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## **Bats Plans to Use Exchange Status to Push for Lower Data Fees**

By Edgar Ortega

June 26 (Bloomberg) -- Bats Trading Inc., the third-largest U.S. equity market, will push to cut the more than \$430 million that brokers pay annually for stock quotes once it gains regulatory status as a securities exchange, Chief Executive Officer Joe Ratterman said.

Ratterman said he expects to obtain the official designation from the U.S. Securities and Exchange Commission this year, which would give the Kansas City, Missouri-based company a seat on committees that disseminate and collect fees for trade data.

Brokerages ranging from Goldman Sachs Group Inc. to Charles Schwab Corp. have urged the SEC to reduce data fees, arguing that they are more than 10 times higher than the cost of processing and distributing quotes. The committee data are used as benchmarks for the best prices available across exchanges.

"We are one voice of many, but our position will be that the cost for the consolidated feed needs to come down so the total pool isn't so excessive," Ratterman said in an interview.

"As an exchange we will have more influence in seeing some reform in this area over time."

The Nasdaq Stock Market and the International Securities Exchange, which trades mostly stock options, are the only other exchanges to gain official status in the past three decades.

Bats Trading, which is owned by 11 investment banks, would join the market data committees as NYSE Euronext and Nasdaq OMX Group Inc. increase their influence over the 11-member groups.

NYSE Euronext will gain a third vote with its acquisition in August of the American Stock Exchange. Nasdaq will also have three votes after it completes the purchase of the Boston and Philadelphia stock exchanges.

### **Broken Model**

"It's a positive development that Bats sees the issue pretty much the same way we do," said National Stock Exchange Chairman Joseph Rizzello, who last year urged the SEC to lower fees by opening up the two industry committees to competition.

"The model that we're using is broken."

As an SEC registered exchange, Bats Trading will be able to eliminate its reliance on rivals to disseminate quotes and may be able to draw more business, Ratterman said. Bats will also be responsible for policing trading, and open for SEC review all of its plans to introduce new features.

"Our quote will get to the consolidated tape milliseconds faster than it does today," said Ratterman, who doesn't expect the added regulatory scrutiny to dent Bats' ability to compete against NYSE and Nasdaq. The SEC review may slow the company down to some degree, he said, "but it's not going to slow us down to the level that the incumbents think."

### **Market Share**

Bats Trading has more than doubled its market share over the past year to match 8.6 percent of the total volume traded in the U.S. during May. NYSE Euronext matched 35.3 percent of volume traded last month, while Nasdaq matched 29.2 percent, according to data on their Web sites.

NYSE Euronext unsuccessfully proposed to cut fees by about 10 percent, Larry Leibowitz, head of U.S. markets for the New York-based company, said in an interview last month. The committees require unanimous approval to change its fees.

"We are in favor of market data reform," Leibowitz said in the May 14 interview. "We need to take a step back and look at the whole issue."

In 2005, the SEC changed the way revenue from the data committees was shared between exchanges. The agency sidestepped brokers' calls to lower the overall fees, which totaled \$434 million in 2004, noting that exchanges help fund regulatory functions with that revenue.

The SEC earlier this month sided with NYSE and Nasdaq, deciding that competition among exchanges keeps in check fees for more sophisticated data than distributed by the two committees.

#### Europe Plan

Bats Trading doesn't charge its members a fee for any of its data. The company plans to do the same in Europe once it starts trading later this year, and is talking with more than 12 media outlets who want to join Yahoo! Inc. in offering free real-time quotes on their Web sites, Ratterman said.

NYSE and Nasdaq this month started selling trade information to companies including Google Inc. and General Electric Co.-owned CNBC for as much as \$100,000 a month. Overall, U.S. market data accounted for 6.3 percent of first-quarter net revenue at NYSE Euronext, and 15 percent at Nasdaq.

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