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| Response Form to the Consultation Paper  |
| MiFID II/MiFIR review report on the development in prices for pre- and post-trade data and on the consolidated tape for equity instruments |

**Responding to this paper**

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

* respond to the question stated;
* indicate the specific question to which the comment relates;
* contain a clear rationale; and
* describe any alternatives ESMA should consider.

ESMA will consider all comments received by **06 September 2019.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

**Instructions**

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Please do not remove tags of the type <ESMA\_QUESTION\_MDA\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESMA\_MDA\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_MDA\_ABCD\_RESPONSEFORM.
5. Upload the form containing your responses, in Word format, to ESMA’s website ([www.esma.europa.eu](http://www.esma.europa.eu) under the heading “Your input – Open consultations” 🡪 “Consultation on Position limits and position management in commodities derivatives”).

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

**Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading [Legal Notice](http://www.esma.europa.eu/legal-notice).

**Who should read this paper**

All interested stakeholders are invited to respond to this consultation paper. This consultation paper is primarily of interest to users of market data and trading venues, but responses are also sought from any other market participant including trade associations and industry bodies, institutional and retail investors.

**General information about respondent**

|  |  |
| --- | --- |
| Name of the company / organisation | Börse Stuttgart |
| Activity | Regulated markets/Exchanges/Trading Systems |
| Are you representing an association? |[ ]
| Country/Region | Germany |

**Introduction**

***Please make your introductory comments below, if any***

<ESMA\_COMMENT\_MDA\_1>

TYPE YOUR TEXT HERE

<ESMA\_COMMENT\_MDA\_1>

**Questions**

1. : Have prices of market data increased or decreased since the application of MiFID II/MiFIR? Please provide quantitative evidence to support your answer and specify whether you are referring to equity and/or non-equity instruments.

<ESMA\_QUESTION\_MDA\_1>

Börse Stuttgart response underlines that market data is the outcome of a dynamic price formation process and is a joint product with trade execution — i.e. it is not possible to generate one without the other, and most activities undertaken by an exchange deliver both trading and price formation. There is a need to inform and focus the public policy debate on market data with emphasis on the nature and role exchange market data has in protecting investors.

MiFID II/MiFIR has resulted in some price adjustments, with price increases but also price decreases. Börse Stuttgart’s market data revenues have been small on average: 4% of overall revenues in 2018. They did not increase substantially in recent years taking into account that the number of clients grew. Oxera (2019, “The design of equity trading markets in Europe”) shows – for a sample of exchanges that are members of the Federation of European Securities Exchanges – that this is also true for the aggregate securities market data revenues which amounted to approximately 245m Euro in 2018 and increased in recent years by around only 1% per year in real terms (p. 71).

Börse Stuttgart highlights the need to proceed with caution when assessing increases based on information on single individual license fees for specific products. For example, Börse Stuttgart changed its license model for real-time market data usage with a non-display license reflecting changes within the industry in October 2018. Some clients experienced an increase in the cost of market data but some experienced a significant decrease in the cost of market data. In the following, we refer to single real-world examples of Börse Stuttgart customers with price decreases, since we are aware that other market participants focus on the increases only.

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| --- |
| Börse Stuttgart Examples of Real-Time Market Data Usage with a Non-Display License (Euro/month) |
|  | 2018 | 2019 |  |
| Customer 1 | 375 | 180 | -52% |
| Customer 2 | 1.125 | 500 | -55% |
| Customer 3 | 750 | 500 | -33% |

Another example is Börse Stuttgart’s new license structure for real-time market data usage with a display license. If you were to solely look at the license and ignore the broader context, it may suggest an increase in the cost of market data. However, the new structure significantly deceases market data costs for smaller entities which are one of the main customer groups of Börse Stuttgart. The change became effective in January 2018.

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| --- |
| 1. Börse Stuttgart License Structure for Real-Time Market Data Usage with aDisplay License (Euro/month)
 |
| 2017 | 2018 |
| Finance Websites | Other Websites | Pull Mode | Push Mode |
| # PI | Fee | # PI | Fee | # PI | Fee | # PI | Fee |
| < 2m | 1.000 | < 10m | 1.000 | < 100k | 50 | 0-2m | 1.000 |
| 2-4m | 2.000 | 10-20m | 2.000 | 100k-200k | 100 | 2-4m | 2.000 |
| 4-8m | 3.000 | 20-30m | 3.000 | 200-400k | 200 | 4-6m | 3.000 |
| 8-10m | 4.000 | 30-40m | 4.000 | 400-800k | 400 | 6-8m | 4.000 |
| > 10m | 5.000 | < 40m | 5.000 | 800k-1,6m | 800 | > 8m | 5.000 |

PI = Page Impressions

The examples emphasize the importance of a holistic approach towards assessing prices of market data. Evaluating the price of market data based individual fees for market data or a single (or only a few) market participants can result in a biased view. Individual fees for market data or a single (or only a few) market participants do not represent the development of the overall cost of market data for market participants.

Exchanges are also often not “the last mile” of data distribution. Data redistributors and intermediaries play an important role in the value chain of market data, thus reinforcing the necessity of a holistic approach recognizing the full scale and nature of the market data value chain. Changes in prices faced by end investors are therefore not only due to exchanges, meaning that there is a risk that any cost reduction at exchange level will not be passed to the end investors – given the fact that data redistributors and intermediaries are not covered by MiFID II/MiFIR.

Börse Stuttgart believes that a review of the development in prices for market data which is restricted to exchanges will have limited to no effect on the “overall cost of data” to the end investor and could distort the market ecosystem due to its narrow and discriminatory focus. Oxera (2019, “The design of equity trading markets in Europe”) shows clearly that exchanges are only a small part of a longer value chain: The contribution of market data provided by European exchanges only represents around 15% of the total European spending on market data and analysis (p. 68).

<ESMA\_QUESTION\_MDA\_1>

1. : If you are of the view that prices have increased, what are the underlying reasons for this development?

<ESMA\_QUESTION\_MDA\_2>

Market data is the outcome of a dynamic price formation process and is a joint product with trade execution. Therefore, changes in costs attributable to market data production and distribution, including both the direct costs of market data dissemination and the changes to the appropriate share of joint costs can lead to price changes. Following the application of MiFID II/MiFIR, Börse Stuttgart had to adapt to regulatory requirements affecting the provision of market data. This has led to license structure changes and also to cost increases of market data production (e.g. clock synchronization requirements) and distribution (e.g. data disaggregation).

Börse Stuttgart always based its price adaptations – even before MiFID II/MiFIR became applicable – on cost changes attributable to market data production and dissemination. In addition, we take into account how market participants use the data. Given this general policy, fee adaptions reflect our increased costs to handle a steadily increasing amount of data and the client value. For instance, the coverage of Börse Stuttgart’s pre- and post-trade data – defined by the number of instruments – rose substantially. The number of listed instruments at Börse Stuttgart increased by over 40% between 2015 and mid-2019:

By 30.06.2019: 1.883.351 listed instruments; by 31.12.2018: 1.717.321 listed instruments; by 31.12.2017: 1.608.334 listed instruments; by 31.12.2016: 1.367.986 instruments; by 31.12.2015: 1.315.334 listed instruments

Finally, it must be noted that data redistributors and intermediaries play an important role in the value chain of market data. For this reason, it is not possible to undertake an assessment of the price of market data without looking at the role of data redistributors and intermediaries.

<ESMA\_QUESTION\_MDA\_2>

1. : Following the application of MiFID II/MiFIR, are there any market data services for which new fees have been introduced (i.e. either data services that were free of charge until the application of MiFID II or any new types of market data services)?

<ESMA\_QUESTION\_MDA\_3>

Following the introduction of disaggregation requirements by MIFIR, we adjusted our license structure to provide more granularity (e.g. disaggregated pre- and post-trade data offering, introduction of an “Access ID” and a “Physical User-ID”, adaptions reflecting license structure changes within the industry). This particularly benefits smaller users which now have the option to pay only for the data they are using. Börse Stuttgart did not introduce any new fees for data services that were free of charge until MiFID II became effective.

<ESMA\_QUESTION\_MDA\_3>

1. : Do you observe other practices that may directly or indirectly impact the price for market data (e.g. complex market data policies, use of non-disclosure agreements)? Please explain and provide evidence.

<ESMA\_QUESTION\_MDA\_4>

It is important to recognize the scale and nature of the market data value chain when considering the price of market data. MiFID II/MiFIR introduced rules on the provision and pricing of market data by trading venues (and APAs as well as CTPs). But exchanges are often not “the last mile” of data distribution. Data redistributors and intermediaries play an important role in the value chain of market data, thus reinforcing the necessity of a holistic approach. Please refer for more details to our answer on Q1.

Börse Stuttgart observed for its own data products a shift in data consumption towards non-display data products. Trading-based activities are normally covered under a non-display license. We see this as evidence for the ongoing automation of activities using market data as (one) input source, e.g. algorithmic trading.

Börse Stuttgart’s believes that its data policies are reasonable and understandable for market participants. In particular, they did not become much more granular and more difficult after MiFID II/MiFIR became applicable. We estimate that the number of pages increased by 10% recently. Mainly due to the fact that Börse Stuttgart now offers – due to regulatory requirements – disaggregated data products which was not the case before. Börse Stuttgart does not require customers to sign non-disclosure agreements when entering into market data agreements, which prohibit them from sharing information on the level of fees paid.

<ESMA\_QUESTION\_MDA\_4>

1. : Do you agree that trading venues/APAs/SIs comply with the requirement of making available the information with respect to the RCB provisions? If not, please explain which information is missing in your view and for what type of entity.

<ESMA\_QUESTION\_MDA\_5>

Börse Stuttgart discloses RCB information in line with MiFID II/MiFIR. We think that this is the case for the vast majority of trading venues. There is, however, only very limited information available regarding the application of the RCB provisions by SIs.

<ESMA\_QUESTION\_MDA\_5>

1. : Do you share ESMA’s assessment on the quality of the RCB information disclosed by trading venues, APAs and SIs? If there are areas in which you disagree with ESMA’s assessment, please explain.

<ESMA\_QUESTION\_MDA\_6>

Börse Stuttgart believes that the quality of the RCB information disclosed by exchanges is good and has further improved since the introduction of MiFID II/MiFIR. Best practices are still emerging and therefore we believe that issuing any further guidance would be premature.

<ESMA\_QUESTION\_MDA\_6>

1. : Do you agree that the usability and comparability of the RCB information disclosed could be improved by issuing supervisory guidance? If yes, please specify in which areas you would consider further guidance most useful, including possible solutions to improve the usability and comparability of the information.

<ESMA\_QUESTION\_MDA\_7>

Börse Stuttgart believes that limited comparability is a direct consequence of fragmentation of capital markets in Europe, which is, in itself, also a consequence of MiFID I and MiFID II/MiFIR which has allowed for a further diversified of the relevant market players. In a competitive market, market data products may not necessarily be fully comparable. Best practices are still emerging and therefore we believe that issuing any further guidance would be premature.

<ESMA\_QUESTION\_MDA\_7>

1. : Do you think that the current RCB approach (transparency plus) can deliver on the objective to reduce the price of market data or should it be replaced by an alternative approach such as a revenue cap or LRIC+ model? Please justify your position and provide examples of possible alternatives.

<ESMA\_QUESTION\_MDA\_8>

Börse Stuttgart believes that the RCB approach (transparency plus) is sufficient and should not be replaced. We think – as far as we can comment and observe – that the development of market data prices is consistent with the notion of what constitutes a reasonable commercial basis. The current legal framework already contains an ample selection of requirements to ensure that prices are transparent, reasonable, commercial and non-discriminatory.

<ESMA\_QUESTION\_MDA\_8>

1. : Do you consider that a revenue cap model as presented above might be a feasible approach to reduce the cost of market data? Which elements would be key for successfully implementing such a model?

<ESMA\_QUESTION\_MDA\_9>

Börse Stuttgart encourages ESMA to reject more intrusive approaches such as implementing a revenue share limitation or limiting market data charges by reference to costs, such as a LRIC+ or revenue cap model. We call for the current RCB approach to be maintained. The current approach is more proportionate and feasible and best suited to the reality and complexity of the market data environment, value chain and entire financial markets. We believe that a revenue cap model or other forms of price control would be disproportionate and unjustified. Moreover, it is important to recognize that exchanges are often not “the last mile” of data distribution. Data redistributors and intermediaries play an important role in the value chain of market data, thus reinforcing the necessity of a holistic approach. Lastly, it is paramount that policymakers and the market as a whole do not overlook the activities undertaken by exchanges to contribute to a reliable price formation process.

<ESMA\_QUESTION\_MDA\_9>

1. : Did data disaggregation result in lower costs for market data for data users? If not, please explain why?

<ESMA\_QUESTION\_MDA\_10>

Börse Stuttgart has registered very little demand for disaggregated market data. We witness some appetite for disaggregated pre- and post-trade using non-display licenses. While trading venues have borne the costs of implementing these requirements, it is important to note that the benefits will not necessarily flow to end users unless all key participants in the value chain, i.e. data redistributors and intermediaries, adapt their infrastructure and pricing models to support disaggregation.

<ESMA\_QUESTION\_MDA\_10>

1. : Why has there been only little demand in disaggregated data?

<ESMA\_QUESTION\_MDA\_11>

Börse Stuttgart has registered very little demand for disaggregated market data. We witness some appetite for disaggregated pre- and post-trade using non-display licenses. While trading venues have borne the costs of implementing these requirements, it is important to note that the benefits will not necessarily flow to end users unless all key participants in the value chain, i.e. data redistributors and intermediaries, adapt their infrastructure and pricing models to support disaggregation.

<ESMA\_QUESTION\_MDA\_11>

1. : Do trading venues and APAs comply with the requirement to make available data free of charge 15 minutes after publication? If not, please explain in which areas you have identified deficiencies

<ESMA\_QUESTION\_MDA\_12>

Börse Stuttgart sees significant efforts to comply with the requirement to make data available free of charge 15 minutes after publication across trading venues and APAs. Börse Stuttgart, itself, makes available market data free of charge via interface and on its website in line with the MiFIR requirements.

<ESMA\_QUESTION\_MDA\_12>

1. : Do you consider it necessary to provide further supervisory guidance in this area (for instance by reviewing Q&As 9 and/or 10) Please justify your position and explain in which area further guidance may be needed? Please differentiate between pre- and post-trade data.

<ESMA\_QUESTION\_MDA\_13>

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<ESMA\_QUESTION\_MDA\_13>

1. : Do you agree that the identified reasons, in particular the regulatory framework and competition by non-regulated entities, make it unattractive to operate an equity CT?

<ESMA\_QUESTION\_MDA\_14>

Börse Stuttgart believes that the discussion should not focus on the question why an equity CT has not yet emerged. It should rather address the intended objectives, its purpose and the role of a CT within the European market structure framework. Two fundamental issues need to be taken into account: Firstly, the specificities of the European market do not allow to simply replicate third country CT models. Secondly, one may legitimately question the pertinence and relevance of an EU27 CT post Brexit.

Beyond these general starting points, three main issues need to be addressed when analyzing potential approaches on the CT: Firstly, the scope of a CT is critical. Börse Stuttgart believes that a CT will only be attractive if it shows overall liquidity – 100% coverage of transactions in the market (including SI and OTC transactions) – within the EU market at instrument level. Secondly, a CT should be based on good quality data. Without improving the completeness, consistency and quality of SI and OTC data, one cannot expect EU capital markets to benefit from a CT. Thirdly, assuming an adequate compensation to trading venues for the use of their data an end-of-day tape of record would represent a cost effective CT solution. We think that the cost of providing a real-time CT (i.e. cost of building, maintenance costs) and its inherent latency will not serve the purpose. Market participants – seeking to use real-time data for trading purposes – would still need to access market data via the lowest latency sources, preferably directly from trading venues or indirectly from data vendors.

<ESMA\_QUESTION\_MDA\_14>

1. : Do you consider that further elements hinder the establishment of an equity CT? If yes, please explain which elements are missing and why they matter.

<ESMA\_QUESTION\_MDA\_15>

Börse Stuttgart believes that quality, consistency and completeness of non-trading venue data (i.e. SI and OTC transactions) and is the main obstacle to establish an equity CT. Without improving the completeness, consistency and quality of SI and OTC data, one cannot expect EU capital markets to benefit from a CT.

<ESMA\_QUESTION\_MDA\_15>

1. : Please explain what CTP would best meet the needs of users and the market?

<ESMA\_QUESTION\_MDA\_16>

As noted earlier, Börse Stuttgart believes that three main issues need to be addressed when analyzing potential approaches on the CT: Firstly, Börse Stuttgart believes that a CT will only be attractive if it shows overall liquidity – 100% coverage of transactions in the market (including SI and OTC transactions) – within the EU market at instrument level. Secondly, a CT should be based on good quality data. Without improving the completeness, consistency and quality of SI and OTC data, one cannot expect EU capital markets to benefit from a CT. Thirdly, assuming an adequate compensation to trading venues for the use of their data an end-of-day tape of record would represent a cost effective CT solution. We think that the cost of providing a real-time CT (i.e. cost of building, maintenance costs) and its inherent latency will not serve the purpose. Market participants – seeking to use real-time data for trading purposes – would still need to access market data via the lowest latency sources, preferably directly from trading venues or indirectly from data vendors.

An end-of-day tape would – based on enhanced data quality and consistency – deliver an exhaustive view of trade execution, covering Regulated Market, MTF, SI and OTC transactions. It would certainly involve cheaper technological infrastructure. This option would, however, require an amendment to MiFID II. Alongside this, provisions in MiFIR governing deferred publication increase the challenges of consolidate all data sources in a synchronized and reliable way.

<ESMA\_QUESTION\_MDA\_16>

1. : Do you agree that real-time post-trade data is available from both trading venues and APAs as well as data vendors and that the data is currently not covering 100% of the market, i.e. including all equity trading venues in the EU and all APAs reporting transactions in equity instruments? If not, please explain.

<ESMA\_QUESTION\_MDA\_17>

Yes, Börse Stuttgart agrees.

<ESMA\_QUESTION\_MDA\_17>

1. : Do you agree that post-trade data is provided on a timely basis and meets the requirements set out in MiFID II/MiFIR and in the level 2 provisions? If not, please explain.

<ESMA\_QUESTION\_MDA\_18>

Börse Stuttgart agrees that trading venue post-trade data is made available in a timely manner in line with the requirements set out in MiFID II/MiFIR and in the Level 2 provisions. This is not necessarily the case for SI and OTC transaction data, which creates major challenges for consolidating and having a full view of the entire market.

<ESMA\_QUESTION\_MDA\_18>

1. : Do you agree with the issues on the content of data and the use different data standards identified or do you consider that important issues are missing and/or not correctly presented?

<ESMA\_QUESTION\_MDA\_19>

Börse Stuttgart agrees with the identified shortcomings on the quality of the content of market data, in particular for SI and OTC transactions in shares. We also agree with ESMA’s assessment that a first and indispensable step is to ensure a high degree of data quality and consistency across the industry. We do not agree with ESMA, however, that trading venues need to be further regulated as regards providing data in a machine-readable format, as data is already machine-readable in exchange feeds.

<ESMA\_QUESTION\_MDA\_19>

1. : Do you agree that the observed deficiencies make it challenging to consolidate data in a real-time data feed? If yes, how could those deficiencies best be tackled in your view?

<ESMA\_QUESTION\_MDA\_20>

As noted earlier, Börse Stuttgart believes that the pre-requisite to the development of a CT is to improve the completeness, consistency and quality of SI and OTC data. However, while improvements would deviate many of the obstacles, significant issues would remain in respect of consolidating data in a real-time data feed. In our view, there is a fundamental issue of latency in respect of a real-time CT. As ESMA itself highlights, there are currently 170 equity trading venues and APAs dealing with equity instruments in 28 different jurisdictions in Europe. Real-time aggregation of data from these trading venues plus other sources (e.g. APAs) into a single CT would not be easy and would inevitably come at a higher latency. Market participants – seeking to use real-time data for trading purposes – would still need to access market data via the lowest latency sources, preferably directly from trading venues or indirectly from data vendors.

<ESMA\_QUESTION\_MDA\_20>

1. : What are the risks of not having a CTP and the benefits of having one?

<ESMA\_QUESTION\_MDA\_21>

Börse Stuttgart believes that the risks of not having a CTP and the benefits of having one can only be discussed taking the intended objectives, its purpose and the role of a CT within the European market structure framework into account. As noted earlier, we think that a real-time CT designed for trading purposes would most likely fail and lead to an increase in overall costs to the market. It would, for economic reasons, probably have to be funded by mandatory contribution and use. In contrast, assuming an adequate compensation to trading venues for the use of their data an end-of-day tape of record would represent a cost effective CT solution.

We disagree with ESMA’s assessment that “a CTP would invest in improving the quality of the data reported in order to provide meaningful information to market participants.” (Consultation Paper, para 156). As noted earlier, Börse Stuttgart believes that the pre-requisite to the development of a CT is to improve the completeness, consistency and quality of SI and OTC data. Neither an APA (today) or (potentially in the future) a CTP can resolve these issues.

<ESMA\_QUESTION\_MDA\_21>

1. : Would you be supportive of an industry-led initiative to further improve data quality and the use of harmonised standards or would you prefer ESMA guidance? Please explain.

<ESMA\_QUESTION\_MDA\_22>

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<ESMA\_QUESTION\_MDA\_22>

1. : In addition to the standardisation of the reporting and format, as described before, did you identify any further relevant data quality issue to be considered for the successful establishment of CTPs?

<ESMA\_QUESTION\_MDA\_23>

As noted earlier, Börse Stuttgart believes that the pre-requisite to the development of a CT is to improve the completeness, consistency and quality of SI and OTC data. For more details, please refer to our answers to the questions above.

<ESMA\_QUESTION\_MDA\_23>

1. : Do you agree that the mandatory contribution from trading venues and APAs to a CTP would favour the establishment of CT?

<ESMA\_QUESTION\_MDA\_24>

Yes, requiring mandatory contribution of market data from trading venues and APAs to the CTP, as currently foreseen in the regulation, would favor the establishment of a CT, once a convincing use case has been established. Exchanges underline the importance of ensuring by regulation that trading venues and APAs are fairly compensated for such mandatory contribution of market data to the CTP. Otherwise, this would play as a disincentive to invest in producing high quality data.

<ESMA\_QUESTION\_MDA\_24>

1. : Do you have preferences between the option of (i) requiring trading venues and APAs to contribute data to the CT, or, in alternative (ii) setting forth criteria to determine the price that CTPs should pay to TVs and APAs for the data? If so, please explain why.

<ESMA\_QUESTION\_MDA\_25>

Börse Stuttgart believes that the outlined options can only be discussed taking the intended objectives, its purpose and the role of a CT within the European market structure framework into account. In particular, the specificities of the European market do not allow to simply replicate third country CT models.

Ideally, a pertinent CT would provide for mandatory use by every trading participant as well as mandatory payment by all trading participants. This would create an incentive for transparency and quality and ensure that the content of the tape be meaningful. Requiring trading venues and APAs to contribute data to the CT free of charge, below cost or at a very unattractive (unreasonable) margin risks seriously undermining exchanges’ role in the market, i.e. the investment in and provision of a reference price and create disincentive for investment allowing the production of such reference price in the market. It will negatively affect the price formation process within the EU, undermining transparent markets to the benefit of dark markets and most importantly to the detriment of investors. It is in fact the financing of the economy by regulated markets which is put at risk here in complete contradiction with the aims of the Capital Markets Union initiative.

<ESMA\_QUESTION\_MDA\_25>

1. : Do you agree that the mandatory consumption could favour the establishment of a CT? If not, please explain your concerns associated with the mandatory consumption.

<ESMA\_QUESTION\_MDA\_26>

Yes, Börse Stuttgart believes that mandatory consumption together with mandatory payment by each market participant would favor the establishment of a CT since it would ensure funding and revenues to the CT. However, in order to ensure that the CT does not only add costs to the industry, the CT must deliver on a convincing use case as well. It is also important to take the specificities of the European market into account which do not allow to simply replicate third country CT models. Comparing it to the US, for instance, the number of data sources (= the number of contributors) would be significantly higher in the EU. For this reason, the CT fees that exist in the US can neither be compared nor be used as a benchmark for CT fees in the EU.

<ESMA\_QUESTION\_MDA\_26>

1. : Would mandatory consumption impact other rules in MiFID II and if yes, how?

<ESMA\_QUESTION\_MDA\_27>

Yes, Börse Stuttgart believes that mandatory consumption together with mandatory payment by each market participant would favor the establishment of a CT since it would ensure funding and revenues to the CT. However, in order to ensure that the CT does not only add costs to the industry, the CT must deliver on a convincing use case as well.

<ESMA\_QUESTION\_MDA\_27>

1. : Do you consider it necessary that the CT covers all trading venues and APAs and the whole scope of equity instruments or would you be supportive of limiting the coverage of the CT? Please provide reasons for your preference and explain your preferred approach.

<ESMA\_QUESTION\_MDA\_28>

Börse Stuttgart believes that the scope of a CT is critical. A CT will only be attractive if it shows overall liquidity – 100% coverage of transactions in the market (including SI and OTC transactions) – within the EU market at instrument level. A CT with limited coverage, e.g. where SIs and OTCs are dispensed from contributing, would be nonsensical. It would perpetuate current completeness, consistency and quality issues of SI and OTC transactions. The current discussion, thought, as regards addressable and non-addressable liquidity is targeted at limiting transparency of off-venue transactions. Regulators should ensure sensible and fair transparency and support a CT of practical significance.

<ESMA\_QUESTION\_MDA\_28>

1. : Do you agree with ESMA’s preferred model of real-time CT? If you consider that, on the contrary, the delayed or tape of record CT are preferable, please indicate the reasons of your preference.

<ESMA\_QUESTION\_MDA\_29>

In Börse Stuttgart’s view, there is a fundamental issue of latency in respect of a real-time CT. As ESMA itself highlights, there are currently 170 equity trading venues and APAs dealing with equity instruments in 28 different jurisdictions in Europe. Real-time aggregation of data from these trading venues plus other sources (e.g. APAs) into a single CT would not be easy and would inevitably come at a higher latency. Market participants – seeking to use real-time data for trading purposes – would still need to access market data via the lowest latency sources, preferably directly from trading venues or indirectly from data vendors.

We think that the cost of providing a real-time CT (i.e. cost of building, maintenance costs) and its inherent latency will not serve the purpose. Market participants – seeking to use real-time data for trading purposes – would still need to access market data via the lowest latency sources, preferably directly from trading venues or indirectly from data vendors.

An end-of-day tape, however, would – based on enhanced data quality and consistency – deliver an exhaustive view of trade execution, covering Regulated Market, MTF, SI and OTC transactions. It would certainly involve cheaper technological infrastructure.

<ESMA\_QUESTION\_MDA\_29>

1. : Are there any measures (either technical or regulatory) that can be taken in order to mitigate the latency impacts?

<ESMA\_QUESTION\_MDA\_30>

Börse Stuttgart is not aware of sound and reliable technology which is able to solve the fundamental issue of latency in respect of a real-time CT. As ESMA itself highlights, there are currently 170 equity trading venues and APAs dealing with equity instruments in 28 different jurisdictions in Europe. Real-time aggregation of data from these trading venues plus other sources (e.g. APAs) into a single CT would not be easy and would inevitably come at a higher latency. Market participants – seeking to use real-time data for trading purposes – would still need to access market data via the lowest latency sources, preferably directly from trading venues or indirectly from data vendors.

We think that the cost of providing a real-time CT (i.e. cost of building, maintenance costs) and its inherent latency will not serve the purpose. Market participants – seeking to use real-time data for trading purposes – would still need to access market data via the lowest latency sources, preferably directly from trading venues or indirectly from data vendors.

An end-of-day tape, however, would – based on enhanced data quality and consistency – deliver an exhaustive view of trade execution, covering Regulated Market, MTF, SI and OTC transactions. It would certainly involve cheaper technological infrastructure.

<ESMA\_QUESTION\_MDA\_30>

1. : Do you agree that the CT should be operated on an exclusive basis? To what extent should other entities (e.g. APA or data vendors) be allowed to compete with the CTP?

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1. : Should the contract duration of an appointed CTP be limited? If yes, to how many years?

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1. : Please indicate what would be, in your view and on the basis of your experience with TVs and data vendors, a fair monthly or annual fee to be charged by a CTP for the real-time consolidation per user?

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1. : Would you agree with the abovementioned model for the CT to charge for the provision of consolidated date and redistribute part of the revenues to contributing entities? If not please explain.

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A feasible and workable CT model would have to charge for the provision of consolidated data and redistribute a meaningful part of the revenues to the contributing entities, reference price forming venues especially. Contributors cannot be asked to contribute data for no or limited fees, as this would be a disincentive to investing and operating transparent markets. Mandatory CT fees should reflect the number of data sources and the data fees of the respective data sources. It is important to underline that in the event of an EU CT, the number of data sources would be significantly higher than the number of contributors to the tapes in the US, while the number of users of the tapes would be lower than in the US. The funding model should be aligned with the overall objective of MiFID II and provide incentives to trade lit as opposed to dark and reward price forming venues.

When reflecting upon the funding model for the CT, it is necessary to assess how to best ensure that data quality is preserved and enhanced and not opt for solutions that would lead to a “wealth transfer” with no impact on market quality for investors. Any requirements addressed to exchanges should be proportionate and non-discriminatory as well.

<ESMA\_QUESTION\_MDA\_34>

1. : How would Brexit impact the establishment of a CT? Would an EU27 CTP consolidating only EU27 transactions be of added value or would a CT that lacks UK data not be perceived as attractive?

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In our view, one may legitimately question the pertinence and relevance of an EU27 CT. At the same time, constructing a CT across third countries is not sensible and should be discouraged.

<ESMA\_QUESTION\_MDA\_35>

1. : In your view, how would an EU27 CT impact the level playing field between the EU27 and the UK? Please explain.

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An EU27 CT has the potential to impact the level playing field between the EU27 and the UK as it would without a doubt increase EU trading venues’ compliance-related costs and potentially have an impact on their revenues whereas trading venues in the UK would not have to bear such costs. Furthermore, an EU27 CT would be powerless to enhance the quality and consistency of OTC and SI trades in the UK.

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