



RBC Global  
Asset Management™

RBC Global Asset Management Inc.  
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**Via Email**

February 8, 2013

Alberta Securities Commission  
British Columbia Securities Commission  
Manitoba Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Registrar of Securities, Department of Justice, Northwest Territories  
Nova Scotia Securities Commission  
Registrar of Securities, Legal Registries Division, Department of Justice, Nunavut  
Ontario Securities Commission  
Registrar of Securities, Prince Edward Island  
Saskatchewan Securities Commission  
Registrar of Securities, Government of Yukon Territories

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
19<sup>th</sup> Floor, Box 55  
Toronto, ON M5H 3S8  
email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

and

M<sup>re</sup> Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3  
Email: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sir and Madame:

**Re: CSA Staff Consultation Paper 21-401 – *Real Time Market Data***

We are writing on behalf of RBC Global Asset Management Inc. and its institutional investment management division Phillips, Hager & North Investment Management (“RBC GAM”) in response to the Canadian Securities Administrators’ (“CSA”) request for comment on CSA Consultation Paper 22-401 – *Real Time Market Data Fees* (the “CSA Consultation Paper”) published on November 8, 2012. We applaud the CSA for initiating the consultation paper on market data pricing and we are impressed with the depth of analysis and information provided. We appreciate

the opportunity to address the questions that the consultation paper raises in relation to real-time market-data fees.

### **General Comments**

In order for Canada's capital markets to function more efficiently, fees charged for equity market data must be set at levels that are appropriate for individual marketplaces and in aggregate. The cost of market data in Canada has steadily increased and continues to rise unabated. This rising trend is a direct consequence of exchange operators switching from non-profit entities that provided utility-like services to members into for-profit companies that view the distribution of data as a source of revenue.

In only a few years, we have witnessed the cost of market data increase substantially in both absolute terms and as a percentage of the overall revenue of major exchanges (Chart 1). Marketplaces increasingly turn their focus to market data as an important revenue generator and, for some smaller venues, a key source of revenue. In our view, marketplaces should continue to provide a necessary market utility – maintaining fair and orderly markets.

Chart 1: Estimated Revenue Sources by selected group of North American Stock Exchanges:

*Quarterly Revenue (Q1 2012)*

	<b>NYSE</b>	<b>NASDAQ</b>	<b>TMX Group</b>
<b>Revenue (Data Services)</b>			
Market Data	91	84	43
Technology Services	86	47	4
Other	56	-	-
<b>Subtotal (Data Services)</b>	<b>233</b>	<b>131</b>	<b>47</b>
<b>Total Revenue (All Sources)</b>	<b>952</b>	<b>409</b>	<b>162</b>
% of Revenue from <i>Data Services</i>	24.5%	32.0%	28.8%
% of Revenue from <i>Data Services</i>	9.6%	20.5%	26.4%

Source: RBC GAM

Marketplace-real-time data fees are paid by consumers of market data such as RBC GAM. As an active market participant, RBC GAM has a vested interest in fees charged for market data and the way those fees are determined. It is in the best interest of RBC GAM, its clients and investors in Canadian listed equities in general, that regulators address uncontrolled increases in data fees. Participants are effectively required to obtain market data from all Canadian marketplaces to meet their regulatory obligation to provide best-execution and for dealers to comply with order protection rules. Marketplaces, therefore, have the ability to raise prices with minimal threat of losing customers. As more marketplaces continue to fragment the trading of Canadian equities, data costs will continue to rise alongside associated costs related to technology, software and administration.

An additional unintended consequence of allowing exchanges to charge significant fees without any curbs is that the fees, due to their increased prices, may become affordable for a small group of users who can use the information to trade ahead of other participants and squeeze smaller dealers out of the business. This would hurt market transparency, liquidity and capital formation. We, therefore, argue that further steps should be taken to address fees charged for market data on marketplaces.

## **Specific Comments**

We believe that the CSA chose a reasonable methodology to compare fees charged by different marketplaces, i.e., comparing the fees relative to a marketplace's share of trading activity. This method demonstrated that some marketplaces charge excessive fees relative to their respective market share. This methodology also revealed that when comparing the cost of consolidated market data in Canada and the U.S., Canadian data is approximately 10 times more expensive than the equivalent U.S. data. We do not agree with the paper's hypothesis that this discrepancy in fees is justified by the greater size of the U.S. market and its supposed ability to use economies of scale to pass associated savings to marketplace participants. In our opinion, it is unlikely that there is a near-linear relationship between a market's size and the cost of consolidated data fees. We could imagine the existence of fixed costs that would make this relationship less linear. The only conclusion we can draw is that fees for equity market data in Canada are unreasonably high relative to those in the U.S.

We support a solution that draws from elements of **options 1, 6, and 7** in the consultation paper subject to the following considerations:

- In regards to option 1, a definition would have to be settled upon as to what constitutes "core data". This should include, at a minimum, all market data elements that market participants need to meet the regulatory obligation to provide best execution of clients' orders.
- In regards to option 6, a cap on consolidated data fees sold by all data vendors is also desirable and would still allow individual marketplaces the ability to develop and freely price direct data feeds for participants who have higher or more specialised demands and allow for continued innovations in market data feeds. This approach would also permit market data pricing to reflect higher charges for those participants who have greater data demands both in the volume and breadth of data consumed.
- In regards to option 7, a utility should also be formed to administer the price caps on core data and consolidated data feeds. The utility should set caps at a level that permits marketplaces to recover their costs and realize a reasonable rate of return. It is important that fee caps be set at a level sufficient to allow marketplaces to continue to ensure the reliability of their data feeds and the ongoing development and enhancing of their products.
- In regards to all options, in considering a cap on the price of consolidated data, the CSA should also address the practice of marketplaces charging multiple times for receiving the same data at a single workstation. The NYSE's Multiple Installations for a Single User (MISU) policy serves as an example of such a cap.

The following are RBC GAM's comments on the other options presented in the CSA's Consultation Paper:

### **Option 2: Cap data fees charged by a marketplace until it meets a *de minimis* threshold**

While we believe it is a good solution; this option does not address the fees charged by existing or established marketplaces.

### **Option 3: Cap all data fees for all marketplaces starting at a *de minimis* threshold and gradually increasing the threshold and the applicable caps**

In our view, this option would not address our main concerns as outlined above and it would be difficult to determine what the minimum threshold would be.

**Option 4: Cap fees for data sold through the IP**

The fees can be sold through the IP but also directly by marketplaces. From our perspective, it is not clear why a cap would apply to one source but not the other.

**Option 5: Regulate consolidated market data fees charged by the IP**

We recommend that the CSA address not only consolidated market fees but also direct data feeds.


**Option 8: Publish Amendments to Market Data Fees and Fee Models for Comments.**

We do not believe that this proposal would be effective on a stand-alone basis to address the escalating costs of market data fees. For the reasons stated above, the CSA should consider including this option in conjunction with Option 7.

**Concluding Remarks**

We thank the CSA for considering our comments on the proposed options to address the costs of market data fees in Canada. We would welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,



Daniel E. Chornous, CFA  
Chief Investment Officer  
RBC Global Asset Management Inc.