data, index levels and liquidity information in one place so that they can gauge if they should stay or leave positions. Meanwhile, the product can be used by investors who have looked at TRSs before but hesitated because they haven’t had an independent price source. Before there was not a complete level of information all in one file,” Barrachin says.

Faye Kilburn

While MiFID 2 Sleeps, London Burns

In the least surprising news of my entire career at *Inside Market Data*, the European Commission announced this week that the introduction of MiFID 2 will be delayed by as much as a year.

Steven Majoor, chairman of the European Securities and Markets Authority (ESMA), laid the blame for the delay squarely on technology. In a statement directed at the European Parliament, he stated that IT concerns will make it impossible to meet the Jan. 3, 2017, deadline.

Meanwhile, London's burning. Or more precisely, the London Stock Exchange's new fees for its Level 1 and Level 2 market data are burning a hole in the pockets of market data managers across the City. The LSE's revenues from real-time market data have been falling steadily over the past three years from £102.8 million in 2012 to £84.3 million last year, likely a result of fewer eyeballs on data.

The cynical among us might see the price hikes as a way to plug the gap created by these falling revenues. The even more cynical might assume that whatever losses the LSE is suffering on a real-time per user basis might be countered by growing revenues from other areas such as derived data, non-display, and diversification into other revenue streams such as FTSE Russell, but then the LSE is a running a for-profit business, just like everybody else.

The LSE is by no means the only venue to increase fees on a regular basis, but compared to its counterpart incumbents, the UK exchange will be nearly four times more expensive for Level 2 data than

Euronext, and more than four times more expensive than Deutsche Börse when the fees are introduced. On top of that, the LSE's share of trading in blue-chip FTSE-100 stocks has been consistently below sixty percent this month. Received wisdom might have it that if your share of the market is decreasing, then so should the relative value of your data. And yet, fees continue to rise.

When MiFID 2 is finally implemented, the cost of market data in Europe will be tackled head-on, in the form of the post-trade consolidated tape. Back in 2012, the COBA Project, an independent organization dedicated to the development of a European consolidated tape, proposed a model where the cost of a tape would be €69. However, with the LSE's Level 1 data alone soon to be priced at €60, it's difficult to see how these commercials would work without exchanges taking a massive cut in their fees. In fact, it's probably the reason COBA never gained the support of major European market operators such as Deutsche Börse and the LSE, and was consequently disbanded.

In other news this week, Max Bowie, esteemed editor of *Inside Market Data*, has been in Hong Kong, reporting from the Asia-Pacific Financial Information Conference (see page 7). Over in Asia, Bloomberg terminal customers experienced issues with data display on the morning of Monday, Nov. 9, as a result of a hardware failure on a router in one of the vendor's US data-centers.

Most users were unaffected by the

glitch as it happened in early in the day. Nonetheless, any bad press for Bloomberg is likely good news for startup secure messaging provider Symphony Communication Services (see page 10). Currently, Symphony is an alternative for Bloomberg's Instant Chat system but until its market data application store grows significantly, the two are more like David and Goliath.

Wherever you look in market data right now, "the next best thing" is just around the corner. Last week, Markit and Deutsche Börse both invested in Illuminate Financial Management, a startup venture capital firm founded in 2014 by former Icap executive Mark Beeston, which is seeking to invest in next generation market infrastructure and technology, while at APFIC, a whole panel discussion was dedicated to the fact that many firms are now creating "innovation labs" to create new ideas and technologies. It seems that after years in the regulatory wilderness, budgets are finally freeing up so that firms can rekindle the flames of innovation. Legacy technology providers and luddites be warned: You could get left in the ashes.



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Finwire Unveils Swedish Mutual Funds News Service

Swedish news provider Finwire has launched a third news service, dubbed Finwire Funds (FWF), targeted at mutual fund investors and asset managers, and has signed up online retail bank Nordnet as the first client for the service.

The mutual funds industry is currently under-served by newswires in Sweden, despite being a “huge market,” says Finwire chief executive, Mats Hård.

“In Sweden, there’s a lack of information on mutual funds. All asset managers spend many hours writing different reports, but they still don’t get it to the customer. They produce lots of material and they have a lot of knowledge, but in Sweden it’s not being shared—you never hear from your mutual fund companies,” Hård adds. “What we’re providing are the same types of stories that you see on [our] newswire, but focused on mutual funds.”

Finwire will generate news throughout the day—which will be created by the news provider’s journalists, or rewritten to provide insight specific to the mutual funds industry—and send it instantly to consumers.

“Sometimes we’ll interview the asset managers, sometimes we write about the press release, sometimes we write about monthly reports, or if an asset manager leaves we’ll interview the new person in the role,” Hård says. “A large proportion of our news is also about what the funds achieve, if they buy or sell stocks...It’s a range of different news items.”

The vendor will distribute the funds news to customers via Swiss data vendor SIX Financial Information and Swedish market

data provider Millistream. The news will also be made available to SIX’s Edge terminal subscribers. Finwire is also negotiating with several other potential distributors about carrying its news service, Hård says, and anticipates more distribution deals will enter the pipeline going forward.

While not ruling out expanding its services into markets outside of Sweden, Hård says Finwire’s primary focus is to cater for the lack of information in its domestic market.

“Of course, we want to expand our services—initially into the Nordic countries and into English probably, too—but I think it’s very important that we write in the domestic language. We have asset manager customers and we have retail clients. If you want to be a Swedish newswire company and serve the whole spectrum of clients, then you need to write in the local language, I think that’s the same in Finland, in Norway and in Denmark. It’s important that you cater to the local market and get reach there.”

This latest service adds to Finwire’s other two offerings for local Swedish markets: Finwire Smallcap (FWS), which delivers stories on Swedish small-cap companies listed on alternative markets that are not covered by major news providers; and social media service Finwire Social (FWM), which follows trending topics worldwide on sources such as Twitter, translating and creating content that it deems of interest to the Swedish financial community. Currently the company produces around 100 news stories a day.

Joanne Faulkner

Money.Net Nets S&P CapIQ’s Sullivan

Low-cost market data terminal provider Money.Net has hired **Alina Sullivan** as global head of sales, a new position created to allow the vendor to respond to rapid growth in demand for its services. Before joining Money.Net, Sullivan was most recently vice president of channel partnerships at S&P Capital IQ, where she also served as VP and key accounts team lead for three and a half years, having joined the vendor in 2010 as part of its acquisition of TheMarkets.com, where she was VP and head of sales and client relations. She reports to Money.Net chief executive **Morgan Downey**.

LSEG Names Former MSCI as COO and CIO

The London Stock Exchange Group (LSEG) has announced the appointment of **Chris Corrado** as group chief operating officer and Group chief information officer. He will also be a member of the LSEG Executive Committee. Corrado joins the group from index provider MSCI where he held a newly created position of chief information officer and was responsible for ensuring that the vendor provided “leading-edge products and services.” Prior to joining MSCI, Corrado was managing director and head of platform services at UBS where he was responsible for technical infrastructure, global production services, application platform services and IT services. Based in London, Corrado reports to LSEG chief executive **Xavier Rolet**.

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Lucera, Perseus Launch Global On-Demand SDN Financial Network

New York-based network, trading infrastructure and time-synchronization technology provider Perseus and high-performance infrastructure provider Lucera Financial Infrastructures have partnered to launch a global Software Defined Network (SDN) dedicated to financial services, to provide firms with on-demand access to cross-asset class trading and market data.

The network, which has been in development for the past two years and is now live, combines the Perseus low-latency, global, fiber network with Lucera's Software-Defined Network (SDN), and has cross-connection points to over 241 counterparties and 53 colocation centers across 24 cities, 15 countries and six continents across the globe.

"Forget about dealing with bandwidth and expensive hardware—a thing of the past," says Jacob Loveless, chief executive of Lucera, in a statement. "By creating the world's largest SDN and devoting it exclusively to the financial markets, we're game-changing the culture of connectivity that the industry hasn't seen since the extranet arrived on the Street. By being faster and more flexible than traditional service providers, SDNs now allow traders to connect to new markets on a customized, pay-as-you go basis."

Over the past twenty years, financial networks have been built using a combination of extranets and loose ecosystems, and this legacy technology hasn't been upgraded or invested in by legacy service providers, adds Jock Percy, chief executive and founder of Perseus.

"These legacy ecosystems have become bigger and more complex as traders and

banks have added more locations and trading desks, but now time-to-market is much longer, which is paradoxical...it is slow, difficult and more expensive to add a new market, instead of other way round," Percy adds.

Lucera and Perseus' new network has addressed this time-to-market problem by using the global Perseus infrastructure and layering Lucera's Compute co-located computing infrastructure on top. The vendors have reduced network implementation cycles to no more than two days, down from the industry standard of 90 days. For example, September 2015 provisioning times for current on-net customers averaged two hours, 47 minutes, which will continue to decrease as more customers access the platform.

Once customers have established the initial connection to the network, they can connect to the network's 241 counterparties and send orders or consume market data. "Users log on to an online secure portal and chose which counterparties to connect with a click of a button and that's it. There's no service delivery team, no people, it's almost instantaneous. Customers don't have to own any hardware or software. It's just a secure portal that enables customers to make changes," Percy says.

The on-demand nature of the network means that traders in banks or hedge funds can more easily look for new alpha, and change which market data they consume without worrying about deploying any equipment. "This is the Uber-ization of financial trading technology," Percy says.

Faye Kilburn

WALLBOARD

Nov. 17: European Trading Architecture Summit. London. Organized by Incisive Media. Details at:

waterstechnology.com/events

Nov. 17–20: Market Data and Trading Technology Training. New York.

Organized by Incisive Media. Details at:

waterstechnology.com/training

Nov. 26: Cossiom European charity event. Paris. Organized by Cossiom.

Details:

event2015.vendor@cossiom.com

Nov. 27: European Iplug meeting.

Paris. Organized by Cossiom. Details:

European-meeting2015@cossiom.com

Dec. 2: Data Governance Breakfast

Briefing: Providing you with the tools for change. New York. Organized

by Incisive Media. Details at:

waterstechnology.com/events

Dec. 7: Waters USA. New York.

Organized by Incisive Media. Details at:

waterstechnology.com/events

Dec. 7: The American Financial

Technology Awards. New York.

Organized by Incisive Media. Details at:

waterstechnology.com/events

SCROLLING NEWS

>>OTAS Adds Research to RSRCHXchange Platform

London-based RSRCHXchange, an online institutional research marketplace, has today announced the addition of analytics provider OTAS Technologies to the list of providers offered on its research platform. By making its research available on the RSRCHX platform, OTAS will provide asset managers with insight and analysis for investment decision making. The platform's

onboarding process makes sure that the necessary compliance checks are carried out up-front so the content is available to users instantly, officials say.

>>Numerix Integrates OneTick into Software Suite

Numerix, a provider of cross-asset analytics for derivatives valuations and risk management, has announced the integration of tick database and complex

event processing software provider OneMarketData's (OMD) OneTick enterprise data management platform into its CrossAsset analytics suite for the management of market data. The partnership with OMD will allow Numerix to simplify the market data integration and management process resulting in a "more robust" end-to-end system that automates the normalization and cleansing of data.

Inside Market Data

Asia-Pacific Financial Information Conference 2015 | Special Report

In this Report

- 9 Panel: Banks, Vendors
Must Think Like FinTech
Innovators

Top Quotes

"Innovation is not always about cool technology... Fundamentally, it often starts internally with people." —**Joseph Toh, Credit Suisse.**

"For people running complex strategies... wrong data has the potential to create a Flash Crash." —**Miguel Ortega, Deutsche Bank.**

"Someone has put the idea in regulators' minds that bonds are just like equities—but they're not." —**Vijay Chander, ASIFMA**

"[Electronification] gives an opportunity to 'industrialize' the market, which means you have to be more granular and better about analyzing markets, rather than just shouting into a box." —**Nick Underwood, Interactive Data.**

"We have the technology to take off, fly to New York, and land without a pilot. But who would stay on a plane without a pilot? I think that illustrates the need for the 'human touch'." —**Andre Markos, Citigroup.**

"If you want to change something, first you have to be aware of it." —**Adam Garrett, Thomson Reuters**

Panelists Call for More Electronification, Data to Fix Fixed Income Liquidity Crisis

Asian fixed income markets need greater access to timely data that electronification of the markets can provide to address the current lack of liquidity, even if this means structural change, lower spreads and less reliance on traditional broker-dealers to provide access to liquidity, said panelists at the Asia Pacific Financial Information Conference.

"We've always had issues throughout the region. Since the 1998 crisis, we've seen a more conservative approach from regional banks and market makers. The jury is still out on how elec-

tronification will affect the markets in the long term," said Nick Underwood, fixed income business director for Asia Pacific at Interactive Data. "I think we lack enough market data. So this is where we need more data. In the US, trade reporting over TRACE changed the industry, and spreads came way down. I would like to see a trade repository like that for Asia Pacific."

Others warned about the impact on market structure. "TRACE tells everyone where a bond has traded. It has collapsed spreads and >8

Buy Side: Complexity, Cost Top Asia Data Issues

Increasingly complex asset classes, customer requirements and regulatory environments are increasing the cost of doing business for buy-side firms in Asia Pacific, prompting firms to seek out solutions that allow them to compete while managing the spiraling costs of doing business, said panelists at the Asia Pacific Financial Information Conference.

Cost control continues to be a major challenge for buy-side firms. "We have a lot of conversations with clients about what they need, and about decommissioning what they are not using—understanding who is using what, and how much it costs," said Tom Gooding, vice

president of Asia sales at Rimes Technologies. "One asset manager told us that for every dollar spent on licensing data, it spends \$3 more internally on managing that data."

In some areas where cost is spiraling, firms may actually review whether to stay in that business, said Roger Emms, vice president and regional head of operations at T. Rowe Price. "The cost of [complying with] regulations is becoming more expensive. So the front office... may look at the cost of doing trades in certain asset types," he said.

Driving cost is the increased complexity of doing business. And in some cases, added >8

Panel: Latency Matters Beyond Raw Speed

Low latency is still a concern for many firms in the Asia-Pacific region, though some are instead focusing on the quality and consistency of the data, and on ways to reduce server footprint and spend, according to panelists at the Asia Pacific Financial Information Conference.

Miguel Ortega, Asia-Pacific head of market data at Deutsche Bank, said that latency is divided into different tiers of performance, depending on what a company or business line needs—from the ultra-low latency needs of high-frequency traders to the need for consolidated feeds to power smart order-routers in fragmented markets such as Japan with multiple

exchanges and private trading systems.

"What we see from our perspective is having to be flexible and cater to firms' needs. Yes, high-frequency traders will seek the most direct form of connection... but we have more clients coming to us with diverse requirements. So we find flexible delivery platforms... including consolidated feeds and delayed consolidated feeds—for example, for back offices," said Arthur Tricoire, director of business development for S&P Capital IQ's Real-Time Solutions business (formerly QuantHouse).

Panelists also noted the importance of data quality in addition to data latency. "The >9

Panelists Call for More Electronification, Data to Fix Fixed Income

◀7 kicked out a lot of players [in the US]. In Asia, it would kick out market makers, and just the bigger hedge funds would survive,” said Ahsan Pervez, executive director and head of convertible bond trading at SMBC Nikko, adding that he has already seen a concentration in the number of firms he would call to price a convertible bond—from perhaps 15 firms 10 years ago to a handful now. “For some over-the-counter markets like convertible bonds, would electronification improve liquidity? Probably not.”

Luke Waddington, head of electronic business and markets for global markets in Asia Pacific at BNP Paribas, said that the lack of liquidity is exposing “strained” business models and that in the current cost-conscious environment, using brokers as an intermediary is an expensive model that firms might want to change—at least for some markets.

“I think the whole concept of electronification is a good idea. In Asia, it’s still in its infancy. In the US it is more mature, and has seen consolidation, so some [players]



Vijay Chander, ASIFMA; Luke Waddington, BNP Paribas; Nick Underwood, Interactive Data; Dr. Steve Wang, BOCI Securities; Ahsan Pervez, SMBC Nikko

will collapse,” Underwood said, though he suggested that brokers need not be forced out of competition entirely, as they should expect to be rewarded for “understanding the liquidity environment better” in some assets and providing services like transaction cost analysis.

“I think electronic platforms will only work for simple structures—sovereign bonds and liquid corporate bonds. For the high-yield, highly structured and distressed markets, the dealer becomes more important, and I don’t think we’ll see the same level of engagement possible with electronic platforms,” Underwood said.

Dr Steve Wang, managing director and head of fixed income research at BOCI Securities, said he is seeing more participation from investors in the Chinese market. Both he and moderator Vijay Chander, executive director for fixed income at the Asia Securities Industry & Financial Markets Association, said that after the Shanghai-Hong Kong Stock Connect initiative, they are already hearing demand for a similar initiative for fixed income trading.

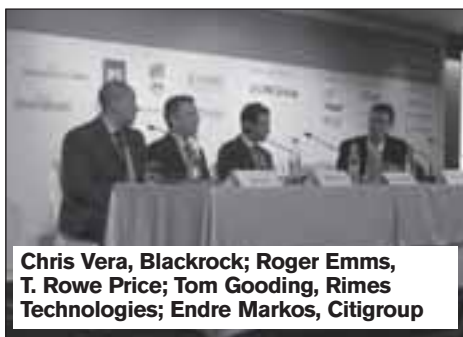
Meanwhile Waddington suggested that opening up more channels to gather data on client requirements could help better match liquidity to demand. “At the moment, the relationship between a bank and its client is such that if I go into a dealing room, I see a phone, email, and a chat tool.... But when I leave the office, I have more channels to talk with friends around the world, and I know more about them than we as a bank know about our clients,” he said. “Let’s open up more channels so we can understand more about clients and operate in a more efficient way.”

Max Bowie

Buy Side: Complexity, Cost Top Asia Data Issues

◀7 complexity is indeed prompting firms to exit certain areas. “Benchmarks are becoming increasingly complex,” said Chris Vera, director and Asia-Pacific head of client reporting at Blackrock. “We have gotten out of the business of running our own benchmarks. We just want to pass along industry benchmarks. It’s low risk and the costs are very transparent, plus it’s operationally cheaper for us.”

But as some exit certain areas, data may drive new innovation to create replacements. “We are seeing more demand for alternative investments, predictive strategies, and high-yield strategies... and it may be a challenge for traditional benchmark providers to meet that need,” Emms said. “In fact, the role of data is driving these products. Like the ‘Internet of Things,’ more data will be available, and people will know more about what impact something will have on their investment, and will work together to create new investment



Chris Vera, Blackrock; Roger Emms, T. Rowe Price; Tom Gooding, Rimes Technologies; Endre Markos, Citigroup

products.”

And the panel said it expects complexity to grow hand-in-hand with data availability. “There will be orders of magnitude more data, and the level of detail and pervasiveness will increase... and as a result, the level of relevance will go up a lot,” Vera said. “And there will be more information about how clients are using that data, so the level of intimacy and relevance [with clients] becomes greater.”

Everyday business complexities are compounded by the challenges of dealing with

a multitude of regulatory pressures from different jurisdictions while also serving internal and external “clients”—from the firm’s portfolio managers to institutional clients that require reports, Emms said.

“It’s a challenge in terms of people, processes and technology—and you have a choice to make as an asset manager about what business you’re in,” he said, adding that T. Rowe price doesn’t see itself as being in the business of manufacturing data, so seeks out third parties as much as possible, rather than investing in areas that don’t add value to its bottom line.

For example, he said he expects utilities to emerge that will help firms manage parts of the value chain that are undesirable for financial firms, such as around the commoditized function of regulatory reporting. “We have the responsibility for that, but we don’t want to focus so much of our abilities on doing that... and those requirements are only increasing,” he said.

Max Bowie

Panel: Latency Matters Beyond Raw Speed

“The worst thing that can happen to an algorithm is that it makes a decision based on data that is not correct,” Ortega said. “For people running complex strategies... wrong data has the potential to create a Flash Crash.”

Granular timestamps and accurate clock synchronization can help improve data quality, Tricoire said noting that these are important for demonstrating best execution at a specific time, and for back-testing.

Panelists said that while implementing these measures can be costly, they are “worth it, because bad data can be dangerous and lead to disaster,” and specifically, to penalties if firms fail to deliver best execution for clients because their data was inaccurate.

“We always knew these things would be a problem, but we didn’t have the money or resources to invest on them.... Most of

the sell side doesn’t use PTP (Precision Time Protocol) on a widespread basis,” Ortega said, adding that regulations are “catching up” and now starting to address timestamping issues

In addition, the pursuit of low latency has knock-on benefits besides raw speed, panelists said. “The requirement for low latency makes systems more demanding, and pushes providers to build better systems. For example, you are catering to models that require every tick, and this helps bring about the next generation of systems,” Tricoire said. “On the IT side, it drives us to be more creative around being efficient. So with the new generation of technologies, you can manage your hardware footprint,” to reduce clients’ spend on servers and rack space.

Contributing to this is that latency monitoring technology providers no longer



Miguel Ortega, Deutsche Bank; Arthur Tricoire, S&P Capital IQ Real-Time Solutions; Rahim Nathoo, CLSA

force customers to deploy their own dedicated appliance, but are now allowing firms to run their offerings on commodity hardware, making them easier and cheaper to deploy. “Necessity is the mother of invention. We can’t write our own FPGA cards, but vendors are trying to work with consumers to create products that are not so expensive,” Ortega said.

Max Bowie

Panel: Banks, Vendors Must Think Like FinTech Innovators

After several years of being focused on cost cutting, financial firms in Asia are trying to jump on the FinTech innovation bandwagon by creating “innovation labs” to create new ideas and technologies to compete with technology providers and startups encroaching on their traditional business.

“We’re coming out of a period of three to five years where investment in innovation has been hard to come by. Regulation has diverted much of available spend to that agenda,” said Stuart Gurr, head of digital technology and engineering services and risk change delivery for Asia Pacific at Royal Bank of Scotland. “A lot of what needs to change is on the back end.... It’s less exciting than the front end, but it’s more fundamental.”

However, some firms have already been raising the budget they devote to keeping pace with innovation from other players—both in the financial markets and beyond. “Three years ago, our innovation budget was \$5 million. Today, it’s more than \$150 million... and that’s while cost-cutting has been underway,” said Joseph Toh, head of strategy and



Zennon Kapron, Kaopronasia; Adam Garrett, Thomson Reuters; Stuart Gurr, Royal Bank of Scotland; Joseph Toh, Credit Suisse

innovation for Asia Pacific at Credit Suisse, adding that he sees threats to traditional financial firms from companies like Google selling insurance or Alibaba offering loans. “Part of my job is to be aware of some of the things going on in markets beyond FinTech.”

Zennon Kapron, founder of capital markets technology research and consulting firm Lapronasia, who moderated the panel, noted that a challenge to banks and other firms that set up their own in-house FinTech labs is the cost of acquiring data to build and test new ideas. Adam Garrett, market development manager for Enterprise Content and Capabilities, Asia at Thomson Reuters, responded that the vendor does provide

data to startups, and works both with individual companies and with incubators on a case-by-case basis.

Toh said Credit Suisse has developed a “Disruption Index” of about 150 startup technology companies in which the bank is considering investing. “We try to look at how does [what a company is doing] fit into the ecosystem, and how likely is it to be disrupted [by someone else],” he said.

However, Gurr sounded a note of caution about getting distracted by the “cool” aspects of tech innovation. “You have to be careful when running an innovation function that you are solving real business problems,” rather than building technologies that may be cool but for which there is no practical demand.

“Innovation is not always about cool technology.... I feel there is too much focus on pieces of kit,” said Toh. “Fundamentally, it often starts internally with people, and I ask myself, what incentives do we have if one of our people came up with the next Whatsapp? ... It’s very limited, and yet we are trying to [encourage staff to] think like Google.”

Max Bowie

Buy Side Still Taking Wait-and-See Approach to Symphony

Palo Alto, Calif.-based startup messaging provider Symphony Communication Services has attracted investment from a “Who’s Who” of 19 financial institutions plus more than \$100 million raised in a recent round of funding from investors including tech giant Google, but despite the wave of anti-Bloomberg sentiment surrounding its creation, Symphony chief executive David Gurle continues to deny that the vendor is competing with Bloomberg.

But is Gurle’s reticence because Symphony doesn’t have enough data partners to make it useful beyond just a standalone messaging platform, or because the vendor has yet to attract sufficient buy-side buy-in for it to position itself—like Bloomberg—as being integral to financial workflows?

Either way, with Symphony priced at \$50 per user per month, many of the 327,000 users (according to recent figures from Burton-Taylor International Consulting) of Bloomberg’s \$24,000-per-year Professional terminal—some of whom use it just to communicate with the other users on the network—see Symphony as a huge cost-cutting exercise and a way to finally reduce their Bloomberg dependency.

Prior to the acquisition of its technology assets by Symphony, one of the criticisms levied at Markit’s now-defunct Collaboration Services open messaging initiative was lack of buy-side adoption. However, according to Gurle, 40 percent of Symphony’s 45,000 users are on the buy side. “One of the key drivers influencing sell-side adoption of Symphony is the ability to interact in real-time with buy-side firms,” he says.

Of the 10 largest investment management firms in the US, Blackrock, JP Morgan Asset Management, BNY Mellon Asset Management and Goldman Sachs’ management arm are all part of the original consortium of Symphony investors. The remainder—Vanguard, State Street, Fidelity, Pimco, Capital Group and Prudential—all decline to comment on whether they are rolling the platform out. In fact, investors and non-investors all seem unwilling to speak openly about Symphony.

Aside from the original consortium members, the official US buy-side adoption of Symphony has so far been slow.



“One of the key drivers influencing sell-side adoption of Symphony is the ability to interact in real-time with buy-side firms.”

David Gurle, chief executive, Symphony

However, according to a market data manager at a US investment management firm, Symphony’s sales team is now targeting C-level executives at buy-side firms rather than market data departments, “emphasizing the cost savings,” and is having some success.

Meanwhile in Europe, Symphony was recently on the agenda at a meeting of industry association the Information Provider’s User Group (Ipubg), which caused an uptick of non-consortium firms to attend the presentation, according to one Ipubg member who says buy-side firms are delaying involvement in Symphony “because they are waiting for it to get off the ground.”

While the economics of replacing a Bloomberg terminal with Symphony might be a no-brainer for a sell-side subscriber who only uses the terminal for its chat function, prying a Bloomberg Professional from the hands of a buy-side user is more complicated, since the terminal represents consolidated access to messaging, trading, market data, real-time analytics, portfolio management, and more.

“The buy side is entrenched in the Bloomberg terminal, and it is difficult to remove because it’s not just a market data terminal: It’s also used for portfolio management, and as a way to access tools like trade blotters. There is still a willingness to move on the buy side, but less freedom,” says a procurement manager at a European tier-one bank.

In addition to the value-add that a Bloomberg terminal provides, many smaller buy-side firms—who are not as technologically advanced as their tier-one counterparts—are wary of the risks of deploying technology from a start-up like Symphony.

But if the buy side is waiting to see what happens with sell-side rollouts, they might pause for thought after hearing

about issues at Deutsche Bank, where two sources say deployment of the platform has taken longer than anticipated at the bank, ostensibly due to technical issues.

Symphony officials decline to comment on the technical issues, only to say that the goal is to make the platform “intuitive and engaging by continuing to develop the product to ensure our user experience is seamless.”

Deutsche Bank also declines to comment. However, one of the sources at the bank says that while the Bloomberg platform is simple, scalable and reactive to new regulation around messaging compliance, Symphony “is getting too big, there are too many patches and it’s difficult to manage. It seems clunky and we haven’t been able to deploy it massively.”

Last month, technology giant Google threw its support behind Symphony, and invested in the platform, valuing the vendor at \$650 million. For some, the deal says less about Symphony and more about Google’s aspirations to move into financial services, or at least—as a market data manager at one of Symphony’s major sell-side investors says—that the platform “has legs.”

Others are not so sure. “There is a lot of media buzz happening around Google having a stake in Symphony, but it’s not a factor in our decision. We are looking at confidentiality and reliability, and whether the platform complies with the regulatory framework for instant messaging,” says a market data manager at a tier-one bank in Tokyo.

Another market data manager at a European investment management firm says his firm’s decision to sign up for Symphony will be based on the actions of other buy-side firms, rather than Google. “If we start seeing a shift and the community is somewhere else, that’s the start of the domino effect,” the manager says. However, he

acknowledges that there is a great appetite for Google to enter the capital markets as “they can do things smarter and quicker than we can.”

Overall, market data managers seem to be just as divided over the significance of Google’s investment in Symphony as they are about the platform itself.

By the Numbers

Symphony currently has 45,000 active users on its platform, 40 percent of which are from the buy side, Gurle says. The vendor has also signed up 30 new companies this quarter, and now has approximately 100 companies onboard beyond the existing consortium of investors, he says.

At first glance, 45,000 active users for a start-up seems impressive, especially compared to Bloomberg’s 327,000 estimated users accumulated over 35 years in business. But who makes up that 45,000 figure? The vendor declines to disclose the breakdown of institutional/corporate clients versus retail users, or the breakdown of financial services versus non-financial services clients, since the platform was only released officially to non-consortium members in September. There is also little

transparency around what constitutes an “active user,” and how many users sign up but never actually use the platform to chat.

Founding members like Goldman Sachs, Blackrock and JP Morgan are rumored to be replacing their entire internal and external communications infrastructure with Symphony. Goldman Sachs alone has 34,000 employees while Blackrock has more than 10,500, according to the firms’ most recent annual statements—which together could almost account for Gurle’s 45,000.

More likely is that firms will roll out users in phases, while others, like Deutsche Bank, are still fixing issues with their initial rollout. But the message from the investor firms is clear: “The companies who are part of Symphony are committed,” says one consortium member.

And that seems to be the rub for Symphony. On the one hand, the vendor has an indomitable list of heavyweights in its corner, from Goldman to Google, but in the other corner is everybody else—tier-one investment banks who have already developed their own internal messaging systems to ensure compliance and don’t need another vendor platform; the

more conservative tier-two and tier-three banks who are wrestling over budgets; the smaller buy-side firms who are waiting to see what everybody else does; and those who see the Goldman Sachs-backed vendor as a Bloomberg dressed in sheep’s clothing.

Symphony meanwhile is plowing ahead with its own mission to expand staff numbers and its global presence, and create an app store for market data, following the addition content of Dow Jones, S&P Capital IQ and Selerity in September. Gurle does not envision that the vendor will become an aggregator, creator, or distributor of data, but rather will reestablish the direct link between consumers and data providers.

Either way, Symphony’s remit is expanding. The vendor is no longer just providing an instant messaging platform, but is morphing into a data facilitator with a consumption model that, quite frankly, the market data industry has been demanding for a long time. So perhaps it is only a matter of time before those firms still on the fence decide that the grass is greener on the other side.

Faye Kilburn

ORGANIZATION & STRATEGY

RSRCHX Preps for Hiring Spree, Content Push

Research marketplace RSRCHXchange is preparing for both a hiring and content push following a “rapid” pickup since the release of its online research procurement portal in September, which was launched ahead of the implementation of MiFID 2 to help firms deal with the unbundling of data.

The amount of research providers the platform boasts has grown from 50 on its launch date to over 100, as of last week. RSRCHExchange will now focus on building its client base, not only in Europe, which is a natural fit because of the impending MiFID 2 regulation, but also on other continents, such as Asia, where the vendor has three providers in the pipeline.

Whilst the company has set no internal goals in terms of the number of providers it carries, the aim is to have hundreds of “quality” research providers on board rather than thousands by the end of next year, says RSRCHX-

change chief financial officer Jeremy Davies. The ambition isn’t to have every provider in the world, but to continue to add some “very big providers... at the quality end,” he adds.

In terms of staff numbers, the vendor’s team is into “double digits,” which is currently split between development and sales teams, and a transition team, which helps to bring on research providers and clients. Davies says RSRCHXchange is “always hiring” to support the vendor’s high growth, and is looking to take on more sales and technology staff to cope with the demand.

Historically, the research marketplace has been a tough arena for independent research firms with the big players often giving their research away for free, Davies says. However this must stop under MiFID 2 as banks and brokers will no longer be able to give their research away free-of-charge. The legislation also states that investment firms must “set and

regularly assess a research budget.” This, along with technology advancements which have streamlined the aggregation of research, means there is an appetite from the financial industry for a research marketplace, Davies says.

“Lots of the big asset managers will tell you that they’ve been unbundled and budgeting for a while, but budgeting gets a little more complex under MiFID 2... One of the operational issues around giving asset and fund managers the freedom to go out and purchase their own research is it’s not something they’re used to—that’s an operational concern that needs to be controlled and spending caps are part of that,” Davies says.

While ESMA has come out this week to say sections of MiFID 2 maybe delayed due to “the building of some complex IT systems,” research unbundling is a relatively straight forward implementation and is unlikely to be slowed, Davies says.

Joanne Faulkner

Markit, Deutsche Börse Invest in Illuminate

Financial information services provider Markit and exchange group Deutsche Börse have invested an undisclosed sum in Illuminate Financial Management, a startup venture capital firm founded in 2014 by former Icap executive Mark Beeston.

Illuminate announced last week that it completed the first round of capital raising for its new IFM Fintech Opportunities Fund, which seeks to identify, validate and invest Series A and series seed funding into financial technology vendors serving the capital markets and market data space. Markit and Deutsche Börse are investing in the fund, but will not necessarily have a direct holding in any company Illuminate invests in.

Currently, the fund is in talks with over 300 companies, around thirty percent of which are data and analytics related, says Beeston, though many of the firms do not fit squarely into market data, but instead focus on a range of data technologies including blockchain, compliance, Big Data and trade execution.

"We invest in capital markets technologies in areas that are broken or rendered no longer fit for purpose. We only invest in areas where we can actively influence the outcome... that's what drives how we work and who we work with. In terms of investors like Markit and Deutsche Börse, they have a massive footprint in this space and a huge number of clients. It's a pathway to innovation for them...a way to gain exposure to these kinds of new platforms and the next wave of next gen market infrastructure," Beeston says. Markit and Deutsche Börse both decline to provide further comments on the data and analytics technologies they are interested in.

Faye Kilburn

Bloomberg Asia Interruption

◀ the hardware component within the router that manages monitoring and control functions—failed, and tried unsuccessfully to fail over to a second control board in the same router.

In the client notice, Bloomberg officials apologize for the incident and say the vendor is working with its unnamed hardware supplier to determine "what caused the control board to malfunction and why the failover mechanism did not execute successfully."

Monday's incident follows a more serious outage earlier this year (IMD, April 17) that saw thousands of Bloomberg users in Asia and Europe affected by hardware and software failures that precipitated excessive volumes of network traffic, causing terminals to disconnect from the vendor's network.

However, Monday's incident was resolved before it could seriously impact Asian market hours, let alone the European timezone. A data executive at a tier-one bank impacted by the issue says the disconnections and slowness lasted around 90 minutes.

"Luckily, if Bloomberg has an

issue, you are not disadvantaged because there is no one to trade with. So it was not such a big problem. So long as we don't suffer any reputational damage or lose opportunities, it's not a big deal for us," the executive says, adding that "This happens a lot more with other vendors. I think Bloomberg has better technology design."

However, a data manager at another bank is more cautious about the longer-term implications of the incident, saying that his firm was hopeful of replacing traditional mandated "Baikai" exchange workstations with Bloomberg screens. Firms in Japan are required to have these terminals, which can prove expensive when added to other terminals. Bloomberg has recently integrated the ability to perform the role of those "Baikai" terminals, which the data manager says could save his firm a lot of money by using its existing Bloomberg positions, adding that the outage makes his firm concerned about completely replacing the traditional workstations.

Max Bowie

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