**FCA DP 24.2 – Improving the UK transaction reporting regime – IA response**

**Sent via email to: dp24-2@fca.org.uk**

**Response to** [DP24/2 – Improving the UK transaction reporting regime](https://www.fca.org.uk/publication/discussion/dp24-2.pdf)

**About the IA**

*The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £9.1 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 48% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.*

***1. How should we balance alignment between international transaction reporting regimes with the benefits from a more streamlined UK regime? Are there particular areas where divergence would result in more significant operational challenges or costs? These could be specific to field content, trading scenarios, reporting arrangements, or any other area.***

The Investment Association welcomes the opportunity to respond to the important discussion on the evolution of the UK MiFIR transaction reporting regime.

We appreciate the proactive outreach that the FCA has undertaken in engaging with the industry around this discussion paper. This includes attending industry events and engagement groups prior to the release of the DP, and the in-person transaction reporting forum held on the 20th of January hosted by the FCA. We acknowledge that the DP represents the start of a review and change process and the IA and our members firms stand ready to continue engagement with the FCA to cover any areas of ambiguity, either in the proposals discussed within the DP, the IA’s response outlined below, or otherwise.

It is our view that the paper does a comprehensive job of reviewing the current reporting of the 65 transaction reporting fields, including technical gaps and areas for streamlining, but has missed an opportunity to provide and invite a comprehensive and candid assessment of whether the transaction requirements are proportionate on firms as set against the goals of the regulation.

Below we outline areas that we ask the FCA to explore further with wider industry along with additional key points that we wish the FCA to consider. In the rest of our response the IA has provided feedback from our members on the questions set out in the DP, but we believe this is an opportunity to reconsider the UK wholesale market reporting regime overall.

**Our specific asks of the FCA:**

1. **A comprehensive FCA cost benefit analysis -** The FCA should perform a comprehensive cost benefit analysis on the efficacy and proportionality of the transaction reporting regime in its current format and consider whether the cost to industry is proportionate.

This should also disclose, in greater transparency, a study on the precise benefits that accrue to the FCA, financial markets and the industry from transaction reporting data, which are often referenced in FCA publications, but which are rarely shared or set out in much specificity.

For example, if the cost to firms equates to around £400-500 million annually, the analysis should consider how regulators balance the cost (in many cases borne by investors), against these accrued benefits.

The analysis should also compare the UK transaction reporting regime against the mechanisms that regulators in other major financial jurisdictions have to monitor for and prevent market abuse.

1. **Explore opportunities to reduce the burden on buy-side firms –** As discussed, whilst the DP makes some suggestions to reduce the operational burden on firms, it misses the opportunity to explore more ambitious changes. These could include:
   1. **To explore the full de-scoping of buy-side firms –** The FCA should explore whether there is a case for full de-scoping of buy-side firms, noting that the obligation either does not exist or has a smaller scope in other major financial services jurisdictions.

We acknowledge that this will entail further discussions with the FCA on how this could be accomplished and what would be the challenges, opportunities and benefits.

We acknowledge too, the more detailed arguments towards single sided reporting that AIMA have put forward in their DP response. Though we have not had opportunity to explore whether our membership share their positioning, we believe the points they’ve put forward warrant further consideration at a minimum.

Some member firms have suggested the possibility of extending a similar “designated reporter regime” when trading with certain counterparts that could undertake transaction reporting on the firms’ behalf.

* 1. **To explore a more effective “single sided plus” or transmission regime for buy-side firms -** We discuss some of the limitations to the current transmission regime in our response to question 19, and the reasons why it’s not currently taken up in greater numbers to reduce the transaction reporting burden for buy-side firms.

Some of our member firms see some potential to the mechanism, if subject to suitable changes to address the challenges outlined in our response to question 19 (primarily the exchange of data with a broker-dealer including personal information).

We note the two key elements of consideration put forward by ISDA, which would need to be addressed:

*“Two key elements of consideration with this single-sided ‘plus’ approach is (i) how the two submissions will be reliably linked, and (ii) no additional fields or data should be required of either counterparty in order to meet the reporting requirements. These points will need careful analysis, but assuming they can be addressed, such an approach could be possible”*

* 1. **A sensible de-minimis for smaller entities –** In the absence of the other changes outlined above, the FCA should explore a de-minimis number of transactions made before an entity becomes subject to the transaction reporting requirement.

**Additional key points we wish the FCA to consider:**

**Equal application of the stated objectives to the DP**

We applaud the FCA’s 2 main objectives with regards to this discussion paper and change to MiFIR transaction reporting, (1) improving the usefulness of transaction reporting data and (2) supporting the competitiveness of UK markets.

We note that the DP leans heavily towards the first objective (improving the usefulness of transaction reporting data for the FCA) when compared with the second objective (providing a comprehensive and candid assessment of whether the requirements are proportionate on firms).

As an example, the DP dismisses the possibility of removing the reporting obligation on the smallest 15% of firms, despite them reporting fewer than 100 reports each and their aggregate reporting accounting for 0.002% of all transaction reports in 2023. The justification set out in the DP is that the FCA cannot accept a minimum threshold as that would present a significant risk to their ability to detect and prevent market abuse (paragraph 4.96).

This effectively dismisses any room for proportionality on this topic, notwithstanding the stated second objective of the DP as summarised above.

In their review of the DP responses, the FCA should not pursue the first objective to the preclusion of the second competitiveness objective.

**International comparison**

Paragraphs 3.6 to 3.10 in the preamble to question 1 explore the potential costs and benefits to altering the UK transaction reporting regime from the EU.

It does not, however, explore the mechanisms (if applicable) that other jurisdictions have in place. If the industry is looking to improve UK market competitiveness, it must be with an eye on comparing against other major financial centres.

As an example, the US, the largest capital market jurisdiction globally, does not have an equivalent transaction reporting regime for buy-side firms.

Even when assessing against the EU, differing licensing models adopted by buy-side investment firms means that a higher proportion of UK firms will transaction report. Unlike EMIR, where the scope pulls in the underlying counterparty such that many of our members have to report under both the UK and EU regimes, the MiFIR transaction reporting scope results in many of our members report under UK MiFIR only.

It is much more common for EU based investment managers to operate on AIFM and UCITS Manco licence models with additional MiFID permissions to undertake MiFID activities in the EU and therefore are exempt from the transaction reporting scope. This creates a disadvantage for UK based investment managers who are more likely to be MiFID firms. This has been the case even prior to Brexit.

In a review of the current UK regulatory reporting regime and comparing it internationally, there should be a recognition that for many firms, the UK transaction reporting regime is an onerous and, in some cases, unique regulatory burden.

**Costs**

Given discussion around the proportionality of the regime and the aim of applying UK competitiveness when assessing any changes to the regime, the report should make a greater exploration of the costs that the MiFIR transaction reporting regime imposes on reporting firms.

We appreciate that the FCA ask for costs and data to back-up any arguments. This can be especially challenging for a trade association to acquire given:

* Discussion around anything commercially sensitive is avoided given competition law adherence
* Firms themselves can struggle to assign costs to a particular area, especially for something as complex as MiFIR transaction reporting, which includes operations and compliance staff resourcing, potential use of advisory or compliance third party firms, and contracting out the technical reporting elements (e.g. with an ARM, direct reporting to the FCA)
* There is wide variance between firms based on their size and complexity, with economies of scale for larger firms resulting in a lower “per transaction” cost. For example, averaging rough costs from our 10 largest members would not be representative across our entire membership.

That being said, we have received feedback from a few firms anonymously:

**Example 1 – Firm brought newly into scope of transaction reporting over the last ~2 years.**

* Estimate roughly 1200 reports annually
* Estimate rough cost of ~£60,000
* A therefore conservative estimate for this firm is roughly £50 per trade.

They note that the costs does not include internal resource spent so is a low estimate primarily around the cost of using an ARM.

**Example 2 – Large investment firm**

* Estimate roughly 10,000,000 reports per year.
* Estimate rough costs of £600,000
* A therefore conservative estimate is roughly £0.06 per trade.

The firm, however, noted that transaction reporting costs can spike at different times. Whilst this might typically include a batch of correction reports, it can also include system updates when trading new products, changes to internal processes or corporate structures, which can incur additional costs into the millions.

Applying the rough estimate of 0.06 per transaction against the 7 billion reports the FCA receives suggests a very conservative estimate of an annual £420 million cost, though in reality we believe this cost is likely higher. In line with the two examples and the FCA’s DP too, the “per report” cost is disproportionately high on smaller firms.

These costs also come alongside other transaction reporting regime costs such as fulfilling obligations under EMIR, SFTR, post-trade transparency and more. Collectively, alongside other costs of doing business, this can shape an investment manager’s decision on whether to operate within the UK or elsewhere.

Ultimately too, these costs incurred by fund managers will be passed to the underlying client(s). The FCA must factor this is when considering any changes to the regime.

***2. What changes could we make to the UK’s transaction reporting regime now to remove duplication or provide synergies with requirements in other UK wholesale market reporting regimes?***

**EMIR Single-sided reporting**

Similar to the above, argument, we also believe that the FCA could use this opportunity to streamline EMIR transaction reporting to require only single-sided reporting.

Since EMIR Refit, an increasing number of investment management firms and their clients have opted into voluntary delegated reporting, though there are still a proportion that prefer to keep control of their reporting as the entity responsible for reporting (or an agent acting on their behalf).

Were the FCA to make EMIR reporting single-sided with the obligation on the broker-dealer, this would remove much of the operational complexity from an investment firm to source the same data from their broker-dealer to subsequently make the report themselves, which would contain the same data.

We understand that the sell-side largely also support single-sided reporting and note that its introduction for EMIR could increase the competitiveness of UK firms and UK derivatives trading.

**Consistency**

We encourage consistency and clarity across the UK wholesale market reporting regimes where possible.

An example of this is around FX reporting, with continued uncertainty around FX near-dated forward (e.g. spot) reporting and whether FX swaps should be reported as two separate instruments (a strategy of two FX forwards) or one swap making it difficult for our member firms to report in such a way that they match their counterparts.

**Identifier consistency**

We note that under several regulatory reporting re-writes there have been the introduction of several new identifiers, including the UTI, UPI, report tracking number and more, some of which provide similar functions (e.g. RTN and TVTIC). We are of the view that the regulators should be looking to consolidating and simplifying the number and complexity of identifiers where appropriate.

***3. Which areas of the transaction reporting regime do you find most challenging? Please explain why.***

**Back-reporting – Correction messages**

We encourage the FCA to further explore the idea presented at the transaction reporting forum on the 20th January, to allow “correction” trades for back-reporting rather than the cancellation and re-reporting of the existing trade in its entirety with all fields being re-reported.

Sending a correction message with solely the new information updated, if implemented, could save time, effort and costs for the industry.

**Back-reporting and error corrections**

Back reporting and error corrections can often incur very expensive programs to resolve and will typically cost far more “per report” than the original transactions.

Whilst we appreciate that the FCA considers this an incentive to report correctly in the first instance, the scope and complexity regime mean that errors are inevitable, no matter how proactively a firm carries out their transaction reporting.

These error correction programmes can become one of the more expensive facets to transaction reporting with little transparency on how the amended data assists the FCA.

We would like to see the FCA to work with industry to adopt a more proportionate approach to back-reporting.

**Bilateral trade off book but “under the rules of a trading venue”**

We are of the view that bilateral trades conducted “under the rules of a trading venue”, where that venue is listed instead of XOFF or XXXX for a non-market side transaction is confusing and leads to differing reporting outcomes amongst reporting firms.

Our member firms generally trade AOTC, and it is not clear when trades are conducted off book but under the rules of a trading venue, nor in how this might be communicated by the broker. We understand that common practice amongst investment managers since MiFID II has evolved such that most do not see or report transactions agreed off book but under the rules of a trading venue.

We ask the FCA to consider the removal of this facet if it is not commonly used, as we are of the view that is leads to confusion.

**Block vs fill reporting**

Our member firms believe that by simplifying the rules under which block and fill transactions are reported under UK MiFIR there is scope to provide cleaner data to the FCA.

We are of the view that, whilst further data quality may be provided where an investment manager engages directly with an exchange (e.g. a market trade), where they have sent an order to a broker, reporting each individual fill provides little value to the FCA.

As an example, an investment manager may submit a large order to a broker dealer in the morning, who will then fulfil the order in different shapes in the market and from different sources throughout the day, which can be hundreds of transactions. The broker will report their market facing trades in the individual shapes traded. Currently the broker and investment manager will also report each individual fill between themselves.

Having the broker and investment manager instead report a single consolidated report using an average price would remove a lot of duplicated reports, and more accurately represent the order that the investment manager has transmitted to the broker that day. The investment manager would still be providing reports on the underlying clients.

Reporting fills means that more transaction reports have to flow through ARMs, and subsequently leads to a higher cost. This is amplified with any corrections that need to be made.

We also think that reporting a volume weighted average price for the full block will simplify INTC matching and lead to better data quality.

There is also ongoing confusion from buy-side firms as to when a broker notification represents a market fill (in which case it will have to be transaction reported), or merely an update notification on their order (in which case it wouldn’t and instead be aggregated). We understand that there are differing market practices due to this confusion. Reducing the need to report individual broker fills will remove this ambiguity.

**Corporate Actions**

We note that Corporate Actions remain an ongoing challenge to transaction report. With lots of ambiguity as to whether they should be reported or not.

**Reportability of Corporate Actions –** It can be difficult to determine whether a Corporate Action is reportable or not and is very difficult to automate.

As an example, a scheme of arrangement event may be voluntary, mandatory with options or mandatory (depending on which it may be reportable). An investment manager cannot always rely on their custodian’s notification as each custodian may create the event differently (either as a different event type or with differing permitted options). The firm would therefore have to read each individual term sheet where there’s ambiguity to determine reportability for themselves, and even then, there may be conflicting views.

We ask the FCA to consider a more general and complete corporate action exemption from transaction reporting, which could potentially be accomplished by extending the exemption in Article 2 (5) (n) to equities too.

**Reportability of Corporate Actions by type** – In the absence of a more holistic exemption, we ask the FCA to consider adopting industry guidance on whether each Corporate Action type may be reportable or not, as it can be confusing for smaller counterparties to determine reportability. We are happy to share the list the IA has created to this effect.

**Corporate Actions where the issuer doesn’t have an LEI –** There are a few instances in which issuers, particularly from the APAC region, undergo a Corporate Action but do not have an LEI. Our understanding is that in this case, the Corporate Action would not be reportable if the issuer does not have an LEI. We ask the FCA to outline their expectation of firms looking at this scenario in guidelines and FAQs.

**Eligibility of assets - OTC derivatives**

It can be very difficult to source the correct ISIN for OTC derivatives, given the variance of how and when systematic internalisers (SIs) submit reference data to FIRDS.

**FCA clarity and illustrations**

Our member firms note that one of the most useful tools when remediating transaction reporting processes or undergoing a change are illustrations and examples from regulators. The guidelines and Q&A provided by ESMA and which the FCA still point to are still regularly utilised as firms enhance their internal reporting processes.

We encourage the FCA to liberally supply illustrations for any MiFIR changes and going forward to guide firms in how they should report fields for a comprehensive set of instruments and scenarios. This will result in generally better data quality from reporting entities.

**FCA disclosure of what they use the regimes for**

We encourage the FCA to proactively publicise any time they use transaction reporting data. It is easier for a firm to get senior stakeholder focus where they can point to practical examples of where the FCA have used data for each of their regulatory reporting regimes.

**FIRDS**

A challenging part of reporting for many investment managers is around FIRDS reference data, which is used as part of an eligibility check and sometimes as a validation by ARMs. This data is not always uploaded in a timely manner by the trading venues, and can often be duplicated or incorrect.

**FIRDS – FCA expectations around missing reference data**

Our member firms would find it useful to have the FCA provide greater clarity on how to address data gaps within FIRDS. A common scenario is where an investment manager submits a transaction report believing that an instrument will be in scope, but that this might not be added for days, weeks or sometimes months to FIRDS.

Many of our member firms have different procedures around this check. Given it’s often an ARM validation, some firms check against FIRDS for up to 7 days to re-submit the report before looking to avoid continual resubmission to avoid repetitive CON-412 errors (which we note is the most common error in the FCA’s discussion paper).

It would be useful to understand from the FCA on what the expectation is where reference data is missing.

**FIRDS user experience – file size**

A challenging aspect mentioned by many of our member firms is around sourcing data on FIRDS. Given the amount of data within FIRDS, it is a challenge to pull the entire instrument list on a daily basis given the size of the download. As an example, an investment manager may have 500 trades across different instruments on a given day. Their tech capability may not allow them to cross-reference this against the entire FIRDS data file, such that many member firms find it necessary to use a vendor to compare their data against FIRDS.

Changes that the FCA could make to improve the FIRDS user experience could include:

* An ability to offer an API call against the FIRDS database to return only those lines of data relevant to the query.
* An extension to the number of fields that can be used as filters or within search parameters within the FIRDS database.
* The ability to bulk search ISINs
* Though securities can be manually checked in FIRDS if they are expired, these are not included in an export of the data. FIRDS should be amended with a toggle in include this data as it can be useful in historical reviews.

These changes would represent a large quality of life improvement to those using FIRDS.

**Sourcing data that an investment management firm wouldn’t otherwise have**

A common challenge for transaction reporting for our member firms is the sourcing of data that they wouldn’t need for any reason other than transaction reporting. This includes identifiers like the TVTIC and for EMIR, the RTN and UTI.

In considering any changes to transaction reporting regimes, the FCA should consider whether it is asking firms to source data that they wouldn’t otherwise expect to have through the normal course of trading.

***4. Could data quality be improved through new technologies or messaging standards? If so, how, and what can the FCA do to support this?***

**JSON vs XML**

Our member firms have largely discussed that they anticipate their ARM would have to build for whether the file is submitted in JSON or XML format so would not expect to be significantly impacted. More broadly, given the call for consistency across reporting regimes and that EMIR is in XML format, we are of the view that it doesn’t make sense to transition to JSON to move out of sync with other reporting regimes.

We advocate for the continued use of XML

**MDP (market data processor) portal – User experience**

MDP reconciliations are a key part of a firm’s transaction reporting governance and compliance, however the MDP can be a challenge for a firm to use. The following quality of life upgrades would make this easier for firms, and encourage firms to use MDP data more regularly:

* The opportunity for an API connection to allow a firm to pull MDP data in a more automated way.
* The ability to schedule automated reports, at a minimum on a daily basis.
* The ability to perform more than one MDP extract a day. Where a firm works with a third-party compliance firm this can be challenging to co-ordinate.

***5. Do you use FCA FIRDS? If so, do you access via the GUI or through file download and what is your predominant reason for using FCA FIRDS?***

Our member firms use a mix of both GUI access and through file download as it comes to FIRDS.

FIRDS is commonly used as part of an asset eligibility check as it comes to reporting, but can also provide some underlying data that a firm may otherwise be struggling to source or wish to verify, such as CFI code, delivery type and more.

FIRDS is also sometimes used as a validation check on an ad-hoc basis, where internal or vendor provided reconciliations may have flagged an instrument as ineligible.

We have shared some feedback on FIRDs as part of our response to question 3.

***6. Should CPMI firms be subject to UK MiFIR transaction reporting requirements for MiFID activity they conduct? Please explain why.***

We advocate against the inclusion of CPMI (collective portfolio management investment) firms being subject to the UK MiFIR transaction reporting regime.

The IA has a diverse membership which includes firms operating on CPMI licences, some with additional MiFID regulatory permissions. Our larger investment manager members will also work closely with CPMI entities, some of which will be affiliated internal ManCo stakeholders and some of which relate to clients.

We are of the view that the inclusion of CPMI firms into the reporting scope represents complexity that will incur a large cost for potentially limited return.

The cost of including these entities within the transaction reporting scope will not just be on CPMI firms, a cost that will potentially be passed to investors, but also on firms that would have to pass information down the value chain for those firms to make reports, including investment managers and broker-dealers.

We deem that any change to the reporting obligation scoping can often represent a very large build and change to processes greater than changes to individual fields.

Finally, we note that AIFMs and UCITS ManCos can often range in complexity, with some being small in scope. Even if those entities are within scope of EMIR as entities responsible for reporting, they will often rely on their investment manager(s) for assistance in reporting and reconciliation. Smaller firms may be of a size where it is difficult to accomplish transaction reporting at a cost proportionate to that firm’s size. Anecdotally, some of our CPMI member firms have indicated that they perform 5 or less trades annually. Bringing these firms into scope of MiFIR transaction report for these trades would represent a disproportionately high “per report” cost.

***7. What difficulties do you have in determining whether a financial instrument is TOTV, if any? Please make your response asset class specific, if applicable.***

**FIRDS**

Per our response to question 3, there are challenges around data being uploaded to FIRDS and the usability of the data itself. We also note ongoing challenges to determine TOTV status of the below instrument types:

**OTC derivatives**

Our member firms have noted that OTC derivatives in particular are an instrument where it can be difficult to determine the TOTV and uTOTV status.

**Index linked securities**

It can be a challenge to determine whether an index linked security is ToTV or uToTV or not given the large number of underlying instruments.

The scoping of MiFIR this can also lead to a very broad range of in-scope securities, which may not have been intended at the time of the regime’s inception. Scope is defined by either the security or underlying security being traded on a European trading venue. This can bring non-EU indices such as the S&P 500 within scope given European dual listings for securities such as Apple.

Could the FCA consider limiting the scope for non-EU based indices

**Instrument full name inconsistency**

We believe that the FCA could provide more clarity on what they would like to see on uTOTV instrument reports. As an example, our member firms cite the reporting of indices and different naming conventions as being challenging.

It would be useful to see this clarity via instrument illustrations, as have been useful under the existing MiFIR level 3 guidance hosted by ESMA. A good example instrument in this case could be the fields to be reported for a US Treasury Future.

***8. Does the daily rolling ISIN issue impact your firm? If so, please explain for which asset classes and sub-asset classes. We would welcome any data you can provide on associated costs.***

We don’t believe that the rolling ISIN issue impacts our member firms.

***9. Would reporting the UPI for instruments in scope under UK MiFIR Article 26(2)(b) and (c) require firms who would not otherwise have to obtain UPIs to do so?***

Yes, reporting the UPI for financial instruments where the underlying is either a TOTV financial instrument or index or a basket composed of TOTV financial instruments would require firms who have not obtained UPIs to do so.

Under EMIR, some of our members will have built out the capacity to source UPIs, whereas for those delegating reporting (either mandatory or voluntary), the need to provide the UPI will present more of a build and cost – and could be resource intensive.

The model to source instrument identifiers is not always cost-effective for infrequent users of the service so it may cause a disproportionately high costs on smaller firms depending on the model required. Whilst many of our members would like to rely on their broker to pass on identifier information as part of the confirm, the data is often too unreliable such that firms subscribe to the DSB as a contingency. Given the relatively infrequent use, this can be a relatively high cost for smaller counterparties compared to bigger firms or other instrument sources, such as a call from the FCA’s FIRDS.

We note the indication from the FCA that the UPI would not be available in FIRDS, which could present a further challenge for firms looking to source this information.

If the UPI were to be introduced, the burden would more significantly fall on smaller firms, who are more likely to delegate EMIR reporting, and less likely to be direct DSB subscribers.

In terms of practical availability of UPI:

* Some sell-side firms have advised that they can’t exchange UPI, though it may be available in broker confirms anyway.
* It may be accessible from EMIR TR allege reports, but if those reports are only made on T+1, it won’t be available on time. Additionally, not all MiFIR reporting firms will have been subject to EMIR.
* Under EMIR there have also been some broker inaccuracies in UPIs.

If the UPI is built to be a field in MiFIR, we advocate for a similar hierarchy process as used in EMIR. For example, if the ISIN is sourced, the UPI is not required, if the UPI is sourced, the instrument reference data is not required.

***10. What would be your preferred identifier for OTC derivatives in the transaction reporting regime? Please indicate why and explain which types of OTC derivative it should be applied to.***

The reporting of the UPI would represent an additional cost for our member firms that have not yet had to source it via EMIR (e.g. if they have delegated EMIR reporting).

We therefore advocate for the continued used of the ISIN.

Were it to be introduced, we encourage consistency across UK regulatory reporting regimes and therefore an approach in line with UK EMIR when determining whether to report an ISIN or UPI.

We also ask the FCA to not require further information where the ISIN or UPI can provide that information, such as instrument full name.

***11. Would you support a change to the scope of reportable instruments to align with UK EMIR?***

We see the costs and benefits to either retaining the current uTOTV reporting scope functionality and a change of scope to align with UK EMIR.

A change of scope to align with UK EMIR (i.e. to report all OTC derivatives and not just uTOTV) will represent a greater amount of transaction reports and therefore an additional cost due to the amount of reports that will have to be routed and reported through ARMs. It would, however, represent a much easier to check to determine eligibility, given uTOTV status can be difficult to determine, particularly on indices and custom baskets.

Our member firms have indicated tentative support for a change to the scope of instruments to align with UK EMIR, contingent on the rule change outlined in question 18 (suggesting that SIs no longer have to report instrument reference data). If FIRDs were to no longer contain instrument reference data from SIs, the TOTV status would be much easier to determine given firms could more comfortably rely on the FIRDS database for eligibility.

***12. Trading venues: is further guidance required on when instrument reference data should be submitted?***

*We encourage trading venues submit to FIRDs within a reasonable timeframe and encourage any reasonable and proportionate guidance that achieves this. Cleaner and more timely FIRDs data has a positive impact on other reporting entities.*

***13. Trading venues: Would you support making all instrument reference data reportable only the first time there is a reportable event and for any subsequent changes? Please explain why.***

*We encourage trading venues submit to FIRDs within a reasonable timeframe and encourage any reasonable and proportionate guidance that achieves this. Cleaner and more timely FIRDs data has a positive impact on other reporting entities.*

***14. Trading venues: Do you anticipate any issues with applying the concept of admission to trading across all trading venue types? Please explain why.***

*We encourage trading venues submit to FIRDs within a reasonable timeframe and encourage any reasonable and proportionate guidance that achieves this. Cleaner and more timely FIRDs data has a positive impact on other reporting entities.*

***15. Trading venues: Do you agree that the obligation to submit instrument reference data should apply from the date on which a request for admission is made? Please explain why.***

*We encourage trading venues submit to FIRDs within a reasonable timeframe and encourage any reasonable and proportionate guidance that achieves this. Cleaner and more timely FIRDs data has a positive impact on other reporting entities.*

***16. Trading venues: How do you currently determine and source the request for admission date?***

*We encourage trading venues submit to FIRDs within a reasonable timeframe and encourage any reasonable and proportionate guidance that achieves this. Cleaner and more timely FIRDs data has a positive impact on other reporting entities.*

***17. Trading venues: Would defining “request for admission to trading” help determine what date should be applied for this field? If so, please suggest how this could be defined?***

*We encourage trading venues submit to FIRDs within a reasonable timeframe and encourage any reasonable and proportionate guidance that achieves this. Cleaner and more timely FIRDs data has a positive impact on other reporting entities.*

***18. Do you support removing the obligation for SIs to report instrument reference data? Please explain why.***

We broadly support the removal of the obligation for SIs to report instrument reference data. We believe the path taken to this should be linked to the potential change in scoping outlined in question 11.

If the scoping were to change to include all OTC derivatives, it is important that SIs no longer have the obligation to report instrument reference data, such that FIRDs is cleaner and can be relied upon to determine TOTV status and whether to report the ISIN or underlying reference data. This should lead to more consistent reporting and remove any ambiguity.

We also think that if this change is made that the SI MIC should no longer need to be added to the transaction report and ask the FCA should make this explicit.

There may be some consequences to removing the obligation for SIs to report reference data.

We agree with paragraph 4.93 from the DP which notes that some firms use the ISIN from SIs to remove the need to report the underlying reference data, however our view is that a change to scope and removal of SI data from FIRDs would represent an overall positive change.

***19. Would you support the introduction of an opt-in register of UK investment firms willing to act as a receiving firm? Are there any other challenges associated with the transmission mechanism that limit the potential effectiveness of this solution?***

We very much welcome the FCA discussion on disproportionate costs and their considerations to make transaction reporting more operationally proportionate for smaller firms.

For smaller buy-side firms, we agree that costs to MiFIR transaction report are disproportionately higher. Some of our member firms have only one account or fund entity caught under the obligation to MiFIR transaction report and their cost per report can often be much higher compared to a high-volume reporting entity who benefits from economies of scale.

The cost represents not only the operational build out of reporting, but also of compliance, reconciliation and assurance, with small firms unlikely to have the budget or volume to warrant an internal SME in the process at their firm. These small entities are often retail-investor linked, such as employee pension schemes, such that comparatively heavy costs may be ultimately passed onto the end investor.

In the first instance, we believe that the FCA should work with industry to explore de-scoping buy-side firms from transaction reporting altogether.

In the second instance, although we can see that the FCA rule out a minimum quantity threshold at which firms need to report, we believe that this offers the simplest way to reduce the disproportionate burden on smaller firms, bearing in mind the FCA’s stat that 15% of reporters represented around 0.002% of transaction reports. We ask the FCA to reconsider.

Finally, if descoping and/or a minimum threshold are ruled out, we support further consideration of an opt-in register for transmission for transaction reporting and for the transmission mechanism itself.

There are, however, a number of barriers to transmission being more broadly utilised that would have to be considered and overcome. We are not familiar with any of our member firms utilising transmission and understand that transmission in its current form is not widely used for a few reasons:

**The sharing of personal information with counterparts -** Similarly to our response to question 38, investment firms are unlikely to be comfortable sharing IDM, EDM and client data with other investment firms up the chain as this represents a severe GDPR risk. Firms are unlikely to utilise transmission for as long as this data is required.

**Broker-dealer coverage -** An investment firm would have to be able to fully rely on the transmission mechanism covering all obligation to transaction reporting to reduce costs (i.e. such that they wouldn’t have to contract with an ARM as a contingency). To have that confidence, small firms would need to see most high-volume brokers on the opt-in register.

There’s also a question of whether relying on transmission precludes a small firm from trading with non-UK counterparties, which we appreciate the FCA may try and address through question 21.

**Best execution -** If a firm limited themselves to trading with entities on the transmission register, they would have to consider how this impacts best execution (though this is already a question some of our member firms address with EMIR delegated reporting).

As it stands, our larger firms would not expect to be immediately impacted by this transmission flow, given they wouldn’t expect to be a transmission firm on the proposed register or to wholly rely on transmission. Should the mechanism change to address some of the above challenges, firms may be more willing to explore it to reduce duplicative reporting of financial fields with their broker counterparts.

***20. Do you have any other suggestions that could help reduce the reporting cost for smaller firms?***

A review of the requirement to report partial fills on a block trade could help low volume trading counterparts, as their comparatively low volume of transactions get split by partial broker fills. Reporting an aggregated trade instead of partial fills will reduce reporting costs.

The FCA could also consider greater awareness and simplification of directly reporting to the FCA without the use of an ARM. We understand that one of the biggest costs for smaller firms is contracting with an ARM. The ability to connect to the MDP is not widely recognised or used.

***21. Would you support UK MiFID investment firms (including a UK branch of a third country investment firm) being able to act as a receiving firm for non-MiFID investment firms (which are not subject to transaction reporting obligations)?***

We support this proposal given our answer to question 19, though note that as investment managers our member firms would not expect to be on the transmission opt-in register.

***22. Trading venues: are there fields or trading scenarios that are particularly challenging to report accurately under Article 26(5)? If so, please provide details.***

No IA response

***23. Trading venues: do you currently report negotiated transactions under Article 26(5)? If so, do you face any difficulties reporting these transactions? If not, would you anticipate any difficulties reporting these transactions?***

No IA response

***24. Would you support reporting under Article 26(5) for all UK branches of third country firms? Please explain why.***

No IA response

***25. Do you have a preferred option for improving the usefulness of the TVTIC? Are there other options we should consider?***

**Consistency across reporting regimes** – We note an ever-increasing array of identifiers across the regimes and encourage simplification where possible. We ask the FCA to explore whether TVTICs, Report Tracking Numbers (RTNs) from EMIR and possibly UTIs could be consolidated down into fewer identifiers.

Feedback from our members is that the TVTIC is not a major area of reporting challenges, reporting it where they see it, though do face some issues. These tend to either be mapping issues from firms accessing MTFs and OTFs, or more generally in receiving poor data.

We would like to see the FCA take forward both options presented in paragraph 5.11 and don’t see them as being “either/or” solutions. Trading venues could disseminate TVTICs while also providing the FCA with the expected format/structure which could be disseminated to industry.

We also encourage international and domestic regime alignment on TVTIC standards. We ask that the FCA explore the possible consolidation of EMIR’s Report Tracking Number (RTN) into the TVTIC.

***26. Do you think changing the name and content of RTS 22 Field 5 would improve data quality?***

No IA response

***27. Do you agree that an investment firm should be able to report the underlying client instead of a trust LEI in all instances where the identity of the client(s) is known? Should we allow the use of the appropriate national identifier for the client(s) in this scenario?***

We support this change

***28. Would you support simplification of the requirements for the buyer and seller field when trading on a trading venue where the counterparties are not known at the point of execution?***

We support this simplification.

***29. Do you have any suggestions for how data quality could be improved for transactions involving transmission?***

We agree with the discussion paper’s paragraph 5.25 which notes confusion around transmission and discusses the two scenarios where transmission is cited.

For our member firms who don’t expect for the transmission functionality to remove them from the obligation to transaction report, the transmission of order indicator represents an additional complexity. It’s unclear how much the outcome of this field aids in the monitoring of market abuse.

First and foremost, guidance in the form of illustrations are invaluable for firms determining how and whether to note whether transmission has occurred or not. Examples that might apply to investment managers placing orders with brokers (either concluding directly or for brokers to fill in the market), as well as on venue would help in reporting consistency.

We also think that simplifying transmission could lead to better data quality. This could include the removal of amending reporting for bilateral trade off book but “under the rules of a trading venue”, where the trading venue is listed as the trading venue for an off-venue trade with brokers. We don’t believe this is widely used but causes confusion for reporting entities.

***30. What challenges do you have reporting the quantity type and price type tags for particular asset classes, if any? What further guidance could we issue to help firms?***

We agree with the discussion paper that equity swaps (also referred to and used interchangeably with CfDs), and the reporting of the quantity and price type tags can be challenging.

We do not favour any particular combination type, but would like to see clarification from the FCA on how they would like firms to report. A series of examples and illustrations would be useful in this across a broad range of instruments.

These illustrations should also cover how firms are expected to report “monetary” vs “nominal” as well as clarity on how this distinction is beneficial.

We are also of the view that a price type guide could be useful for bond futures and encourage the FCA to publish a list of expectations.

A further challenge can be GBP and GBp (pound and pence) delineation. Further clarity from the FCA on how to report these would be beneficial.

***31. Do you anticipate any challenges with aligning the reporting of the price for single name equity swaps with the reporting of forwards with a CFD payout trigger? Could this be applied to swaps with multiple underlying instruments?***

We agree with aligning the reporting of the price for single name equity swaps with the reporting of forwards with a CFD payout trigger, bringing the reporting in line with EMIR.

In terms of a swap with multiple underlying instruments, it would be useful to get greater clarity from the FCA in what they’re using the portfolio swap price for and in what format they think would be useful to see.

***32. Would you support removal of the indicator fields from the transaction reporting regime? Please explain why.***

We very much support the removal of the indicator fields 61-65 and welcome the FCA’s identification of these fields being either duplicative in reporting or of limited use. A removal of reportable fields that have been identified to be offering limited to no value will generally make transaction reporting cleaner and generally lead to better reported data quality for the remaining reportable fields.

We encourage the FCA to continue conducting a similar analysis for future reviews to regulatory reporting regimes.

With regards to paragraph 5.37 in the discussion paper where the FCA consider a streamline of reporting where the CFI code already offers the information outlined, we agree that the FCA should pursue this area for further thought. We ask that they consider whether the CFI code’s presence means that the below fields can be removed:

* Field 50 – Option type
* Field 53 – Option exercise style
* Field 56 - Delivery type

***33. What difficulties, if any, would you anticipate in being able to provide a linking code for aggregated transactions? Which of the options outlined would you prefer and why? Do you have alternate suggestions to improve data quality for transactions which use INTC?***

Whilst we prefer not to see new identifiers or codes introduced to transaction reporting as it causes additional complexity, we can see the rationale for the FCA to consider the introduction of a linking code for INTC trades.

If INTC linking is introduced, however, it should be limited to linking at a block trade level (along with a change to no longer require the reporting of individual fill transactions). There are two potential complexities foreseen in having to report per individual fill where it could be very complicated to enact:

* Where allocations are assigned at an average price (in which case, each allocation will receive different fills), and;
* Where a single allocation covers more than one fill.

Feedback from our member firms has been mixed over whether this INTC code would be simpler as a new field or to be inserted instead of INTC as the buyer or seller. A majority prefer a new field for any INTC identifier if the need to provide a linking code for aggregated transactions is introduced. This is because the buyer and seller fields are currently restricted and validated to provision either an LEI or INTC, and our members believe it cleaner if this remains. Some firms, however, prefer to insert INTC into the buyer/seller field to work towards a simplification of the regime and compression in the number of fields.

We also ask the FCA that, if this is implemented, the INTC code identifier should remain free-text and up to each individual firm to determine, rather than an FCA dictated syntax or number of characters. At most, the FCA could consider a maximum number of characters and permissible character types as a limit.

***34. Do you anticipate any difficulties in reporting DTIs for an instrument or underlying? Are there other solutions that could allow us to identify when trading is in a tokenised security or has a tokenised security as an underlying?***

Whilst some of our member firms are exploring digital tokens, it is still very much a nascent technology, and the reporting and identification of these securities will not generally impact most firms.

We do not have an issue with the introduction of a digital token identifier field, but we ask that the FCA revisits the reporting of this field with wider industry if and when trading in these security types become more mainstream.

***35. Do you support the inclusion of a new client category field? Please explain why.***

We do not support the inclusion of a buyer and seller category field.

The inclusion of this data would represent a large outreach and continual outreach to what can be a large client base to ensure that this data is attained and then up to date. This represents a cost and operational burden to firms.

***36. Would you support either of the above options to enhance our oversight of DEA activity? If so, do you have a preference?***

We understand that Direct Electronic Access is not widely used by investment managers. Instead, our members tend to use a broker’s platform to route, where the broker’s algorithms will decide on the venue and timing.

This may be more relevant for hedge funds and market makers that design their own algorithms.

That being said option 2, where the providers signals whether a trade is through DEA activity as part of the decision maker’s field would seem to be most straightforward and therefore provide the cleanest data.

***37. Would you support the inclusion of two price fields? Please explain why.***

We tentatively support the inclusion of an additional price field for complex trades. Our member firms are of the view that this could make it tidier to report complex trades.

We would like to see further information from the FCA on how validations around these two price fields might work, as our member firms identified the potential challenges highlighted in the FCA DP’s paragraph 5.75.

***38. Would you have concerns with providing full names and dates of birth for the individuals within the firm responsible for investment decision or execution decision? Please explain why.***

We are concerned with providing full names, dates of birth and more for individuals within the firm responsible for investment and execution decisions, and advocate against this change.

There are GDPR challenges and concerns around information on individuals going out of the firm, with potentially many intermediaries such as ARMs, service providers, the FCA and assurancy/compliance vendor firms potentially handling sensitive employee data. Information security is a key concern.

We challenge the assertion from the FCA’s transaction reporting event on the 20th January that all firms already handle this data already for clients in the buyer and seller fields. Many of our member firms solely work with institutional investors, and will not have experience in storing and reporting name and date of birth on natural persons for MiFIR transaction reporting.

We do not think that the small amount of extra visibility received by the FCA is proportionate to the cost and GDPR concerns of supplying this data, which can be sensitive in nature.

Conversely, we instead think that the FCA should conduct a cost benefit analysis change to consolidate the buyer, seller, buyer decision maker and seller decision maker fields to potentially solely require the national identifier priority per Annex II instead of full name and date of birth:

Buyer - Fields 9,10,11 removed as covered by field 7

Buyer decision maker – Fields 13,14,15 potentially removed as covered by field 12

Seller – Fields 18,19,20 potentially removed as covered by field 16

Seller decision maker – Fields 22,23,24 potentially removed as covered by field 20.

We note that the investment decision maker and execution decision maker will typically be authorised by the FCA and each individual will have a reference number on the FCA website. We advocate that the FCA field hierarchy changes to require this identifier in the first instance instead of the current regional identifiers for EU countries.

Should the FCA not pursue the use of individual FCA registration numbers, some member firms find merit in exploring more widespread use of the National Insurance Number across all employees (and not just restricted to UK national investment and execution decision makers.

On a final related note, our members have observed that the reporting of individuals with dual nationalities can be challenging. We ask the FCA to re-outline whether the current process that EEA individuals take priority should be undertaken or whether this has changed, though if the FCA registration number is used as an identifier, this may alleviate this issue.

***39. What difficulties, if any, do you encounter when submitting transaction reports for transactions in FX derivatives? Please provide details on how data quality could be improved in this area.***

**FX Base currency notation**

We agree with the FCA’s discussion paper that currency notation ordering is complex and we believe that our members and their trading counterpart brokers diverge in whether they notate per “market convention” or “alphabetised”. We agree that the guidance and regulation as discussed in the FCA discussion paper’s paragraphs 5.79 to 5.81 are confusing.

Foremost, we believe greater clarity would be beneficial here for either of the options such that firms can report consistently in line with peers.

Of those options, we believe that reporting FX alphabetically makes most sense given some of the less traded currencies are not covered by market convention.

**FX swap vs strategy**

We note continued ambiguity over the reporting of FX swaps vs FX “strategies” (a near dated and far dated forward). There is an array of approaches in the market, such that it can be difficult for a firm to build a reporting approach in line with their brokers and peers, or even for a trade association to recommend a best practice in how to report.

We would like the FCA to form an industry taskforce specifically looking at the reporting of the instruments to see if there’s a way in which these could be standardised.

**The reporting of short-dated forwards and whether to suppress them when less than two days out.**

We note differing market practices as it comes to reporting short-dated forwards (i.e. forwards that settle in two-days or less, effectively becoming a spot trade).

Although the FCA have clarified and re-iterated that they would expect these to be suppressed through Market Watch 74, we subsequently met with the FCA in January 2024 along with a small focus group of member firms to discuss these differing market practices.

Whilst some firms suppress the reporting of short-dated forwards, others do not. They note that it can become difficult as instruments that have been forwards (and are listed as such in FIRDS) later become spot trades as they approach termination and reset dates.

As an example, a firm may trade 100 forward positions over a quarter which are then rolled out over the quarter’s rollover date. Whilst most of these might be reportable, the last transactions near rollover date, as well as the near leg of the roll transaction itself, would not be reportable, which seems incongruous. Additionally the ISINs would still be considered reportable forwards per FIRDS.

We ask whether the FCA themselves could instead suppress near-dated forward results from transaction reports they have received, rather than asking firms to determine and suppress reportability.

***40. For all parties involved in chains with intermediary brokers, please can you provide further information on the trade flows and your understanding of reporting obligations.***

No IA view

***41. What guidance on reporting of chains with intermediary brokers can we provide to improve data quality?***

No IA view