

Nasdaq

Cost Considered for Nordic and Baltic Market Data Fees

Purpose and Scope

The Markets in Financial Instruments Directive II (2014/65/EU, “MiFID II”) and The Markets in Financial Instruments Regulation (EU 600/2014, “MiFIR”) will enter into force on January 3rd 2018. With that comes, among other regulations, new provisions for trading venues, which are further specified in level II-regulation such as Delegated Regulation EU 600/2014, EU 2017/567 and EU 2017/565.

The provisions of this European regulation considers that the price of market data shall be based on the cost of producing and disseminating such data and may include a reasonable margin. Also, the costs of producing and disseminating market data may include an appropriate share of joint costs for other services provided by market operators or investment firms operating a trading venue or by systematic internalisers. As the Commission notes in the Delegated Regulation, specifying the exact cost is very complex. Therefore, cost allocation and cost apportionment methodologies should be specified instead.

The purpose of this document is to describe the costs Nasdaq takes into account when determining Nordic and Baltic market data fees respectively.

Company Overview - Nasdaq, Inc.

Nasdaq, Inc. is a leading provider of trading, clearing, exchange technology, regulatory services, securities listing, information and public company services. Nasdaq’s global offerings are diverse and include trading and clearing across multiple asset classes, trade management services, data products, financial indexes, capital formation solutions, corporate solutions, and market technology products and services. Nasdaq’s technology powers markets across the globe, supporting equity derivative trading, clearing and settlement, cash equity trading, fixed income trading and many other functions.

In Europe, Nasdaq operates trading venues in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Reykjavik (Iceland). Nasdaq also operates trading venues in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania). Nasdaq owns Nasdaq Tallinn and has a majority ownership in Nasdaq Vilnius and Nasdaq Riga¹. In addition, Nasdaq owns the central securities depository in the Baltics (Nasdaq CSD) and in Iceland.

Collectively, the Nasdaq Nordic and Nasdaq Baltic trading venues offer trading in cash equities and depository receipts, warrants, convertibles, rights, fund units and exchange traded funds. Nasdaq’s platform allows the trading venues to share the same trading system, which enables efficient cross-border trading and settlement, cross membership and a single source for Nordic and Baltic data products. In addition to

¹ Nasdaq Copenhagen, Nasdaq Helsinki, Nasdaq Iceland, Nasdaq Riga, Nasdaq Stockholm, Nasdaq Tallinn and Nasdaq Vilnius are respectively brand names for Nasdaq Copenhagen A/S, Nasdaq Helsinki Ltd, Nasdaq Iceland hf., Nasdaq Riga AS, Nasdaq Stockholm AB, Nasdaq Tallinn AS and AB Nasdaq Vilnius. Nasdaq Nordic represents the common offering by Nasdaq Copenhagen, Nasdaq Helsinki, Nasdaq Iceland and Nasdaq Stockholm. Nasdaq Baltic represents the common offering by Nasdaq Tallinn, Nasdaq Riga and Nasdaq Vilnius.

the Nordic and Baltic trading venues mentioned above, Nasdaq operates a commodity derivatives trading venue for European products and freight in Oslo (Norway).

Data Products

The market data offering is a product, which comprises all market information generated in the Nordic and Baltic Nasdaq trading venues respectively. The market data consists of information relating to the instruments traded on the local trading venues and consists of the following classes of assets: cash equities, bonds, derivatives and commodities.

Nasdaq's global data products business sells and distributes historical and real-time quote and trade information to market participants and data distributors on behalf of the trading venues. Market data is part of Global Information Services (GIS), which is a Revenue Business Unit (RBU) in the Nasdaq Group. European data products and services are based on trading information from the Nasdaq Nordic and Nasdaq Baltic trading venues. These products are sold by Nasdaq Nordic Oy on behalf of the Nasdaq Nordic and Nasdaq Baltic trading venues respectively. However, certain data products relating to the Nasdaq Baltic trading venues are sold directly by the relevant trading venue. Nasdaq Nordic and Nasdaq Baltic provides varying levels of quote and trade information to market participants and to data distributors, who in turn provide subscriptions for this information.

Costs Considered when Evaluating Nordic and Baltic Market Data Fees

General

When evaluating the Nordic and Baltic market data fees, Nasdaq considers four categories of costs of each legal entity operating a Nordic or Baltic trading venue:

- i. Direct costs associated with Nordic and Baltic market data operations;
- ii. Indirect costs associated with Nordic and Baltic market data operations;
- iii. Intercompany costs directly assigned to Nordic and Baltic market data operations and those proportionally shared with other RBUs within the applicable legal entity; and
- iv. Interest costs and applicable corporate taxes associated with Nordic and Baltic market data operations.

All costs, described in more detail below, are included in the financial statements of the specific and relevant legal entities in accordance with Nasdaq's statutory reporting requirements.

Costs Considered

i. Direct Costs

Nasdaq considers all costs for the product management, operations and customer support, administration, and sales functions of the Nordic and Baltic market data, recorded directly to the GIS RBU cost centers, i.e. direct costs related to Nordic and Baltic market data operations of each legal entity operating a Nordic or Baltic trading venue.

Direct Nordic or Baltic market data costs include the following operating costs:

- Compensation and Benefits;
- Marketing and Advertising;
- Professional and Contract Services;
- Computer Operations and Data Communication;
- Provision for Bad Debts; and
- General, Administrative and Other.

ii. **Indirect Costs**

The operating costs of common functions in the legal entity and a proportion of the operating costs of other RBUs are taken into account when determining Nordic and Baltic market data fees as these costs represent functions critical to the overall operation and delivery of Nordic and Baltic market data. More specifically, the indirect costs include:

- The Nordic and Baltic market data share of local common functions shared by every RBU residing in the respective legal entity. The Nordic market data portion of these operating costs is considered based on the percentage of Nordic market data revenue as compared to the revenue of all RBUs within the legal entity. Functions include: Global Technology, Finance, Legal and Regulation, Marketing and Communication, and Global Real Estate.
- The Nordic and Baltic market data share of operating costs incurred by other RBUs within the legal entity which are integral to the Nordic and Baltic market data operations (i.e. the Market Services (trading) from the RBU for Global Equity and Derivatives, Global Fixed Income and Global Commodities therefore seen as joint costs. The operating costs for the RBUs that are considered necessary for the Nordic and Baltic market data operations are allocated based on the Nordic and Baltic market data revenue compared to the revenue of all the RBUs within the legal entity. Functions include: Global Equity and Derivatives, Global Fixed Income, Global Commodities and Listing Services.

iii. **Intercompany Costs**

Intercompany costs considered are comprised of both direct operating costs, i.e. charges directly related to Nordic or Baltic market data operations, as well as a portion of shared operating costs charged to the legal entity as a whole. The intercompany costs are based on Nasdaq's transfer pricing policy, which is designed to ensure that all entities providing services that are for the benefit of other legal entities are remunerated properly and in line with the arm's length principle, using allocation keys that best reflect the use of resources. The intercompany costs include:

- Direct intercompany costs, i.e. costs that are directly beneficial for the Nordic or Baltic market data operations, such as sales and marketing costs incurred in other legal entities in relation to the sales and marketing of Nordic market data products; and
- Shared intercompany costs, i.e. services provided by other legal entities where only a proportion of the costs are deemed appropriate to include in the evaluation of the Nordic or Baltic market data fees. The Nordic or Baltic market data share of shared intercompany costs is based on the proportion of the revenue for Nordic or Baltic market data compared to the revenue of all RBUs within the legal entity. Functions/services include, but are not limited to: Technology/IT related services, Corporate communication, Treasury services, Management services, Corporate IT and Corporate Systems.

iv. Allocable Costs

In addition to the above operating costs, Nasdaq considers the following costs:

- Interest costs related to the financing of the Nordic market data operations and related assets. Due to the cross utilization of functions and assets between various RBUs, the Nordic or Baltic market data share of legal entity interest costs are attributed to the Nordic or Baltic market data operations based on the proportion of the revenue for Nordic or Baltic market data compared to the revenue of all RBUs within the legal entity, and
- Taxes are considered as relevant costs to the extent they are not refundable or reclaimable. In this regard, Nasdaq considers standard local tax rates on reported Nordic and Baltic market data fee profits.

Summary

Below is a summary table of the four categories of costs considered by Nasdaq when evaluating Nordic and Baltic market data fees.

Cost Category	Summary of Details
i. Direct Costs	All costs for the product management, operations and customer support, administration, and sales functions of the Nordic or Baltic market data, recorded directly to the GIS RBU cost centers in the legal entity.
ii. Indirect Costs	A portion of the operating costs of common functions in the legal entity and a portion of the operating costs of other RBUs within the same legal entity, as all these costs represent functions critical to the overall operation and delivery of Nordic or Baltic market data.
iii. Intercompany Costs	All intercompany cost charges directly related to Nordic or Baltic market data (e.g. Nordic or Baltic market data sales and marketing costs) and a portion of intercompany cost charges charged to the legal entity as a whole (where only a portion of the costs are related to Nordic or Baltic market data).
iv. Allocable Costs	Interest costs related to the financing of the Nordic or Baltic market data operations and related assets and taxes to the extent they are not refundable or reclaimable.

Concluding remarks

This document has described the costs Nasdaq is taking into account when determining Nordic and Baltic market data fees, including applicable cost allocation and cost apportionment methodologies. It is Nasdaq's

view that all of the above costs are relevant for the production and dissemination of Nordic and Baltic market data and consequently also relevant to consider when evaluating Nordic and Baltic market data fees. Thus in Nasdaq's view the document provides a fair view of how market data is provided on a reasonable commercial basis.