

# Booming US Stocks Highlight the Importance of Quality Market Data

Financial markets today are in an unprecedented time of intense interest and participation. The investing public kept growing and they need quality data to make informed investment decisions. Now more than ever, high quality real-time data and investor education play key roles in determining financial service providers' success.



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The US stock market may be the largest source of equity capital in the world, valued at near USD47 trillion according to Sibilis Research as of 30 June 2021. US markets are not alone in their mission to bring buyers and sellers together. Public markets have to also compete with private markets as well as with international stock markets when attracting new listings.

The US exchange landscape is comprised of 16 independent trading venues. While all 16 markets compete for “order flow,” five of these markets have the additional distinction of being “listing exchanges.”

## Sharp rise in IPOs and deal sizes

In the first half of 2021, Nasdaq has welcomed 410 initial public offerings, up from 316 IPOs in the full year of 2020.

Nasdaq has raised a total of USD106 billion in the first half of 2021. Overall, IPOs raised USD155 billion in 2020, almost double the next best level since the credit crisis, where USD88 billion was raised in 2014 across 309 listings.

But listings is not the only arena in which exchanges compete. According to the Exchange Act, any exchange can trade any security, regardless of where that security is listed.

Of the 16 active trading venues, Nasdaq owns and operates three: Nasdaq, BSX, and PSX. NYSE has five venues: NYSE, ARCA, National, American and Chicago.

CBOE has four: BZX, BYX, EDGX, EDGA. There are four other exchanges that trade less than 5% of volume. Across all listed US securities, approximately 57% of all trades by volume are matched through one of the 16 trading exchanges.

## Dominating off-exchange trade reporting

However, in the varied ecosystem of capital markets participants, exchanges are not the only place a trade can be matched. Brokers are also able match trades off-exchange using an alternative trading system (ATS, e.g., dark pools) or facilitating (trading directly with) clients trades. These off-exchange transactions are



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held to basically the same regulations and reporting standards as transactions originating from a trading exchange. For an investor, this means protections regardless of where an order is executed. It also means all off-exchange executed transactions (but not bids and offers) must be reported for the benefit of all market participants.

Reporting for the approximately 43% of trades being executed off-exchange is facilitated via Trade Reporting Facilities (TRFs), of which there are three. Nasdaq operates two of the three TRFs: the FINRA/Nasdaq TRF Carteret and FINRA/Nasdaq Chicago. Those two venues are responsible for reporting the overwhelming majority of all transactions occurring off-exchange.

Nasdaq records the most trading activity across all US stock exchanges. For example, Nasdaq has a 44.8% market share in trading NYSE-listed stocks vs. NYSE's 36.2%. Similarly, Nasdaq has a 61.0% market share in trading Nasdaq-listed stocks vs. NYSE's 20.3%. (Trade Volume for March 2021)

## The critical importance of data quality

These statistics show that Nasdaq's proprietary products are based on higher data quality than its exchange peers. Whether a stock trades on the Nasdaq or NYSE is not necessarily a determining factor for investors. The mandate, however, to report off-

exchange trades to a TRF is crucial to determine market data quality in today's markets. The increase in retail order flow has caused an increase in trading off-exchange, and therefore trades reported to the TRF.

Nasdaq's market share in NIO (NYSE:NIO), one of the most heavily traded NYSE-listed stocks, during March 2021 was nearly 52%. This is due to Nasdaq's leading position in the proprietary TRF data space when compared to NYSE.

US equity markets are vibrant and competitive. Markets compete for listings, for order flow, and in addition, they compete to power the international

trading communities' tools, algorithms etc. In any competition, there are winner and losers. We have seen how Nasdaq wins the IPO competition by capturing 83% of US IPOs, and we have seen how Nasdaq wins the competition for order flow with superior trading systems.

Nasdaq's real-time market data products are provided to millions of users, powering price discovery and investment decisions across the globe. As the unparalleled source of the US equity data, Nasdaq is continually enhancing its services as well as offer investors and companies more tracks to access the public markets and reach broader investors. ■

