

FIA EPTA Response to FCA Quarterly Consultation CP 23/14 – Deferral regime for transactions in ETFs priced at NAV

The European Principal Traders Association (FIA EPTA) represents Europe’s leading Principal Trading Firms. Our members are independent market makers and providers of liquidity and risk transfer for markets and end-investors across Europe, providing liquidity in all centrally cleared asset classes including shares, bonds, listed derivatives and ETFs. FIA EPTA works constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe.

FIA EPTA welcomes the opportunity to provide feedback on the proposed deferral for ETF transactions price at NAV.

Q3.1: Do you agree with our proposal to introduce a post-trade reporting deferral for ETF transactions executed at NAV? If not, please explain why.

FIA EPTA members support this proposal.

Whilst it is positive to see the FCA engaging with a specific attribute of ETF trading, many of the concerns addressed by the NAV trade reporting deferral also apply to other ETF transactions priced by reference to an external reference price or benchmark.

We believe it would be similarly beneficial to investors if ETFs referencing the closing auction price or other single time instance reference values were treated consistently with ETFs executed at NAV. For example, GMOC (Guaranteed Market on Close) ETFs.

Q3.2: Do you agree that the post-trade reporting deferral for ETF transactions executed at NAV should enter into force on 29 April 2024? If not, please indicate what we should consider when selecting an alternate date.

Given the potential benefits for investors we would support an earlier implementation date for the proposed deferral. As deferrals are not mandatory, those entities that wanted to make use of the deferral and were able to complete any necessary technical changes could do so as of the earlier adoption date.

However, there would be no obligation for other firms to use the deferral and so very limited mandatory technical build out for these firms in advance of the implementation date which would require a longer implementation period.