Insiders-Outsiders, Transparency and the Value of the Ticker*

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April 7, 2008

Abstract

We consider a multi-period rational expectations model in which risk-averse investors differ in their information on past transaction prices (the ticker). Some investors (insiders) observe prices in real-time whereas other investors (outsiders) observe prices with a delay. As prices are informative about the asset payoff, insiders get a strictly larger expected utility than outsiders. Yet, information acquisition by one investor exerts a negative externality on other investors. Thus, investors' average welfare is maximal when access to price information is rationed. We show that a market for price information can implement the fraction of insiders that maximizes investors' average welfare. This market features a high price to curb excessive acquisition of ticker information. We also show that informational efficiency is greater when the dissemination of ticker information is broader and more timely.

Keywords: Market Data Sales, Latency, Transparency, Price Discovery, Hirshleifer effect.