

Date: 15 September 2023

FIA EPTA response to the FCA Consultation on The Framework for a UK Consolidated Tape (CP23/15)

<p>Introduction</p>	<p>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. FIA EPTA works constructively with policy-makers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe.</p> <p>The FIA EPTA welcomes the opportunity to respond to the FCA’s consultation on the Framework for a UK Consolidated Tape.</p>
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FCA Questions:

Question:	FIA EPTA Response:
<p>1. Do you agree with the appointment of a single CTP per asset class through a tender process?</p>	<p>FIA EPTA agrees with the FCA’s proposal to appoint a single CTP per asset class through a tender process. Multiple providers would defeat underlying purpose of the Consolidated Tape of having a single golden source for data. Having a single CTP would also reduce operational burden on data contributors and concentrate the customer base making the business model more economically viable.</p> <p>We believe competition issues that potentially arise from a single CTP are best assessed in the context of the tender process through a focus on ensuring cost and pricing are reasonable and subject to appropriate constraints. We consider cost to be the most important criterion in the selection process as</p>

	it will impact the uptake of the CT and amongst those who see consumption as essential it will represent effectively another fixed cost in trading which ultimately impacts pricing models in trading and therefore liquidity provision in the market.
2. What success criteria should be used in the postimplementation framework review?	No comment
3. Do you agree with our proposals on the scope of a bond CT?	FIA EPTA are supportive of an instrument scope that is as broad as possible and therefore are generally in agreement with the FCA's proposals. To the extent possible, the instrument scope of the UK bond CT should be broadly aligned with that of the EU bond CT as a degree of consistency between the two is highly desirable.
4. 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?	<p>The data transmission mechanism and associated communications protocol should be as standardized as possible to ensure the consolidated data published by the CTP is high quality. We acknowledge that the FIX protocol is commonly used in bond markets, however it does not have blanket adoption and therefore we do not believe it should be the default option for the CTP.</p> <p>Ideally, prospective CTPs should set out their proposals for data transmission as part of the tender process and the suitability and efficiency of such proposals should be a criterion against which they are assessed.</p>
5. Do you think that our rules should be more specific about the means of dissemination of a CT?	<p>We agree that the CT data should be available in both machine readable and human readable formats. The CTP should be encouraged to use industry standard formats for data dissemination and we see proposals as to means of dissemination as a criteria to be assessed in the tender process. Multicast of data should be at the discretion of the CTP.</p> <p>The format in which data is published should be designed to ensure ease of uptake by a broad consumer base, including retail investors and academics. Accordingly, there should be a base case format required as an absolute minimum, such as CSV, to support ease of use and consistency of format over time. Ongoing changes to the format of dissemination will increase costs of consumption for users and make the CT less attractive.</p> <p>Lastly, it is essential there is transparency around changes to data protocols or means of data dissemination, so consumers of the CT are able to assess and adapt to changes as needed. For</p>

	<p>example, we would recommend that the FCA require the CTP to publish any such changes on its website.</p>
<p>6. Do you agree that the consumption of the data published by the CT should be discretionary for market participants?</p>	<p>We agree that consumption of the data published by the CT should be discretionary.</p>
<p>7. Do you agree that the CT should only start operation after bond transparency regime changes come into effect?</p>	<p>FIA EPTA believe that having a bond CT will be a crucial step forward in bringing greater transparency to the UK bond market and therefore should not be delayed until the new bond transparency regime comes into effect. Ideally, we would like to see the bond CT operational as soon as possible.</p> <p>If the FCA decides that summer 2025 is the earliest feasible time for the CTP to be in place given the time taken for the tender process, we believe this should be set as a strict deadline. If there are delays to implementation of the new bond transparency regime, these should not cause a delay to the launch of the CTP.</p>
<p>8. Do you agree that responsibility for applying deferrals should remain with data providers and not the CTP?</p>	<p>We disagree that responsibility for applying deferrals should remain with data providers and not the CTP. See our response to Q9 below for further detail.</p>
<p>9. Should the CTP offer a deferral checking service? If so, should use of this service by data providers be mandated?</p>	<p>FIA EPTA believe the CTP should be responsible for applying deferrals and should be mandated to provide a deferral checking service. This would act as an additional layer of monitoring and verification designed to ensure correct and consistent application of deferrals by APAs and trading venues. Furthermore, data providers should be obliged to send post-trade data to the CTP as soon as it becomes available, including where publication is deferred. This would enable the CTP to provide market participants with data as close to real-time as possible, which is critical to the effectiveness and utility of a post-trade Consolidated Tape.</p>
<p>10. Do you agree that the provision of a historical data service should be optional for a CTP?</p>	<p>We disagree that provision of an historical data service should be optional for a CTP. It seems this would be an obvious and important service for a CTP to offer as it has clear value to market participants. If the CTP were not to provide this service, it would be a significant gap in the opportunities presented by launching a CT and would prove a waste of valuable historical data. However, on the basis that historical</p>

	<p>data would hold significant value, the CTP should be given commercial discretion as to how to price, subject to the constraints discussed at Q27, below, to support the likelihood of its commercial success.</p>
<p>11. 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?</p>	<p>The CTP should be obliged to provide historical data in a manner that is responsive to consumer demand and widely accessible by a broad range of consumers, consistent with obligations to make data available on a non-discriminatory basis.</p>
<p>12. Do you agree that trading venues and APAs should be required to provide data to a CTP without charge?</p>	<p>We agree data should be provided to the CTP free of charge. This should not be contentious because trading in UK fixed income markets is predominantly OTC and therefore data submission does not impact a significant revenue stream for trading venues. Requiring a CTP to pay for data would act as a commercial disincentive for potential CTPs as it could create a significant cost base acting as a barrier to entry.</p>
<p>13. 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?</p>	<p>We agree there should not be a requirement to share revenues with data providers but a rebate for contributors when they are also consuming CT product should be considered.</p> <p>We note that the information value of the CT data is derived to a significant degree from the transaction pricing by sell-side dealers and Principal Trading Firms as liquidity providers in these markets. These participants will be important contributors to the information value of the CT while at the same time being CT product consumers. We note that the US TRACE reporting system for fixed income instruments, which is the US equivalent of the Consolidated Tape for bonds and has operated successfully for over 20 years, requires data contributors to pay a fee to submit data whereas the FCA is not proposing any such arrangement for trading venues. In order to incentivise the liquidity provision function of sell-side dealers and Principal Trading Firms, a rebate schedule for consuming the CT product could be considered as an alternative to revenue sharing.</p>

<p>14. 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?</p>	<p>No comment</p>
<p>15. 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?</p>	<p>We agree that this requirement should be removed as it acts as a disincentive for potential providers to come forward. We note there is no equivalent requirement in other jurisdictions that have an effectively functioning bond CT.</p> <p>We believe it is imperative that access to data published by the CT be provided at a low and reasonable price to ensure it is accessible to a broad range of market participants and should be made available for free to retail and academic users.</p>
<p>16. 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?</p>	<p>Yes, it's important the CTP has an opportunity to operate an economically viable business model and be financially successful.</p>
<p>17. 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</p>	<p>As a premise for this question, above all the CTP should be held accountable for providing full transparency on its data products and the associated fee and user policies. This is crucial due to the current fragmented and opaque landscape comprising of a multitude of market data policies implemented by providers of wholesale trading data which are open to interpretation and subject to change.</p>

<p>charged on a pervolume basis or on a use case basis? Which ways of licensing would encourage competition and innovation?</p>	<p>When it comes to licensing fees we propose the FCA should establish clear definitions regarding ‘direct use’ and ‘re-use’. From our perspective, ‘direct use’ is direct display and non-display of CT-data. For non-display a minimal flat fee is most practical means of charging. This is the least complex and the CT data category with the least opportunity for commercial development. For display there should be an additional fee per number of users. This fee should be reasonable per case/user to strike a balance between the cost to the CTP of collecting and providing the data and the commercial relevance of the data displayed.</p> <p>For ‘re-use’ we propose this be defined as external distribution fully, partially, or indirectly (manipulated or derived) using the data from the CTP. We suggest distinguishing between one-on-one distribution where the end-user is known and broader dissemination. For one-on-one distribution, if it is possible to identify the end-user than calculate the licensing fee per case/end-user for the primary license holder. This fee should be slightly higher than the individualized display fee.</p> <p>If the re-distributor is externally operating a platform or product scheme, we suggest using a flat fee which is markedly higher than the flat fee plus display fee in the ‘direct use’-licensing structure. This difference is justified by the commercial potential of using the CTP data in this way and the objective of encouraging competition and innovation in relation to the CTP-data.</p> <p>We suggest a flat fee for practical and governance reasons. First, the specific application of the data in the platform or product scheme will be debatable, difficult to extrapolate or hard to evidence by an external party/CTP. Secondly, administration of a band-width fee structure is difficult to audit and to enforce because reporting is not common in the market nor mandatory.</p> <p>It is also necessary to emphasise the importance of rigorous governance and control structures for the CTP which can impact commercial practices in relation to the pricing and use of data. In this regard, we point to scenarios where a US market participant is a contributor to the SIP feed and also a UTP Plan Administrator. Such dual roles potentially give an unfair advantage regarding future market opportunities on trading execution and strategies. We therefore propose that a CTP should not also be a contributor to the CT, although these candidates are likely to have the infrastructure and expertise to become a CTP. At very least, the CTP should be subject to independent governance and oversight, including rigorous conflict of interest management obligations whereby there is a complete physical separation of the business arrangements of the CTP on the one hand, and the other business concerns</p>
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	of the Trading Venue, APA or investment firm, on the other hand. See our response to Q24 below for further detail.
18. 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?	We believe the price of the core service offered by the CTP should be the key factor in determining the outcome of the tender process.
19. 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?	We consider a (Dutch) clock auction to be the more appropriate mechanism for the tender process as it is transparent and the most efficient methodology. Transparency should be prioritized as the key criterion for determination of the auction mechanism.
20. 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?	No comment
21. 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?	We agree a fixed contract period of 5 years is suitable, provided the CTP continues to meet its obligations.
22. Do you agree with proposed mitigants to address any potential incumbency advantage	We believe the CTP should be given every opportunity to succeed by being free to build a viable business model and pursue commercial success.

<p>of the first bond CTP? Are there additional factors that we ought to consider?</p>	
<p>23. Do you agree with our proposed extension of the operational resilience requirements in SYSC 15A to a CTP?</p>	<p>We believe a CTP should be held to operational resilience standards at least as high as those that apply to trading venues given the CTP is likely to be a core financial markets utility on which many market participants rely to ensure orderly trading.</p>
<p>24. Do you agree with our proposed additional outsourcing and conflicts requirements applying to a CTP?</p>	<p>Given the nature of the market participants likely to submit to tender for the CTP, it is crucial that the CTP is held to high conflicts of interest management standards.</p> <p>Whilst we support the FCA's recognition of the need to specifically manage actual and potential conflicts of interest where the CTP is also a RIE, APA, investment firm, data vendor or 20% controller thereof, as reflected in the proposed new MAR 9.2B.30R, FIA EPTA believe more stringent conflicts management rules are needed. This is due to the unique position the CTP will be in by receiving a direct data feed from all trading venues and APAs which could potentially put it at an unfair advantage with respect to its other business activities, particularly in the context of there being a sole CTP. Whilst currently some RIEs or investment firms are also APAs, they do not receive data from all UK venues and/or DRSPs, just a subset. In addition, they are in competition with other APAs that may also have a similar operating structure.</p> <p>We take as a reference the scenario in the US where a market participant may be a contributor to the SIP feed and also a UTP Plan Administrator. Such dual roles potentially give an unfair advantage regarding future market opportunities on trading execution and strategies.</p> <p>To ensure there is a level playing field amongst market participants and the CTP does not act improperly, we recommend the FCA require the CTP to implement robust information barriers which amount to complete physical separation of the business of the CTP and the other business arrangements operated by that entity if they are also one of the bodies referred to in proposed MAR 9.2.30R(1)-(5).</p> <p>Furthermore, establishment of such information barriers should be a criterion included in the tender process, a pre-requisite for authorization as a CTP and subject to ongoing monitoring and supervision by the FCA.</p>

25. 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?	No comment
26. Do you agree with our proposed prudential regime for CTPs?	No comment
27. Do you agree with our proposed deletion of the requirement for a CTP to price on a reasonable commercial basis?	<p>It is imperative that the cost of access to data published by the CTP is reasonable and relatively low to ensure consumption is economically viable for a broad range of consumers. It is especially important that some kind of controls or limits be placed on cost of data given there will be a single CTP and therefore little or no competitive pressure on pricing. Given the lack of competition in the market for consolidated data, we do not believe that simply requiring access on a non-discriminatory basis is sufficient. It would be far too easy for a single CTP to merely charge the same high cost to all consumers if this is the only limit placed on pricing.</p> <p>The Reasonable Commercial Basis framework for controlling market data costs set out under MiFID II has not been successful in large part due to its lack of prescription and lack of enforcement. However, we do not see this as a sufficient rationale for doing away entirely with a cost control framework for the CT.</p> <p>We believe the FCA should be prescriptive as to the accounting methodology for aggregating and disseminating CT data, including regarding amortization standards and the approach to calculating joint costs for example in relation to staff and IT resources (to the extent the FCA decides to allow the CTP to operate a multi-faceted business model – see our responses to QQ 17, 24 and 30). Only with such levels of prescription will it be possible to establish an appropriate margin that may reasonably be charged by the CTP.</p> <p>It is not sufficient to merely have cost be a key criterion in the tender process as this would not prevent material cost increases over time after the CTP has commenced its 5-year term. In the context of wholesale trading data, market participants are regularly subject to frequent material increases in prices, noting that this takes place in a market which is at least marginally more competitive than the scenario of a sole CTP. Therefore, we believe more prescriptive rules, which are subject to close ongoing scrutiny from a supervisory perspective, are needed so the CTP is held to a clear enforceable standard.</p>

	<p>In the event that the FCA decides to pursue the non-discriminatory access framework, we strongly recommend the CTP be obliged to clearly and comprehensively describe user/customer categories so these are clear and unambiguous.</p> <p>We stress that it is unlikely the establishment of a consolidated tape is likely to apply downward pressure on market data costs, particularly for equities. Given there are few competitive constraints on primary markets in pricing wholesale trading data and there will remain a significant portion of consumers of broad ranging market data (typically banks and investment firms) who will continue to consume that data directly from venues, the consolidated tape is unlikely to be substitutional for or in competition with the most lucrative market data products for trading venues.</p> <p>FIA EPTA believe a reasonably priced CT will make data more accessible to a broad range of investors which will enhance the quality of UK financial markets overall by encouraging participation. To this end, the CT should be made available to retail investors and academics free of charge.</p>
<p>28. Do you agree with the retention of the requirement for a CTP to provide market data on a non-discriminatory basis?</p>	<p>See our response to Q27, above.</p>
<p>29. Do you agree with our proposed changes to the transparency obligations in respect of pricing?</p>	<p>We wholeheartedly agree that there must be robust and detailed transparency obligations imposed on the CTP with respect to pricing, licensing arrangements and commercial arrangements with respect to consumers of consolidated data. However, it is also imperative that these obligations also be subject to close supervision by the FCA to ensure they are adhered to. We generally believe that rules around market data pricing, including transparency obligations, have not been adhered to or sufficiently enforced with respect to market data providers more broadly. This will be crucial given there will be a single CTP and therefore very little scope for competitive pressure. See our response to question 30 below for further detail on the transparency arrangements we believe are suitable for a CTP.</p>
<p>30. Do you agree with our proposed governance requirements for the bond CTP?</p>	<p>The CTP requires a strong, independent governance structure, appropriate to its role and responsibility in UK financial markets. The governance structure should safeguard the interests of all relevant stakeholders (buy-side, sell-side, principal trading firms, trading venues, data service providers, public authorities) and should ensure that the CTP is held accountable to efficiently deliver CT products that are useful, of high quality, and fairly priced under non-complex fee and user policies.</p>

On this basis we believe additional measures could be introduced to the framework proposed in CP 23/15 to ensure governance of the CTP is appropriately robust.

The governance structure should provide for appropriate checks and balances so as to avoid giving any group of (incumbent) stakeholders exclusive rights. This is the most important safeguard against the risks of monopoly or undue conflicts of interest. We would consider that a three-tier governance structure that exists for such bodies as GLEIF and the IFRS Foundation could provide useful inspiration for designing the governance structure surrounding the CTP. However, we would emphasise the need for a customised governance model— a direct copy-paste of these examples would not be appropriate.

Under such a governance structure, the CTP should be accountable for providing full transparency on its data products and the associated fee and user policies as well as any material changes to these. Transparency is essential to stakeholders' confidence that the CTP operates in fair and effective manner for all market participants. All relevant information regarding the data products and fee and user policies should be provided by the CTP in concise and plain language that is accessible to all data providers to, and (potential) users of, the CTP.

The CTP and associated governance bodies should consult on material changes to (the principles guiding) the delivery of the CT data products and fee and user policies by means of a transparent, public and well-governed process. The main features of that process should include:

- What changes are planned to be implemented and why;
- The objectives that are targeted to be achieved based on concrete and stable criteria/KPIs;
- The manner in which the CTP and/or governance bodies will take into account stakeholder inputs;
- How the CTP operator and/or governance bodies will measure, monitor and re-view that those objectives are indeed being met, taking into those same criteria/KPIs, including a formalised process stakeholders to respond to the changes; and
- What the mitigating actions will be in case the objectives are not met, or if negative or unforeseen impacts are found and/or further changes are deemed necessary.

These processes should take place in a data-driven manner and be based on a clear, ex-ante communicated timetable so the process is both objective and predictable for stakeholders/users.

31. 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?	We agree Trading Venues and APAs should be required to send data to the CTP as close to real time as technically possible.
32. Do you agree with our proposals on data quality?	It is important that the CTP maintains high standards of data quality and therefore we support the FCA's proposals in this regard in conjunction with scope for an incentivization structure encouraging submission of high-quality data.
33. Do you agree with our proposal to require a CTP to provide a feed of its data to the FCA?	No comment
34. Do you have any comments on our guidance on the tender and retender process?	No comment
35. Do you have any comments on our consolidation in the Handbook of the requirements applying to ARMs and APAs?	No comment
36. Do you agree with not including material from the recitals in the Handbook?	No comment
37. Are there any revisions to the requirements applying to ARMs and APAs you think we should make in due course?	No comment
38. Do you agree that changes to the existing framework of rules discussed in Chapter 6 are also relevant for an equities CT?	We agree that the general framework for the CTP should be the same for both bonds and the equities.

<p>39. Do you agree that an equities CT should cover shares, depositary receipts, ETFs, certificates, other similar instruments? Should it also include ETCs and ETNs?</p>	<p>We believe the instrument scope for the equities CT should be as wide as possible.</p>
<p>40. 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?</p>	<p>We strongly support inclusion of pre-trade data in the equities CT as we believe this will cater to a greater range of use cases amongst consumers therefore providing greater utility to the market overall and underpinning a more viable business model for the CTP given the greater commercial value of a pre-trade tape, especially to those consumers who cannot afford to purchase direct data feeds from multiple sources.</p> <p>A pre-trade CT would help firms achieve best execution, providing additional data for assisting venue routing decisions by indicating which markets have the best price and/or volume at a given time. It would also support the continuation of trading on secondary markets in the event of a primary market outage by providing information on the best alternative venue at a given time.</p> <p>Five layers of order book data would be desirable as it provides a useful insight into depth of trading interest.</p>
<p>41. 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?</p>	<p>Whichever commercial model is chosen for the equities CT, care should be taken to ensure it does not result in increasing the cost of wholesale trading data for those market participants who will continue to consume that directly from trading venues, in addition to consuming the CT.</p>
<p>42. Do you think that there will be demand for disaggregated feeds, by instrument or industry sector, of the data included in an equities CT?</p>	<p>Yes, we believe there will be demand for disaggregated feeds, particularly by instrument, provided the cost remains reasonable. The CTP should have the commercial freedom to provide disaggregated feeds as a value-added service with the aim of ensuring the CTP is commercially successful.</p>

<p>43. Do you agree that the equities CT should provide a single, combined feed of trade reports from different instrument categories?</p>	<p>For the CT to be meaningful it should provide a single feed for each instrument. However, separating the data into feeds by e.g. sector, is a level of detail we do not consider necessary to be mandated by regulation. We consider this to be a feature the CTP could add as a value-added service.</p>
<p>44. 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?</p>	<p>The equities CT should have some means of communicating when data is unavailable due to an outage and that a given data stream has been compromised/impacted by such outage. This information could be included as a category of market status e.g. continuous/ auction (open, close, volatility)/ outage. Generally, we believe there should be discussion of a solution for communications on outages and the CT will be instrumental in this regard.</p>