



Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

**The Investment Association**  
Camomile Court, 23 Camomile Street,  
London, EC3A 7LL

+44 20 7831 0898  
Hugo.gordon@theia.org  
theia.org

 @InvAssoc  The Investment Association

29<sup>th</sup> September 2023

To whom it may concern,

**RE: Investment Association response to the FCA's Update Report on its Wholesale Data Market Study**

I am writing to you on behalf of The Investment Association (the IA). The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 270 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £10 trillion for savers and institutions in the UK and beyond. The UK asset management industry is the largest in Europe and the second largest globally.

We have read with interest the FCA's Update Report on its Wholesale Data Market Study and welcome the opportunity to respond.

As expressed in our previous [response](#) to the Wholesale Market Data Study, the IA and its members have long held concerns regarding the ever-increasing cost and complexity of wholesale data markets, and while we understand that the FCA is still considering what actions, if any, to take out of a range of potential outcomes to take, we would like to reiterate those concerns.

From the largest global asset managers to the smallest firms, all members have faced high and rising prices to acquire data that is critical to their business. Key drivers of this include:

- Greater requirements for data usage, with de facto requirements to purchase new data products that have come onto the market; and
- Licensing agreements and policies that are subject to variation and regular changes. Vendors will often separate use cases and impose separate licence charges for each.



These issues are further exacerbated by increasing consolidation of providers and dominance by a small number of players, resulting in a monopolistic scenario where investors find it difficult to move their business to a competitor. For both benchmark providers and credit ratings agencies in particular, there are a relatively small number of large market players, and investment mandates will often require investment managers to use particular providers. This allows these providers to raise prices significantly with little recourse available to investment managers to move their business elsewhere. Increasingly, the IA's members are also seeing this trend now spreading to the area of ESG data, where the largest, global data providers are taking over smaller, specialised, providers.

All this has had the effect of greatly increasing the costs required for market participants to access a comprehensive view of market activity, acting as a barrier to entry for smaller and newer firms and ultimately impacting the returns of the end client: the individual saver and investor.

It is not at all clear to the IA and its members that these rising costs are associated with an improvement in data quality, or an increase in costs incurred by the data provider. Instead data providers are often seen to be simply charging more for the same level of service.

We also note that pricing models change frequently, with vendors frequently making changes to usage and licensing rules at each new renewal (for example by switching between unlimited usage per licence to per user pricing), driving up fees over time. There is often little transparency as to how these pricing models operate. In many cases, data providers will state that they are working from a strict pricing list which makes price reduction impossible, but more often than not these pricing lists are not visible to data users. These opaque models lead to highly variable commercial outcomes, make price comparison impossible, and make it difficult to determine whether the requirement to treat customers fairly is being met, as well as to anticipate any future cost increase from one year to another in the provision of a given service by data providers.

Finally, we note with concern the practice of providers disclaiming liability for the accuracy, completeness, and/or timeliness of delivery. This puts the risk of their errors onto the consumer, setting an unfair responsibility on investment managers as users of such data. Given that investment managers are paying for this data, the onus should be on data providers to ensure that the data is reliable and useable. As this is not the case currently, this often results in data consumers building teams and functions to verify the data at their own expense. Coupled with the persistent, unjustified cost increases the providers levy, this adds significant cost and time burden to the consuming company and potentially the end customer in the way of higher charges.

We note that the Update Report states that these issues have also been identified by a number of other market participants, and we would welcome further action from the FCA to address them.

In order to improve the functioning of the market, and in recognition of the market dominance of a relatively small number of players, we recommend that:

- Data fees be tied to costs, with cost increases based on a reasonable profit margin, or demonstrable growth in operating expenses (excluding contracting and audit costs).



- Regulators should consider how to rationalize licensing agreements – by, for example, requiring standardized contract terms and standards.
- Regulators should also consider how to achieve greater pricing transparency, through public availability of pricing lists or models.
- An option for ‘enterprise’ licencing of market data (ie having one licence with a data provider for use throughout the firm) be introduced.

We also welcome the statement that the FCA will further explore concerns regarding market data providers disclaiming liability for accuracy, completeness, and timeliness of delivery.

We await with interest the FCA’s final report on its findings on competition in wholesale data markets, and would be happy to discuss further with the FCA any of the issues we have raised here.

Yours sincerely,

**Hugo Gordon,**  
**Senior Policy Adviser, Investments & Capital Markets**