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What MDDL Can Do For You

As XML takes hold in the financial information industry, Market Data Definition Language (MDDL) is ready to carry the information from producers to consumers—in a form the sender can easily generate and the recipient can understand. By James Hartley, chief technologist, FISD

What it is...

MDDL is the XML specification to enable the interchange of information necessary to account, analyze and trade financial instruments of the world's markets. An MDDL committee—made up of user firms, vendors and exchanges and coordinated via the Financial Information Services Division (FISD) of the Software & Information Industry Association—has jointly developed the language. MDDL does not define a protocol *per se* for communication or transactions, but it does provide a universal way to explicitly identify market data.

The specification encompasses all asset classes and supporting data, from equities and bonds to foreign exchange, futures and corporate actions. MDDL 1.0 defined common equities (ordinaries), mutual funds and indices. Version 2.0, available in beta form, adds setup information for bonds. Version 2.1, due the first quarter of 2003, will fill out equities and bonds while adding futures, options, and corporate actions. In addition, a “query” mechanism—and a full suite of examples—will be added over the next quarter. Additional features are added as FISD or MDDL members require it.

MDDL focuses on the accuracy of the reporting of market data—clearly specifying the content, its source and its relationship to other relevant facts. An MDDL document is an encapsulation of market data to describe the current status, valuation or defining parameters of an instrument at a specific instance in its lifetime.

Why it matters...

The real value of MDDL is the vocabulary: a common, yet complete, set of terms permitting the clear definition of the market data contained. Consider a simple example: Have you ever wondered if the “change” quoted for a particular stock is relative to today's

“open” or to yesterday's “close?” In the modern global environment with after-hours trading, such a distinction is important. MDDL can provide that distinction by giving the market data consumer relevant information in context.

The initial win for MDDL adoption is the user firm—the broker, dealer or bank—that consumes large volumes of market data from various sources. Many such firms must support internal proprietary infrastructure for each source of data to route that information throughout the enterprise. The larger firms have translated these disparate feeds into a common internal representation and are spending millions of dollars in support and maintenance. Even so, such systems rely on the training of the end user to determine that a particular data field may have different definitions based on the source of the data.

With a common encapsulation structure like MDDL, the user firm can have a standards-based infrastructure that is easily expanded. At least three major global brokerage/investment houses have chosen XML to solve their internal problem. They expect to realize a cost savings over current practices by transforming all incoming data into a common internal XML framework. The new infrastructure permits the dissemination of wrapped existing content while permitting the introduction of new data in a phased approach. The data will be converted and inserted when available. No change to the infrastructure is necessary, and the end-user application can be upgraded when convenient.

If (and when!) data feeds are provided to the user firm in XML, there is no need for a costly translation from the proprietary feed format to a proprietary internal standard (which must also be maintained). Through MDDL, the market data producers and consumers *collectively* define the representation of



the market data, thus distributing the cost of developing the standard among the participants. Indeed, many user firms have already seen the value—aka cost savings—in translating their multiple data feeds into a common internal XML format. Imagine the value when the data is *sourced* in that same XML specification.

Exchanges and vendors will benefit from MDDL as well. With or without urging from user firms, the other market data players can realize cost reduction and combination of infrastructure afforded by the adoption of standards. Vendors and redistributors can still add their value—speed, quantity and quality—but the decision of how to represent the data is done in the open forum. Again, working with constituents openly to determine what data is needed and how it should be delivered helps to distribute the cost of development among all those that create it and those that use it.

As market data companies integrate standards into their mainline products, they can begin to focus on the breadth and quality of coverage rather than on the technology used to deliver it. MDDL is *the* standard for the representation of market data. Market data exchanges, vendors, and user firms can—through technology provided by infrastructure companies—work together to define the standard by which they operate.

FISD (www.fisd.net) provides a neutral business forum for exchanges, market data vendors, specialist data providers, brokerage firms and banks to address and resolve business and technical issues related to the distribution, management, administration and use of market data.