

Information Strategies. Re-invented.

Data Into Dollars: Leveraging Trading & Price Information for Business

Market efficiency throughout the trading cycle is based upon one single factor, access to price information. Regulatory enhancements and clients' requirement for quality tradable prices are creating opportunities for Banks, as well as other organisations, to make their trading data and histories available for mutual benefit.

- Banks must look to their trading and price histories to create revenue opportunities for themselves and their clients.
- Even if a Bank does not want to develop a business from its proprietary price data, it will have to comply with upcoming and future regulations.
- Therefore financial institutions will be forced to understand their internal capabilities.
- The basic premise is the source owner must know the content of the internal market data and price inventory, if not there will be a cost, both internally and externally.

This presentation discusses the opportunities available for institutions with tradable, as well as non-tradable, data that is required by the market place.

Why DataContent?

- Independent from all Market Data Sources, Vendors, and Exchanges.
- Proven 25 year track record with major global financial institutions, Vendors, Exchanges and Sources.
- Leaders in best practice industry principles



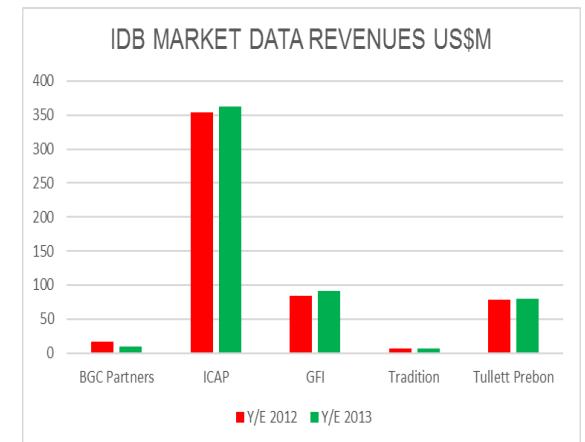
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BENEFITS OF LEVERAGING PRICE DATA

- What to look for?
- Data Licensing is a high margin, profitable business in its own right.
- It provides additional revenue directly benefitting the bottom line.
- It promotes the relationship between the source provider and the end user.
- As the IDBs and vendors have discovered and leverage, usage of source data across a clients enterprise correlates to increased trading volumes for the source.
- Equally uses of sources data in analytics and models also correlates to increased trading volumes for the source.
- Once source trading data becomes consumed within enterprise wide applications it is extremely difficult to remove.
- This increases the ‘stickiness’ of the data.
- Understanding what price data is available internally both tradable and contributed prices will provide regulatory and cost benefits.
- Banks are aware of the above factors and actively leverage data for the business, i.e. *Citi's 'The Yield Book'* or *JP Morgan's Pricing Direct*.
- However this has not extended to internal proprietary trading data.
- But new regulations and most notably FRTB are now changing the data utilisation parameters.



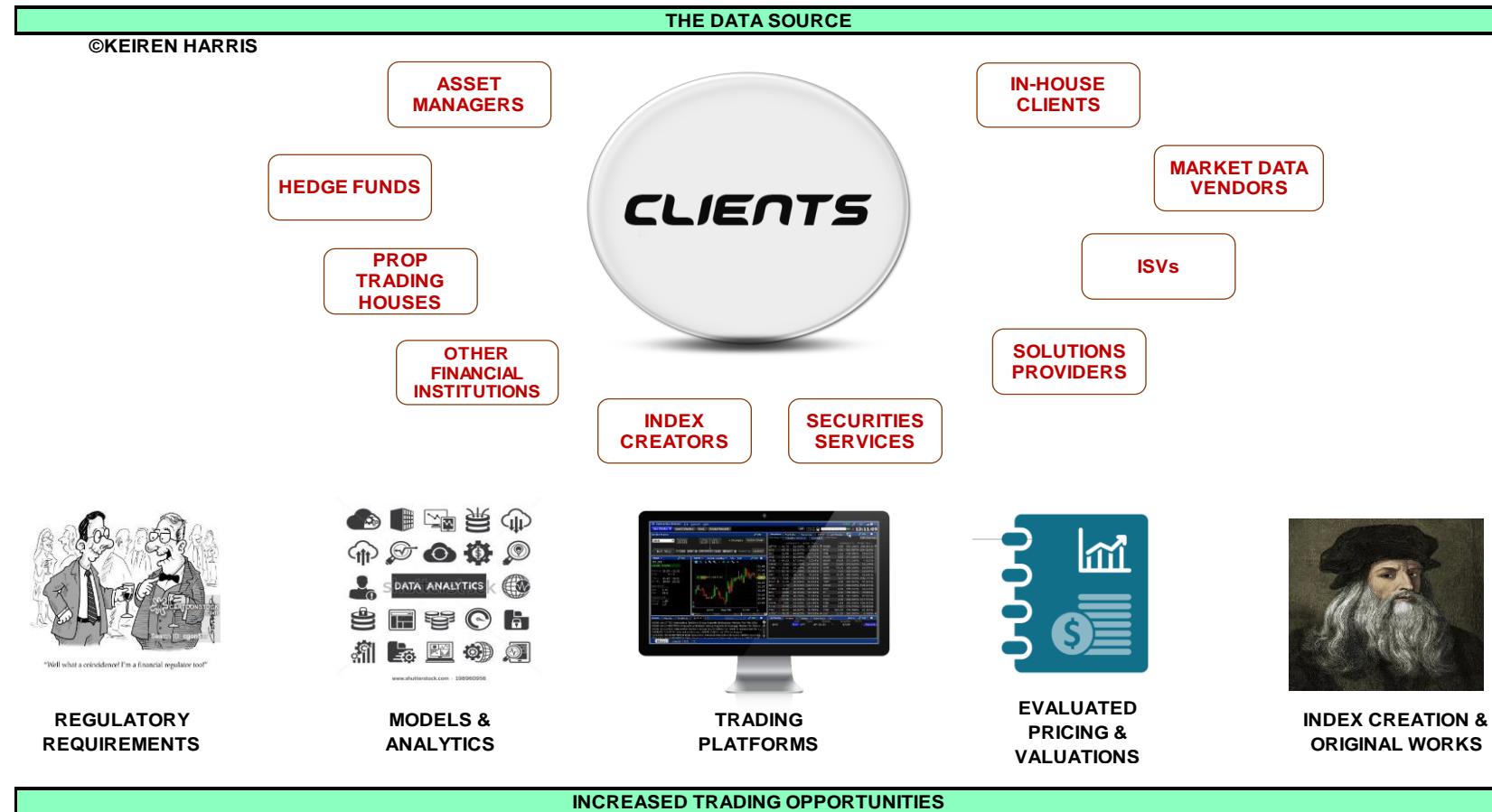
Note 2012/2013 last years for which independent data available.



EXPOITING OPPORTUNITIES

- Opportunities can be categorised in 2 ways.

1. The potential client base, which can include competitors.
2. How the clients can and will use the data, by meeting reporting requirements, creating trading opportunities, and by adding their own proprietary value. *Also see Slide 8.*





IMPORTANCE & NECESSITY

KNOW YOUR INVENTORY

- Why is this important?
- New regulations such as FRTB (Fundamental Review of the Trading Book), and MiFID2 require increasing access to multiple sources of primary information with a value emphasis on 'Observable Transactions'.
- This limits the available trading data sources in both quantitative and qualitative terms as there is no single source for all data.
- The impact of FRTB is initially on the Banks at source, however, their clients, and the entire range of organisations that require trading data for benchmarks (i.e. Index Creators), analytics providers, trading engines and models are being impacted.
- Also index creators under IOSCO Principles must verify and validate sources, and those sources, usually Banks are unaware their prices are being used to create indices.
- This places a premium on knowing the sources of the data, and associated business expectations in terms of accuracy, consistency, and timeliness.
- This offers an opportunity for the trading source to develop market data as a business revenue multiplier.
- Larger sources with a global range of trading information which can leverage their trading data inventory will benefit in Dollar terms.
- Knowing what is available internally will help enable financial institutions to meet future regulatory requirements as well as provide best practice data governance.



European Securities and
Markets Authority

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REGULATORS & PRICE DATA

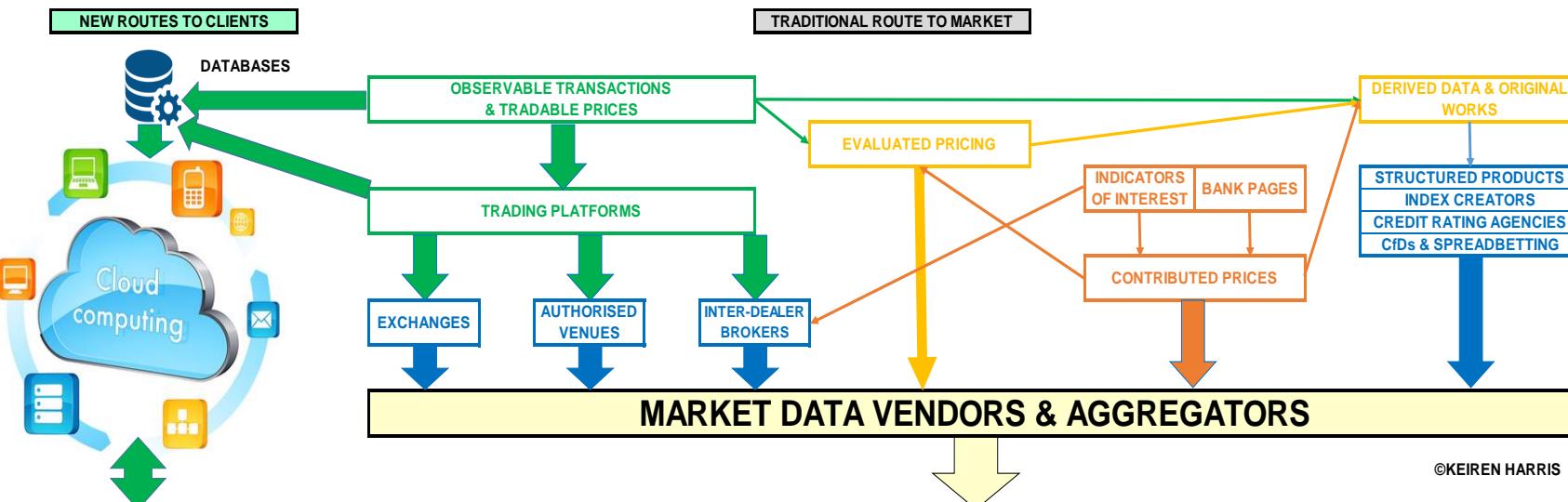


- **Regulators are investing in Price Data.**
 - Regulators are requiring due diligence and qualitative performance of prices throughout the trading cycle.
 - The US and EU have developed a bias towards usage of Tradable Pricing (Observable transactions) at the expense of other types of pricing such as Indicators of Interest (IOIs).
 - Market liquidity and pricing are the defining factors.
 - But access to a complete range of tradable and trading prices is a major challenge.
 - **Regulatory Impacts.**
 - There are fundamental changes happening right now impacting how financial institutions manage and use their trading prices and publication.
 - Increased emphasis on ‘Duty of Care’ when using prices, and which prices are used, across financial markets.
 - This includes mandating what types of price data are used and for what purpose.
 - There are increased requirements to maintain comprehensive databases and access to records of any and all price data across all delivery channels.
 - Which no single institution or organisation has the capability to offer.
 - This implies greater co-operation amongst competing organisations which must balance confidentiality with regulatory demands.
 - Increased emphasis on price quality.
 - Stricter parameters for best practice data governance.



NEW TECHNOLOGY & ROUTES TO MARKET

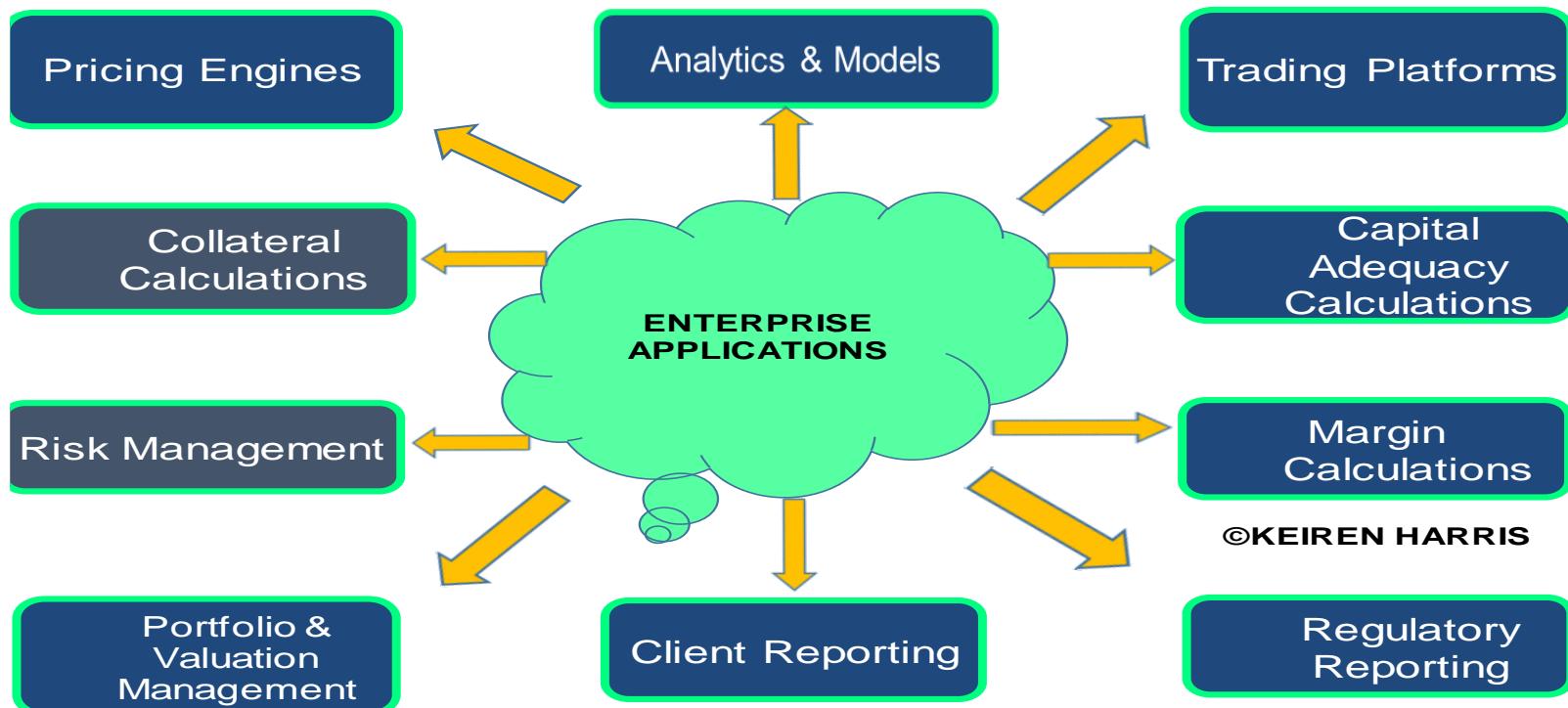
- Banks can reach their clients via multiple channels.
- There are traditional routes as outlined in the matrix below.
- There are now new routes, these new routes such as 'The Cloud' which offers alternative ways to interact with clients and the way clients use proprietary price data.





CLIENTS & PRICE UTILISATION

- **Clients and Price Data Usage**
- Understanding client usage enables the business to be built and developed.
- Once price data starts gets consumed within applications, it becomes remarkably 'sticky'.
- As can be seen from usage of IDB data, once in applications it is hard to remove and also generates repeat brokerage business as data drives models and trading.
- The matrix below details core enterprise wide usage of price data.





STRATEGY STEP 1: CREATING THE INVENTORY

- There are multiple potential strategies, however understanding what content is available is the first step.
- Phase 1 The Price Inventory Audit



ANALYSIS



INVENTORY

- Conduct an audit of the existing tradable data inventory.
- This can also include contributed pricing and IOI data to provide a global view of available price data and information.
- This includes an analysis of what is and what is not available.
- Create a comprehensive database of available price data of all types which can include:
 - Identifiers if available.
 - Data Types i.e. Tradable Prices, IOIs, Traded Prices, and analytical information if available.
 - Sector analysis by asset class, instrument type and market.
 - Frequency of updates for liquidity and regulatory purposes.
 - Establish ownership of the price data, internally and externally for purposes of Intellectual Property Rights (IPR) management.
- Provide a report on existing environment.



STRATEGY STEP 2: BUILDING THE BUSINESS

- Building the business entails understanding the clients, leveraging the content to meet their business needs and creating a framework around policies and pricing.
 - Phase 2 Building the Business

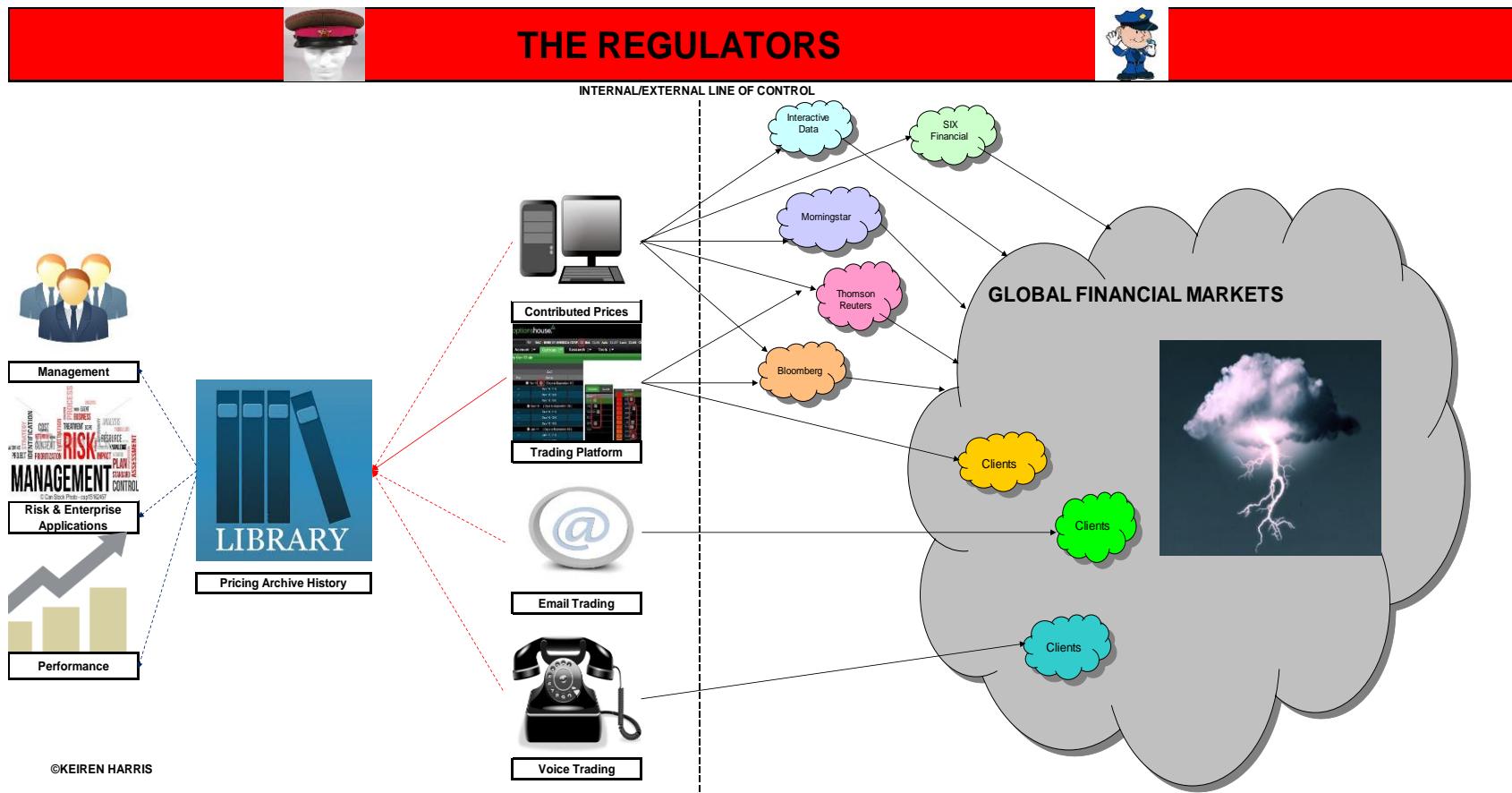


- The basic requirements include:
 - Developing a comprehensive business strategy.
 - Developing effective policies and contracts for usage by distributors and end users of the price data.
 - Analysing the best potential distribution channels for prices.
 - Blue sky thinking, leveraging both traditional and non-traditional routes to end users.
 - Control access, for instance assess the requirements for inhibit lists so data is restricted to prevent competitors viewing data.
 - Comprehensive analysis of target markets and audiences.
 - What are the competition doing right and wrong?
 - Implement strategies.



MARKET PRICING FRAGMENTATION

- There are multiple channels to get prices to market, leading to fragmentation.
- It is difficult to get a single view of the market place, especially for historic tradable prices.
- There is a premium on quality combined with breadth and depth.
- The flow chart below provides a summary overview for an OTC Market environment.



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FINANCIAL INSTITUTIONALS & PRICE PUBLISHING

- **Most Financial Institutions DO:**

- Publish Prices directly, indirectly, or via market data vendors to financial markets.
- Distinguish between types of published prices.
- These are institutions' financial markets 'shop windows'.
- Keep databases of proprietary trading histories which are maintained internally and not re-distributed.



- **Many Financial Institutions DO NOT:**

- Control access to, nor distribution of, their published price data.
- Know who does use their price data, nor for what purpose.
- Maintain a comprehensive Published Price Data Inventory, nor of their internal tradable price histories.
- Maintain complete historic records or databases of published prices.
- Consider the market and audience for their tradable and published data.
- Importantly understand why their tradable and published data is being used, and for what purpose.
- **Leverage their data inventories for to enhance existing revenue flows.**
- **Leverage their data inventories to create new revenue flows.**



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About DataContent.

Rafah Hanna and Keiren Harris inaugurated **DataContent** as an innovative strategic consulting practice.

DataContent advises participants across all financial markets on how to effectively validate, change and profit from data resources, leverage information and market data benefiting their businesses direct to the bottom line.

Expert innovation is the key driver in approach and delivery, all built on continuously proven track records.

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