

Comment to the Market Structure Partners' Market Data Report

The recent Market Structure Partners (MSP) study, “There’s No Market in Market Data” published on February 4, 2025, presents a misleading and inaccurate portrayal of Nasdaq’s activities and broader market trends. Despite failing to engage Nasdaq to verify its analysis, MSP makes claims based on selective data and factual errors, an approach that undermines constructive industry dialogue. Like other exchanges, we take issue with these misrepresentations and will correct the record. Below, we address key inaccuracies:

1. Transacted Value and Market Data Revenue

The MSP study attempts to link alleged declines in trading volumes directly to rising market data revenue, implying that Nasdaq simply raises data fees to offset lower volumes. This view betrays a “Market Structure 101” oversight: not every real-time data subscriber is actively trading, and real-time data is not a prerequisite for participating in the markets. In fact, a review of our core metrics from 2019 to 2023 shows a far more nuanced reality. Note: these dates have been selected as they represent a pre- and post-Covid world that we think removes potential anomalies:

- Transacted value on Nasdaq Nordic equity markets increased by 5%.
- Regulated Market Data Revenue fell by 1.75%.
- Customer Base grew by 11.3%.
- This indicates a more complex relationship between transaction value, regulated market data revenue, prices, and the customer base. MSP do not consider factors such as existing market participants trading higher volumes without changing their data subscriptions, participants monitoring the market without needing to trade, or fluctuations in demand for certain data products across different markets among other consideration.

Additionally, we have several concerns regarding the period used in the study. This includes:

- **2021 as an Atypical Baseline:** The year 2021 experienced unusually high trading volumes, partly influenced by COVID-19 pandemic, increased trading volumes, e.g. driven by retail, fiscal stimuli, record low interest rates and the decline in retail commission. Using this single elevated year as a starting point skews the analysis toward a narrative of declining volumes.
- **Longer-Term Growth:** Looking from 2014 to 2024, volumes show a 22% increase, indicating an overall growth in transaction value contrary to MSP’s statement. Well-established statistical principles warn that short-term data can distort trends. Broader horizons yield clearer and more reliable insights.
- **Evidence of Sustained Activity:** These broader time horizons contradict the assertion that Nasdaq trading volumes are in decline.

2. Market Data Revenue Trends

MSP Claim: Market data revenue at Nasdaq rose from EUR 56.78 million in 2021 to EUR 60.71 million in 2023, attributing fee increases as the only possible rationale behind revenue growth.

Nasdaq Response:

- **Price Is Not the Only Driver of Growth:** MSP's suggestion that market data revenue growth arises purely from price increase is incorrect. Nasdaq's customer base grew by 9% between 2021 and 2023, reflecting increased market participation and interest. Such expansions in user subscriptions, along with the addition of new data products, naturally contribute to revenue increases.

3. Misconceptions on Device Usage and Fees

MSP Claim: The report alleges that an exchange may charge separate fees for each device (laptop, tablet, mobile phone), even if used by the same individual.

Nasdaq Response:

- **No Per-Device Charges:** Nasdaq does not charge per device. In addition, we offer a robust netting solution for customer consuming data through multiple vendors that many firms take advantage of so that individual users only pay once, regardless of how many devices they use to access real-time data. This has been available to clients since 2018.

4. Continued Investment in Infrastructure

MSP Claim: The report implies that exchanges are not investing, and that overall infrastructure costs are minimal. It also fails to acknowledge the existence of ongoing operational expenses, highlighting a lack of understanding of how a data business is run.

Nasdaq Response:

- **Substantial Enhancements:** We have undertaken significant initiatives- upgrades to trading systems, enhancements to feed distribution mechanism, relocation of data centers, and implementation of technology upgrades- to handle increasing message volumes, which have grown significantly more than trading volumes and peak load efficiently.
- **Maintaining Market Resilience:** These investments bolster the resilience, speed and reliability of our platforms, ensuring seamless operations under intense trading conditions. Moreover, exchanges like other businesses face rising inflationary pressures. Suggesting that infrastructure costs are negligible does not reflect the reality of exchanges continuous technology evolution.

5. Market Participation and Customer Base

MSP claim: A declining customer base in the financial industry since the financial crisis of 2008. This decline is attributed to consolidation and job reductions in large banks, which has led to a decrease in the number of data users.

Nasdaq Response:

- **New Entrants and Growth:** While it is true that some large banking institutions have merged or reduced headcount, Nasdaq has simultaneously welcomed new market participants, leading to a net increase in our overall customer base as previously noted. There has been the well documented growth of retail trading. Nasdaq has also broadened dissemination to new geographies and new client types through current and new products with at least 14 new data products launched.
- **Healthy Banking Sector:** Contrary to the notion of an ailing banking industry, many global banks experienced widening profit margins and heightened trading activity in recent years. Several large firms reported strong trading revenue and record profits, underscoring robust market engagement.

6. Non-Professional vs. Professional User Classification

MSP Claim: " An exchange may classify any retail customer who has ever worked in financial services, regardless of their role, and who wishes to manage their private savings or self-invested pensions, through a retail broker as a 'professional' customer".

Nasdaq Response:

Just as universities use strict criteria to determine who qualifies for student discounts, Nasdaq relies on clear, established rules to define professional status. We adhere to EMSA guidelines, which precisely outline the criteria. Suggesting that Nasdaq indiscriminately applies a "professional" designation to any retail user with industry experience is therefore inaccurate.

Nasdaq values a well-informed dialogue; however, the MSP report's selective use of time periods and incomplete consideration of broader industry trends results in a distorted portrayal of our market volume, data fee structure, user classifications and ongoing infrastructure investments. We remain committed to transparency, innovation, investment and supporting market participants. We look forward to continued engagement with the industry, regulators, and our clients to foster an open, competitive and resilient marketplace.

