

Financial Conduct Authority



Transaction Reporting Update

Frances Hutchinson
Manager, Markets Reporting

Agenda

- Wholesale Conduct - Alison Barker
- EU Policy Update - Bronwyn Bayne
- NYSE LIFFE/ICE migration - Stuart Williams
- Transaction reporting data trends - Juliet Onyeka
- TRUP v3.1 consultation - Ana Fernandes
- Summary - Frances Hutchinson
- General Q&A



Wholesale conduct

Alison Barker
Head of Department, Trading Firms and
Markets Risk

Overview

- Role of the FCA
- Wholesale conduct risk
- Trading Firms and Markets Risk
- Q&A

FCA objectives

Strategic objective 'making relevant markets work well'

Operational objectives:

- To secure an appropriate degree of protection for consumers.
- To protect and enhance the integrity of the UK financial system.
- To promote effective competition in the interests of consumers.

We also have a competition duty

Who do we care about and why?

The competition objective: recognising that many poor practices potentially engage our competition objective

Poor conduct between two equally sophisticated firms operating in wholesale markets

Poor conduct between two wholesale market participants who possess different sophistication or expertise

Poor conduct in wholesale markets feeds through and causes detriment to retail consumers

The integrity objective: orderly operation, soundness, market abuse and financial crime. Individual transactions between counterparties are less important to us than their potential aggregate impact.

Transaction reporting data is central to our market surveillance function and our investigatory work on market abuse and market manipulation cases. The quality of such data is crucial in order to help us achieve our market integrity objective.

The consumer protection objective: recognising different degrees of experience that participants may possess and that, ultimately, a retail end-user may suffer detriment

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EU Policy update

Bronwyn Bayne
Manager, Markets Reporting

EU policy update

- ESMA Discussion Paper (DP) has now been published
- Entry into force 30 months thereafter (i.e. 2016/7)
- ESMA open hearings in early July

We will be engaging with industry to gather views in due course

- Our webpage (<http://www.fca.org.uk/firms/markets/international-markets/eu/mifid>) will keep you informed
- You can register to receive updates

While MiFIR transaction reporting standards are being discussed, and any further harmonisation with EMIR data standards and formats is being considered:

- Existing obligations to transaction report under MiFID do not stop
- Firms using an ARM should continue to submit their transaction reports using such ARM



NYSE LIFFE/ICE migration

Stuart Williams
LIFFE

[LIFFE/ICE content removed – please contact
LIFFE for further information]

NYSE LIFFE/ICE migration

Transaction Reporting

- We expect transaction reports after each migration to reflect the Market Identifier Code (MIC) of the platform on which the trade occurred.
 - A short gilt contract traded on Oct 3rd or earlier should have the MIC set to XLIF regardless of the date it is submitted.
 - A short gilt contract traded on Oct 6th or later should have the MIC set to IFLL.
- Reports containing the wrong MIC for the trade date will not be rejected, however firms will be asked to correct them subsequently.
- Future back-reporting should reflect the correct MICs by trade date.



Transaction Reporting Data Trends

Juliet Onyeka
Senior Associate

Agenda

- Common reporting issues
- Level of rejections
- Transaction reporting volumes
- Sample data request update

Common findings

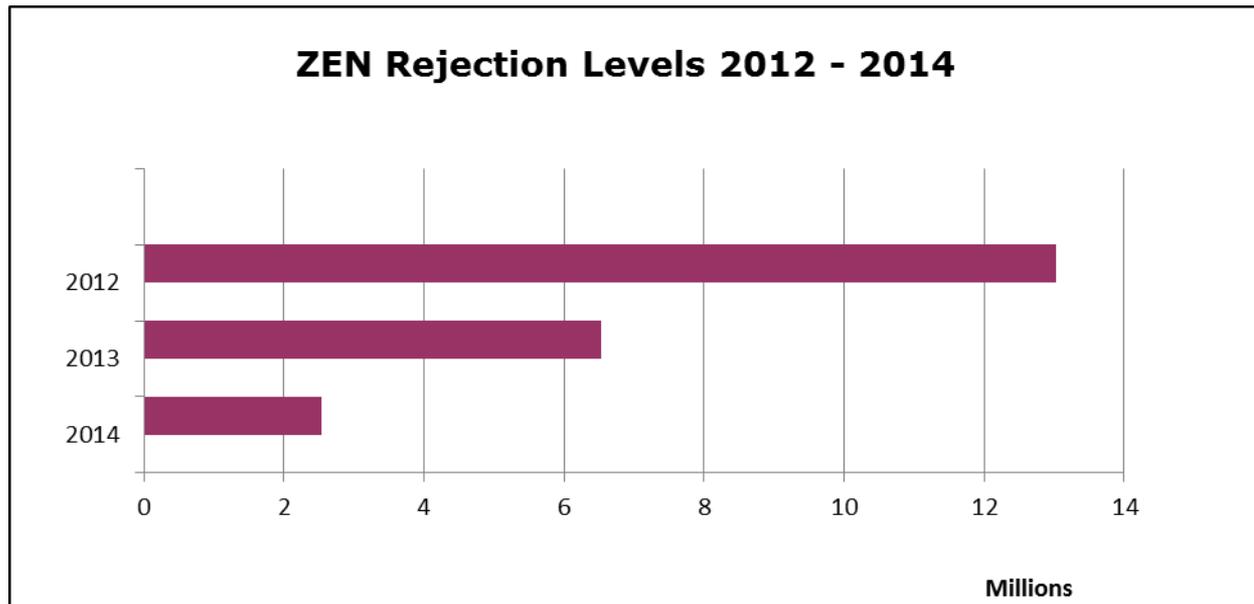
- We continue to see issues with data quality and completeness
- The detection and investigation of market abuse depends on high quality and complete data and other regulators depend on our data
- We continue to focus specialist supervisory efforts on this
- Firms need to focus on data quality to avoid possible regulatory action. This will also provide a solid foundation on which to build for MiFIR

Common reporting issues

- Failure to report
- Incorrect time stamp
- Incorrect buy/sell indicator
- Incorrect use of internal identifiers
- Incorrect price
- Incorrect entity within a group
- Incorrect venue
- Instrument description field on OTC derivatives transactions
- Late reporting

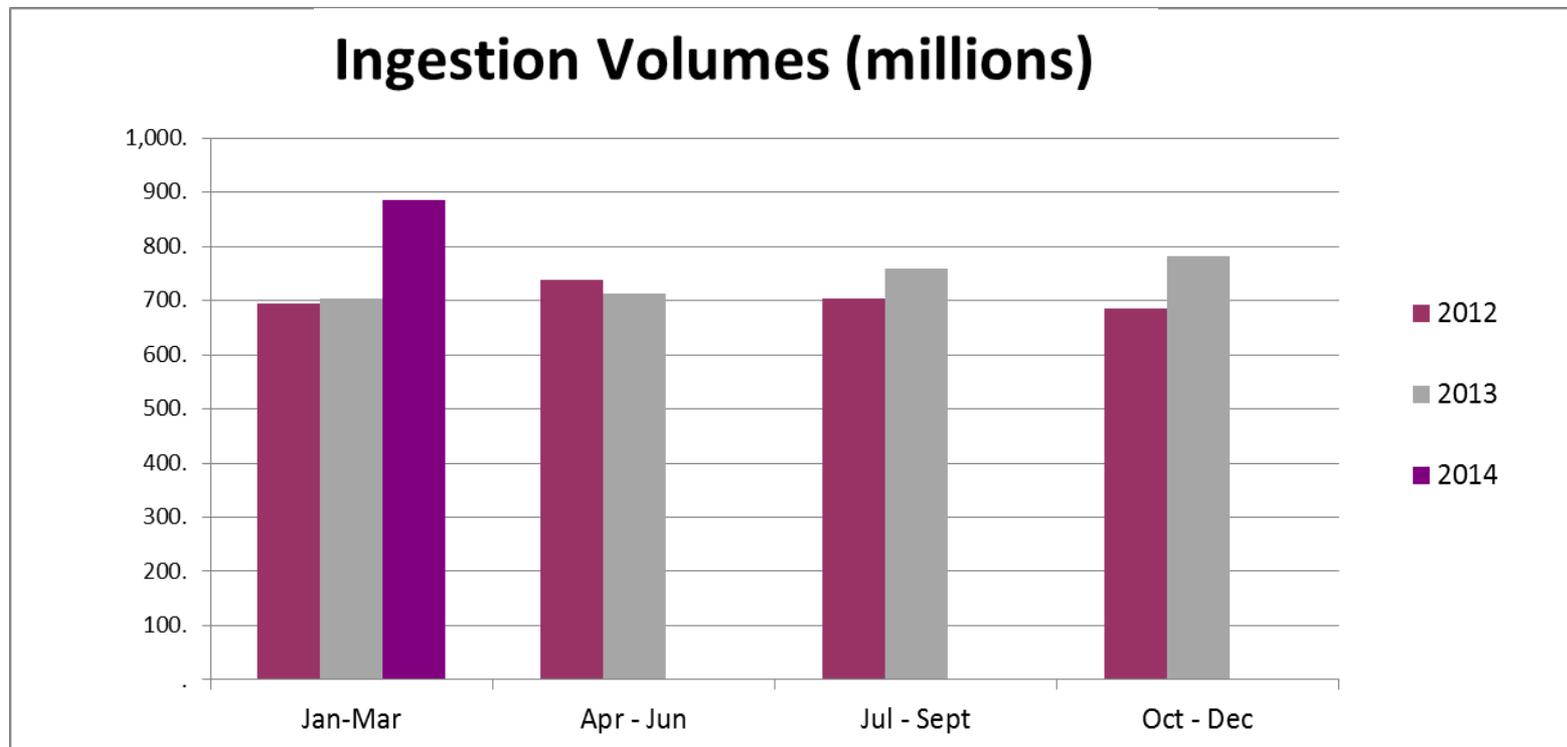
Level of rejections

- Increased validation (ARMs and FCA)
- Exception management within firms



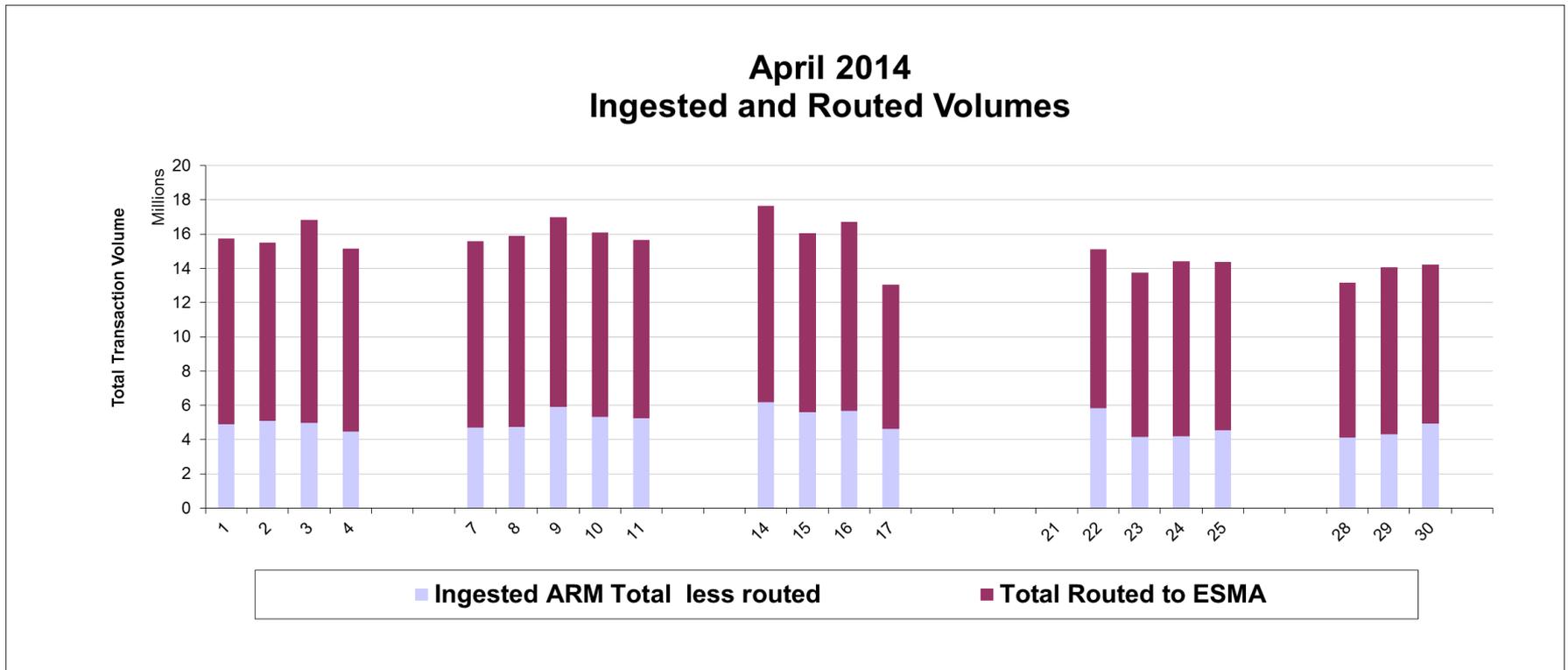
Transaction reporting volumes

- Steady increase in transaction reporting submissions
- Average 14 million transaction reports daily

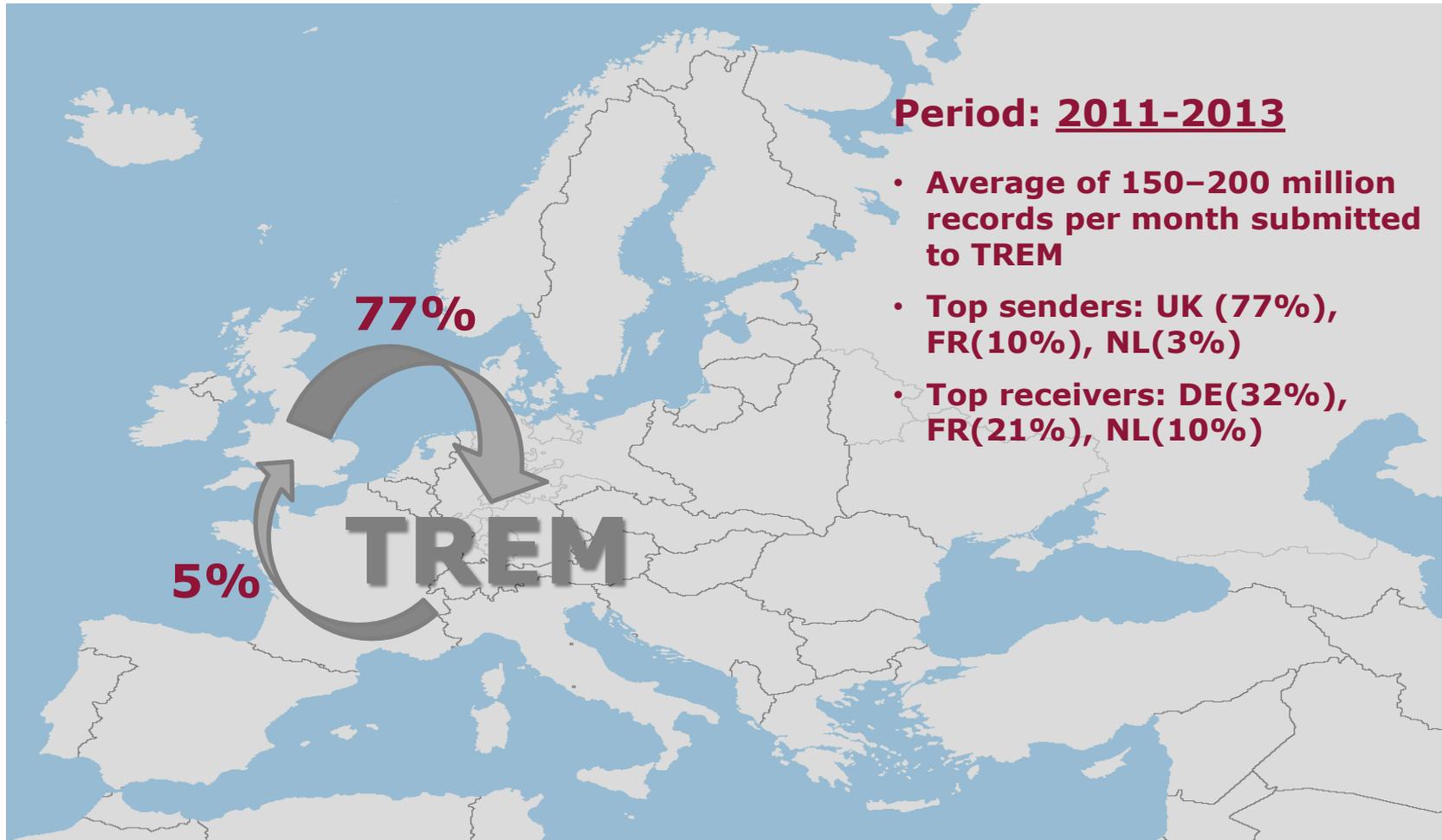


Transaction reporting volumes

- Average 67% routed to other competent authorities



TREM data



Requesting sample data

- Why is it important that firms utilise our service which enables them to request sample data relating to their own transactions?
- What has changed:
 - automated process
 - support handled by FCA Contact Centre (0845-606-6699)
 - authorised user list
 - Compliance staff should email: tmu@fca.org.uk
 - Name of individual(s) authorised to make requests
 - Email address of authorised individuals
 - Applicable FRN and or BIC

Requesting sample data (cont.)

- Maximum sample request size
 - Sample request based on trade date
 - Maximum sample period is 1 month (31 days)
 - x5 requests daily per FRN

- Sample request based on submission date
 - Maximum sample period is 1 month (31 days)
 - x3 requests daily per FRN

Requesting sample data

- Errors identified when firms request sample data
 - FRN or 11 character BIC

FRN

123456

Related BICs

FRN

123456

Related BICs

MEGAGB21XXX

- Selecting an incorrect ARM



TRUP v3.1 consultation

Ana Fernandes
Technical Specialist

[the slides to follow summarise the content of our guidance consultation GC14/02 and do not constitute finalised guidance at this stage]

Why are we revising TRUP?

- Clarification of existing guidance
 - firms may be **reporting incorrectly** and/or
 - firms have **difficulty understanding** the guidance
- Correcting minor errors
- Updating for changes in the market

Reporting change of position accurately

Firms need to consider the overall picture their transaction reports provide, rather than focusing on individual reports



Reflects a change in position (of reporting firm or of the client) at a given point in time and not the actual position

Issue: inconsistent trading capacities leading to incorrect changes of position

Reporting change of position accurately

Scenario 1

Agency agreement with client but filled as principal from the market

Firms may be reporting as ...

B/S	Trad'g capacity	CP1	CP2/client
B	P	Venue	
B	A	Reporting firm	Client

We would expect ...

B/S	Trad'g capacity	CP1	CP2/client
B	P	Venue	
S	P	Client	✓

Or,

B/S	Trad'g capacity	CP1	CP2/client
B	P	Venue	
B	A	INTERNAL	Client

Or, alternatively ...

B/S	Trad'g capacity	CP1	CP2/client
B	P	Venue	
S	P	INTERNAL	✓
B	A	INTERNAL	Client

Reporting change of position accurately

Scenario 2

Client order filled partly in an agency capacity and partly in a principal capacity, but client allocation reported as principal

Firms may be reporting as ...

Quantity	B/S	Trad'g capacity	CP1	CP2/client
90	B	A	Venue	INTERNAL
10	B	P	Venue	
100	S	P	Client	

Note: There may be other variations. **Firms should consult TMU if they are not clear how to report.**

We would expect ...

Quantity	B/S	Trad'g capacity	CP1	CP2/client
90	B	A	Venue	Client
10	B	P	Venue	
10	S	P	Client	

Or, alternatively ...

Quantity	B/S	Trad'g capacity	CP1	CP2/client
90	B	A	Venue	INTERNAL
10	B	P	Venue	
10	S	P	INTERNAL	
100	B	A	INTERNAL	Client

Proposed TRUP changes

- Section 7.5 Trading capacity
 - Amendments to the trading capacity table
 - Set out principles to accurately report changes of positions
- Section 7.18.2 Use of 'INTERNAL'
 - Where 'INTERNAL' is used, there must be a movement into and out of 'INTERNAL'
 - When identifying an aggregated account or an average price account, the actual word 'INTERNAL' should be used rather than an internal code

Proposed TRUP changes

- Section 9.1 Internal transactions
 - Concept of internal transactions for purely internal transactions e.g. book transfers
 - Firm hitting its own order on a trading venue has to be transaction reported
- Section 4.3 Transactions executed and reported
 - Firms relying on the LIFFE/ICE feed must not report the market side of the transaction through their ARM (otherwise market side duplicated)
- Section 7.15 Unit price
 - Reporting of unit price for various instruments
 - Meaning of decimal price value per contract
 - Meaning of reporting as a percentage

Proposed TRUP changes

- Section 7.19 Venue identification
 - Swift providing two levels of information – an operating MIC and a segment MIC
 - Reporting OTC derivatives transactions
- Section 10 Data integrity
 - Highlight areas of particular concern
 - Key points:
 - Importance of end-to-end reconciliations
 - Sample testing must be representative of the firm’s full trading activity
 - If using an ARM or third party it is still the reporting firm’s responsibility

TRUP v3.1 implementing timelines

- Subject to no further substantive changes following the end of the consultation, most of the proposed changes will come into **effect immediately after publication of the *finalised guidance***
- We propose that **Two areas** have a **six month implementation** period
 - Reporting changes of positions accurately
 - Firm hitting its own order on a trading venue
- **Last TRUP change before MiFID II/MiFIR.** The next TRUP is likely to be an EEA wide TRUP

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Summary

Frances Hutchinson
Manager, Markets Reporting

Summary

- Overall, the FCA has a renewed focus on wholesale conduct issues and on ensuring market integrity, consumer protection and competition. Transaction reporting remains crucial to our market integrity objective.
- EU policy – your input on options for implementation can make a difference so please respond to the ESMA DP.
- Awareness of the impact of the NYSE LIFFE / ICE migration on reporting firms.
- Data accuracy and completeness of transaction reports a key surveillance and supervisory input for FCA and other CAs.
- There are continuing issues with data quality and completeness.
- The consultation on an update to TRUP is currently open.

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Questions

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