

February 10, 2023

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety,
Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Nunavut Securities Commission

Delivered via email: Ontario Securities Commission (comments@osc.gov.on.ca)

Dear Sirs/Mesdames:

RE: CSA Consultation Paper 21-403 - Access to Real-Time Market Data

BlackRock, Inc. (together with its affiliates, “BlackRock”) appreciates the opportunity to submit comments to the Canadian Securities Administrators (“CSA”) in response to the CSA’s request for comment on the above referenced CSA Consultation Paper 21-403 - *Access to Real-Time Market Data* (“RTMD”) that seeks feedback on proposed initial and longer-term options that could potentially alleviate some of the inefficiencies related to accessing RTMD.

A. Background

BlackRock believes that market data plays an important role in capital markets and that transparency into quotes and trading activity serves as the heart of any market ecosystem. A publicly available, aggregated view of the market is a fundamental requirement in today’s fragmented and complex marketplace to foster fair and effective markets. Market data, and more specifically, RTMD, facilitates the ability of broker-dealers to achieve, and investors to assess, best execution. In addition, consolidated market data promotes more resilient markets by providing sufficient transparency to ensure continuity of trading during marketplace outages, which augments market integrity and increases investor confidence.

B. Our Position

BlackRock welcomes the CSA's willingness to address complex and multifaceted issues like the inefficiencies related to accessing RTMD. We would highlight three primary challenges with the existing RTMD landscape:

- Canadian market data is exceedingly expensive compared to other market jurisdictions
- The pass-through model of the current RTMD framework creates inordinate burden and complexity for subscribers
- Market data costs continue to escalate due to licensing practices and lack of governance

BlackRock believes that the above issues undermine fair and effective markets by discouraging the adoption of consolidated market data and widening information asymmetries between market participants.

We believe the optimal long-term solution would be to implement an Information Processor ("IP") model with a centralized administration function and address the licensing practice of charging different fees according to specific categories of data usage, such as non-displayed and derived data. As an initial step, we agree with the proposal to standardize key licensing terms and definitions across marketplaces and subject fee changes to public comment and regulatory approval. Finally, we also support the application of the Data Fee Methodology ("DFM") model to other fee categories besides professional user fees as an interim measure.

C. Interim Options

Fee Filings, the Data Fee Methodology Model, and Standardization

As an initial step, we agree with the proposal to subject fee changes to public comment and regulatory approval as this provides the opportunity for feedback on fees and ensures that there is regulatory review of the reasonability and fairness of fee changes. The de-facto monopolies of data providers, combined with regulatory mandates regarding the usage of data by investors (e.g., for best execution, order protection, and regulatory reporting), means that market participants generally have little or no leverage in the determination of market data fees or license terms.

We recommend that the CSA take this further and outline guidelines for how to justify pricing changes, along with providing the basis by which proposals will be assessed for reasonableness – for instance, by determining how fees should be related to the cost of producing the data.

We believe that instead of a DFM model, market data fees should ideally be determined by the governing body of an Administrative IP which includes representation from a diverse cross-section of data consumers and providers. But until this is established, extending the DFM to other categories of fees would be a welcome interim solution that would help to mitigate and regulate the growth of market data costs besides professional subscriber fees.

One limitation of the DFM is that, while it may be effective at managing the allocation of fees across marketplaces and future market data fee changes, it does not substantiate whether existing fees are fair and reasonable. As the CSA has demonstrated, market data fees in Canada are disproportionately more expensive than fees for equivalent products in other markets. The DFM does not address this, and we believe that the CSA or a broad industry body should review and adjust current fee levels to ensure that market data costs in Canada are appropriate and make Canadian marketplaces attractive to investors.

Existing fee schedules contain significant inequities. For instance, TSX Alpha data fees for subscribers outside of Canada are substantially higher than comparable fees for Canadian consumers¹. To receive comprehensive Level 2 data from TSX Alpha, the cost is \$67.70 USD per month for professional subscribers outside of Canada as of January 1, 2023². The comparable cost for Canadian subscribers is \$23.40 CAD as of January 1, 2023³. After adjusting for USD/CAD exchange rates, subscribers outside of Canada effectively pay four times more for the same data. This disparity has a direct impact on the competitiveness of Canadian markets abroad, especially for Canadian securities which are dually listed, and potentially sends a negative signal to international investors which discourages foreign investment in Canada.

Lastly, we would be supportive of efforts to standardize licensing terms and definitions across marketplaces. In addition to being a prerequisite to establishing a centralized Administrative IP, we believe that this would help to eliminate barriers to accessing data, as well as make it easier to directly compare the market data products offered by different exchanges.

D. Target State

Administrative Information Processor Model

The cost and complexity for market data subscribers in the RTMD framework stems from the pass-through model of the current IP. Subscribers shoulder a material administrative burden from having to contract with each individual marketplace and comply with the disparate licensing terms and data policies set by each exchange. This model also necessitates an arcane and less transparent data fee model to manage fees piecemeal, exchange by exchange, rather than holistically as a single consolidated data product.

The optimal solution would be to implement an IP model with a centralized administration function. In this model, the IP would be responsible for setting and collecting consolidated data fees, determining licensing terms, managing the compliance of subscribers with its data policies, and subsequently allocating market data revenues among the contributing marketplaces.

¹ <https://www.tmxinfoservices.com/tmx-datalinx/products-and-services/real-time-data>

² \$43.20 USD for TSX Listed + \$24.50 USD for TSXV Listed at <https://www.tmxinfoservices.com/resource/en/440>

³ \$19.80 CAD for TSX Listed + \$3.60 CAD for TSXV Listed at <https://www.tmxinfoservices.com/resource/en/294>

To be effective and ensure fair outcomes, this IP would either need to be managed by regulators or have a robust governance structure with equal representation from all segments of the industry, including exchanges, off-exchange venues, institutional broker dealers, retail broker dealers, institutional investors, retail investors, issuers, and vendors. A diverse set of market participants would make the IP better informed and more impartially operated, mitigating any inherent conflicts from delegating governance to a narrow set of business interests. Further, we believe that regulators, or the industry, should have a role in defining what constitutes the core information that should be disseminated on a consolidated tape, as what market data is deemed essential will change over time as markets evolve.

E. General Questions

Licensing Model

We believe that particular attention should be paid to the practice of charging different fees according to specific categories of data usage, such as for non-displayed or derived data purposes. Policies which determine fees by usage are inconsistent with the objective of ensuring fair and reasonable market data costs.

This approach relates fees to user value, ability to pay, and inelasticity of demand rather than competitive prices or the cost of producing the market data feeds. Even where the fees for a particular use case may be reasonable, the continued proliferation of new and different categories of usage by data providers subdivides licensed rights for subscribers and drives the inexorable growth of market data costs. A user may pay repeatedly to consume the same element of data across multiple devices, within different applications, in derived analytics or calculations, and by processes that do not redisplay the data. The current licensing model imposes additional burdens and operational risks for users and are not in accordance with market standards for other sources of financial data where BlackRock has enterprise license agreements. Policies are difficult to administer, with terminology that creates wasteful overhead for the consumers of market data and can lead to excessive audits due their subjectiveness.

As a result of these issues, market participants may scale back their consumption of data due to its cost, leading to less informed markets and lower overall transparency. Additional systematic risks may emerge if firms choose to save costs rather than implement sound risk controls like price checks upon order submission, which may incur additional fees for a trading system as a non-display use case. While not proposed in the CSA Consultation paper, the establishment of an enterprise licensing model for some participants would help to address this and align market data fees with other forms of financial data.

F. Conclusion

We appreciate that addressing the numerous challenges in accessing RTMD in an equitable and cost-effective manner will require multiple steps. As outlined above, we believe an interim model subjecting fee changes to public comment and regulatory

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approval, standardizing key licensing terms and definitions across marketplaces, and applying the DFM to other fee categories are appropriate. However, the long-term goal should be to **implement an IP model with a centralized administration function and address the licensing practice of charging different fees according to specific categories of data usage, such as non-displayed and derived data.**

BlackRock thanks the CSA for the opportunity to comment on its consultation on RTMD. We appreciate the CSA's efforts to comprehensively address the market data ecosystem and look forward to continuing to work with the CSA to modernize equity market structure. We would welcome the opportunity answer any questions the CSA may have about the contents of our response or any other related matters.

Sincerely,



Hubert De Jesus

Managing Director, Global Head of Market Structure and Electronic Trading



Margaret Gunawan

Managing Director, General Counsel, Americas (ex-US) and Canada CCO