

EPTA response to the FCA Consultation Paper on a Framework for a UK equity consolidated tape (CP 25/31)

Introduction	The European Principal Traders Association (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. EPTA works constructively with policy-makers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe.
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FCA Questions:

Question:	EPTA Response:
1. Do you agree we should introduce an equity CT including post-trade data and the attributed pre-trade best bid and offer? Y/N. Please give your reasons.	<p>Yes. EPTA members agree that the design proposed by the FCA for the equity CT strikes the appropriate balance between what is achievable now at a predictable price point and serving a reasonable range of use cases, thus meeting consumer demand. Whilst EPTA members would ultimately prefer that the UK have an equity CT that provides 5 layers of pre-trade price and volume data, we recognize the challenges in assessing a predictable stable revenue stream that would support anticipated cost of delivery for this design.</p> <p>Attributed pre-trade best bid and offer plus post-trade data will offer consumers a substantial improvement on existing data availability and benefit venues by enabling them to "advertise" liquidity through attribution.</p> <p>EPTA members assume that SI public quotes would not be included under this design proposal. It would seem illogical and of no discernable value for consumers to see (for example) the BBO on the LSE then 40+ SI public quotes underneath this, but no pre-trade data from other relevant execution venues.</p>

2. Do you agree we should not introduce a real-time post-trade only equity CT, regardless of its likely speed of delivery? Y/N. Please give your reasons.	Yes, EPTA members agree. We believe the FCA should introduce a tape that builds for future optimization once the initial hurdle of delivery of the first equity CT is overcome. Building a post-trade only CT would make it substantially more difficult for the CTP to re-engineer its infrastructure to deliver a pre-trade CT in the future. The design proposed by the FCA strikes an appropriate balance between meeting user needs and delivering the CT in a timely way.
3. Do you agree, on the basis of the evidence currently available, we should not introduce an equity CT with a greater depth of pre-trade data? Y/N. Please give your reasons.	There is definite value in an equity CT with greater depth of pre-trade data however, EPTA members recognize there are challenges in demonstrating sufficient demand to meet anticipated cost at this point in time. If it were achievable to deliver a CT with greater depth of pre-trade data in a timely way, EPTA members would be very supportive, but if it is too difficult then we are in favour of moving ahead with a reasonable compromise in the interests of delivering a tape sooner rather than later.
4. Do you have any initial views on whether an outage of the equity CT proposed in Question 1 would affect your ability to trade – subject to further evaluation once the equity CT is live?	EPTA members will continue to consume market data from source and will not rely on the equity CT to make trading decisions. Accordingly, an outage would not affect their ability to trade.
5. Subject to further assessment of its feasibility, in principle do you think it would be helpful for the FCA to publish end-of-day consolidated post-trade data before the equity CT goes live? Y/N. Please give your reasons.	No. It would be preferable for the FCA to focus on delivering the equity CT in a timely manner rather than channel resources to an interim and sub-optimal substitute.
6. Do you agree with our proposal not to require	No comment

<p>revenue sharing arrangements between the equity CTP and data contributors? Y/N. Please give your reasons.</p>	
<p>7. Do you think there is a case for being able to view, via the equity CT:</p> <p>a: All quotes that equity SIs are required to make public under Article 15 of UK Markets in Financial Instruments Regulation (MiFIR, Regulation (EU) No 600/2014).</p> <p>b: The BBO of SI quotes in each liquid equity instrument.</p> <p>c: The subset of SI quotes made public under Article 15 of MiFIR that are within the BBO for an instrument? Y/N. Please give your reasons.</p>	<p>No. EPTA members do not consider this to be valuable information which is uniquely additive to the data set expected to be disseminated by the CT. SI public quotes for a given instrument are generally on or around same level due to the requirements to be close to the prevailing market price and therefore including this information would risk merely creating “noise” in the tape. Rather than contributing to depth or quality of data, it would merely increase the volume of data at each tick.</p> <p>Furthermore, it is not clear how the negligible incremental information contributed by this data would justify the additional capacity needed by the CT to process and publish it.</p>
<p>8. Is there any information you can provide about the potential costs for SIs of providing their quotes to the equity CTP; or the complexity and costs for the CTP of being required to publish a subset of SI quotes or the BBO from amongst SI quotes?</p>	<p>Our members are not able to provide a potential cost, however note that the theoretical cost could be considerable given the volume of quotes published and challenges of filtering a certain subset of quotes. In practice, most SIs are connected to a single quote publication service provider and so if the FCA insist on including SI public quotes (albeit adding little to no value to the information published on the tape) then these should be taken directly from the public quote providers that are already aggregating. What would add material cost to the industry would be requiring each SI to send public quotes to both public quote providers (to make ‘public’) and another third party for purposes of inclusion in the tape.</p>

	This proposal would also entail imposing an obligation on the CT to connect to yet another data source or sources, for minimal marginal value. In the view of EPTA members, the cost and complexity outweighs any perceived benefit.
9. Do you agree with our proposed latency requirements for data contributors? Y/N. Please give your reasons.	No comment
10. Do you think there are specific types of trading protocol that should be subject to a higher latency requirement? Y/N. If yes, explain which types of flow and why.	No comment
11. Do you see any potential challenges in UK data contributors meeting these requirements, including around cancellations and amendments? If so, do you think the alternative options outlined would help reduce these challenges? Please also provide any further suggestions.	No
12. Do you agree with our proposal that, once an equity CTP receives details of a relevant order	Yes. EPTA members believe this provides the appropriate balance between operationalisation and cost.

<p>or trade, it must publish this data within 100 milliseconds with a daily confidence interval of 99.99%? Y/N. Please give your reasons.</p>	
<p>13. Do you think there is a case for having separate latency standards for pre- and post-trade data? Y/N. Please give your reasons.</p>	<p>No comment</p>
<p>14. Do you agree we should have a single CTP for the first 5-year contract period for the equity CT? Y/N. Please give your reasons.</p>	<p>Yes</p>
<p>15. Do you agree 5 years is an appropriate period for the length of a contract to operate an equity CT? If not, what length of time do you suggest and why? Y/N. Please give your reasons.</p>	<p>Yes</p>
<p>16. Do you agree the CTP should not have to pay data contributors for accessing their data? Y/N. Please explain your reasons.</p>	<p>Yes, we agree the CTP should not have to pay data contributors to access their data in the interests of ensuring the CT is provided at a cost that makes it attractive and accessible to a broad range of consumers.</p>
<p>17. Do you agree the licensing structure we adopted for the bond CT</p>	<p>Licensing scheme should be as simple and flexible as possible to encourage widespread adoption of the CT. Licenses should not be differentiated based on use case as this is likely to disincentivise users.</p>

<p>would also work for the equity CT, in particular do you think we need additional provisions relating to access for retail clients to real-time data? If you think there should be differences in the licensing scheme for equities, please set out the changes you think are necessary and their rationale.</p>	
<p>18. Do you agree an equity CTP should not be required to make its data available for free after 15 minutes? Y/N. Please give your reasons.</p>	<p>Yes. EPTA members want the UK equity CT to be successful and therefore the CTP should be given opportunities to pursue additional revenue streams to support its ongoing viability.</p>
<p>19. Do you agree that consumption of the equity CT should not be compulsory? Y/N. Please give your reasons.</p>	<p>Yes</p>
<p>20. Do you agree an equity CTP should not be subject to rules on pricing on a reasonable commercial basis? Y/N. Please give your reasons.</p>	<p>Yes. The CTP has a different business model, use cases and function to trading data and therefore should not be subject to the same reasonable commercial basis framework as trading data providers. Furthermore, to do so complicates potential future measures which could greater transparency and simplicity in market data pricing, which should be considered separately to the CT. EPTA members believe it is essential to develop such measures in relation to trading data regardless of the success of the CT.</p>
<p>21. Do you have any comments on the treatment of ETNs and</p>	<p>ETNs and ETCs need to be included in either the equity CT or the bond CT: these are commonly traded instruments with respect to which data should be readily accessible and there is no reasonable rationale for</p>

ETCs for equity and bond CTs?	excluding them completely. As these instruments trade similarly to ETFs and have similar fields for post-trade transparency, it would seem logical for them to be included in the equity CT.
22. Do you agree that all equity trading venues and all APAs publishing trade reports for equities should be required to provide data to the CTP, and new trading venues and APAs should provide data as soon as possible after they start operating? Y/N. Please give your reasons.	Yes. The CT should be as comprehensive as possible, with the benefits of advertising liquidity evident to contributors. For new trading venues and APAs, we suggest there be a clear regulatory expectation that they build to be connected the CTP from launch.
23. Do you agree with our proposed pre-trade input table for the information trading venues have to provide to the equity CTP? If not, please set out the amendments you think we should make and the reasons for those amendments.	No comment
24. Do you agree with our proposed pre-trade output tables for the information the equity CTP will need to publish? If not, please set out the amendments you think we should make and the	No comment

reasons for those amendments.	
25. Do you agree APAs should not be required to send to the CTP information about the time at which they received details of a trade from a client? Y/N. Please give your reasons	No comment
26. Do you agree an equity CTP should be required to print the date and time at which it has published a trade? Y/N. Please give your reasons.	No comment
27. Do you agree an equity CTP should not be required to flag trades they or an APA think are potentially incorrect? Y/N. Please give your reasons.	No comment
28. Do you agree data contributors should provide regulatory data on the status of instruments and trading systems to the CTP for publication by the CTP? Y/N. Please give your reasons.	No comment
29. Do you agree we should align our fields for	Yes, this would be desirable in order to support future interoperability. International market participants see Europe comprising EU, UK and Switzerland as a single region and therefore it is a benefit to the UK to ensure

<p>regulatory data with those adopted by the EU? If not, what changes do you think we should make to the fields?</p>	<p>its regulatory data can be easily aggregated with other regional tapes to ensure its market can be advertised more broadly.</p>
<p>30. Do you agree an equity CTP should be required to make available a database of historical post-trade data? Y/N. Please give your reasons.</p>	<p>No comment</p>
<p>31. Do you agree we should require an equity CTP to make available a database of the pre-trade data it publishes? Y/N. Please give your reasons, in particular indicating use cases you think that such a database might serve.</p>	<p>No comment</p>
<p>32. If you agree with Question 31, do you think the coverage of the pre-trade database should be restricted and, if so, how?</p>	<p>No comment</p>
<p>33. Do you agree SYSC 15A should apply to a single equity CTP? Y/N. Please give your reasons.</p>	<p>No comment</p>
<p>34. If we were to allow multiple equity CTPs, do you think it would be</p>	<p>No comment</p>

necessary to apply SYSC 15A to them? Y/N. Please give your reasons.	
35. Do you agree with our proposal to amend MAR 9.2B.2R on conflicts of interest for CTPs? Y/N. Please give your reasons.	No comment
36. Do you agree the equity CTP should send us a report on its operation on a quarterly rather than 6-monthly basis? Y/N. Please give your reasons.	No comment
37. Do you agree with our proposals to add requirements on automated alerts and a mechanism for data users to raise concerns about potential issues with the data published by the equity CTP? Y/N. Please give your reasons.	No comment
38. Do you agree with our proposals for specific data quality requirements for an equity CTP? Y/N. Please give your reasons.	No comment
39. Do you agree with removing the reference to 15 minutes in MAR	No comment

9.2B.33R(2)? Y/N. Please give your reasons.	
40. Do you agree data contributors should be required to send the specified input data to the CTP and the CTP should be able to choose to receive the information in one of the ways that a data contributor currently uses to publish transparency data? Y/N. Please give your reasons.	No comment
41. Do you agree data contributors should not be required to send the specified input data to the CTP using a format adhering to the ISO 20022 methodology? Y/N. Please give your reasons.	No comment
42. Do you agree we should have standards on the transmission of data to the CTP across performance, reliability, security and compatibility and do you have any comments on the standards we have proposed?	No comment

43. Do you agree with having the same requirements on the formats for the dissemination of the equity CT as the bond CT in the UK? Y/N. Please give your reasons.	No comment
44. Do you agree with reducing the notice period a CTP for bonds or equities should give of price changes to 30 days? Y/N. Please give your reasons.	No comment
45. Do you agree with our proposal to amend MAR 9.2B.14R, MAR 9.2B.33R(3) and MAR 9.2B.38R so they apply to the equity CT and/or CTP? Y/N. Please give your reasons.	No comment
46. Do you agree firms should consider whether using CT data can improve their best execution arrangements and monitoring but there is no need to add a provision in the Handbook on this? Y/N. Please give your reasons.	No comment
47. Do you agree we should delete references to a	No comment

CTP in the UK version of RTS 3? Y/N. Please give your reasons.	
48. Do you agree the equity CTP, and APAs in relation to equity trades, should be subject to the same clock synchronisation requirements as trading venues? Y/N. Please give your reasons.	No comment
49. Do you have any comments on our cost benefit analysis?	No comment
50. Do you agree with the assumptions made in our cost benefit analysis?	No comment
51. Are there any significant costs or benefits to the market that we did not adequately consider in our cost benefit analysis?	No comment