



FCA CP23/15 - The framework for a UK consolidated tape

UK Finance Response

Date: 15 September 2023

Sent to: cp23-15@fca.org.uk

Stephen Hanks
Financial Conduct Authority
12 Endeavour Square
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Dear Stephen,

We enclose our response to CP23/15, produced with advisory support from CMS Cameron McKenna Nabarro Olswang LLP.

We welcome the opportunity to share our members' views and recommendations on the delivery of the UK consolidated tape framework.

UK Finance strongly supports the development of consolidated tapes for bonds as well as equities. An appropriately constructed and fairly licensed consolidated tape would enable all market participants, regardless of size, location, and resources to obtain a complete, accurate, and consistent view of UK markets, which will in turn benefit investors and improve market integrity by enhancing transparency and resilience. Broader access to market data will also enhance domestic and international participation in UK capital markets.

Whilst we understand the FCA's rationale for prioritising a consolidated tape for bonds, we request the FCA to continue the momentum for a speedy implementation of an equities CT as well.

Thank you for the continued engagement both prior to and during the consultation. We look forward to continuing to work with you on these proposals in the weeks ahead.

If you have any questions in relation to the information within our submission, please do not hesitate to get in touch.

Yours sincerely,

Kevin Gaffney

Director, Secondary Markets and Post Trade

UK Finance

The number of consolidated tape providers per asset class

Q1: Do you agree with the appointment of a single CTP per asset class through a tender process?

Yes, our members strongly support the appointment of a single consolidated tape provider (CTP) per asset class. Our core reasoning for this is detailed below:

- **A golden source:** a single consolidated tape (CT) per asset class provides a 'golden' source of truth and a common shared view of the market. Allowing for multiple CTPs across asset classes significantly increases the risk of different and/or overlapping product scopes, therefore defeating the objective of the CT providing a single, accurate and consolidated view of the market that serves as a common reference point for all participants.
- **Commercial viability:** multiple CTPs may decrease the value of data published by each CT, making it a less attractive commercial venture. The current regulatory framework which allows for multiple CT providers did not result in the emergence of a single CTP.
- **Connectivity costs:** multiple CTPs per asset class may require users to connect to more than one CT to obtain a complete view of the market which could result in increased costs for end investors. The existence of multiple CTPs will also increase the costs for data contributors (e.g. trading venues (TVs) and Approved Publication Arrangements (APAs)) as they will be obliged to establish connections to multiple CTPs.
- **Cost per user:** CTPs would design their respective charging structures for users based on an assumed level of subscribers. We believe that a CTP that may be placed in competition might expect to have a lower proportion of the potential available market, resulting in a higher per-user cost than a CTP with the ability to model income from all subscribers. Therefore, multiple CTPs operating simultaneously in competition would result in each CTP individually charging higher fees than would be commercially viable for a single CTP.
- **Similar models in other jurisdictions:** as rightly identified by the Financial Conduct Authority (FCA), other jurisdictions including the US and EU have adopted a single provider model per asset class and the adoption of a single provider model in the UK will enable us to learn from the lessons learnt in those jurisdictions.
- **Competitive tender process:** we believe that the regulatory objective of facilitating competition can be achieved by the FCA appointing a CTP through a competitive tender process. The appointment of a single CTP for a fixed term with a periodic re-tendering process during which the incumbent CTP would need to demonstrate that it is the most suitable provider will result in the CTP having to provide high quality services at a reasonable price. This will also encourage innovation in the provision of its service offering.

Q2: What success criteria should be used in the post implementation framework review?

Our members are of the view that success criteria should be aligned with the outcomes the FCA seeks to achieve from the introduction of the CT.

Expected outcomes:

- **Consumer protection:** a CT should help encourage greater participation in financial markets through a clearer understanding of liquidity, thereby protecting those consumers' interests. A CT should also put downward pressure on the price of market data and result in clearer licensing terms.
- **Market integrity:** a CT will aid price formation through a clear, consistent picture of liquidity in markets. It might also assist with the resilience of markets by allowing the market to adapt more easily in circumstances in which a significant TV suffers an outage.
- **Competition:** a CT will encourage competition for the provision of market data leading to more innovative products and services.

Success can be measured by using the following criteria:

- increased bond volume traded on a yearly basis (it should be noted that volume traded could be impacted by several other factors);
- increased retail investor transactions using smaller trades as a proxy (it should be noted that volume traded could be impacted by several other factors);
- easier access for less informed investors (e.g. retail investors) to information about the prices and liquidity of bonds;
- lower cost of bond market data and simpler licensing terms resulting in lower bond trading costs;
- improvements to prices and/or quality of data offered by other data providers;
- new product and service offerings by the CTP and other competing market data vendors;
- increased number of users subscribing to the CT;
- continued trading with minimal disruption in the event of an outage of a TV; and
- ability to make use of CT data for internal risk management, market monitoring, best execution analysis within firms, market analysis and research more generally.

Measurement against any service level agreement with the users of the CT:

- **Latency:** the timeliness of data dissemination by the CTP; and
- **Resilience:** the number of outages/operational issues suffered by the CT.

Q3: Do you agree with our proposals on the scope of a bond CT?

Yes, we agree with the FCA's proposals on the scope of a bonds CT.

Members are of the view that a bonds CT should exclude Exchange-Traded Commodities (ETCs)/Exchange-Traded Notes (ETNs) from its scope at the current time. As noted by the FCA, ETCs/ETNs are significantly different from most other bonds. This is reflected in the Markets in Financial Instruments Directive (MiFID) II Regulated Technical Standards (RTS) 2 categorisation as well where ETCs/ETNs are categorised separately to all other bonds. Members are of the view that ETCs and ETNs should also be excluded from the scope of an equities CT at the current time (i.e. at the commencement of an equities CT). Please see our response to Q39.

Q4: Do you agree that data should be transmitted from data providers and received by the CTP via a standardised, opensource API developed by the CTP? Should this be based on the FIX protocol?

We agree that data should be transmitted by data providers and received by the CTP via a standardised, opensource API. We note that FIX's Market Model Typology (MMT) is the current industry standard.

Q5: Do you think that our rules should be more specific about the means of dissemination of a CT?

We agree with the FCA proposal that data should be disseminated to users in both machine-readable and human-readable form.

The FCA's draft rules for CTPs should require a CTP to disseminate data as close to real time as technologically practical and in a non-discriminatory manner. Our members do not consider it appropriate to be more specific in the rules about the mode of data dissemination (e.g. whether the dissemination should be multicast), without a thorough assessment of its advantages and the costs involved. Instead, we propose that through the tender process, the FCA requests prospective bidders to detail the technology the CTP intends to use for the dissemination of data.

Q6: Do you agree that the consumption of the data published by the CT should be discretionary for market participants?

Yes, our members agree that consumption of the CT should be discretionary, based on the arguments against mandatory consumption set out in paragraph 4.30 of CP23/15.

Q7: Do you agree that the CT should only start operation after bond transparency regime changes come into effect?

Our members agree that ideally the CT should start operation after the bond transparency regime changes have come into effect. That being said, any approach must carefully consider the implications that flow from the chosen implementation timelines.

Members recognise that the FCA's consultation on bond transparency changes that are expected in Q4 2023 will be important to ensure good data quality and standardisation relating to bond trade reports generally. In addition, members consider that the commercial viability of the CT may be impacted if it is implemented before the transparency regime changes have been implemented. For instance, the CTP will have to incur additional costs if they are to commence operations under the existing transparency regime and thereafter adopt the new regime within a short period of time. Additionally, there may be reduced appetite among potential consumers of the CT, who may wish to wait until the transparency changes become effective.

However, if there was a significant delay to the commencement date of the new transparency regime, members would not be in favour of the operation of the CT also being significantly delayed as a result. Some of our members are of the opinion that in this situation, the CT should start operation under the current transparency regime.

Given the connection between the transparency regime and the CT, we would also urge the FCA to ensure that it provides sufficient time for the design and implementation of the new transparency regime to avoid a compressed timetable whereby the transparency and the CT for bonds each go live within a very short space of time to each other. It will be important to give the industry time to adjust to the new transparency rules and have sufficient time to connect to the CT.

Q8: Do you agree that responsibility for applying deferrals should remain with data providers and not the CTP?

Our members agree that responsibility for applying deferrals should remain with data providers and not the CTP.

Providing CTPs with deferred trade reports before the expiration of the deferral period could increase the operational risks arising from the CTP mistakenly publishing such data before the expiration of the deferral period.

Moreover, at present firms have entered into agreements with TVs and APAs to protect the confidentiality of sensitive data within the trade reports which is very pertinent to deferred trade reports. Our members are concerned that firms would not be able to put in place the same contractual safeguards relating to sensitive data if a CTP is to be responsible for applying trade deferrals given that the firms do not have a direct relationship with the CTP.

Furthermore, even in a scenario where CTPs are responsible for the application of the deferral regime, TVs and APAs will still be under a regulatory obligation to publish deferred trade reports which could potentially create inconsistencies with the deferrals applied by a CTP.

Q9: Should the CTP offer a deferral checking service? If so, should use of this service by data providers be mandated?

Our members are of the view that the FCA should not mandate the CTP to provide a deferral checking service. Data providers are already responsible for properly applying deferrals and carrying out data quality checks and are subject to the supervision of the FCA as regulated entities. Therefore, data providers should not be mandated to use a deferral checking service offered by the CTP as they should already have their own internal systems for ensuring compliance with the transparency regime. Mandating a deferral checking service would be duplicative and would unnecessarily complicate the role of the CTP. In any event, the CTP will need to carry out some checks to ensure data quality where there are manifest errors. In the ordinary course, if there is an issue this would be referred back to the provider of the trade report, avoiding the duplication of a deferral checking service.

Q10: Do you agree that the provision of a historical data service should be optional for a CTP?

Our members are of the view that the provision of a historical data service would be beneficial to all market participants and is a good thing in and of itself for the proper and healthy functioning of the market. Availability of historical data could make the UK markets more attractive and more competitive, by enabling international and smaller buy-side participants that would not otherwise have access to such data to make more informed investment decisions. Historical data would also have other positive applications, for example by assisting in market abuse monitoring and allowing higher quality academic research which will contribute towards improved market integrity and market structure. The provision of a historical data service would also enhance the commercial viability of the CT.

If the provision of a historical data service is optional, there is a risk that it will not be provided at all. While larger firms are more likely to have the resources to develop their own in-house solutions, the rest of the market will likely not.

Our members therefore feel that the base requirements for a CTP should include the ability to provide a historical data service and the FCA should consider this as a requirement in the first step of the tender process. However, the pricing of the historical data service does not necessarily need to be considered by the FCA as part of this first step. Additionally, when awarding a tender, the FCA would need to consider what would happen to such a historical data service as and when another CTP takes over the provision of the core CT service.

It is important that firms are not subject to licensing/IP constraints which restrict their ability to download and store historical data so that firms who have the ability to do so can download and store data for their own use.

It is also important to decide how far back a CTP should keep the information it publishes, and this timeframe should vary by asset class in order to ensure any mandate to retain and make historical data available is proportionate. Due to the illiquid nature of certain bonds, historical data for bonds should be kept for a longer period of time, for example up to two years. The time period could be managed to ensure that the costs are proportionate for the CTP, although members do not consider that such costs would be significant in relation to bonds, given that the scope of the CT will be post-trade data only and bonds do not trade as frequently as other asset classes.

Historical data published by the US Financial Industry Regulatory Authority (FINRA) through the Trade Reporting and Compliance Engine (TRACE) system could be a helpful example to consider for bond data. However, in considering TRACE, the FCA should take into account the differences in the market structures of the UK and the US.

Q11: If you think that a CTP should be required to provide a historical data service, what minimum requirements do you think should be established for such a service? For example, should data only be available in response to queries, or should there be a requirement to provide access to some of or all the data through a downloadable database?

Our members are of the view that, at a minimum, historical data should be accessible in downloadable, machine and human-readable formats. Whether or not a full GUI is provided should be up to the CTP. We expect that certain market participants, such as investment platforms, may take a historical data feed from the CTP and feed this into their own GUI/tools in order to assist their clients in making investment decisions. As such, it may be sufficient for data to be made available in a relatively simple format.

It is important that any requirements relating to a searchable database be proportionate and include an 'on demand' option to make it less costly, both for the CTP to provide and for users to access.

A searchable database with the ability to search for data in a user-friendly manner would be beneficial for retail investors.

Economic model

Q12: Do you agree that trading venues and APAs should be required to provide data to a CTP without charge?

Yes, members agree that all TVs and APAs should be required to provide data to a CTP without charge. Members are of the view that one of the main obstacles to the development of a CT has been the lack of an ability for the CT to ensure that TVs and APAs contribute their data, particularly due to significant costs and complexity of market data arrangements.

Hence, changing the paradigm so that it is the responsibility of TVs and APAs to contribute their data (rather than it being the responsibility of a CT to ensure a particular coverage ratio) free of charge should be a main feature of the CTP framework to make it viable.

Q13: Do you agree that a bond CTP should not be required to share revenues with data providers but be allowed to offer incentives to data providers for high quality data?

Members agree that a bond CTP should not be required to share revenues with data providers for the following reasons:

- **Democratised access to market data is for the public good.** Contributors of data to a CTP are obliged to make such trade data public under the UK transparency rules and **should not be entitled**

to make a profit out of their regulatory obligations. Therefore, contributors of data should not be entitled to any share of the revenue generated by the CTP.

- As acknowledged by the FCA, a revenue sharing model would **add to the costs of the CT**. This would reduce the direct benefits to users of the CTP service and in turn weaken the competitive constraint on existing data providers that exist without revenue sharing.
- Trading firms who are reliant on low latency data feeds for their trading strategies are likely to continue purchasing a proprietary direct data feed from TVIs despite the existence of a CT. Therefore, a CT will not act as a direct substitute for proprietary data feeds and will not unduly disrupt the revenue generated by TVIs through the sale of real time data which is delivered at a very low latency compared to a CT.
- Moreover, inclusion of TVIs' data in a CT could significantly improve the number of subscribers receiving their data. Such improved access to data could increase participation, resulting in more executions on TVIs, for which they can charge.

In relation to offering incentives, it is not clear what is meant by 'high quality data' in this context. If it is referring to accuracy, we note that: (1) accurate submissions are a regulatory requirement; and (2) some APAs currently charge firms to address corrections of post-trade submissions. Particularly in the latter circumstances, the cost of correction may have been passed onto the firm making the submission already and thus those APAs would be remunerated twice for solely being a conduit of the data.

Q14: Do you agree that a bond CTP should not be required to contribute to data providers' connectivity cost recovery? If you think that a bond CTP should contribute to data providers' connectivity cost recovery, on what basis should the terms of this arrangement be set?

Our members agree that a bond CTP should not be required to contribute to data providers' connectivity cost recovery. This would conflict with the objectives of ensuring data provision costs are kept low and would seemingly go against market practice and regulation in other contexts.

Hypothetically if TVIs and APAs are remunerated for connecting to a CTP to meet a regulatory obligation then investment firms should be remunerated for connecting to APAs, ARMs, Trade Repositories etc. to meet with their regulatory reporting obligations.

Q15: Do you agree that the requirement for a CTP to provide data free of charge 15 minutes after publication should be removed? If so, how best should we seek to ensure that academic and retail users of the data have low-cost or free access to the data?

We agree that it would not be appropriate to mandate the provision of all bond data for free after only 15 minutes on a blanket basis. Our members anticipate that this would materially affect the commercial value proposition of a CTP for bonds, given that in practice, this could still be considered real time data for certain bonds (e.g. bonds that do not trade frequently).

However, we consider that it would be appropriate to require the CTP for bonds to provide data free of charge after a reasonable time period that is calibrated to enable the commercial viability of the CT. In addition to ensuring broader access to the data this would also avoid the potential unintended consequences of CT bond data being perpetually chargeable. Our members consider that it would be more appropriate to provide delayed data (after a reasonable time period) free of charge for all market participants rather than restricting it to academics and retail users only, in view of the practical difficulties in accurately identifying who should come within these categories. Moreover, even if the CTP specifies the parameters for the recognition of an academic and uses the current MiFID II definition for the identification of a retail investor, the practical implementation of this would be a very involved process including extensive verification processes and monitoring.

In our view, any requirement to provide data free of charge after a specific time period should involve provision of data that was previously published on a real time basis without any amendments to the data (i.e. data without any subsequent rectification). For the avoidance of doubt, where a previously published trade report is cancelled or amended and a new trade report is subsequently published in accordance with Article 7 of RTS 2, we expect the new trade report to be made available free of charge by the CTP after the lapse of a specific time period after which data will be provided free of charge. This is distinct from any other chargeable service, such as providing a database of historical data, which we consider should account for subsequent corrections and remediations by firms, without requiring users to search through all trade reports to identify any subsequent cancellations/amendments (please see our response to Q10).

Currently there is a requirement for APAs and TVIs to provide data free of charge 15 minutes after publication for all asset classes. Our members are of the view that if this is not aligned with the new requirement for the CTP in relation to bonds, this may unfairly disadvantage the CTP, even though the CTP will provide additional services (e.g. historical data) and would consolidate the data. For example, if a key TV or APA covering most

of the market in a particular bond provides its data free of charge after 15 minutes, this would likely significantly reduce the value to a user in paying for the CT, or waiting for the CT to publish its data for free.

Q16: Do you agree that the CTP should be able to offer value added services, provided that the CT service is available on a stand-alone basis and the provision of such services does not give the CTP an unfair advantage?

Yes, we support this proposal. However, the CTP should be subject to oversight and have governance arrangements in place in order to prevent the CTP having an unfair advantage relative to other data providers and CTP users by virtue of the CTP having access to all the trading data across the UK that has been provided to it free of charge.

The CTP should not be able to commercialise non-public data that it has access to, solely by virtue of its position as the CTP.

Please also see our responses to Q10 and Q11.

Q17: Do you agree that CT licences should be separated according to re-use/direct use? For direct use licences, do you agree that users should be charged on a per-user basis? For re-use licences, should users be charged on a per volume basis or on a use case basis? Which ways of licensing would encourage competition and innovation?

Do you agree that CT licences should be separated according to re-use/direct use?

In principle, members agree with the need for clear separation between different licence types. As a general comment, members are of the view that the terms 'direct use' and 're-use' are not commonly used and need to be clearly defined in order to avoid unintended consequences. An overly complex, restrictive and/or administratively burdensome pricing and licensing model could negatively impact the take up and commercial viability of the CT and have an impact on competition and innovation more generally. Members' understanding is that terms more commonly used in the industry include 'internal use' and 'external use'.

For the above reasons, members propose that 'direct use' (or an equivalent term) should include at a minimum: (i) use for internal purposes, including using CT data in connection with pricing models for trading and product creation, post-trade analytics including risk management and best execution monitoring, producing investment research and providing market colour; and (ii) use for client reporting purposes, including using or providing the CT data in connection with calculating portfolio values, net asset values and structured product/basket values. For the avoidance of doubt, this would not involve providing the raw CT data to external clients with an ability to manipulate or reverse-engineer that data set.

Members understand that 're-use' is intended to include re-selling raw CT data with value-added services that directly relate to the core CT data (e.g. an analytics tool which enables a user to manipulate the raw CT, or a post-trade analytics tool provided to third parties). Members consider that 're-use' should not capture the 'direct uses' discussed above. Instead, this type of licence should aim to capture data aggregation and other commercial data services that could directly replace or supplant the core CT service.

For direct use licences, do you agree that users should be charged on a per-user basis?

In order to reduce the administrative burden, members' strong preference would be for an enterprise model (i.e. licenses should be granted on a per firm or per site basis and not on a per user basis). Members understand that the FCA's preference is for prices to reflect the number of users, and that pricing should be proportionate to the size of firm using the data. Members would highlight that the cost of providing a CT will benefit from economies of scale and the risk of cross-subsidisation may be minimal. If the FCA proposes to proceed with this approach, as a workable compromise, members would suggest a model of charging bands based on the number of users (e.g. a price for 1 user, 2-10 users, 11-50 users, 50+ users). This means that larger firms could pay for the highest band of licence and should not be subject to the administrative burden of reporting user numbers (which may otherwise discourage some firms from purchasing CT data). Smaller firms could choose to pay for a smaller number of users if this was economical to them.

In addition to the above, it is also important that the CTP has a licence type that could be used by firms who just want to store the data in a database, for example to automatically validate prices (i.e. machine versus human usage). Therefore, we recommend that the CTP also has a licence which covers data storage per site.

For re-use licences, should users be charged on a per volume basis or on a use case basis?

Members do not have a strong preference for either model but note that there are drawbacks with both of them as follows.

Per volume basis: members are of the view that a per volume basis would potentially be administratively burdensome and inappropriate for this type of service. For example, it is not clear how one would measure usage if, for example, once the data is received there is no need to make an API call or a database query in a way that could be easily measured. Instead, it may be necessary to set up an internal record-keeping system to record different usages. This would be disproportionately burdensome and would disincentivise firms from taking this type of licence.

Use case basis: members are supportive of the view in the [DotEcon Report](#) that a use case model for re-use licences will be difficult to articulate and will be complex. It would also likely require record-keeping to enable audit which may make it unattractive.

Members note that the FINRA model for TRACE is based on a simple structure, with different flat fees for users and for data vendors for re-transmission. A flat fee based on firm size might be the simplest approach in relation to re-use licences and the UK CTP. However, this will have its own nuances including articulating the metrics for measuring firm size itself. In addition, while members look to the FINRA model, their understanding is that it is not run on a fully commercial basis so it may have a limited degree of applicability.

Which ways of licensing would encourage competition and innovation?

Members refer to the findings of the FCA's [Trade Data Review - Findings Report](#) (March 2023) that complex pricing and licensing of market data has adverse consequences, including raising the cost base of wholesale financial markets and potentially resulting in additional costs being passed on to retail investors and savers. Members would also highlight that licensing should not be overly restrictive such that it raises a significant obstacle that discourages the development of innovative products or services, which may be derived from CT data.

Members would endorse an approach that is as straightforward to administer as possible and does not introduce unnecessary complexity, for example by requiring multiple licences to use the same data in similar ways or requiring firms to attempt to identify whether their usage falls into ill-defined 'use cases'. This should encourage a wider take-up of CT data, making it commercially viable and could spur competition and innovation in the market data industry more generally.

Q18: Should the FCA specify a set of components for which CTP bidders must submit price bids, or should bidders be given the option of specifying their own price list?

If bidders are given the option of specifying their own price list, this may promote innovation. However, members query whether it would be possible to compare price lists provided by prospective bidders that do not share at least some common components. There may be a benefit in specifying a minimum set of components, but also allowing bidders to propose alternative charging models and explaining how they would compare to the minimum set of components.

Q19: Do you agree that the tender process should be undertaken based on multiple descending rounds of price-based bidding? Do you have a preference between a clock auction or Anglo-Dutch hybrid auction?

Members do not have a particular view on auction styles. However, members would be concerned if the outcome of the auction process was the selection of a CTP purely or largely on price grounds.

Members understand that all bidders will need to demonstrate that they can meet the baseline statutory and regulatory criteria. In addition, for reasons of transparency and good public policy, it would be useful for the FCA to clarify or indicate in advance the types of criteria that it would be likely to include in any future tender specification and expect bidders to meet. Fundamentally, members are of the view that the chosen CTP should be the bidder who is able to demonstrate the highest standard of compliance and the ability to deliver the highest quality core and value-added services.

Q20: What factors should be considered when determining bidding price parameters, standardisation of bids (if bidders are allowed to specify their own price list), and minimum price reduction in bids between rounds?

Members do not have a particular view on these factors, subject to our comments in Q18 and Q19 above.

Q21: Do you agree that the duration of the initial CTP contract should be five years? How would the length of the contract affect costs, revenues and incentives of a CTP?

Members consider that the length of the term should be calibrated at an appropriate level, in terms of commercial viability for the CTP.

It is important to ensure that a regulatory framework that provides for the appointment of a CTP for a fixed period of time also provides adequate powers to the regulator to intervene if the CTP is not performing in line with its regulatory responsibilities and/ or the additional value-add promises it made during the tender process. In this regard we note that regulation 10 of the draft Data Reporting Services Regulation 2023 gives the FCA the power to cancel a CTP's authorisation under specified circumstances including if it no longer meets the conditions under which the authorisation is granted or if it has seriously and systematically infringed requirements under the rules and regulations applicable to it.

Q22: Do you agree with proposed mitigants to address any potential incumbency advantage of the first bond CTP? Are there additional factors that we ought to consider?

Members are of the view that a prospective CTP's ability to keep up to speed with relevant developments in technology (e.g. technology relating to receiving and dissemination of data) and adopt them in a timely manner over the duration of the initial CTP contract period, and its ability to seamlessly handover to the next CTP, if a different entity, should be considered as part of the tender process.

Any appointed CTP must have documented processes and client agreements in place which facilitate the transfer of clients through a bulk process whereby clients can elect to be moved to a new successful bidder. It is also important to ensure that the clients of the incumbent CTP can easily change their connection from the incumbent to the new CTP without having to incur significant costs. Otherwise, there is a risk that users will move to another data provider.

Further, Rule 9.2A.8.R appears to be too broadly drafted. Rule 9.2A.8.R states that the CTP must '*take all reasonable steps to transfer without delay to a successor CTP **the assets, data** (emphasis added) and operational information necessary to enable it to operate the consolidated tape effectively*'. Reference to 'assets' appears too broad as it could suggest that the incumbent CTP would have to transfer all assets including technology. Further, reference to 'data' (as currently drafted) also raises concerns as data could refer to private information in relation to clients, which should not be shared with the new CTP.

Rules framework

Q23: Do you agree with our proposed extension of the operational resilience requirements in SYSC 15A to a CTP?

Members are broadly in support of the proposal, on the understanding that the intention is to extend proportionate operational resilience requirements to the CTP. In this respect we would also like to highlight that the emergence of a CTP could lead to certain market participants increasingly relying on the CT as the sole centralised point of data which would adversely impact the price formation process and other uses of CT in the event of an outage of a CT. It is important that the FCA consider this scenario in relation to establishing impact tolerances for the CTP.

Q24: Do you agree with our proposed additional outsourcing and conflicts requirements applying to a CTP?

Members agree with the proposed additional outsourcing and conflicts requirements, which are understood to be necessary to ensure a level playing field with MiFID-derived requirements for other firms.

Q25: Do you agree with our proposed retention unchanged of the obligations currently contained in Regulations 13, 44 and 45 of the DRSRs and Articles 5 to 9 of MIFID RTS 13?

Members agree with the proposed approach.

Q26: Do you agree with our proposed prudential regime for CTPs?

Members note that the draft rules and guidance refer to the CTP having 'sufficient' financial resources, as opposed to 'adequate' financial resources. The latter is the phrase used in the FCA Principles for Businesses and other prudential sourcebooks. This may lead to confusion as to whether the difference in terminology is intended to represent a different standard.

Members understand that the intention is that the CTP must have sufficient financial resources for the proper performance of its obligations as a CTP 'at all times'. However, this is not explicit in the proposed rules or guidance. The FCA could consider clarifying that the requirement does not just apply at the point of the initial tender.

Members also note that the proposed guidance as to how the FCA would assess financial resources and expect wind-down planning to be done is relatively high-level. The FCA could consider bringing CTPs into the scope of the expectations set out in the non-Handbook guidance on assessing adequate financial resources (FG20/1) and/or The Wind-down Planning Guide.

Members also note that, if the legal entity acting as the CTP carries out other business activities (whether regulated or unregulated), this should clearly be provided for. It is not clear how the financial resources requirements for CTPs would interact with any other prudential regimes. The guidance in MAR 9.2C.2G could be updated to specifically refer to financial benefits, liabilities, risks and exposures arising from other regulated activities that the CTP carries out.

Q27: Do you agree with our proposed deletion of the requirement for a CTP to price on a reasonable commercial basis?

Members consider that the 'reasonable commercial basis' requirements under MiFID have failed to produce the intended results. As such, in principle we agree with the rationale set out by the FCA that the price for the CT should be constrained by the tender process and that price increases should be in line with inflation.

Q28: Do you agree with the retention of the requirement for a CTP to provide market data on a non-discriminatory basis?

Yes, members agree with the retention of the requirement for a CTP to provide market data on a non-discriminatory basis, which is an essential condition in order to achieve the expected regulatory outcomes of establishing a CT.

Q29: Do you agree with our proposed changes to the transparency obligations in respect of pricing?

Members agree with the proposed changes to the transparency obligations and are of the view that increased transparency should help to start to address some of the previous issues (see our response to Q27 above).

Q30: Do you agree with our proposed governance requirements for the bond CTP?

It is vital to ensure a fair and transparent governance process at the CTP. Members support the FCA's proposal for a consultative committee with a range of market participants – this should include at a minimum, representatives of the sell-side, buy-side and data providers. The representatives of the consultative committee should also periodically rotate to ensure that a greater range of market participant views are represented.

Members are also in support of a requirement to publish agendas and minutes. Anonymised minutes may be a good idea with a view to ensuring a certain level of transparency in the governance model, without discouraging committee members from expressing their views. However, it is important to consider the exact role of the committee. Members would support it being consultative in nature but not it having powers of direction or voting rights as, in practice, it may not be fully representative of the range of views in the industry.

Q31: Do you agree with our proposals on requirements for trading venues and APAs to provide data to the CTP? Do you agree with our proposals on the management by the CTP of potentially erroneous information?

Members agree with the proposals to require TVs and APAs to provide data to the CTP in order to ensure that the CT is viable.

In relation to the management of potentially erroneous information, there is a risk that APAs and CTPs could apply different standards. For example, an APA could have agreed a validation protocol with a firm, which would mean a report is approved by the APA but then this may be subsequently rejected by the CTP, which applies a different threshold. At a minimum, the FCA should consider fully aligning MAR 9.2B.32 R (2) with MAR 9.2B.15 R (5), which sets out minimum automated price and volume alerts. The FCA could consider issuing guidance to clarify its expectations in this respect, given APAs and CTPs could have different interpretations and approaches. Otherwise, there may be an unintended consequence of driving APAs to adopt protocols that get accepted by CTPs, rather than the APA setting the standard, when the APA is closer to the firms and may be better placed to check the underlying trade with the firm.

Please also refer to our comments in relation to a deferral checking service in response to Q9.

Q32: Do you agree with our proposals on data quality?

We refer to our comments in response to Q31. There is a risk that APAs and CTPs apply an inconsistent approach, and the CTP is reporting data quality issues that come down to a difference of interpretation and/or due to the CTP being one step removed from the firms submitting the original reports.

Q33: Do you agree with our proposal to require a CTP to provide a feed of its data to the FCA?

Members agree with the proposals in principle. However, we believe that it is important that the FCA clarifies whether it is using CT data when carrying out its supervisory activities relating to a CTP or whether it plans to use such data as a user when discharging its other regulatory activities (e.g. market surveillance). In the event the FCA is planning to use CT data as a user, our members believe that it will be beneficial for the FCA to enter into a contract with the CTP with appropriate service level agreements to ensure that it receives a high-quality service.

Q34: Do you have any comments on our guidance on the tender and retender process?

Members agree with the proposals for the tender and retender process. Members recognise that the FCA has sought to retain flexibility by not specifying the selection criteria in the Handbook guidance. However, the proposed guidance could be clarified at MAR 9.2A.2 G to confirm that the 'selection criteria' referred to in MAR 9.2A.5 G will be included in the direction to tender (or retender, as the case may be) that is published on the FCA's website. In addition, as mentioned in our response to Q19, it would be useful for the FCA to clarify in the consultation response the types of criteria that it would include in any tender specification and expect bidders to meet. This should ensure that the process is transparent, and applicants will be judged against the same criteria.

However, members are not convinced that six months would be a sufficient amount of time for the retender process to take place and the handover process to be completed smoothly. It is important that the FCA is confident that the prescribed period of time is sufficient since this will be specified in the rules and not the tender documents. We would suggest that the tender notice is published 'at least six months' before the end of the current tender contract. Otherwise, there is a risk that the incumbent CTP will have to be extended purely because the re-tender process was not long enough.

APAs and ARMs

Q35: Do you have any comments on our consolidation in the Handbook of the requirements applying to ARMs and APAs?

Members agree with the proposed consolidation.

Please also see our responses to Q36 and Q37.

Q36: Do you agree with not including material from the recitals in the Handbook?

As a general comment, members are of the view that recitals may be beneficial for interpreting provisions and for understanding why certain provisions were introduced in the first place and how they relate to the policy intention.

For the above reasons, members propose that, instead of a blanket removal, recitals that continue to be relevant should be retained. If a particular recital has been included word-for-word in new rules or guidance, or where policy has changed and the revised rules or guidance no longer reflect the recital, such recitals should not be copied into the Handbook. However, to the extent that recitals relate to a continuation of policy, or otherwise assist firms to better understand the policy intention behind particular rules, it would be beneficial to include them in the Handbook as guidance for interpretive purposes.

For instance, Recital 16 of MiFID RTS 13¹ broadly states that (i) APAs should have the ability to delete and amend information received from reporting entities in exceptional circumstances but (ii) should not otherwise

¹ Recital 16 of MiFID RTS 13 says: "APAs and CTPs should be able to delete and amend the information which they receive from an entity providing them with information to deal with situations where in exceptional circumstances the reporting entity is experiencing technical difficulties and cannot delete or amend the information itself. However, APAs and CTPs should not otherwise be responsible for

be responsible for correcting information contained in published reports because they cannot know with certainty whether a perceived error/omission is indeed incorrect. Whilst the aspects under (i) above are effectively incorporated in the draft rules under MAR 9.2B.15R(1) and (7),² the recital wording under point (ii) is not currently reflected in Handbook text although it is helpful for APAs to understand better the boundaries of their responsibilities regarding the accuracy of published reports. Members consider that there is merit in incorporating this recital wording (subject to minor changes) into the Handbook in the form of FCA guidance as appropriate (noting that there are other examples of when the incorporation of recital wording, or extracts of a recital, would appear to be helpful).

Q37: Are there any revisions to the requirements applying to ARMs and APAs you think we should make in future?

Members note that their responses to Q31 and Q32 (on data quality) apply to APAs as well. The FCA should ensure that the overall regime does not lead to the emergence of different standards and inconsistent approaches.

Provisions for a consolidated tape for equities

Q38: Do you agree that changes to the existing framework of rules discussed in Chapter 6 are also relevant for an equities CT?

Yes, members agree that the baseline operational requirements for a CTP should be the same irrespective of the asset class of the CT.

Q39: Do you agree that an equities CT should cover shares, depositary receipts, ETFs, certificates, other similar instruments? Should it also include ETCs and ETNs?

Members agree that an equities CT should cover shares, depositary receipts, ETFs, certificates and other similar instruments.

However, members are of the view that the equities CT should not include ETCs and ETNs at present. Members are not convinced that there is enough demand for ETCs and ETNs to be included in any CT at the moment.

ETCs and ETNs are covered by Markets in Financial Regulation (MIFIR)/RTS 2, and are different to equities in nature and it would be very costly for an equities CTP to consolidate them into an equities CT. In addition, members expect that their equities specialists would lead projects for connecting to an equities CT and so connecting to an equities CT that included ETC and ETN data would require additional costs/internal resources and introduce operational complexity.

In addition, as mentioned in our response to Q3, ETCs and ETNs are clearly segregated from bond activity for MIFIR/RTS 2 purposes and at this stage, members would not support the inclusion of ETCs or ETNs in a bond CT either. To do otherwise would in principle cut across the way that members currently categorise and address these instruments internally.

Since the draft SI for the Data Reporting Services Regulations 2023 does not preclude the establishment of additional CTs alongside bonds and equities CTs, the FCA should evaluate demand for an additional ETCs and ETNs CT in the future, once the higher priority CTs for bonds and equities are established. However, our members acknowledge that introducing a free-standing CT for ETCs and ETNs could be costly and less commercially viable. Therefore, once sufficient demand is established, the FCA could then consider including ETCs and ETNs into either the bonds or the equities CT at that later point in time.

correcting information contained in published reports where the error or omission was attributable to the entity providing the information. This is due to the fact that APAs and CTPs cannot know with certainty whether a perceived error or omission is indeed incorrect since they were not party to the executed trade".

² Draft Handbook text in MAR 9.2B.15R says: "(1) APAs must set up and maintain appropriate arrangements to ensure that they accurately publish the trade reports received from MiFIR investment firms without themselves introducing any errors or omitting information and must correct information where they have themselves caused the error or omission. (...) (7) In exceptional circumstances, APAs must delete and amend information in a trade report on request from the entity providing the information when that entity cannot delete or amend its own information for technical reasons".

Members support the proposal that the territorial scope of the equities CT is defined to include all equity instruments that are admitted to trading on a TV in the UK or that are traded on a trading venue (TOTV) in the UK.

Q40: Should an equities CT include pre-trade data? If so, why do you think this is necessary and what scope of data (including but not limited to depth of order book) should be included? If not, why not?

Yes, an equities CT should include pre-trade data. To achieve the intended outcomes of a CT, it is important that an equities CT provides both pre-and post-trade data. For example, the availability of pre-trade data in an equities CT will: enable retail investors and smaller asset managers who generally have limited budgets for data services to see available prices and volumes to inform their investment decisions; and it will improve investment in less liquid shares by enhancing transparency of available liquidity which is more helpful for investors than mere post-trade transparency of already executed trades, which would often be outdated. Further, as noted in the consultation paper, inclusion of pre-trade data will make markets more resilient by providing a trusted source of pricing enabling continuity of trading when there is an outage at a venue.

For an equities CT to be commercially viable, which hitherto has not been the case, pre-trade data should be included to ensure sufficient demand from users. A real-time post-trade-only CT would struggle to become commercially viable and therefore, would not enable the emergence of a CTP for equities in the future.

The pre-trade equity CT should also provide sufficient depth (e.g. 3-5) than just level 1 / top of book data in order for it to be meaningful to market participants. Top of order book (level 1 data) would be of least value to consumers of the CT as it would not adequately reflect the depth of the market.

In relation to whether the inclusion of pre-trade data in an equities CT would drive trading away from CLOBs, members note that trades can already be executed off-exchange using a reference price under the current regime. In addition, many sophisticated firms are already currently consuming pre-trade data from multiple TVs directly and making decisions based on this consolidated view. Members do not expect the inclusion of pre-trade data in an equities CT to lead to a drastic change in the market.

Q41: Should an equities CTP be required to remunerate data providers through a form of revenue sharing? If employed, which data providers should a revenue-sharing model reward, how should the revenues to be shared be determined and how should shares of the revenues be set?

Should an equities CTP be required to remunerate data providers through a form of revenue sharing?

Members are of the view that revenue sharing would likely increase the costs and complexity of an equities CT and could make it less commercially viable as a result. Therefore, our members are in principle against adopting a revenue sharing model if it can be avoided. Please refer to our response to Q13 in relation to the bonds CT as the arguments are equally applicable.

However, members understand that revenue sharing may limit the impact of the introduction of an equities CT on TVs' revenue and will help to gain their support for the implementation of an equities CT.

If employed, which data providers should a revenue-sharing model reward, how should the revenues to be shared be determined and how should shares of the revenues be set?

While members are of the opinion that the exact functioning of the revenue sharing model should be discussed in detail as part of a future equities CT consultation, any revenue sharing model should work on the basis of the following principles:

- The aim of the model should be compensating execution venues (i.e. TVs and systematic internalisers) who charge for market data and will suffer a loss of revenue as a result of the introduction of an equities CT. Members would not support data providers that are not execution venues, such as APAs, being remunerated purely by virtue of their mandated regulatory function and re-selling firms' data.
- This should not affect the commercial viability of the CTP and so may be limited to a profit-sharing, rather than a revenue-sharing, model.
- The model for revenue/profit sharing should be as simple as possible although members recognise that some complexity will be required in order to ensure that revenue/profit sharing is fair.
- Revenue/profit sharing should not result in undesirable trading behaviour with a view to receiving a higher portion of the revenue/profit.

- As noted in the FCA discussion paper, the concept of revenue sharing exists in the US equity markets under which exchanges are required to send certain data to a tape in return for a share of the revenue generated by that tape. However, our members note that even in a mature system like the US, the governance model is currently under consideration following an order issued by the Securities and Exchange Commission on 1 September 2023. Further, the market structure in the UK and the US differ. Therefore, the FCA should consider to what extent the current US model would be an appropriate example for a potential UK equities CT.
- Any formulas for revenue/profit sharing should be included in the rules or tender specification and not left up to prospective CTPs to specify.

Inclusion of the revenue/profit sharing formula in the rules or the FCA tender specification will mitigate against the risk of the CTP formulating a revenue/ profit sharing mechanism which will be unfair by the execution venues.

- Any revenue/profit sharing regime would need to carefully consider the interests of market participants in order to receive their buy-in.

Q42: Do you think that there will be demand for disaggregated feeds, by instrument or industry sector, of the data included in an equities CT?

Members are of the view that most firms will be able to disaggregate data themselves (and should be able to under the terms of the licensing regime). As such, members do not believe that providing disaggregated feeds should be a requirement, particularly as there may not be sufficient demand for this data to make its provision commercially viable.

Q43: Do you agree that the equities CT should provide a single, combined feed of trade reports from different instrument categories?

Yes, members agree that the equities CT should provide a single, combined feed.

Q44: Do you agree that the equities CT should include data on market outages, and, if so, exactly what data on market outages do you think should be included?

Our members are of the view that the equities CT should include data on market outages.

Members note that the equities CT could be used as a useful indicator for firms to determine whether a particular market is active or is suffering an outage. The FCA should also consider how this can be linked to the regulatory obligations of TVs in relation to market outages.

Our members suggest that the following information about an outage should be included in an equities CT, which will in turn contribute towards orderly, transparent and resilient markets strengthening the overall market integrity:

- 'status' flags received from the venues in the event of an outage;
- Market Identifier Code (MIC) of any venues that are considered 'Out' with outage-declared time and resumption times (once known); and
- a 'trade away' signal in the event any market (particularly the primary market) has a protracted outage, to enable market participants to consider trading on other alternative venues as appropriate.

We understand that currently a sub-committee of the FCA's Secondary Markets Advisory Committee (S-MAC) is working on industry guidance relating to good practices that could be adopted in a market outage. We believe that it will be useful if this sub-committee could consider the types of information that TVs could provide to the CTP relating to an outage.

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