


A Smarter Way to Get Options Data

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Trading options isn't easy.

The equity derivatives market trades to the beat of a different drum with investors not just having to choose whether to simply buy or sell, but decide whether the options contract is either a put or call, what strike price to execute the option at and the expiration date of said contract, just to name a few. Getting this information quickly, accurately and specifically can be a daunting task for the professional trader, let alone the retail one.

Addressing this issue, Nasdaq recently unveiled a new service, Nasdaq Smart Options, which allows for easier access to essential options market data. Nasdaq Smart Options provides a more manageable and less resource-intensive data feed from the U.S. options markets in real time, drawing the essential data from the standard Options Price Reporting Authority (OPRA) data feed. It is available to U.S. registered broker dealers, advisors and members of the public.

The Nasdaq Smart Options feed supports the National Best Bid and Offer (NBBO) and Last Sale trade messages, as well as administrative messages for all listed options. Individual exchange BBO data is excluded, which significantly reduces bandwidth cost and contributes to savings of more than 80% of the cost of connecting to the full OPRA data feed. The curated data package presents a lower cost alternative for advisors and the investing public. This means more investors can leverage options data to gain insights and make better-informed decisions.



Oliver Albers, Nasdaq

Oliver Albers, Senior Vice President and Head of Strategic Partnerships with Nasdaq's Global Information Services, spoke with Traders Magazine about the new service and the need for it.

"There has been a high barrier of entry for the options market because the intense volume of messages with more than 50 billion messages per day," Albers began. "Nasdaq Smart Options changes the game and opens the door to a wider population of users with a feed that reduces the bandwidth needed by 80%."

Jay Vanerstrom, Vice President and Manager Derivatives at CAPIS, said that from a broker perspective, getting data at a cheaper price was a good thing for the market. He explained that taking the full OPRA feed is quite expensive.

“If this product reduces data costs, then that is a benefit to those that trade this market,” Vanerstrom said. “And in looking at what comes in the OPRA data feed, many people have no need for the micro data included—it’s just not part of the trading decision-making process.”

Spencer Mindlin, capital markets analyst at Aite Group, explained that price discovery is performed differently in the options market than in the equities market. The equities market, he said, is an order-driven market, while the options market is a quote-driven market. Without liquidity providers able and willing to make markets in options, the price discovery process would break down, and the market with it. It is here where Smart Options can have a very positive impact.

“More options for how to purchase options data is certainly a good thing, and over the past two to three years the market has seen new types of investors entering and participating in the options market,” he said.

But with all that extra bandwidth comes a flood of new data. While a professional trader with hyper fast computing power on his trading desk can process, parse and act on this data, what about the retail trader and his iMac?

“While everyone has to pay for access to the OPRA feed, actually processing it is like drinking from a firehose. We offer something that firms of all shapes and sizes can use to leverage options in a much more efficient manner from a hardware and infrastructure perspective,” Albers said.

Aite’s Mindlin agreed that the product is for market participants that do not need everything OPRA offers, and Smart Options should reduce costs if the target client segments opt for this feed instead of a full OPRA feed.

“The number of market makers participating in the U.S. listed equity options space has dropped precipitously over the past few years, and liquidity has mostly coalesced around the largest of



Jay Vanerstrom, CAPIS



Spencer Mindlin,
Aite Group

options market makers with sufficient scale to manage the risk and costs of data and technology required to participate,” Mindlin said. “This has changed the contours of participants in the options market, and many people we’ve spoken with recently express concerns about a lack of participants and its effect on liquidity.”

That said, Mindlin added is that the high costs to participate in the options space has been pushing liquidity providers out of the market. This in turn impacts liquidity, particularly the most liquid and highly-traded names. The costs to participate for liquidity partners is also reflected in the spread.

“This is often more pronounced than the equities market—again, because the options market is a quote-driven market where liquidity is highly dependent upon liquidity providers,” Mindlin said.