



Survey Report

Market Data Management
Challenges – Spend, Usage
and Compliance

January 2022

waterstechnology



www.trgscreen.com

Executive summary

THE ABILITY FOR CAPITAL MARKETS FIRMS OF ALL SHAPES AND SIZES TO ACCURATELY AND EFFICIENTLY MONITOR THEIR MARKET DATA SPEND, USAGE AND COMPLIANCE MIGHT, AT FACE VALUE, SEEM LIKE A SIMPLE UNDERTAKING – THOUGH, ON CLOSER SCRUTINY, IT IS ANYTHING BUT TRIVIAL. NOT ONLY IS IT A LABORIOUS AND ERROR-PRONE PROCESS – ESPECIALLY WHEN MANAGED MANUALLY – BUT IT IS ALSO CRITICAL FOR FIRMS TO GET THE VARIOUS PROCESSES FALLING UNDER THE MARKET DATA UMBRELLA ABSOLUTELY RIGHT TO MINIMIZE UNNECESSARY SPENDING AND IMPROVE DATA SHARING WHERE APPROPRIATE ACROSS THE BUSINESS.

Needless to say, it's a perennial struggle for buy- and sell-side firms, irrespective of size, sophistication, technological proficiency and technology/operational budgets. In fact, this is one of the rare instances in the capital markets where, often, the larger the firm involved, the more acute the challenge becomes due to the sheer scale and variety of data it is consuming. The number of departments, locations, individuals and use-cases it has invariably leads to data duplication where essentially different areas of the business are buying identical datasets and feeds. That said, this challenge by no means affects only the industry's largest layers. On the contrary, tier-two and tier-three firms with their relatively smaller technology budgets and headcounts face similar tribulations.

The ability for capital markets firms to accurately and efficiently monitor their market data spend, usage and compliance is a perennial struggle for buy- and sell-side firms of all shapes and sizes.

So what's the answer? Some firms have resorted to spreadsheets and workarounds as a means of at least trying to get a handle on this aspect of their business. Others have developed proprietary applications or implemented generic contract management or procurement systems, although they invariably have their limitations in that they solve either the spend, usage or compliance aspects of the data management challenges – but not all three.

However, in most cases, the most viable alternative is for them to partner with a specialist third-party provider, which can provide obvious advantages, not least of which is time to market for the rollout of new systems and functionality developed specifically for the tasks at hand.

Executive summary

The most viable solution is to partner with a specialist third-party provider, which can provide obvious advantages.

The findings from this 14-question survey are based on responses from 50 senior data and technology staff at buy-side and sell-side firms. Respondents from WatersTechnology's database were invited to participate in the study and were not targeted by size, function, which side of the industry they sit on or their location, so as to avoid any confirmation bias

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This Whitepaper at a Glance

- **76%** of respondents have well-established, dedicated market data teams, while an additional **18%** have recently created such teams, illustrating the importance that firms place on managing their market data efficiently and transparently.
- Almost half of all respondents (**46%**) use specialist third-party tools to manage their market data spend, usage and compliance, while **42%** use a mix of third-party tools and proprietary technologies. Significantly, only **14%** of respondents rely exclusively on proprietary tools to manage these functions, illustrating the important role played by the third-party vendor community when it comes to providing support for these specialist functions.
- Respondents' roles and titles within their firms indicate four primary areas of specialism: data management and governance (**24%**); market and data analysis (**20%**); IT and project management (**16%**); and risk and compliance (**16%**). While a single constituent doesn't dominate, it is fair to conclude that market data spend and usage is of interest to and touches a variety of capital markets roles.
- When it comes to the challenges firms experience when implementing tools to manage their market data spend, usage and compliance, **30%** cited pure budgetary considerations, while **24%** identified a lack of team bandwidth to manage and leverage the systems, with an additional **22%** citing a lack of IT resources. Clearly, budgetary considerations impact even the largest players when contemplating new implementations, while a lack of IT resources is a perennial, industry-wide bugbear.
- In terms of outsourcing aspects of their market data needs, just over one-quarter (**26%**) of respondents outsource contract workflows, while **24%** outsource inventory management. Compliance management, invoice processing, and reporting and analytics functions are currently outsourced by **18%** of respondents.
- Almost **70%** of all respondents are looking to outsource at least one aspect of their market data management functions in the future, indicating a clear appetite for outsourcing/managed services. Inventory management (**28%**) was the most popular function for consideration, while invoice processing (**26%**), contract workflows (**22%**) and service utilization (**18%**) were also prominent.
- The majority of survey respondents (**62%**) work at what they consider large firms, which typically would have developed best practices around their market data spend, usage and compliance. However, there is still significant room for improvement where **54%** cite 'usage' as an area in which they can improve their firm's market data management.
- More than one-quarter (**28%**) of respondents work at tier-two and tier-three (medium-sized) firms, indicating that the challenges around market data spend, usage and compliance is by no means applicable to only large capital markets firms.

Percentages in some tables and graphs may not total 100 due to rounding.

Stats

Responsibility for Market Data Management

76% have a well-established dedicated market data team

18% Have recently created a dedicated market data team



Market Data Tools & Technology

46% Use specialist third-party tools to manage their market data spend, usage and compliance

42% Use a mix of third-party tools and proprietary technologies

14% Rely exclusively on proprietary tools to manage these functions

Challenges When Implementing New Tools

30% Pure budgetary considerations

24% Lack of team bandwidth to manage and leverage the systems

22% Lack of IT resources



Current Market Data Outsourcing

26% Outsource contract workflows

24% Outsource inventory management

18% Outsource compliance management, invoice processing and reporting and analytics



Planned Market Data Outsourcing

68% Will outsource at least one aspect of market data management in the future

28% Plan to outsource inventory management

26% Plan to outsource invoice processing

22% Plan to outsource contract workflows

18% Plan to outsource service utilization



Respondent Profile

Location

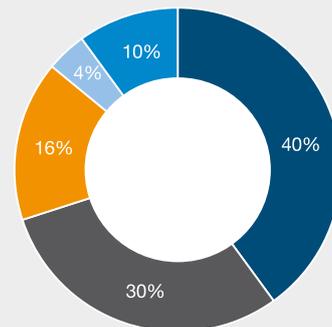
Question 1 of the survey focused on respondents' locations, with 40% based in North America (the US and Canada) and almost 50% based in the EU and UK (30% and 16%, respectively). This geographic breakdown is an accurate reflection of the industry's distribution as a whole.

Organization Type

At face value, the results from Question 2, which focuses on the types of organizations respondents work at, appear straightforward. Exactly half represent investment banks, while just under one-quarter (22%) work at traditional asset managers. However, a quick analysis of the global financial services industry in terms of firm type and number is revealing when compared with the breakdown of respondents to this survey. We know that buy-side firms outnumber their sell-side counterparts by as many as 10 to 1 (depending on the source, definition and region). In other words, there are up to 10 buy-side institutions for every sell-side institution, which, when that rule of thumb is applied to the findings from Question 2, reveals a significant proportion of sell-side respondents to this survey.

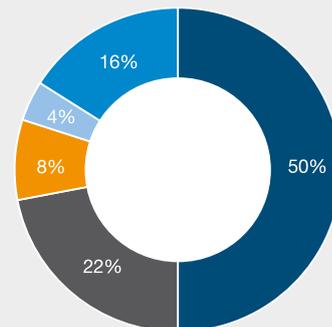
One could argue, therefore, that the subject of this survey – firms' abilities to accurately manage their market data spending, usage and compliance – concerns sell-side firms more than the buy side. And, while that argument might strike a chord with some market commentators, it does overlook the buy side and the similar challenges facing those firms when managing market data accurately, efficiently and transparently. Yes, investment banks tend to be larger, more complex organizations than investment managers, which means tracking their market data spend, usage and compliance is similarly more complex. However, as previously explained, this is not a sell side-only problem – it absolutely impacts the buy side and those firms' day-to-day operations.

1 Where is your firm based?



- North America
- The EU
- The UK
- Asia-Pacific (including Japan and Mainland China)
- Other

2 What type of firm do you represent



- Investment bank
- Traditional asset manager
- Broker/market-maker
- Fund of funds/hedge fund
- Other

Job Role

Question 3 explored respondents' roles within their firms to understand which roles and parts of the business are responsible for managing data spend, usage and compliance, or are impacted by such functions.

Unsurprisingly, given the open-ended question, there was a wide variety of responses, which, in the interest of analysis, were collated under five headings. As one would expect, the majority of respondents (24%) are in data management and governance roles, while data analysts make up the next largest constituent (excluding the 'other' category, which contains 12 roles that fell outside of the scope of the other four groups).

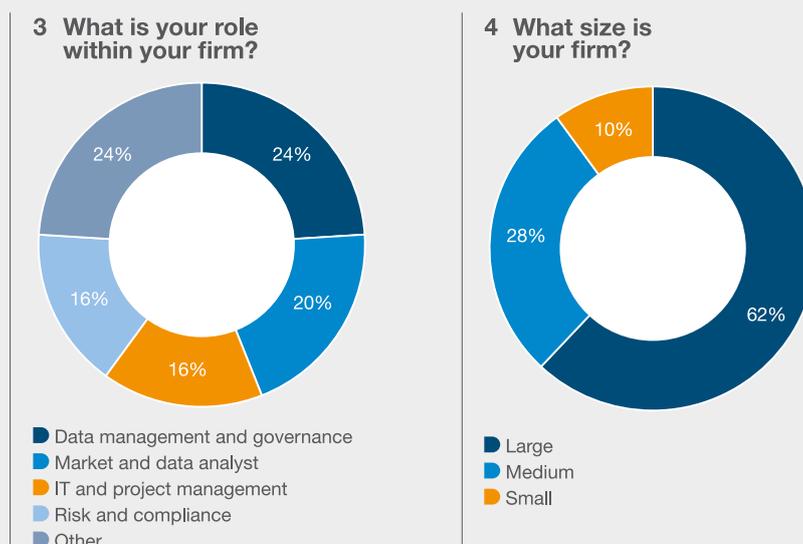
The risk and compliance, and IT and project management groups both came in at 16%, which, while smaller than the first two, still illustrates the extent to which market data spend, usage and compliance touches a variety of roles and departments across the industry. One point to bear in mind, however, is that Question 3 did not ask respondents whether they are directly responsible for managing market data spend, usage and compliance – it simply asked those people who responded to the survey about their roles within their firms, a subtle but nonetheless significant difference.

Firm Size

Question 4 focused on the size of respondents' firms, irrespective of the type of firm. There is no industry-accepted, quantifiable measure delineating 'small', 'medium' and 'large' when it comes to capital markets firms.

Respondents were simply asked whether they saw their organization as small, medium or large, to which the vast majority (62%) selected large. This is significant because, as explained earlier in this paper, size matters when it comes to the ability to accurately and transparently manage market data spend, usage and compliance. Also, the fact that such a sizeable proportion of respondents work at large firms suggests that managing market data spend, usage and compliance is on their radars and that, in all likelihood, there are areas under that umbrella that could be or need to be improved.

Remember, firms in WatersTechnology's database were invited to complete this survey and were not hand-picked according to their size or any other criteria and were not incentivized to complete it.



Dedicated Teams and Market Data Management

Question 5 polled respondents as to whether their firm currently has a dedicated market data team, function or department, to which more than three-quarters (76%) indicated they do.

76% have a well-established dedicated market data team

18% have recently established a market data team

These findings build on those from Question 4, suggesting that, despite having dedicated market data teams, there is still room for improvement. This is based on the assumption that one of the drivers pushing firms to complete the survey is an acknowledgement that there is room for improvement. The flip side of that argument is that there is little incentive for firms to complete a survey if they believe their market data spend, usage and compliance is fully optimized. The findings from this question also illustrate the importance or 'best practice' of having a dedicated market data team within tier-two and tier-three organizations that might be contemplating such initiatives.

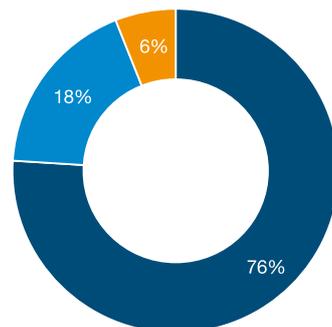
Question 6 asked whether the respondents role is responsible for managing market data. The findings are significant for two reasons:

58% are responsible for managing their firm's market data

1 Almost 58% of those who completed the survey are responsible for managing their firm's market data, even though only a small percentage (24%) have dedicated data management or governance roles.

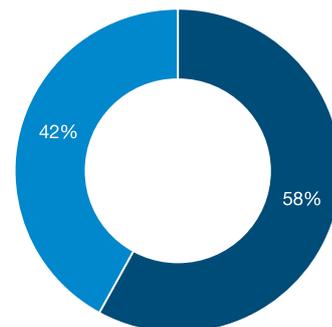
2 Second, 42% of the individuals who completed the survey do not have any responsibility for managing their firm's market data, even though they still chose to complete the survey. It is fair to assume, therefore, that, even though they have no direct responsibility for managing market data, it is still of interest to them, illustrating the extent to which this function concerns a range of personnel from across the business.

5 Does your firm have a dedicated market data team/function/department?



■ Yes - a well-established team
■ Yes - a recently established team
■ No - it's handled by another function/department

6 Is your role responsible for managing market data?



■ Yes
■ No

Tracking and Optimizing



Leigh Walters

Questions 7, 8 and 9 are similar in that they asked respondents to select the most appropriate response to a statement as a means of gauging their ability to track and optimize their market data spend, usage and compliance with the details of exchange and vendor contracts.

The overall takeaway from these questions is that large firms believe they are well-placed to manage such activities: 80% agree or strongly agree that they are able to track and optimize their market data spend; 78% agree or strongly agree that they are able to track and optimize their market data usage; and 82% agree or strongly agree that their firm fully complies with exchange and vendor contracts.

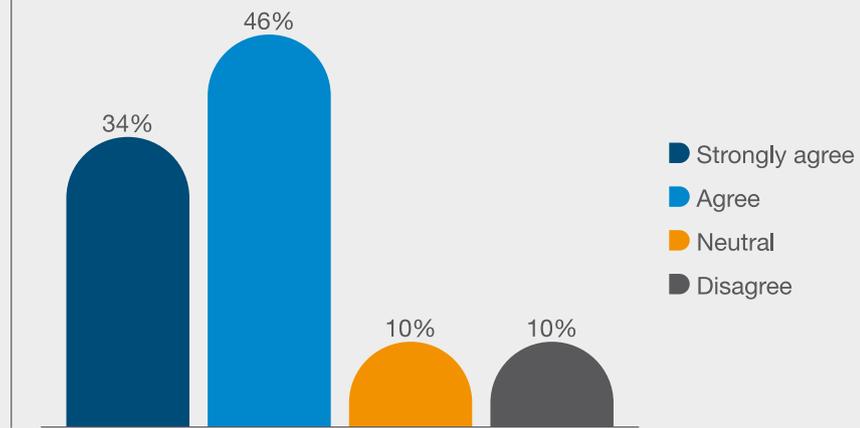
However, anecdotal evidence indicates that firms of all sizes suffer from ‘invisible’ overspend – unused or underutilized services, ‘dormant’ contracts that automatically renew, and overlooked billing errors, for example – and compliance breaches by way of internal redistribution of data and feeds.

“Most tier-one firms have a pretty good handle on their market data spend, but they are less able to track their usage and compliance,” explains Leigh Walters, chief operating officer of TRG Screen. “Most try to handle their compliance manually but they lack the understanding around usage patterns and contractual rights, which exposes them on the compliance front.”

Tier-two and tier-three firms face similar challenges to their bigger brothers, although their technology and operational budgets are invariably smaller, as are their IT resources and technical know-how, which makes developing tools internally unfeasible for most small firms.

“The small to mid-sized firms are much less mature [than tier-one firms] in all three aspects [spend, usage and compliance],” says Walters. “They might have a decent handle on their spending, which they tend to put a lot of effort into managing through spreadsheets, databases and manual workarounds but, when it comes to usage and compliance, they really struggle.”

7 To what extent do you agree that your firm is able to accurately track and optimize its market data spend?



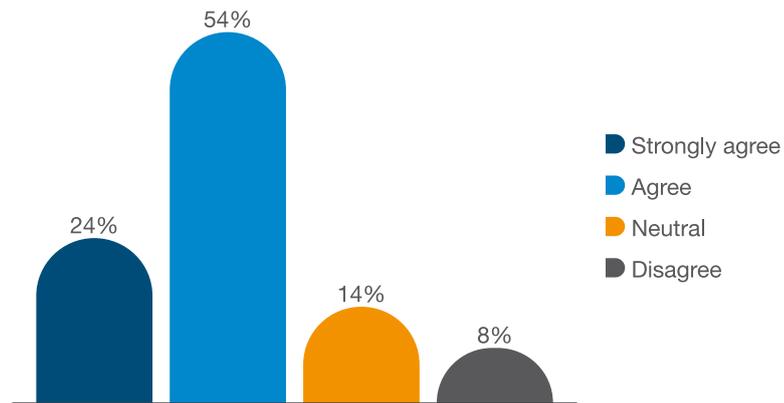
Business Case

All capital markets firms need to be able to build a solid business case to justify the often considerable expense associated with developing internal tools or deploying third-party-developed tools, irrespective of the business process in question.

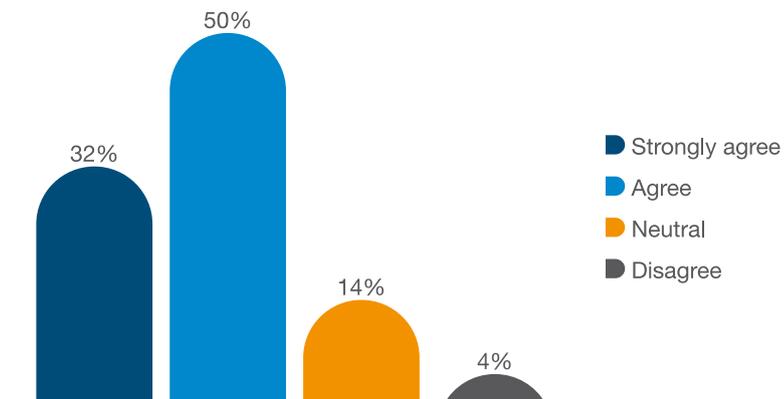
When it comes to market data management, the best way to make the business case for implementing the technology to optimize those processes is to focus on the potential savings, given the sheer scale of the costs involved.

“For larger firms, the magnitude of spend is so large that a small swing can make a big difference, which means they have been focused on this for many years,” Walters says. “But, for the smaller firms, the absolute dollars they are spending are smaller – millions or tens of millions of dollars each year rather than hundreds of millions – but there is so much more potential saving they can make that it’s actually still really material. However, part of the issue they have is that they tend not to be looking for a solution because they don’t know they have a problem to start with.”

8 To what extent do you agree that your firm is able to accurately track and optimize usage of its market data (re)sources?



9 To what extent do you agree that your firm is in compliance with the terms and conditions of its exchange and vendor contracts?



Tools & Technology

Question 10 sought to gauge the extent to which respondent firms have specialist systems or tools in place to help them track their market data spend, usage and compliance.

It was the first of three 'select all options' questions of the survey (the others being Questions 13 and 14), the results of which show two clear preferences:

- **46%** of respondents use third-party tools exclusively to manage their market data
- **42%** use a mix of third-party tools and proprietary applications.

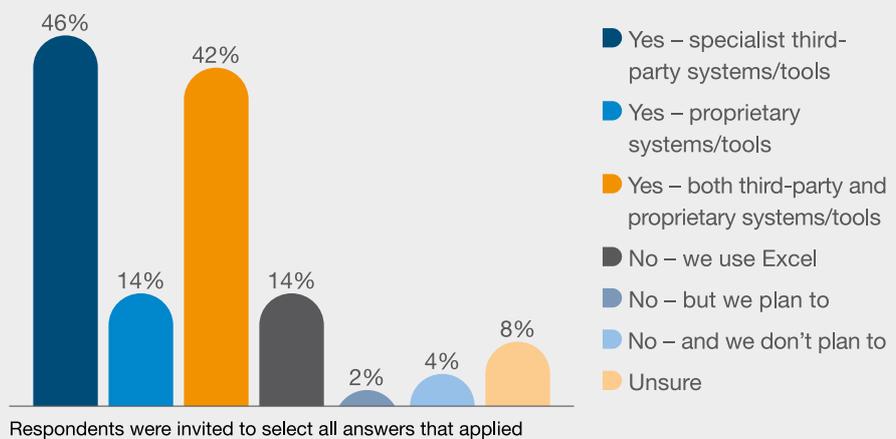
The results also show small minorities using proprietary applications exclusively or Excel spreadsheets for such functions, both of which attracted 14% of the vote.

That such a sizeable number of firms use third-party tools is significant in that, with the exception of the very largest firms on both sides of the industry that have the requisite technical skills, resources and budgets, developing such tools in-house is not a realistic proposition.

A sizeable number of firms use third-party tools indicating that developing such tools in-house is not a realistic proposition.

Similarly, time-to-market considerations are a significant deterrent for firms looking to be up and running as quickly as possible with new tools/applications, a factor that has risen to prominence over the past 18–24 months with the onset of the Covid-19 pandemic, with firms on both sides of the industry, large and small, increasingly looking for cloud-based or managed services.

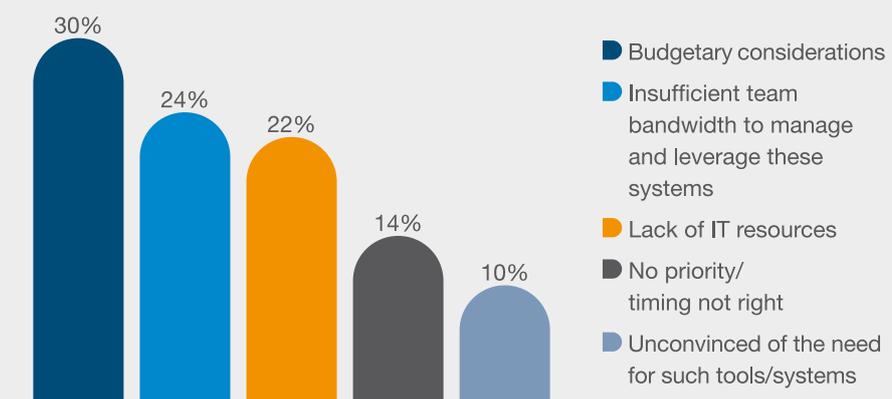
10 Does your firm have specialist systems/tools to track market data spend, usage and compliance?



Question 11 continued where its predecessor left off and asked respondents about the primary challenges they encounter when it comes to implementing a system or tools to manage their market data spend, usage and compliance.

Unsurprisingly, just under one-third (30%) cited pure budgetary considerations, while a lack of bandwidth to manage the systems (24%) and lack of IT resource (22%) also featured prominently. The 'no team bandwidth' option is not dissimilar to the lack of resource, which, when combined with the budgetary considerations votes, means that more than three-quarters of respondents cite internal challenges as their primary areas of concern.

11 What are the primary challenges to implementing new tools/systems as described in Question 10?



Transparency

Question 12 asked respondents where they believe there is greatest potential with regard to improving their firm's market data management.

More than half of respondents (54%) believe their usage could be improved, while 20% believe their spending habits could also improve. These results reinforce the notion that, due primarily to a lack of transparency, firms do not fully utilize the market data they acquire. Indeed, different areas of the business sometimes even buy or subscribe to the same or similar market data and feeds, oblivious to whatever else is going on in other parts of the business – scenarios that can be remedied through greater levels of transparency across the enterprise. A lack of transparency around data usage can also lead to firms inadvertently breaching compliance and copyright/distribution agreements, which naturally has significant financial and reputational implications.

54%

believe their usage could be improved

20%

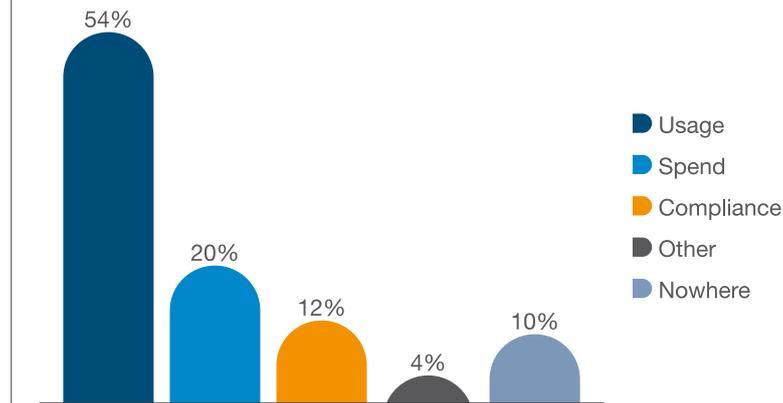
believe their spending habits could improve

A lack of transparency around data usage can also lead to firms inadvertently breaching

On a related theme, firms are always looking for ways to manage their various operating costs, and market data spending is one such area in which they are looking to rationalize their spending so that they buy only those datasets and feeds that they absolutely require, while stepping away from contracts they believe are not essential for the business, thus directly impacting the firm's bottom line.

"Transparency, automation and expertise are the three areas that separate us, although transparency is everything," explains Walters. "If you can't see what you're spending and the usage patterns of it, you're driving blind. If you don't know how much you're spending [on market data], with whom you are spending, who is consuming it and the usage patterns around it, how on earth can you manage it?"

12 When looking to improve your firm's market data management, where is the biggest potential?



Critical Components



Roel Mels

Of course, firms can generate transparency around their market data spend, usage and compliance through 'heavy lifting' and throwing more people at the problem, although that is unsustainable in the long term and will be largely ineffective in the event of an external audit. Automation of data spending and usage – and, by association, compliance – is therefore key. The upside of automation is that it puts organizations in a position where they can analyze data rather than simply managing and processing it.

As for the components that any competent market data management platform should offer its users for it to be genuinely fit for purpose, Roel Mels, global head of marketing at TRG Screen, believes it boils down to two critical constituents.

"It's a combination of spend and usage [functionality]," he explains. "What does spend tell you if you don't have the actual usage stats behind it? Licensed products and services can be unused, underused or underutilized. One needs to track and act upon that – they may qualify for removal, sharing or moving to a more cost-effective alternative. Market data optimization starts with knowing the full picture of your firm's data landscape and ensuring the right data gets to the people who really need it. If you have a clear picture of spend and usage across the business, not only can you better manage your market data spend, but you will actually optimize it. Monitoring usage also helps you mitigate risks in terms of compliance – it ensures that people aren't accessing data they shouldn't be due to licensing issues."

According to Mels, application integration is another issue raised consistently by TRG Screen's existing and prospective clients.

"It's important that all the tools are able to speak to one another [through application programming interfaces], and that goes for not only our own product suite but also our customers' in order to ensure that everything is straight-through processed. That is critical for large firms, but for tier-two and tier-three firms, ensuring that the platform is user-friendly and easy to use is also key."

Managed Services

The final two questions of the survey focused on respondents' outsourcing preferences – the aspects of their market data needs they are currently outsourcing (Question 13) and those they would consider outsourcing at some point in the future (Question 14).

These two questions are revealing in that they deal with the practical steps firms are already taking or are planning to take regarding using an outsourced service to manage aspects of their market data needs. The results reveal that firms are currently using outsourcing solutions for their contract workflows (26%) and inventory management needs (24%) while, looking ahead, they are most likely to use such services for their inventory management (28%), invoice processing (26%) and contract workflow (22%) needs.

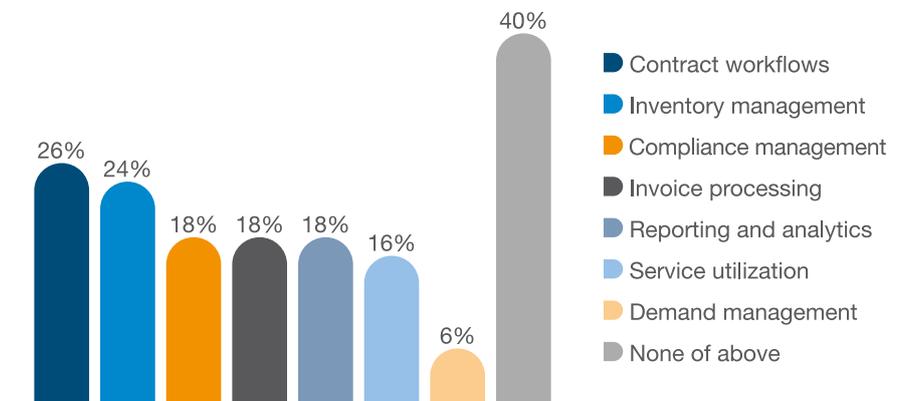
60% currently use outsourcing solutions for their market data needs

"For the bigger players, they've generated all the big savings already, and so it's all about incremental gains," Walters says. "A lot of them already have systems in place – some are legacy, some are proprietary and some are from third parties – and they generally also have a small army of people supporting those systems and functions. So now they're looking at how they can get incremental savings across that entire aspect of their market data and identifying the things that do not add value for them."

The argument for firms to outsource aspects of their day-to-day operations to a specialist third party where they cannot derive additional value is a compelling one, given that there is zero business rationale for managing those processes in-house when a third-party provider can manage them faster, more transparently and invariably cheaper.

“For the smaller guys, once they realize they have a problem – they know they are oversubscribed and they have compliance risk with their market data subscriptions – how do they go about solving it? They haven’t got the manpower or time to develop a solution, maintain a database, review the data and contact the data vendors, and so on, which is what goes into making those savings. That’s where we become a one-stop shop for them, where, rather than hiring a market data team and buying the tools to manage those functions, we do everything for them.”

13 Which aspects of your market data needs do you currently outsource?



Respondents were invited to select all answers that applied

Conclusion

This survey reveals that firms of all sizes on both sides of the industry struggle when it comes to accurately and transparently managing their market data spend, usage and compliance.

Almost all firms represented in this survey have dedicated market data teams, underlining the importance of such teams to the business and, crucially, the technology supporting them in their day-to-day roles, although appreciably less than two-thirds of respondents have a direct role related to managing their firm's market data. This illustrates the pervasiveness of this aspect of their day-to-day lives and shows the extent to which the roles across the industry are impacted by such functions.

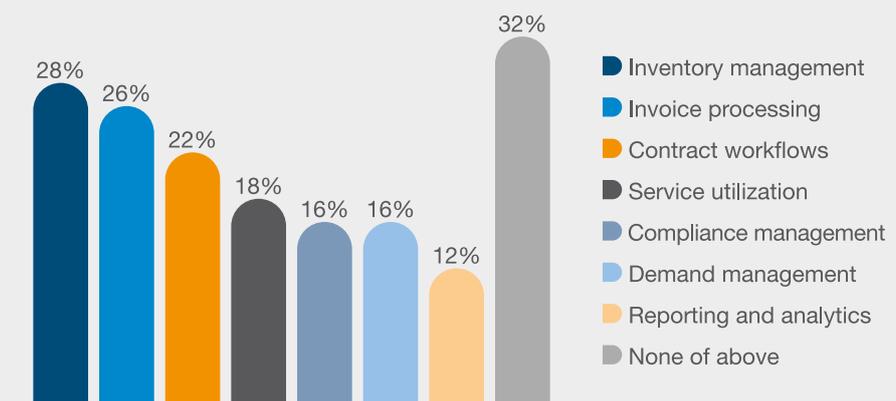
Most firms believe that they are well-placed to manage their market data spend, usage and compliance, there is still significant room for improvement in all three areas, with usage offering the greatest potential for improvement.

The results show that, while most firms believe that they are well-placed to manage their market data spend, usage and compliance, there is still significant room for improvement in all three areas, with usage offering the greatest potential for improvement. When it comes to possessing the technology to adequately address the various market data challenges firms face, the majority already use third-party-provided tools/services, while a significant portion use a blend of third-party and proprietary tools. If anything, the use of third-party tools will continue to grow in this context, while the use of managed services will similarly expand appreciably, in line with what the industry is witnessing with other business processes across both sides of the industry in the wake of the business and operational challenges of the past 18 months.

68%

plan to outsource one or more aspects of their market data needs in the future

14 Which aspects of your market data needs would you consider outsourcing in the future?



Respondents were invited to select all answers that applied

About TRG Screen

TRG Screen is uniquely positioned and is the leading provider of software used to monitor and manage subscription spend and usage across the entire enterprise.

Our enterprise subscription management solutions help global enterprises to manage the full end-to-end lifecycle of their market data, research, software licensing and other corporate expenses, saving you significant amounts of time and money, year after year.

Our global client base consists of over 750 financial institutions, law firms, professional services firms and other blue-chip enterprises.

Our clients realize immediate return on investment and significant long-term cost savings (10-30%), transparency into purchased subscriptions, workflow improvements and a higher degree of compliance with their vendor contracts.

About WatersTechnology

WatersTechnology's portfolio is the market-leading industry brand serving financial trading firms in print, in person and online – through a print magazine, website, email alerts, conferences, research, training, briefings, webcasts, videos, awards, whitepaper lead generation and special reports.

The portfolio focuses its reporting around the topics of market data, reference data and technology for the buy and sell sides. Coverage serves the financial community with independent, expert journalism and has built its reputation by providing analysis and news covering all developments in this fast-moving business in North America, the UK, Europe and the Asia-Pacific region.

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