



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

For Immediate Release

**IIAC says TMX Group Market Data Price Reductions not responsive to market reality –
calls for rigorous regulatory review**

Toronto, June 7, 2011 – The head of the Investment Industry Association of Canada (IIAC) says that market data price reductions outlined in a letter sent out last week by the TMX Group to its market data clients fails to respond to the issue of overly aggressive market data pricing in Canada that was identified in a recent IIAC commissioned study.

“The study clearly shows that Canadian marketplaces have taken advantage of their dominance and as a result have become overly aggressive price-setters for market data. This is a clear reflection of their power over the markets as providers of equity data,” says Ian Russell, President and CEO of IIAC.

Mr. Russell’s comments are based on the findings of a study commissioned last fall by IIAC. The purpose of the study was to assess Canada’s price competitiveness for market data from a global perspective. The study, completed in January, was undertaken by Securities Litigation Consulting Group (SLCG).

The SLCG study concludes Canadian equity marketplaces have increased prices for equity market data through significant price increases over an extended period, without evidence of proportionate increases in technology costs. Further, the Toronto Stock Exchange (TSX) has increased prices for market data despite a significant loss in traded market share. At the same time, fragmentation of trading has led to increasing costs of market data for Canadian market participants as the alternative trading systems (ATSS) are charging for data.

This has resulted in market data costs that have more than doubled for market participants since mid decade.

“Giving Canadian market participants no alternative other than to consume overpriced data makes our marketplace inefficient and unattractive to international investors,” comments Mr. Russell. “This not only hurts our markets, but also Canadian companies trying to finance and our economy as a whole. At the end of the day these costs are borne by the investing public.”

At the same time, the study’s international comparison of market data revenue indicates the proportion of revenues earned from market data at the TMX Group, as a share of total revenue, exceeds the corresponding percentage of many other major international stock exchanges.

Upon receiving the completed SLCG study, in February IIAC met with and outlined the findings to the TMX Group as a first step to negotiating fee reductions for data from all the Canadian marketplaces.

On May 30, 2011, the TMX Group announced selective price reductions in the letter to its market data clients.



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“IIAC is disappointed that after discussing the findings of the study with the TMX Group, it decided to introduce marginal market data fee cuts to the market. While we applaud any rate cut, the cuts put forth by the TMX Group are simply too limited in size and scope to be responsive to the Canadian market reality for market data pricing as outlined in the study given the 40 per cent decline in traded market share volume of the TSX and the related loss in inherent data value,” states Mr. Russell.

To underscore the TMX reductions lack of consistency with this market reality, IIAC points out that the TMX Group reduced Level 1 data costs (best bid and offered prices) from \$38 to \$30 per subscriber per month in two stages, with the full reduction effective April 2012 – yet no reductions have been made to Level 2 data (bid-offered prices for the full depth of order book) or TMX Venture prices. As well, Level 1 data have been unbundled to remove Index data that will now be charged separately. The new price for purchasers of Level 1 data, Level 2 data and Index data is \$81.50, which is only a 7.4 per cent reduction in overall pricing – nowhere near the 40 per cent IIAC had proposed the TMX and other marketplaces reduce data prices by to reflect Canadian market realities (IIAC proposed reductions totaling 40 per cent - 25 per cent this year, followed by further reductions of 5 per cent in each of the next three years covering all major data packages including Level 1 data, Level 2 data and TMX Venture data).

In response to the TMX letter to its data market clients making the changes in pricing effective as of October 1, 2011 (subject to regulatory review), IIAC, based on the findings of the SLGC study, will aggressively make representation to the regulatory authorities that the prices charged for market data must be carefully reviewed, with increases limited to underlying costs, and not based on whatever price the market will bear. Regulators must ensure efficiencies in the savings-investment process are not jeopardized by excessive pricing of all services offered by the marketplaces.

IIAC has argued that pro-active regulatory oversight of the pricing of market data, and other services such as trade execution, listing and clearing, should be a necessary condition for the existing marketplace, and any corporate restructuring that results in further consolidation of the stock exchanges and ATSS in Canada.

The Investment Industry Association of Canada (IIAC)

The Investment Industry Association of Canada (IIAC) is a member-based professional association with 189 members representing 95 per cent of IROC registered organizations. IIAC advances the growth and development of the Canadian investment industry, acting as a strong, proactive voice to represent the interests of our members and the investing public. The following four areas of focus provide clear and purposeful direction for our actions and initiatives: market advancement, advocacy, profile and reputation, and member support. For more information, please visit www.iiac.ca.

- 30 -

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