Financial Conduct Authority

Guidance consultation

Revision of Transaction Reporting User Pack Version 3 (TRUP V3)

May 2014

Contents

Introduction

Two years after publishing TRUP 3 (on 1 March 2012), we are proposing to issue a revised version.

This is in response to a number of queries from firms and some ongoing transaction reporting issues. So we are now consulting on:

- clarifying some of our existing guidance and changing the text of the guidance, and
- correcting minor errors and updating some references.

The proposed changes to the TRUP version 3 text are shown in red in Annex 1. Additions are shown in underlined text and deletions are struck through. The clean text following the proposed changes for these sections is also set out in Annex 2 for clarity. Only those sections of text proposed to be changed are included. All other text in TRUP will remain unchanged.

We propose to issue a revised version of TRUP (TRUP 3.1) following consultation.

We are not proposing to consult on any other areas as we consulted on the whole of TRUP 3 relatively recently (Autumn 2011).

This document makes several references to Liffe, NYSE Liffe and XLIF. At the time of publication these terms are still valid in the context that they are used. However NYSE Euronext Liffe is now owned by the Intercontinental Exchange (ICE) and by the end of 2014 all the existing Liffe products will have migrated to the ICE exchange. From then on, any reference to Liffe or NYSE Liffe, should be assumed to refer to ICE and any reference to XLIF should be assumed to refer to IFLO or IFLL, which are the ICE exchange MICs for equity derivatives and interest rate derivatives respectively.

A Clarification of existing guidance

This covers:

- Clarification that a firm must transaction report such that its change in position, and that of its client(s), is correct and clarification of the use of 'INTERNAL' affecting sections 7.18.2. (Use of 'INTERNAL'), and Sections 9.3. (Aggregated transactions) and 9.4. (Average price transactions)
- Section 9.1. - clarification that a firm hitting its own order on a trading venue should transaction report the resultant transaction
- Section 4.3. - clarification of reporting by firms that rely on the Liffe feed
- Section 7.15. - clarification of how the unit price should be reported for different instruments
- Section 7.19.1. - clarification for reporting the venue, and
- Section 10. and in particular Section 10.1. - Transaction reporting arrangements within firms – clarification of the steps a firm should take to comply with their SYSC obligations

B Correction of minor errors and updating of references

We are also taking the opportunity to correct some minor errors or make some things clearer, and to update some references as follows:

- Section 7.17. Quantity for spread bet – correction of a minor error
- Section 8.2.1. Correction of some minor inaccuracies in the guidance on reporting transactions on Aii derivative markets conducted through clearing platforms of the market
- New section 9.8. Strategy trades – incorporating guidance published in Market Watch 43
- Updating of the definition of prescribed market and
- References to the FSA to be changed to the FCA and contact details to be changed to the FCA contact details

A Clarification of existing guidance

Ensuring firms transaction report to accurately reflect the changes in their position and that of their client(s) at a given point in time resulting from the transaction(s)

Background to the issue

We expect a firm to report so that the transaction reports for a transaction(s) taken together accurately reflect the change both in the firm's and in any client's position resulting from the transaction(s) at the time it/they took place. This is important so we can monitor for market abuse effectively. If the change in position is not shown accurately it will result in false alerts being generated or in alerts failing to be generated depending on which direction the position is incorrect.

In general we would expect the market side and the client side to have a consistent trading capacity, for example where the firm was buying as principal from the market we would expect a market side transaction report with a trading capacity of principal and a client side transaction report with a trading capacity of principal. While firms may use 'INTERNAL' to link transactions, where 'INTERNAL' is used we would expect firms to show a movement of stock into 'INTERNAL' and a movement out of 'INTERNAL'.

While most firms are reporting transactions to accurately report their and their client(s) change in position we are aware that some firms may be reporting incorrectly in some scenarios. So we are providing some guidance on how firms can report these scenarios to accurately report their and their client(s) change in position.

Explanation of the scenarios

Scenario 1 Firm filling client order by dealing as principal while acting under an agency arrangement

This is where the firm has an agency agreement with the client but fills the client order through its own books either by purchasing in the market on a principal basis or by filling using stock already held by the firm, or a combination of these. Firms must report so the transaction reports accurately reflect the change in their and their clients' position.

This may occur when a firm has two distinct business areas, one dealing with the client on an agency basis and one acting as a broker or market maker, but only has one legal entity.

Scenario 1a - firm buying from the market on a principal basis and selling to the client

Where the firm buys from the market as principal and sells to the client some firms may be reporting as:

Buy/sell	Trading Capacity	CP1	CP2
B	P	venue	
B	A	Reporting Firm	client

While some firms may be reporting this as:

Buy/sell	Trading Capacity	CP1	CP2
B	P	venue	
B	A	INTERNAL	client

Both of these are incorrect and we would interpret them as the firm having a positive change in position when in fact its position is unchanged after it sells to the client.

This is because **agency transactions are disregarded when calculating the change in a reporting firm's position** since they should be riskless for the firm.[1]

Firms have various options on how they should report such a transaction. The simplest and most straightforward way for a firm to report the above is to make a transaction report as principal facing the market and make a transaction report as principal facing the client as follows:

Buy/sell	Trading Capacity	CP1
B	P	venue

Buy/sell	Trading Capacity	CP1
S	P	client

[1] The financial instrument is passed across to the client without going through or from the reporting firm's own books.

Alternatively, a firm could report by reporting an internal movement of instruments between the firm's own book and its agency book and allocate the instruments to the client in an agency capacity, as shown below:

Buy/sell	**Trading Capacity**	**CP1**	**CP2**
B	P	venue	
S	P	INTERNAL	
B	A	INTERNAL	client

Both of these ways of reporting correctly show that the firm's position is unchanged.

Scenario 1b - Firm executing a client order from its own books when acting under an agency arrangement for the client

Similarly, where the firm fills the client order from stock already held on its own books it cannot just report an agency transaction for the client since this will not reflect the change in the firm's position. Again the simplest and most straightforward way for a firm to report is to make a transaction report as principal direct to the client as follows:

Buy/sell	**Trading Capacity**	**CP1**
S	P	client

As for the example in scenario 1a, this could also be reported by reporting an internal movement of the instruments between the firm's own book and its agency book and allocate the instruments to the client in an agency capacity as follows:

Buy/sell	**Trading Capacity**	**CP1**	**CP2**
S	P	INTERNAL	
B	A	INTERNAL	client

Scenario 2 - Firm executing a client order partly in an agency capacity and partly on a principal basis

There may be instances when a firm fulfils some of a client order in an agency capacity but fills the remainder on a principal basis. Some firms may be reporting the whole client side in a principal capacity, using 'INTERNAL' on only one side of the trade.

For example, a client buys 100 shares from a firm, with the firm buying 90 from a venue on an agency basis and the remaining 10 from another market counterparty on a principal basis.

Some firms may be reporting as:

Quantity	**Buy/sell**	**Trading Capacity**	**CP1**	**CP2**

90	B	A	venue	INTERNAL

Quantity	Buy/sell	Trading Capacity	CP1
10	B	P	counterparty

Quantity	Buy/sell	Trading Capacity	CP1
100	S	P	client

The above reports would show a change in position of the reporting firm of -90. The firm has bought 10 and sold 100 as principal, with the agency leg being disregarded since the firm does not take a principal position. However, in reality the firm has not ended up with a resultant change in position.

The simplest and most straightforward way for a firm to report this is as three transaction reports, an agency report for the agency amount and principal reports for the transactions conducted on a principal basis.

Quantity	Buy/sell	Trading Capacity	CP1	CP2
90	B	A	venue	client

Quantity	Buy/sell	Trading Capacity	CP1
10	B	P	counterparty

Quantity	Buy/sell	Trading Capacity	CP1
10	S	P	client

However, if the firm wishes to be able to make a single transaction report for the client side, it may report an internal movement of the instruments between the firm's own book and its agency book and allocate the instruments to the client in an agency capacity as follows:

Quantity	Buy/sell	Trading Capacity	CP1	CP2
90	B	A	venue	INTERNAL

Quantity	Buy/sell	Trading Capacity	CP1

10	B	P	counterparty

Quantity	Buy/sell	Trading Capacity	CP1
10	S	P	INTERNAL

Quantity	Buy/sell	Trading Capacity	CP1	CP2
100	B	A	INTERNAL	client

The above guidance recognises that firms have some organisational and systems constraints in these scenarios and therefore we are providing some flexibility in our guidance on how these scenarios should be reported. Please note that the guidance is only intended to apply to the very particular scenarios set out above and should not be interpreted as giving firms license to report a different trading capacity from that in which they are acting. If firms are in any doubt they should contact the Transaction Monitoring Unit (TMU).

We recognise that where firms need to make systems changes to comply with our guidance above that they will require time to do so. So we propose an implementation period of six months from the date we publish the guidance. This will apply to the changes set out in the text for section 7.5. (Trading capacity) and section 7.18.2. (Use of 'INTERNAL').

Summary of proposed change to guidance

To give firms clarity on the principles to be followed when reporting transactions to ensure that the reports correctly reflect the change in the firms and their client(s) position it is therefore proposed to amend Sections 7.5. Trading Capacity, 7.18.2. Use of 'INTERNAL' and 9.1. Internal transactions of TRUP. Sections 9.3. (Aggregated transactions) and 9.4. (Average price transactions) are also being changed for consistency with changes to 7.18.2. Use of 'INTERNAL'.

Trading capacity: summary changes

- A change to the table at the start of the section to make it clear that the population of the counterparty and client field depends on the circumstances of the trade and should be populated in line with the relevant rules in SUP 17 having regard to the guidance in TRUP.
- An addition to the principal capacity section in the table to include 'INTERNAL' as an option.
- Additional text to be inserted at the end of Section 7.5. to explain the possible use of INTERNAL.
- All other text in this section will remain unchanged.

The marked up changes to the text are shown in Section 7.5. Trading capacity of Annex 1.

Section 7.18.2. Use of 'INTERNAL': summary of changes

- Additional text to be inserted at the beginning of the section to explain i) that as well as being used to link multiple market transactions to a client and vice versa 'INTERNAL' may also be used to indicate an internal transfer between a firm's books so as to correctly report the change in a position of a firm and/or its clients and, ii) that where 'INTERNAL' is used there must be a movement into INTERNAL and out of 'INTERNAL'.
- Clarification that the actual word 'INTERNAL' should be used rather than an internal code. This has always been our intention but some firms have misinterpreted our existing guidance.
- An example of the use of 'INTERNAL' to indicate an internal transfer between a firm's books so as to correctly report the change in a position of a firm.

The marked up changes to the text are shown in Section 7.18.2. Use of 'INTERNAL' in Annex 1.

The associated changes to Sections 9.3. (Aggregated transactions) and 9.4. (Average price transactions) that are being made for consistency with changes to 7.18.2. Use of 'INTERNAL' are shown in sections 9.3. and 9.4. of Annex 1, respectively.

Firm hitting its own order on a trading venue (Section 9.1. of TRUP)

Background to the issue

It has come to our attention that some firms have been misinterpreting our guidance on internal transactions by applying it to the situation where a firm hits its own order on a trading venue. We did not intend the guidance to apply to this situation. It was intended to apply to situations such as book transfers which are completely internal to the firm.

While deliberate wash trading is not permissible, inadvertent crossing of transactions on trading venues occurs during the ordinary course of business due to complex business models and Chinese walls and we would expect this activity to be transaction reported.

Where a firm hits its own order on a trading venue, regardless of whether this takes place on the order book or off the order book but on the venue, these transactions are executions on the venue and are not undertaken solely within the firm. These transactions are trade reported for price formation and transparency purposes and it is important for these transactions to be visible to the regulator.

So we propose to amend section 9.1 Internal transactions as set out in section 9.1. Internal transactions in Annex 1.

We recognise that where firms need to make systems changes in order to comply with the guidance on hitting their own order that they will require time to do so. So we propose an implementation period of six months from the date we publish the guidance.

Reliance on the Liffe feed

Background to the issue

We have been receiving duplicate transactions from some firms that are relying on the Liffe feed. Where a firm relies on the feed we receive a market side transaction on behalf of the firm. The duplication typically occurs where firms that are relying on the feed either i) report a market side trade as principal through their ARM, or ii) report a principal cross trade for the market and client sides through their ARM. This provides a misleading impression of a firm's change in position as a result of a transaction.

So we propose a change in the text of section 4.3. Transactions executed and reported through a regulated market or MTF to make it explicitly clear that firms should not report the market side through an ARM where they are relying on the Liffe feed. The change to the text is set out in Section 4.3. Transactions executed and reported through a regulated market or MTF of Annex 1.

Unit price (Section 7.15. of TRUP)

Background to the issue

Some firms have asked what we meant by the decimal price value per contract in the TRUP version 3 guidance and firms have raised other queries on how various instruments should be reported.

The text for unit price has therefore been amended to make it clearer how the unit price should be reported for different instruments and clarify:

- what reporting as a percentage means; and
- that the unit price for derivatives other than bond futures or CDS or spread bets is the price per underlying security or unit,

An incorrect reference to a bond option that should have been to a bond future has also been corrected.

The order of the paragraphs of the text has also been changed for clarity.

The proposed changes to Section 7.15. Unit price are set out in Section 7.15. Unit price of Annex 1.

Venue identification (Section 7.19. of TRUP)

Background to the issue

We are updating our guidance on how to report transactions for on market transactions following the change by Swift to provide two levels of information, an operating MIC (or parent MIC) and segment MICs (or child MICs). We have also taken the opportunity to provide more clarity around the reporting of transactions in OTC derivatives.

The proposed changes to Section 7.19. Venue identification are set out in Section 7.19. Venue identification of Annex 1.

Systems and controls (Section 10. of TRUP)

Background to the issue

We continue to find firms with shortcomings in their transaction reporting governance and systems and controls processes. While we have identified a broad range of issues, the following areas are of particular concern:

- reconciliations
- static data set up and maintenance
- change management
- training
- documentation

Reconciliations

As we explained in previous Forums and issues of our newsletter Market Watch, we believe firms should include their front office data in their transaction report reconciliations. Firms that fail to reconcile the full life-cycle of their transaction reports, from front-to-back, frequently fail to submit complete and accurate data to us.

In this case, front-to-back reconciliation means that firms compare:

- Front-office trading records and data[2].
- The data they submit to the ARM(s).
- Data extracted back from the FCA's transaction report database.

Reconciliations performed on a regular basis are the most effective. Where sample-testing is employed, firms should take care to select samples that are representative of the firm's full trading activity.

We provide a data extraction service for firms to request samples of their transaction reports we hold within our transaction report database. Firms should use this service as part of their front-to-back reconciliation process.[3]

Change management

Some firms are not employing adequate change management processes. Shortcomings often include failures to carry out regression testing, inadequate change management governance and failures to carry out thorough and timely transaction report reconciliations following the release of new code.

Static data set-up and maintenance

Incorrect and incomplete static data continues to be the root cause of many issues observed in firms' transaction reports. Counterparty BIC and FRN data, venue MIC codes and client identifiers are often found to be incorrect, either due to errors at set-up or due to inadequate static data maintenance. In addition, a significant number of errors are caused by the incorrect use of an internal code where a counterparty has a valid BIC or FRN.

Training

Firms that ensure staff undertaking roles with direct or indirect impact on transaction reporting are provided with well-constructed training tend to demonstrate a stronger compliance culture and show markedly fewer reporting errors. As well as covering the firm's own internal processes and procedures, successful training often encompasses elements such as:

[2] Where data feeds are received into a front office system these also need to be included in the reconciliation

[3] http://www.fca.org.uk/firms/systems-reporting/transaction-reporting/managing-transaction-reporting/sample-transaction-reports

- The reasons why transaction reports are collected by the Regulator and their role in detecting and pursuing cases of market abuse.
- The legal obligation for firms to deliver complete and accurate reports.
- The limitations of using ARM and FCA exception reports as checks for the completeness and accuracy of transaction reports. Daily exception report checks are an important element in a firm's control structure but they do not provide a robust basis for transaction report reconciliation when used on their own in isolation.
- How and when to interact with the FCA Transaction Monitoring Unit.
- Training for IT staff responsible for developing and testing systems which can impact transaction reporting processes.

In light of the weaknesses we have observed we are proposing to amend our guidance in section 10. to help firms by providing more detail on what we expect from them in these systems and controls areas. The proposed changes are shown in Section 10. Data integrity: firms' obligations of Annex 1.

B Correction of minor errors and updating of references

References to the FSA and Handbook

We will change all references to FSA to FCA unless they refer to historical FSA activity.

We will update all references to the Handbook to the current links.

Quantity for spread bets (section 7.17. of TRUP)

Reason for the proposed changes

An amendment is required to correct a minor drafting error.

The proposed change is set out in Section 7.17. Quantity of Annex 1.

Guidance for reporting transactions in derivatives conducted through clearing platforms of derivative markets (Sections 8.2.1.(a) and (b) of TRUP)

Background to the proposed change

We propose making corrections to the Guidelines for reporting transactions in derivatives conducted through clearing platforms of Aii derivative markets (sections 8.2.1.(a) and (b).

The change to 8.2.1.(a) is to reflect the fact that the derivatives business of Turquoise has been acquired by the London Stock Exchange. The proposed changes to the text are set out in Section 8.2.1.(a) of Annex 1.

The change to 8.2.1.(b) is just correcting a minor error, removing the references to quantity from the elements of the Aii code and referring to the quantity in another bullet point. The quantities need to be reported but are not part of the Aii code. We are also taking the opportunity to clarify the fact that the Exchange Product Code is the Exchange Product code for the particular derivative contract.

References to effective dates for the guidance are also proposed to be removed since these are now in the past. The proposed changes to the text are set out in Section 8.2.1.(b) of Annex 1.

The remainder of the text of section 8.2. is unchanged.

Strategy trades (new Section 9.8. of TRUP)

We are incorporating the previous guidance issued on strategy trades into TRUP Version 3.1. as a new section 9.8. This was published as final guidance in May 2012, effective from 15 August 2012. It was also published in Market Watch 43. There are no changes to this text from the previously published text.

The text is set out in Section 9.8. Strategy Trades of Annex 2.

Definition of prescribed market

Reason for the proposed change

Since we published TRUP there have been changes to the list of prescribed markets and this is likely to change further in the future so the definition will be changed to remove references to specific markets.

The proposed change to the text is set out in the Glossary section at the end of Annex 1.

Annex 1 Proposed text for relevant sections in TRUP – marked up

4.3. Transactions executed and reported through a regulated market or MTF[4]

Under *SUP17.2.3 R* firms can be relieved of their obligation to make a transaction report if the transaction is instead reported directly to us by a *regulated market* or multi-lateral trading facility (MTF).

Currently, the ~~FSA~~ FCA receives a feed directly from NYSE Liffe London Market (*regulated market*) containing all market transactions in derivatives executed on the exchange with the exception of commodity, interest rate and FX derivatives. Firms have the option to rely on this feed or to report these transactions independently through their *ARM*(s).

However firms must inform the ~~FSA~~FCA of whether or not they wish to rely on the direct NYSE Liffe reporting by emailing *TMU* at tmu@~~fsa~~fca.~~gov~~org.uk.

Firms must also notify the ~~FSA~~FCA before any change to their reliance on the feed.

In determining whether or not it wishes to rely on the NYSE Liffe feed, a firm should take into account the fact that the feed will include all reportable 'market side' transactions executed on the Liffe London Market by all branches of the firm using the same Liffe membership mnemonic. Firms should not report the same transaction to two separate competent authorities.

Firms should ensure that where they rely on the feed they do not also report the market side of the transaction through their ARM.

Since the NYSE Liffe reporting feed includes only transactions directly executed on NYSE Liffe, where a transaction is for a client, firms are still required to report the 'client side' of the transaction, whether the firm relies on the feed or not. These transaction reports must be reported through an *ARM.*

7.5. Trading capacity[5]

The table below shows which counterparties may be identified in which fields for each trading capacity. The actual counterparties to be identified will depend on the particular circumstances of the transaction and should be populated according to the rules in SUP17 and the guidance in TRUP.

Trading Capacity	**Counterparty** **(also known as counterparty one)**	**Customer/Client Identification** **(also known as counterparty two)**

[4] See Section on Reliance on Liffe feed in Section A of the main consultation text.

[5] See section on Ensuring firms transaction report to accurately reflect the changes in their position and that of their client(s) at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

Principal (P)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the market counterparty/executing or clearing broker[6]/client; or • the *BIC* of the central counterparty (*CCP*) [7], or • 'INTERNAL'[8]	Blank
Principal cross (C)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the market counterparty/executing or clearing broker/client; or • the *BIC* of the *CCP*; or • 'INTERNAL'[9].	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the counterparty or client; or • 'INTERNAL'.
Agency (A)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the market counterparty/executing or clearing broker; or • the *BIC* of the *CCP*; or • 'INTERNAL'.	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned) of the client; or • 'INTERNAL'.
Agency cross (X)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned) of Client 1.	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned) of Client 2.

A *principal cross* is a transaction type where the reporting firm simultaneously executes a 'buy' and a 'sell' as principal in a single product, at the same price and quantity and the single transaction report represents both of these transactions. For example, to report in a single transaction, report a 'buy' from a central counterparty and a simultaneous 'sell' to Firm A in a single product, at the same price and quantity, the relevant fields of the transaction report would be:

Reporting Firm Identification	**Buy/Sell Indicator**	**Trading Capacity**	**Counterparty (also known as counterparty one)**	**Customer/Client Identification (also known as counterparty**

[6] The clearing broker should only be identified in the counterparty field when the identity of the client is not known by the executing broker and is known by the clearing broker.

[7] Where firms identify a central counterparty (*CCP*) with no *BIC* assigned, we expect firms to inform us so that for a UK *CCP* we contact SWIFT and ensure that a *BIC* is made available for that *CCP*. Likewise for any other EEA *CCP*, we will contact the respective competent authority

[8] Please refer to Section 7.18.2. (Use of 'INTERNAL') for further details.

				two)
Reporting firm	B	C	*BIC* of *CCP*	Firm A

Firms should note there is no requirement to report transactions matching the definition of a *principal cross* outlined above in a single transaction report. However, reporting these transactions in a single transaction report may help firms to reduce the fees charged by their *ARM(s)*.

The principal cross could be reported as two principal transactions:

Reporting Firm Identification	**Buy/Sell Indicator**	**Trading Capacity**	**Counterparty (also known as counterparty one)**	**Customer/Client Identification (also known as counterparty two)**
Reporting firm	B	P	*BIC* of *CCP*	

Reporting Firm Identification	**Buy/Sell Indicator**	**Trading Capacity**	**Counterparty (also known as counterparty one)**	**Customer/Client Identification (also known as counterparty two)**
Reporting firm	S	P	Firm A	

An *agency cross* is defined as where the reporting firm acted as agent for both the selling and buying counterparties and the single transaction report represents both of these transactions.

For example, to report in a single transaction report a 'buy' as agent on behalf of Client 1 and a 'sell' as agent on behalf of Client 2 in a single product at the same time, price and quantity, the relevant fields of the transaction report would be:

Reporting Firm Identification	**Buy/Sell Indicator**	**Trading Capacity**	**Counterparty (also known as counterparty one)**	**Customer/Client Identification (also known as counterparty two)**
Reporting firm	B	X	Client 2	Client 1

Firms should note there is no requirement to report transactions matching the definition of an *agency cross* in a single transaction report. However, reporting these transactions in a single transaction report may help firms to reduce the fees charged by their *ARM(*s).

The above *agency cross* could be reported as two agency transactions:

Reporting Firm Identification	Buy/Sell Indicator	Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Reporting firm	B	A	INTERNAL	Client 1

Reporting Firm Identification	Buy/Sell Indicator	Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Reporting firm	S	A	INTERNAL	Client 2

Firms must ensure that the trading capacity field is populated in transaction reports so as to accurately reflect the changes in positions of the firm and its client(s) at the time of the transaction(s).

To ensure these positions are reported correctly, firms must take into account the following principles:

- agency transactions are disregarded when calculating the change in a reporting firm's position as they should be riskless for the firm[10]
- in all cases where 'INTERNAL' is used there must be a movement into 'INTERNAL' and out of 'INTERNAL' (see Section 7.18.2.)

Where the market side of a transaction is reported as a principal trade, the simplest and most straightforward way to report the client side of that transaction is to report it as principal, regardless of any agency arrangement the firm has with the client.

A firm may, however, have an agency agreement with its client and wish to report the client side with a trading capacity of agency, even where it has filled the order on a principal basis either from the market or from its own book, or a combination of these.

Where a firm has bought financial instruments on a principal basis in the market it cannot simply report this as an agency sale to the client with a principal buy from the market because agency transactions are disregarded when calculating the change in a reporting firm's position. In this instance the reports would show the firm ending up with an incorrect positive change in position.

A firm could report by reporting an internal movement of stock between the firm's own book and its agency book and allocate that stock to the client in an agency capacity as shown below:

[10] The financial instrument is passed across to the client without going through or from the reporting firm's own books

Buy/sell	Trading Capacity	CP1	CP2
B	P	venue	
S	P	INTERNAL	
B	A	INTERNAL	client

Where a firm is filling the order from stock already held on its own books rather than going to the market the reporting would be the same but without the transaction report with the venue as follows:

Buy/sell	Trading Capacity	CP1	CP2
S	P	INTERNAL	
B	A	INTERNAL	client

Where part of a client order is filled externally on an agency basis and part on a principal basis the simplest and most straightforward way for a firm to report is to reflect separately those two capacities.

For example, where a client buys 100 shares from a firm, with the firm buying 90 from a venue on an agency basis and the remaining 10 from another market counterparty on a principal basis, a firm could report as follows:

Quantity	Buy/sell	Trading Capacity	CP1	CP2
90	B	A	venue	client

Quantity	Buy/sell	Trading Capacity	CP1
10	B	P	counterparty

Quantity	Buy/sell	Trading Capacity	CP1
10	S	P	client

However, if the firm wishes to be able to make a single transaction report for the client side, it may alternatively report an internal movement of stock between the firm's own book and its agency book and allocate that stock to the client in an agency capacity as follows:

Quantity	Buy/sell	Trading Capacity	CP1	CP2
90	B	A	venue	INTERNAL

Quantity	Buy/sell	Trading Capacity	CP1
10	B	P	counterparty

Quantity	Buy/sell	Trading Capacity	CP1
10	S	P	INTERNAL

Quantity	Buy/sell	Trading Capacity	CP1	CP2
100	B	A	INTERNAL	client

Please note that the above guidance is only intended to apply to the very particular scenarios set out above and should not be interpreted as giving firms license to report a different trading capacity from that in which they are acting. If firms are in any doubt they should contact the TMU.

7.14. Price multiplier[11]

The price multiplier is the number of underlying instruments that are represented by a single derivative contract, eg if a warrant contract represents 50 units of the underlying instrument, then the price multiplier equals 50.

In the case of a spread bet this field should be populated to indicate the movement in the price of the underlying instrument on which the spread bet is based. For example, if an investor placing the spread bet decides to risk £10 per point (penny/cents) then the price multiplier will be 100. However, if an investor placing a spread bet decides to risk £10 per pound movement then the price multiplier will be 1.

This field should not be populated for an instrument admitted to trading on a *regulated market* or a *prescribed market* since the FCA populates this from the reference data.

7.15. Unit price[12]

This field ~~must~~ should contain the ~~unit~~ traded price of the transaction, which should exclude commission and any accrued interest (where relevant). Firms ~~may~~ should report the traded price that they have confirmed to the client or counterparty. ~~In most cases, this will be the gross price. For equities, there are some circumstances where the net~~

[11] See section on Unit price in Section A of the main consultation text.

[12] See section on Unit price in Section A of the main consultation text.

~~price is the only price available for the trade and in these circumstances the net price may be reported.~~

Where the unit price (traded price) is reported in monetary terms, the ~~The~~ unit price ~~must~~ should be provided in the major currency unit, eg **pounds rather than pence**, euros rather than cents.

The unit price should not be negative. Transaction reports with a negative unit price will be rejected.

7.15.1. Bonds and Bond futures

The ~~trade~~ unit price for a transaction in a bond or a bond ~~option~~ future should be the percentage clean price (ie the actual transaction price not including any commission and/or accrued interest). The percentage clean price should be reported such that the par value of the bond (or the bond underlying the future) equates to 100 and hence bonds or bond futures traded at a premium are reported at values above 100 and those traded at a discount should be reported below 100.

7.15.3. Credit Default Swaps

Please refer to section 8.3.5.

7.15.4. Spread bets

For spread bets the unit price should be the reference price for the underlying instrument upon which the spread bet is based. The monetary stake is reported in the quantity field. Please refer to Section 7.17.

7.15.5. Derivatives other than bond futures, CDS and spread bets

The unit price of derivatives, other than bond futures and CDS, should be reported as the price per underlying security or index such that the monetary value of the derivative contract can be determined by the FCA by multiplying that unit price by the price multiplier.

Example:

Firm X reports two transactions.

Reporting Firm	**Instrument Description**[13]	**Unit price**	**Quantity**	**Derivative Type**[14]	**Price Multiplier**[15]
Firm X	Index Future	6477	5	F	10

[13] Please note, for derivatives admitted to trading on a regulated market or a prescribed market the instrument description should not be reported by the firm.

[14] Please note, for derivatives admitted to trading on a regulated market or a prescribed market the derivative type should not be reported by the firm.

[15] Please note, for derivatives admitted to trading on a regulated market or a prescribed market the price multiplier should not be reported by the firm. For further details, please refer to Section 7.17.

Firm X	Stock A Option	0.04	12	O	1000

Transaction 1

Firm X buys 5 FTSE 100 index future, correctly reporting UNIT PRICE = 6,477. The price multiplier is 10 (because this future is worth GBP 10 *per* tick), therefore:

UNIT PRICE = 6,477

Monetary value = GBP 6,477 x 5 x 10 = GBP 323,850

Transaction 2

Firm X sells 12 options on Stock A, correctly reporting UNIT PRICE = GBP 0.04. The price multiplier is 1,000 (because this is an option on 1,000 shares), therefore:

UNIT PRICE = 0.04

Monetary value = GBP 0.04 x 12 X 1,000 = GBP 480

~~For listed derivatives, the unit price should be the decimal value per contract, not the tick value.~~

7.17. Quantity[16]

This field must contain the volume of the transaction, eg the number of units of the financial instrument, the nominal value of bonds or, for options, the number of lots or number of derivative contracts in the transaction.

The quantity should be positive for *ISIN* and *Aii* transactions. The ~~FSA~~ FCA will reject transaction reports with a zero or negative value in the quantity field. The quantity should not be negative or zero for *OTC derivatives*. If a negative value is used, the transaction report will be rejected.

For spread bets, this field should contain the monetary value wagered per point movement in the underlying instrument. For example, a £10 per point spread bet in Vodafone common stock at £1.35 which closed at £1.55 would result in a profit of £200 (£10 x 20 point rise) and so the quantity would be ~~£~~10 for both the buy and sell transactions with a price notation of GBP. Where the spread bet is denominated in a foreign currency, the quantity field should still be the amount of the bet in that currency. For example, a €10 per point spread bet in Vodafone common stock should be reported with a quantity of ~~€~~10 and a price notation of €.

Where the subject of the transaction is an on-exchange option, the quantity field should contain the number of contracts traded. For example, a trade of 100 option contracts on BT where each option contract equals rights over 1,000 shares should be reported with a quantity of 100 (Since this is an instrument admitted to trading on a *regulated market* the price multiplier field should not be populated but in this example the reference data would be 1,000).

[16] See section on Quantity for spread bets in Section B of the main consultation text.

OTC derivatives can also be traded and reported on the quantity of shares/bonds or nominal size rather than the number of contracts. For instance a call option on 375,000 BT. In this case the quantity is 375,000 and the price multiplier is 1.

7.18.2. Use of 'INTERNAL'[17]

The main purpose of using the word 'INTERNAL' in the counterparty/client fields is to be able to link multiple market transactions to a client transaction and vice versa. However it may also be used to indicate an internal transfer between the firm's books to correctly reflect the change in position of a firm and its client(s) if applicable (see section 7.5.). In all cases where 'INTERNAL' is used there must be a movement reported into the internal account and out of the internal account reflected in a movement into 'INTERNAL' and out of 'INTERNAL'.

Where a firm receives several orders from different clients and executes them by conducting a single market transaction and/or where a firm receives one order from a client which is filled by several market transactions, an internal account can be used to link the market execution(s) to the client(s) allocation(s).

When identifying an internal account (eg an aggregated account or an average price account, firms should use the ~~code~~ word 'INTERNAL'. See sections 9.2. and 9.3. for details on how ~~the code 'INTERNAL' can~~ this should be used.

In addition, the ~~code~~ word 'INTERNAL' can also be used when reporting an *agency cross* as two agency transactions (see section 7.5. for further details).

It is our preference that an agency transaction for one client in one security is reported in a single transaction report (without using the internal account).

'INTERNAL' may also be used to indicate a transfer between a firm's book where it is filling an order from its own books for a client and reporting an agency transaction for the client, e.g. where a client is buying it may be reported as:

B/S	**Trading Capacity**	**CP1**	**CP2**
S	P	INTERNAL	
B	A	INTERNAL	client

7.19. Venue identification[18]

The guidance in 7.19.1. to 7.19.4. in respect of on market transactions, off market transactions and listed derivatives only applies where the instrument is not an *OTC*

[17] See section on Ensuring firms transaction reporting so as to accurately reflect the changes in their and their clients position at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

[18] See Section on Venue identification in Section A of the main consultation text.

derivative[19]. Where the instrument is an *OTC derivative*, the guidance in section 7.19.5. should be followed.

7.19.1. On market transactions

Where the transaction was executed on any ~~market~~trading venue and the transaction is not in an OTC derivative[20], the venue identification field must contain the four-character Swift *ISO* 10383 Market Identifier Code (*MIC*). For clarity, where a derivative is traded on an MTF, under MiFID that is classified as an OTC derivative trade.

Where a transaction (other than in OTC derivatives), bilaterally agreed between the parties and executed off book is agreed by the parties to be reported to and conducted under the rules of a *regulated market*/MTF, then the Swift *ISO* 10383 *MIC* should be used in the venue field. This includes all transactions in derivatives conducted through clearing platforms of derivative regulated markets (*ISIN* or *Aii*) within the EEA, regardless of whether those derivatives are fungible or differ in any characteristics from an exchange standardised instrument (see section 8.2.).

Firms should carry out the following validations in relation to transactions other than in OTC derivatives:

- ~~The *MIC* must be valid as at the trading date.~~
- Where the venue is a *regulated market* or MTF, firms should ~~validate the *MIC* against the~~ use the appropriate *MIC* ~~on~~from the *ESMA* database: http://mifiddatabase.esma.europa.eu/.
- For other valid trading venues firms should populate the venue field with the relevant segment MIC available on www.iso10383.org.
- The MIC must be valid as at the trading date.

7.19.2. Transactions executed on multiple trading venues to satisfy a single client

Firms often need to execute transactions on multiple trading venues to satisfy a single client order for a particular instrument. While the firm needs to report each of the market side transactions and populate the venue identification field in accordance with the above guidelines, it may report the resulting aggregate transaction to the client using the code 'XOFF'.

7.19.3. Off market transactions

The venue identification field should contain the code 'XOFF' where the transaction is in a financial instrument admitted to trading on a *regulated* or *prescribed* market (other than

[19] An OTC derivative is defined in SUP as 'a derivative traded solely over the counter'.
'Over the counter' is subsequently defined as '(in relation to a transaction in an investment) not on-exchange'.
In turn, 'on-exchange' means:
'(a) (in relation to a transaction in the United Kingdom) effected by means of the facilities of, or governed by the rules of, an RIE or a regulated market;
(b) (in relation to any other transaction) effected by means of the facilities of, or governed by the rules of, an exchange.'
Reporting of the venue for OTC derivatives is covered in section 7.19.5.

[20] ~~Reporting of the venue for OTC derivatives is covered in section 7.19.5.~~

an *OTC derivative*[21]), but the transaction is made off market - ie the transaction is agreed bi-laterally between the parties and is agreed by the parties to be an off market transaction which means it is not governed by the rules and regulations of the market.

This field should contain the code 'XOFF' where the firm executes a transaction in a financial instrument admitted to trading on a *regulated market* or *prescribed market* (other than an *OTC derivative*[22]) using an external broker and the identity of the trading venue is not made available before the reporting deadline.

This field should contain the *BIC* of the systematic internaliser (SI) where the reporting firm or the counterparty executed the transaction as an SI. In some instances a firm may not know that the counterparty they are dealing with is acting as an SI. In this case it is acceptable for the firm to report the venue as 'XOFF'.

7.19.4. Transactions in listed derivatives

Transactions in listed derivatives which are not *OTC derivatives*[23], both market side and client side must be reported with the *MIC* of the *regulated market* in the venue identification field. This includes derivative transactions conducted through clearing platforms of derivative ~~exchanges~~ regulated markets (see Section 8.2.).

7.19.5. Transactions in OTC derivatives

~~The venue identification field should contain the code 'XXXX' where the transaction is in an *OTC derivative*.~~

Where the transaction is in an *OTC derivative*[24] the venue field should be reported as XXXX, regardless of whether the transaction took place on a trading venue or off market.

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[21] Reporting of the venue for OTC derivatives is covered in section 7.19.5.

[22] Reporting of the venue for OTC derivatives is covered in section 7.19.5.

[23] Reporting of the venue for OTC derivatives is covered in section 7.19.5.

[24] An OTC derivative is defined in SUP as 'a derivative traded solely over the counter'.
'Over the counter' is subsequently defined as '(in relation to a transaction in an investment) not on-exchange'. A derivative traded on an MTF is classified as OTC under MiFID.
In turn, 'on-exchange' means:
'(a) (in relation to a transaction in the United Kingdom) effected by means of the facilities of, or governed by the rules of, an RIE
or a regulated market;
(b) (in relation to any other transaction) effected by means of the facilities of, or governed by the rules of, an exchange.'

8.2.1.(a) ISIN derivative markets (eg ~~flex~~ options on the ~~Turquoise Derivatives market~~London Stock Exchange Derivatives Market (LSEDM)~~[25]~~[26])

When a transaction in a derivative instrument is conducted through the clearing platform of an *ISIN* derivative market that is a *regulated market*, the transaction should be reported as an *ISIN* transaction~~[27]~~.

~~This guidance will be effective from 31 March 2012. Firms, may, however, elect to report transactions in derivatives conducted through clearing platforms of an *ISIN* derivative market prior to this date.~~

Example of a transaction on the ~~Turquoise Derivatives~~LSEDM market reported as an ISIN transaction

- ~~FI100 12 2011 5300 Equity Index Call Option~~ MNOD 9 2014 11 Equity Call Option (September 2014 Call option on MMC NORILSK NICKEL ADR at 11 USD) on the ~~Turquoise Derivatives market~~LSEDM.
- The firm should report this using the *ISIN* code (GB00D633W435~~GB00D62KYB69~~). The exchange venue will be ~~TRQD~~XLOD. The counterparty will be the exchange *CCP*.

Where the transaction is conducted on behalf of a client, the 'client side' transaction report must include the *MIC* of the derivative exchange in the venue field.

8.2.1.(b) Aii derivative markets (e.g. BClear)[28]

8.2.1. Where reference data is made available to the ~~FSA~~ FCA and ARMs

(**b**) Aii derivative markets (e.g. BClear)

~~Firms are not required to report transactions in derivatives conducted through clearing platforms of an *Aii* derivative market until 31 March 2012. From this date,~~ Firms are expected to report these transactions as shown in the examples below.

~~[25] As per the confirmation in Market Watch 41, firms can continue to report transactions executed in derivatives admitted to trading on the Turquoise Derivatives market as if they were derivatives admitted to trading on a *regulated market*, by identifying the derivative with the relevant *ISIN* code. Hence, the Turquoise Derivatives market is used here as an example of an *ISIN* derivative market.~~

[26] See Section on Guidance for reporting transactions in derivatives conducted through clearing platforms of derivative markets in Section B of the main consultation text.

~~[27] Transactions in derivatives admitted to trading on the Turquoise Derivatives market may be reported as **an *ISIN* transaction or as an *OTC derivative* transaction.**~~

[28] See Section on Guidance for reporting transactions in derivatives conducted through clearing platforms of derivative markets in Section B of the main consultation text.

Example of fungible contracts (contracts that mirror standardised contracts on order book)

- Buy 10 Vodafone Dec 2011 160 Calls through BClear (NYSE Liffe).
- The firm should report this transaction using the *Aii* code. The counterparty will be the exchange *CCP*. The quantity will be 10.
- The *Aii* code for this transaction will contain the following components: Instrument Identification 'VOD' (Exchange Product Code for this particular contract), ~~Quantity 10,~~ Strike Price 1.60, Expiry Date 16 Dec 2011, Derivative Type: 'O', Put/Call Indicator 'C', Venue Identification 'XLIF'.

Example of non-fungible contracts (contracts that do not mirror standardised contracts on order book)

- Buy 10 Vodafone Nov 2011 166 Calls through BClear (NYSE Liffe).
- The firm should report this transaction using the *Aii* code. The counterparty will be the exchange *CCP*. The quantity will be 10.
- The *Aii* code for this transaction will contain the following components: Instrument Identification 'VOU'[29] (Exchange Product Code ~~of Vodafone~~for this particular contract), ~~Quantity 10,~~ Strike Price 1.66, Expiry Date 18 Nov 2011, Derivative Type: 'O', Put/Call Indicator 'C', Venue Identification 'XLIF'.

Where the transaction is conducted on behalf of a client, the 'client side' transaction report must include the *MIC* of the derivative exchange in the venue field.

~~Firms may, however, elect to report transactions on fungible and non-fungible derivatives conducted through clearing platforms of *Aii* derivative markets as *OTC derivative* transactions prior to the implementation date (31 March 2012).~~

9.1. Internal transactions[30]

Intra-company transactions are transactions within the same legal entity, which are purely internal and not executed on a trading venue[31] while inter-company transactions are transactions between two or more legal entities in the same group. Inter-company trades must be transaction reported to the ~~FSA~~FCA, while intra-company transactions undertaken within the same ~~FSA~~FCA-authorised firm are not reportable unless this is required in order to correctly reflect the change in a firm's or its client(s) position (see Section 7.5.). SUP17.1.7 G requires that when financial instruments are transferred between clients in the same legal entity, and the beneficial ownership of the instrument changes, this is reportable. Where a firm hits its own order on a trading venue, these transactions are not classed as intra- or inter-company and are required to be reported.

[29] In this example, an American option, cash settled.

[30] See section on Firm hitting its own order on a trading venue in Section A of the main consultation text.

[31] Regulated market, prescribed market or MTF.

9.3. Aggregated transactions[32]

A firm may aggregate two or more orders for different clients and execute them in a single transaction. For example, where Firm X buys 100,000 shares from Firm Y on behalf of three different clients, clients A, B and C, for 30,000, 10,000 and 60,000 shares respectively in an aggregated order.

The transaction reports would be:

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	100,000	Firm Y	INTERNAL*

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	30,000	INTERNAL*	Client A

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	10,000	INTERNAL*	Client B

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	60,000	INTERNAL*	Client C

*These fields should contain the word 'INTERNAL' see section 7.18.2.

[32] See section on Ensuring firms transaction reporting so as to accurately reflect the changes in their and their clients position at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

9.4. Average price transactions[33]

A firm may receive an order from a client that can only be filled by executing two or more transactions at different prices, but the client wants one or more contract notes showing an average price. For example, the client gives an order to Firm X to buy 100,000 shares as agent and Firm X completes the order in two transactions, one of 20,000 shares and the other of 80,000 shares at unit prices of 100p and 102p respectively.

As there is only one client, where Firm X is acting in an agency capacity Firm X can:

i) report the two agency buy transactions from Firm Y (identified in the counterparty field and include the identity of the client on each (in the customer/client identification field) even if the firm has issued a single contract note at the average price; or

ii) report two market-side transactions with the word 'INTERNAL' in the customer/client identification field and one client side average price report with 'INTERNAL' in the counterparty field and the client reference in the customer/client identification field.

Where Firm X is instead acting in a principal capacity, we would expect the following transaction reports from Firm X:

Market side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)
Firm X	09:00	B	P	1 GBP	20,000	*BIC* of *CCP*
Firm X	09:15	B	P	1.02 GBP	80,000	*BIC* of *CCP*

Client side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)
Firm X	09:15	S	P	1.016 GBP	100,000	Client Ref

A more complex scenario would be where there is more than one client, for example, Firm X fills orders from ten clients by conducting five market-side 'buy' transactions and needs to book the stock to the ten clients. Firm X should report five agency 'buy' transactions from the market counterparty (identified in the counterparty field) into a designated average price account (identified in the customer/client identification field

[33] See section on Ensuring firms transaction reporting so as to accurately reflect the changes in their and their clients position at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

using the ~~code~~ word 'INTERNAL' only) and ten agency buy transactions from that designated average price account (identified in the counterparty field using the ~~code~~ word 'INTERNAL' only) to the respective clients (identified in the customer/client identification field).

For example:

Market side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	08:05	B	A	Price @ execution	10,000	*BIC* of *CCP*	INTERNAL*
Firm X	09:30	B	A	Price @ execution	20,000	*BIC* of *CCP*	INTERNAL*
Firm X	14:00	B	A	Price @ execution	15,000	*BIC* of *CCP*	INTERNAL*
Firm X	16:30	B	A	Price @ execution	5,000	*BIC* of *CCP*	INTERNAL*
Firm X	16:40	B	A	Price @ execution	50,000	*BIC* of *CCP*	INTERNAL*

Client side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 1
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 2
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 3
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 4
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 5

Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 6
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 7
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 8
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 9
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 10

The 'market side' transaction reports must identify the time of execution of the trades in the market. The transaction reports of the allocations to the clients must show the time of the last fill.

*These fields should contain the word 'INTERNAL' see section 7.18.2.

10. Data integrity: firms' obligations[34]

As stated in Market Watch 29, firms must meet the specified standards when reporting transactions to us in terms of the submission of reports and their content. To ensure accuracy and completeness, firms, under our Handbook's SYSC (Senior Management Arrangements, Systems and Controls)[35] and Principle 3 (Management and Control)[36], must have appropriate systems and controls in place to enable them to comply with their regulatory obligations.

Firms' obligations under *SUP17.3.6 G* are to make sure that they have successfully provided their transaction reports to us.[37] The successful submission of reports to an *ARM* may be a step in this process; however, firms also need to take reasonable steps to verify that the *ARM* is successfully passing these reports on to us.

~~Firms can check the completeness of the reports they send us by requesting a sample from our website (details provided below).~~ *SUP17.4* and *SUP17 Annex 1 Minimum content of a transaction report* also detail the obligation firms have to ensure their transaction reports contain the required information and are provided in the correct format.

10.1. Transaction reporting arrangements within firms

~~We have not sought to be prescriptive in terms of the controls and review processes firms should follow. These should be tailored to the firm's activities. However, we would expect them to embody Principle 3 and comply with SYSC obligations.~~

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[34] See section on Systems and controls in Section A of the main consultation text.

[35] http://fshandbook.info/FS/html/FCA/SYSC

[36] http://fshandbook.info/FS/html/FCA/SYSC/3

[37] http://fshandbook.info/FS/html/FCA/SUP/17/3

We expect firm's controls and review processes to embody Principle 3 and comply with SYSC obligations.

Firms should, therefore, validate the accuracy and completeness of the reports they submit to the FCA by comprehensive testing of their full reporting process and by regularly performing end-to-end transaction report reconciliations.

To ensure clarity, 'end-to-end reconciliation' means the reconciliation of a firm's front-office trading records and data[38] against the reports it submits to its ARM(s) and against data samples extracted back from the FCA transaction report database (see 10.1.1.).

~~This~~ In addition, firms ~~may~~should require, among other things~~, require~~:

- a clear allocation of responsibility for transaction reporting within an organisation and clearly defined escalation procedures;
- ~~appropriate training for staff in transaction reporting~~
- appropriate information produced on a regular basis to enable proper oversight of the transaction reporting process;
- end-to-end testing ~~wherever alternative~~ for ALL reporting mechanisms ~~are~~ used;
- change management processes designed to ensure IT change does not impact the accuracy and completeness of the reported transactions; including unit, functional and regression testing and formal change sign-off as appropriate to the nature and scale of the business;
- appropriate oversight of transaction reporting by compliance, including reviews, as part of the compliance monitoring programme;
- making sure the nature and scale of the reviews and testing ~~is~~ are tailored to the activities of the organisation and its transaction reporting arrangements;
- static data validation, performed on a regular basis to ensure static data integrity;
- ~~where reliance is placed on reporting by an *ARM* or another third party, that periodic checks are carried out to ensure that the transactions are being correctly reported; and~~
- documentation detailing transaction reporting processes and the relevant systems and controls;

[38] Where data feeds are received into a front office system these also need to be included in the reconciliation

- where sample testing is employed in a firm's reconciliation processes, that care is taken to select transaction report samples that are representative of the firm's full trading activity; and

- where reliance is placed on reporting by an ARM or another third party, that periodic checks are carried out to ensure that the transactions are being correctly reported; and

- ~~that testing is comprehensive so that the full reporting process is tested and not just part of it. This means that testing should include making sure that the reports are properly submitted to us.~~

Firms should provide comprehensive training for members of staff with transaction reporting duties and with roles impacting the accuracy or completeness of the firm's transaction reports. As well as covering the firm's own processes and procedures and the applicability of transaction reporting rules and guidance relevant to the firm's particular business, training should also encompass elements such as:

- the reasons why transaction reports are collected by the Regulator and their role in detecting and pursuing cases of market abuse;
- the legal obligation for firms to deliver complete and accurate reports;
- The limitations of using ARM and FCA exception reports as checks for the completeness and accuracy of transaction reports[39];
- how and when to interact with the FCA Transaction Monitoring Unit;
- training for IT staff responsible for developing and testing systems which can impact transaction reporting processes; and
- training for staff members submitting manual data, including static data and trade data.

10.1.1. **Data extract service and review of data extracts**

To help check reports have been successfully submitted to us, firms can request a sample of their transaction reports using an online form on our website.
http://www.fca.org.uk/firms/systems-reporting/transaction-reporting/managing-transaction-reporting/sample-transaction-reports~~http://www.fsa.gov.uk/pages/Doing/Regulated/Returns/mtr/managing/request/index.shtml~~

We encourage firms to use this facility from time to time as part of their review and reconciliation processes. This enables firms to ~~where they~~ compare the reports we receive with their own front office trading records and the reports firms (or their representatives) submit to their ARM(s) ~~the reports they send from their systems~~. ~~This kind of exercise~~Firms should also ~~involve~~ checking ~~ing~~ the accuracy and completeness of the individual data elements within their transaction reports and their compliance with transaction reporting rules and requirements, having regard to the guidance we have issued. In particular, ~~if you request a sample of your firm's transaction reports~~, we suggest ~~you~~ firms request carefully defined samples of their transaction reports to review issues such as (but not limited to) whether:

[39] Daily exception report checks are an important element in a firm's control structure but they do not provide a robust basis for transaction report reconciliation when used on their own in isolation.

- the counterparty field and customer/client identification fields have been correctly filled in depending on the trading capacity in which ~~your~~ the firm executed the transaction (eg agent, principal, *agency cross* or *principal cross*);

- a *BIC* or *FRN* has been used if one exists for the counterparty or client (an internal code must be used only where ~~your~~ a counterparty or client does not have a BIC or FRN code ~~either of these codes you will need to use an internal code~~. Where an internal code is used, it must be unique to that counterparty or client and used consistently across all instrument types and platforms for that counterparty or client);

- a *BIC* or *FRN* has been correctly tagged as a *BIC* or *FRN* in the counterparty code type fields;

- the unit price and, where applicable, strike price, contain values in the major currency unit (eg in pounds as opposed to pence);

- where the transaction is in an *OTC derivative*, a complete description has been provided in the instrument description field;

- the buy/sell indicator has been completed correctly; and

- the trading time is the time of execution of the trade in local UK time.

The above list is not ~~intended to be prescriptive~~ exhaustive and firms ~~will tailor their~~may have to conduct additional checks and validation processes ~~for their own purposes~~according to their particular circumstances. However, any checks carried out on the content of reports must be made with reference to the transaction reporting rules and requirements under *SUP17* ~~*Annex 1*~~, this document and the technical specifications of your chosen *ARM*(s).

Glossary of Terms: definition of prescribed market[40]

A market that has been prescribed by the Treasury under section 130A FSMA as a market ~~that comes within the scope~~ prescribed for the purposes of the market abuse regime contained in Part VIII of FSMA.[41] These are markets established under the rules of a UK-recognised investment exchange ~~(and as of October 2011 include AIM, which is established under the rules of the London Stock Exchange, and the markets under PLUS, but might include other markets in the future)~~

[40] See section on Definition of Prescribed market in Section B of main consultation text.

[41] FSMA Prescribed Markets and Qualifying Investments Order (SI 2001/996)

Annex 2 Proposed text for relevant sections in TRUP – clean

4.3. Transactions executed and reported through a regulated market or MTF[42]

Under *SUP17.2.3 R* firms can be relieved of their obligation to make a transaction report if the transaction is instead reported directly to us by a *regulated market* or multi-lateral trading facility (MTF).

Currently, the FCA receives a feed directly from NYSE Liffe London Market (*regulated market*) containing all market transactions in derivatives executed on the exchange with the exception of commodity, interest rate and FX derivatives. Firms have the option to rely on this feed or to report these transactions independently through their *ARM*(s).

However firms must inform the FCA of whether or not they wish to rely on the direct NYSE Liffe reporting by emailing *TMU* at tmu@fca.org.uk.

Firms must also notify the FCA before any change to their reliance on the feed.

In determining whether or not it wishes to rely on the NYSE Liffe feed, a firm should take into account the fact that the feed will include all reportable 'market side' transactions executed on the Liffe London Market by all branches of the firm using the same Liffe membership mnemonic. Firms should not report the same transaction to two separate competent authorities.

Firms should ensure that where they rely on the feed they do not also report the market side of the transaction through their ARM.

Since the NYSE Liffe reporting feed includes only transactions directly executed on NYSE Liffe, where a transaction is for a client, firms are still required to report the 'client side' of the transaction, whether the firm relies on the feed or not. These transaction reports must be reported through an *ARM*.

7.5. Trading capacity[43]

The table below shows which counterparties may be identified in which fields for each trading capacity. The actual counterparties to be identified will depend on the particular circumstances of the transaction and should be populated according to the rules in SUP17 and the guidance in TRUP.

Trading Capacity	**Counterparty** **(also known as counterparty one)**	**Customer/Client Identification** **(also known as counterparty two)**
Principal (P)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the	Blank

[42] See Section on Reliance on Liffe feed in Section A of the main consultation text.

[43] See section on Ensuring firms transaction reporting so as to accurately reflect the changes in their and their clients position at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

	market counterparty/executing or clearing broker[44]/client; or • the *BIC* of the central counterparty (*CCP*) [45], or • 'INTERNAL'[46]	
Principal cross (C)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the market counterparty/executing or clearing broker/client; or • the *BIC* of the *CCP*; or • 'INTERNAL'.	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the counterparty or client; or • 'INTERNAL'.
Agency (A)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the market counterparty/executing or clearing broker; or • the *BIC* of the *CCP*; or • 'INTERNAL'.	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned) of the client; or • 'INTERNAL'.
Agency cross (X)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned) of Client 1.	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned) of Client 2.

A *principal cross* is a transaction type where the reporting firm simultaneously executes a 'buy' and a 'sell' as principal in a single product, at the same price and quantity and the single transaction report represents both of these transactions. For example, to report in a single transaction, report a 'buy' from a central counterparty and a simultaneous 'sell' to Firm A in a single product, at the same price and quantity, the relevant fields of the transaction report would be:

Reporting Firm Identification	**Buy/Sell Indicator**	**Trading Capacity**	**Counterparty (also known as counterparty one)**	**Customer/Client Identification (also known as counterparty two)**
Reporting firm	B	C	*BIC* of *CCP*	Firm A

[44] The clearing broker should only be identified in the counterparty field when the identity of the client is not known by the executing broker and is known by the clearing broker.

[45] Where firms identify a central counterparty (*CCP*) with no *BIC* assigned, we expect firms to inform us so that for a UK *CCP* we contact SWIFT and ensure that a *BIC* is made available for that *CCP*. Likewise for any other EEA *CCP*, we will contact the respective competent authority

[46] Please refer to Section 7.18.2. (Use of 'INTERNAL') for further details.

Firms should note there is no requirement to report transactions matching the definition of a *principal cross* outlined above in a single transaction report. However, reporting these transactions in a single transaction report may help firms to reduce the fees charged by their *ARM(s)*.

The principal cross could be reported as two principal transactions:

Reporting Firm Identification	Buy/Sell Indicator	Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Reporting firm	B	P	*BIC* of *CCP*	

Reporting Firm Identification	Buy/Sell Indicator	Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Reporting firm	S	P	Firm A	

An *agency cross* is defined as where the reporting firm acted as agent for both the selling and buying counterparties and the single transaction report represents both of these transactions.

For example, to report in a single transaction report a 'buy' as agent on behalf of Client 1 and a 'sell' as agent on behalf of Client 2 in a single product at the same time, price and quantity, the relevant fields of the transaction report would be:

Reporting Firm Identification	Buy/Sell Indicator	Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Reporting firm	B	X	Client 2	Client 1

Firms should note there is no requirement to report transactions matching the definition of an *agency cross* in a single transaction report. However, reporting these transactions in a single transaction report may help firms to reduce the fees charged by their *ARM(*s).

The above *agency cross* could be reported as two agency transactions:

Reporting Firm Identification	Buy/Sell Indicator	Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)

Reporting firm	B	A	INTERNAL	Client 1

Reporting Firm Identification	Buy/Sell Indicator	Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Reporting firm	S	A	INTERNAL	Client 2

Firms must ensure that the trading capacity field is populated in transaction reports so as to accurately reflect the changes in positions of the firm and its client(s) at the time of the transaction(s).

To ensure these positions are reported correctly firms must take into account the following principles:

- agency transactions are disregarded when calculating the change in a reporting firm's position as they should be riskless for the firm[47]
- in all cases where 'INTERNAL' is used there must be a movement into 'INTERNAL' and out of 'INTERNAL' (see Section 7.18.2.)

Where the market side of a transaction is reported as a principal trade, the simplest and most straightforward way to report the client side of that transaction is to report it as principal, regardless of any agency arrangement the firm has with the client.

A firm may, however, have an agency agreement with its client and wish to report the client side with a trading capacity of agency, even where it has filled the order on a principal basis either from the market or from its own book, or a combination of these.

Where a firm has bought financial instruments on a principal basis in the market it cannot simply report this as an agency sale to the client with a principal buy from the market because agency transactions are disregarded when calculating the change in a reporting firm's position. In this instance the reports would show the firm ending up with an incorrect positive change in position.

A firm could report by reporting an internal movement of stock between the firm's own book and its agency book and allocate that stock to the client in an agency capacity as shown below:

Buy/sell	Trading Capacity	CP1	CP2
B	P	venue	
S	P	INTERNAL	

[47] The financial instrument is passed across to the client without going through or from the reporting firm's own books

B	A	INTERNAL	client

Where a firm is filling the order from stock already held on its own books rather than going to the market the reporting would be the same but without the transaction report with the venue as follows:

Buy/sell	Trading Capacity	CP1	CP2
S	P	INTERNAL	
B	A	INTERNAL	client

Where part of a client order is filled externally on an agency basis and part on a principal basis the simplest and most straightforward way for a firm to report is to reflect separately those two capacities.

For example, where a client buys 100 shares from a firm, with the firm buying 90 from a venue on an agency basis and the remaining 10 from another market counterparty on a principal basis, a firm could report as follows:

Quantity	Buy/sell	Trading Capacity	CP1	CP2
90	B	A	venue	client

Quantity	Buy/sell	Trading Capacity	CP1
10	B	P	counterparty

Quantity	Buy/sell	Trading Capacity	CP1
10	S	P	client

However, if the firm wishes to be able to make a single transaction report for the client side, it may alternatively report an internal movement of stock between the firm's own book and its agency book and allocate that stock to the client in an agency capacity as follows:

Quantity	Buy/sell	Trading Capacity	CP1	CP2
90	B	A	venue	INTERNAL

Quantity	Buy/sell	Trading Capacity	CP1
10	B	P	counterparty

Quantity	Buy/sell	Trading Capacity	CP1
10	S	P	INTERNAL

Quantity	Buy/sell	Trading Capacity	CP1	CP2
100	B	A	INTERNAL	client

Please note that the above guidance is only intended to apply to the very particular scenarios set out above and should not be interpreted as giving firms license to report a different trading capacity from that in which they are acting. If firms are in any doubt they should contact the TMU.

7.14. Price multiplier[48]

The price multiplier is the number of underlying instruments that are represented by a single derivative contract, eg if a warrant contract represents 50 units of the underlying instrument, then the price multiplier equals 50.

In the case of a spread bet this field should be populated to indicate the movement in the price of the underlying instrument on which the spread bet is based. For example, if an investor placing the spread bet decides to risk £10 per point (penny/cents) then the price multiplier will be 100. However, if an investor placing a spread bet decides to risk £10 per pound movement then the price multiplier will be 1.

This field should not be populated for an instrument admitted to trading on a *regulated market* or a *prescribed market* since the FCA populates this from the reference data.

7.15. Unit price[49]

This field should contain the traded price of the transaction, which should exclude commission and any accrued interest (where relevant). Firms should report the traded price that they have confirmed to the client or counterparty.

Where the unit price (traded price) is reported in monetary terms, the unit price should be provided in the major currency unit, eg **pounds rather than pence**, euros rather than cents.

The unit price should not be negative. Transaction reports with a negative unit price will be rejected.

7.15.1. Bonds and Bond futures

[48] See section on Unit price in Section A of the main consultation text.

[49] See section on Unit price in Section A of the main consultation text.

The unit price for a transaction in a bond or a bond future should be the percentage clean price (ie the actual transaction price not including any commission and/or accrued interest). The percentage clean price should be reported such that the par value of the bond (or the bond underlying the future) equates to 100 and hence bonds or bond futures traded at a premium are reported at values above 100 and those traded at a discount should be reported below 100.

7.15.3. Credit Default Swaps

Please refer to section 8.3.5.

7.15.4. Spread bets

For spread bets the unit price should be the reference price for the underlying instrument upon which the spread bet is based. The monetary stake is reported in the quantity field. Please refer to Section 7.17.

7.15.5. Derivatives other than bond futures, CDS and spread bets

The unit price of derivatives, other than bond futures and CDS, should be reported as the price per underlying security or index such that the monetary value of the derivative contract can be determined by the FCA by multiplying that unit price by the price multiplier.

Example:

Firm X reports two transactions.

Reporting Firm	Instrument Description[50]	Unit price	Quantity	Derivative Type[51]	Price Multiplier[52]
Firm X	Index Future	6477	5	F	10
Firm X	Stock A Option	0.04	12	O	1000

Transaction 1

Firm X buys 5 FTSE 100 index future, correctly reporting UNIT PRICE = 6,477. The price multiplier is 10 (because this future is worth GBP 10 *per* tick), therefore:

UNIT PRICE = 6,477

Monetary value = GBP 6,477 x 5 x 10 = GBP 323,850

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[50] Please note, for derivatives admitted to trading on a regulated market or a prescribed market the instrument description should not be reported by the firm.

[51] Please note, for derivatives admitted to trading on a regulated market or a prescribed market the derivative type should not be reported by the firm.

[52] Please note, for derivatives admitted to trading on a regulated market or a prescribed market the price multiplier should not be reported by the firm. For further details, please refer to Section 7.17.

Transaction 2

Firm X sells 12 options on Stock A, correctly reporting UNIT PRICE = GBP 0.04. The price multiplier is 1,000 (because this is an option on 1,000 shares), therefore:

UNIT PRICE = 0.04

Monetary value = GBP 0.04 x 12 X 1,000 = GBP 480

7.17. Quantity[53]

This field must contain the volume of the transaction, eg the number of units of the financial instrument, the nominal value of bonds or, for options, the number of lots or number of derivative contracts in the transaction.

The quantity should be positive for *ISIN* and *Aii* transactions. The FCA will reject transaction reports with a zero or negative value in the quantity field. The quantity should not be negative or zero for *OTC derivatives*. If a negative value is used, the transaction report will be rejected.

For spread bets, this field should contain the monetary value wagered per point movement in the underlying instrument. For example, a £10 per point spread bet in Vodafone common stock at £1.35 which closed at £1.55 would result in a profit of £200 (£10 x 20 point rise) and so the quantity would be £10 for both the buy and sell transactions with a price notation of GBP. Where the spread bet is denominated in a foreign currency, the quantity field should still be the amount of the bet in that currency. For example, a €10 per point spread bet in Vodafone common stock should be reported with a quantity of €10 and a price notation of €.

Where the subject of the transaction is an on-exchange option, the quantity field should contain the number of contracts traded. For example, a trade of 100 option contracts on BT where each option contract equals rights over 1,000 shares should be reported with a quantity of 100 (Since this is an instrument admitted to trading on a *regulated market* the price multiplier field should not be populated but in this example the reference data would be 1,000).

OTC derivatives can also be traded and reported on the quantity of shares/bonds or nominal size rather than the number of contracts. For instance a call option on 375,000 BT. In this case the quantity is 375,000 and the price multiplier is 1.

7.18.2. Use of 'INTERNAL'[54]

The main purpose of using the word 'INTERNAL' in the counterparty/client fields is to be able to link multiple market transactions to a client transaction and vice versa. However it may also be used to indicate an internal transfer between the firm's books to correctly

[53] See section on Quantity for spread bets in Section B of the main consultation text.

[54] See section on Ensuring firms transaction reporting so as to accurately reflect the changes in their and their clients position at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

reflect the change in position of a firm and its client(s) if applicable (see section 7.5.). In all cases where 'INTERNAL' is used there must be a movement reported into the internal account and out of the internal account reflected in a movement into 'INTERNAL' and out of 'INTERNAL'.

Where a firm receives several orders from different clients and executes them by conducting a single market transaction and/or where a firm receives one order from a client which is filled by several market transactions, an internal account can be used to link the market execution(s) to the client(s) allocation(s).

When identifying an internal account (eg an aggregated account or an average price account, firms should use the word 'INTERNAL'. See sections 9.2. and 9.3. for details on how this should be used.

In addition, the word 'INTERNAL' can also be used when reporting an *agency cross* as two agency transactions (see section 7.5. for further details).

It is our preference that an agency transaction for one client in one security is reported in a single transaction report (without using the internal account).

'INTERNAL' may also be used to indicate a transfer between a firm's book where it is filling an order from its own books for a client and reporting an agency transaction for the client, e.g. where a client is buying it may be reported as:

B/S	Trading Capacity	CP1	CP2
S	P	INTERNAL	
B	A	INTERNAL	client

7.19. Venue identification[55]

The guidance in 7.19.1 to 7.19.4 in respect of on market transactions, off market transactions and listed derivatives only applies where the instrument is not an *OTC derivative*[56]. Where the instrument is an *OTC derivative*, the guidance in section 7.19.5. should be followed.

7.19.1. On market transactions

[55] See Section on Venue identification in Section A of the main consultation text.

[56] An OTC derivative is defined in SUP as 'a derivative traded solely over the counter'.
'Over the counter' is subsequently defined as '(in relation to a transaction in an investment) not on-exchange'.
In turn, 'on-exchange' means:
'(a) (in relation to a transaction in the United Kingdom) effected by means of the facilities of, or governed by the rules of, an RIE or a regulated market;
(b) (in relation to any other transaction) effected by means of the facilities of, or governed by the rules of, an exchange.'
Reporting of the venue for OTC derivatives is covered in section 7.19.5.

Where the transaction was executed on any trading venue and the transaction is not in an OTC derivative[57], the venue identification field must contain the four-character Swift *ISO* 10383 Market Identifier Code (*MIC*). For clarity, where a derivative is traded on an MTF, under MiFID that is classified as an OTC derivative trade.

Where a transaction (other than in OTC derivatives), bilaterally agreed between the parties and executed off book is agreed by the parties to be reported to and conducted under the rules of a *regulated market*/MTF, then the Swift *ISO* 10383 *MIC* should be used in the venue field. This includes all transactions in derivatives conducted through clearing platforms of derivative regulated markets (*ISIN* or *Aii*) within the EEA, regardless of whether those derivatives are fungible or differ in any characteristics from an exchange standardised instrument (see section 8.2.).

Firms should carry out the following validations in relation to transactions other than in OTC derivatives:

- Where the venue is a *regulated market* or MTF*,* firms should use the appropriate *MIC* from the *ESMA* database: http://mifiddatabase.esma.europa.eu/.
- For other valid trading venues firms should populate the venue field with the relevant segment MIC available on www.iso10383.org.
- The MIC must be valid as at the trading date.

7.19.2. Transactions executed on multiple trading venues to satisfy a single client

Firms often need to execute transactions on multiple trading venues to satisfy a single client order for a particular instrument. While the firm needs to report each of the market side transactions and populate the venue identification field in accordance with the above guidelines, it may report the resulting aggregate transaction to the client using the code 'XOFF'.

7.19.3. Off market transactions

The venue identification field should contain the code 'XOFF' where the transaction is in a financial instrument admitted to trading on a *regulated* or *prescribed* market (other than an *OTC derivative*[58]*)*, but the transaction is made off market - ie the transaction is agreed bi-laterally between the parties and is agreed by the parties to be an off market transaction which means it is not governed by the rules and regulations of the market.

This field should contain the code 'XOFF' where the firm executes a transaction in a financial instrument admitted to trading on a *regulated market* or *prescribed market* (other than an *OTC derivative*[59]*)* using an external broker and the identity of the trading venue is not made available before the reporting deadline.

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[57] Reporting of the venue for OTC derivatives is covered in section 7.19.5.

[58] Reporting of the venue for OTC derivatives is covered in section 7.19.5.

[59] Reporting of the venue for OTC derivatives is covered in section 7.19.5.

This field should contain the *BIC* of the systematic internaliser (SI) where the reporting firm or the counterparty executed the transaction as an SI. In some instances a firm may not know that the counterparty they are dealing with is acting as an SI. In this case it is acceptable for the firm to report the venue as 'XOFF'.

7.19.4. Transactions in listed derivatives

Transactions in listed derivatives which are not *OTC derivatives*[60], both market side and client side must be reported with the *MIC* of the *regulated market* in the venue identification field. This includes derivative transactions conducted through clearing platforms of derivative regulated markets (see Section 8.2.).

7.19.5. Transactions in OTC derivatives

Where the transaction is in an *OTC derivative*[61] the venue field should be reported as XXXX, regardless of whether the transaction took place on a trading venue or off market.

8.2.1.(a) ISIN derivative markets (eg options on the London Stock Exchange Derivatives Market (LSEDM)[62]

When a transaction in a derivative instrument is conducted through the clearing platform of an *ISIN* derivative market that is a *regulated market*, the transaction should be reported as an *ISIN* transaction.

Example of a transaction on the LSEDM market reported as an ISIN transaction

- MNOD 9 2014 11 Equity Call Option (September 2014 Call option on MMC NORILSK NICKEL ADR at 11 USD) on the LSEDM.
- The firm should report this using the *ISIN* code (GB00D633W435). The exchange venue will be XLOD. The counterparty will be the exchange *CCP*.

Where the transaction is conducted on behalf of a client, the 'client side' transaction report must include the *MIC* of the derivative exchange in the venue field.

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[60] Reporting of the venue for OTC derivatives is covered in section 7.19.5.

[61] An OTC derivative is defined in SUP as 'a derivative traded solely over the counter'.
'Over the counter' is subsequently defined as '(in relation to a transaction in an investment) not on-exchange'. A derivative traded on an MTF is classified as OTC under MiFID.
In turn, 'on-exchange' means:

'(a) (in relation to a transaction in the United Kingdom) effected by means of the facilities of, or governed by the rules of, an RIE or a regulated market;

(b) (in relation to any other transaction) effected by means of the facilities of, or governed by the rules of, an exchange.'

[62] See Section on Guidance for reporting transactions in derivatives conducted through clearing platforms of derivative markets in Section B of the main consultation text.

8.2.1.(b) Aii derivative markets (e.g. BClear)[63]

8.2.1 Where reference data is made available to the FCA and ARMs

(**b**) Aii derivative markets (e.g. BClear)

Firms are expected to report these transactions as shown in the examples below

Example of fungible contracts (contracts that mirror standardised contracts on order book)

- Buy 10 Vodafone Dec 2011 160 Calls through BClear (NYSE Liffe).
- The firm should report this transaction using the *Aii* code. The counterparty will be the exchange *CCP*. The quantity will be 10.
- The *Aii* code for this transaction will contain the following components: Instrument Identification 'VOD' (Exchange Product Code for this particular contract), Strike Price 1.60, Expiry Date 16 Dec 2011, Derivative Type: 'O', Put/Call Indicator 'C', Venue Identification 'XLIF'.

Example of non-fungible contracts (contracts that do not mirror standardised contracts on order book)

- Buy 10 Vodafone Nov 2011 166 Calls through BClear (NYSE Liffe).
- The firm should report this transaction using the *Aii* code. The counterparty will be the exchange *CCP*. The quantity will be 10.
- The *Aii* code for this transaction will contain the following components: Instrument Identification 'VOU'[64] (Exchange Product Code for this particular contract), Strike Price 1.66, Expiry Date 18 Nov 2011, Derivative Type: 'O', Put/Call Indicator 'C', Venue Identification 'XLIF'.

Where the transaction is conducted on behalf of a client, the 'client side' transaction report must include the *MIC* of the derivative exchange in the venue field.

9.1. Internal transactions[65]

Intra-company transactions are transactions within the same legal entity, which are purely internal and not executed on a trading venue[66] while inter-company transactions are transactions between two or more legal entities in the same group. Inter-company trades must be transaction reported to the FCA, while intra-company transactions undertaken within the same FCA-authorised firm are not reportable unless this is required in order to correctly reflect the change in a firm's or its client(s) position (see Section 7.5). SUP17.1.7 G requires that when financial instruments are transferred between clients in the same legal entity, and the beneficial ownership of the instrument

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[63] See Section on Guidance for reporting transactions in derivatives conducted through clearing platforms of derivative markets in Section B of the main consultation text.

[64] In this example, an American option, cash settled.

[65] See section on Firm hitting its own order on a trading venue in Section A of the main consultation text.

[66] Regulated market, prescribed market or MTF.

changes, this is reportable. Where a firm hits its own order on a trading venue, these transactions are not classed as intra- or inter-company and are required to be reported.

9.3. Aggregated transactions[67]

A firm may aggregate two or more orders for different clients and execute them in a single transaction. For example, where Firm X buys 100,000 shares from Firm Y on behalf of three different clients, clients A, B and C, for 30,000, 10,000 and 60,000 shares respectively in an aggregated order.

The transaction reports would be:

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	100,000	Firm Y	INTERNAL*

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	30,000	INTERNAL*	Client A

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	10,000	INTERNAL*	Client B

Reporting Firm Identification	Buy/Sell Indicator	Trading capacity	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	B	A	60,000	INTERNAL*	Client C

*These fields should contain the word 'INTERNAL' see section 7.18.2.

[67] See section on Ensuring firms transaction reporting so as to accurately reflect the changes in their and their clients position at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

9.4. Average price transactions[68]

A firm may receive an order from a client that can only be filled by executing two or more transactions at different prices, but the client wants one or more contract notes showing an average price. For example, the client gives an order to Firm X to buy 100,000 shares as agent and Firm X completes the order in two transactions, one of 20,000 shares and the other of 80,000 shares at unit prices of 100p and 102p respectively.

As there is only one client, where Firm X is acting in an agency capacity Firm X can:

i) report the two agency buy transactions from Firm Y (identified in the counterparty field and include the identity of the client on each (in the customer/client identification field) even if the firm has issued a single contract note at the average price; or

ii) report two market-side transactions with the word 'INTERNAL' in the customer/client identification field and one client side average price report with 'INTERNAL' in the counterparty field and the client reference in the customer/client identification field.

Where Firm X is instead acting in a principal capacity, we would expect the following transaction reports from Firm X:

Market side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)
Firm X	09:00	B	P	1 GBP	20,000	*BIC* of *CCP*
Firm X	09:15	B	P	1.02 GBP	80,000	*BIC* of *CCP*

Client side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)
Firm X	09:15	S	P	1.016 GBP	100,000	Client Ref

A more complex scenario would be where there is more than one client, for example, Firm X fills orders from ten clients by conducting five market-side 'buy' transactions and

[68] See section on Ensuring firms transaction reporting so as to accurately reflect the changes in their and their clients position at a given point in time resulting from the transaction(s) in Section A of the main consultation text.

needs to book the stock to the ten clients. Firm X should report five agency 'buy' transactions from the market counterparty (identified in the counterparty field) into a designated average price account (identified in the customer/client identification field using the word 'INTERNAL' only) and ten agency buy transactions from that designated average price account (identified in the counterparty field using the word 'INTERNAL' only) to the respective clients (identified in the customer/client identification field).

For example:

Market side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	08:05	B	A	Price @ execution	10,000	*BIC* of *CCP*	INTERNAL*
Firm X	09:30	B	A	Price @ execution	20,000	*BIC* of *CCP*	INTERNAL*
Firm X	14:00	B	A	Price @ execution	15,000	*BIC* of *CCP*	INTERNAL*
Firm X	16:30	B	A	Price @ execution	5,000	*BIC* of *CCP*	INTERNAL*
Firm X	16:40	B	A	Price @ execution	50,000	*BIC* of *CCP*	INTERNAL*

Client side

Reporting Firm Identification	Trading time	Buy/Sell Indicator	Trading Capacity	Unit price	Quantity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 1
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 2
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 3
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 4
Firm X	16:40	B	A	Average	10,000	INTERNAL*	Client 5

				price			
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 6
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 7
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 8
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 9
Firm X	16:40	B	A	Average price	10,000	INTERNAL*	Client 10

The 'market side' transaction reports must identify the time of execution of the trades in the market. The transaction reports of the allocations to the clients must show the time of the last fill.

*These fields should contain the word 'INTERNAL' see section 7.18.2.

9.8. Strategy Trades[69]

This guidance applies to exchange traded strategy trades whereby two or more legs that are dependent on each other are executed simultaneously. This guidance applies to transaction reports submitted to the FCA. Other competent authorities may have different requirements.

All transactions that include the combined execution of multiple legs should be reported with each reportable leg as an individual transaction to the FCA.

The individual legs of the strategy trades should be reported with the correctly populated venue identification field for that individual leg. This may be a different venue from where the strategy trade order was placed. For example, a firm may enter into a strategy trade on a derivatives exchange, whereby the cash equity leg is executed on a cash equity exchange (see example 1).

One exception to this approach is for strategy trades involving derivative and cash equity legs entered into on the Alternative Instrument Identifier (Aii) exchanges[70] where both legs are executed on the same Aii exchange. The FCA will not accept ISIN-based cash equity transactions from Aii exchanges. In this instance firms should report the ISIN cash equity leg with the venue "XOFF" (see example 2).

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[69] See Section on Strategy trades in Section B of the main consultation text.

[70] The list of designated Aii exchanges is available on the ESMA website: http://mifiddatabase.esma.europa.eu/Index.aspx?sectionlinks_id=23&language=0&pageName=REGULATED_MARKETS_Display

[70] All other relevant fields will need to be reported in accordance with the guidance set out in the Transaction Reporting User Pack (TRUP).

Firms who rely on the NYSE Liffe (London market) feed to the FSA to report their transactions should note that they will need to report any ISIN-based legs to the FCA separately as the feed only includes Aii transactions.

Example 1

A strategy trade entered into on NYSE Liffe (Amsterdam market), an Aii exchange, that combines a transaction in an equity option and a transaction in the underlying cash equity. For example a strategy trade that includes an ING Groep N.V. equity option transaction executed on the Aii exchange and a ING Groep N.V. cash equities transaction executed on NYSE Euronext Amsterdam, an ISIN exchange. The strategy trade is therefore executed on 2 separate exchanges:

- NYSE Liffe (Amsterdam market) is an Aii exchange; and
- NYSE Euronext Amsterdam is an ISIN exchange.

The two legs should therefore be reported as follows[71]

1. The ING Groep N.V. equity option leg is reported using:
   - instrument code: NYSE Liffe (Amsterdam market) Exchange Product Code for the relevant ING Groep N.V. option; and
   - venue: "XEUE".
2. The ING Groep N.V. cash equity leg is reported using:
   - instrument code: ISIN for the ING Groep N.V. cash equity; and
   - venue: "XAMS".

Example 2

A strategy trade on NYSE Liffe (London market) that combines a transaction in an equity option on BP plc and a transaction in BP plc cash equities. NYSE Liffe (London market) is an Aii exchange, but the BP cash equity is an ISIN-based instrument. The two legs should therefore be reported as follows[72]:

(i) The BP plc equity option leg is reported using:
   - instrument code: NYSE Liffe (London market) Exchange Product Code for the relevant BP plc option; and
   - venue: "XLIF".

(ii) The BP plc cash equity leg is reported using:
   - instrument code: ISIN for the BP plc cash equity; and
   - venue: "XOFF".

10. Data integrity: firms' obligations[73]

As stated in Market Watch 29, firms must meet the specified standards when reporting transactions to us in terms of the submission of reports and their content. To ensure

[71] All other relevant fields will need to be reported in accordance with the guidance set out in the Transaction Reporting User Pack (TRUP).

[73] See section on Systems and controls in Section A of the main consultation text.

accuracy and completeness, firms, under our Handbook's SYSC (Senior Management Arrangements, Systems and Controls)[74] and Principle 3 (Management and Control)[75], must have appropriate systems and controls in place to enable them to comply with their regulatory obligations.

Firms' obligations under *SUP17.3.6 G* are to make sure that they have successfully provided their transaction reports to us.[76] The successful submission of reports to an *ARM* may be a step in this process; however, firms also need to take reasonable steps to verify that the *ARM* is successfully passing these reports on to us.

SUP17.4 and *SUP17 Annex 1 Minimum content of a transaction report* also detail the obligation firms have to ensure their transaction reports contain the required information and are provided in the correct format.

10.1 Transaction reporting arrangements within firms

We expect firm's controls and review processes to embody Principle 3 and comply with SYSC obligations.

Firms should, therefore, validate the accuracy and completeness of the reports they submit to the FCA by comprehensive testing of their full reporting process and by regularly performing end-to-end transaction report reconciliations.

To ensure clarity, 'end-to-end reconciliation' means the reconciliation of a firm's front-office trading records and data[77] against the reports it submits to its ARM(s) and against data samples extracted back from the FCA transaction report database (see 10.1.1.).

In addition, firms should require, among other things:

- a clear allocation of responsibility for transaction reporting within an organisation and clearly defined escalation procedures;
- appropriate information produced on a regular basis to enable proper oversight of the transaction reporting process;
- end-to-end testing for ALL reporting mechanisms used;
- change management processes designed to ensure IT change does not impact the accuracy and completeness of the reported transactions; including unit, functional and regression testing and formal change sign-off as appropriate to the nature and scale of the business;

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[74] http://fshandbook.info/FS/html/FCA/SYSC

[75] http://fshandbook.info/FS/html/FCA/SYSC/3

[76] http://fshandbook.info/FS/html/FCA/SUP/17/3

[77] Where data feeds are received into a front office system these also need to be included in the reconciliation

- appropriate oversight of transaction reporting by compliance, including reviews, as part of the compliance monitoring programme;
- making sure the nature and scale of the reviews and testing ~~is~~ are tailored to the activities of the organisation and its transaction reporting arrangements;
- static data validation, performed on a regular basis to ensure static data integrity;
- documentation detailing transaction reporting processes and the relevant systems and controls;
- where sample testing is employed in a firm's reconciliation processes, that is taken to select transaction report samples that are representative of the firm's full trading activity; and
- where reliance is placed on reporting by an *ARM* or another third party, that periodic checks are carried out to ensure that the transactions are being correctly reported; and

Firms should provide comprehensive training for members of staff with transaction reporting duties and with roles impacting the accuracy or completeness of the firm's transaction reports. As well as covering the firm's own processes and procedures and the applicability of transaction reporting rules and guidance relevant to the firm's particular business, training should also encompass elements such as:

- the reasons why transaction reports are collected by the Regulator and their role in detecting and pursuing cases of market abuse;
- the legal obligation for firms to deliver complete and accurate reports;
- The limitations of using ARM and FCA exception reports as checks for the completeness and accuracy of transaction reports[78];
- how and when to interact with the FCA Transaction Monitoring Unit;
- training for IT staff responsible for developing and testing systems which can impact transaction reporting processes; and
- training for staff members submitting manual data, including static data and trade data.

10.1.1. Data extract service and review of data extracts

To help check reports have been successfully submitted to us, firms can request a sample of their transaction reports using an online form on our website.
http://www.fca.org.uk/firms/systems-reporting/transaction-reporting/managing-transaction-reporting/sample-transaction-reports

We encourage firms to use this facility from time to time as part of their review and reconciliation processes. This enables firms to compare the reports we receive with their

[78] Daily exception report checks are an important element in a firm's control structure but they do not provide a robust basis for transaction report reconciliation when used on their own in isolation.

own front office trading records and the reports firms (or their representatives) submit to their ARM(s). Firms should also check the accuracy and completeness of the individual data elements within their transaction reports and their compliance with transaction reporting rules and requirements, having regard to the guidance we have issued. In particular, we suggest firms request carefully defined samples of their transaction reports to review issues such as (but not limited to) whether:

- the counterparty field and customer/client identification fields have been correctly filled in depending on the trading capacity in which the firm executed the transaction (eg agent, principal, *agency cross* or *principal cross*);
- a *BIC* or *FRN* has been used if one exists for the counterparty or client (an internal code must be used only where a counterparty or client does not have Where an internal code is used, it must be unique to that counterparty or client and used consistently across all instrument types and platforms for that counterparty or client);
- a *BIC* or *FRN* has been correctly tagged as a *BIC* or *FRN* in the counterparty code type fields;
- the unit price and, where applicable, strike price, contain values in the major currency unit (eg in pounds as opposed to pence);
- where the transaction is in an *OTC derivative*, a complete description has been provided in the instrument description field;
- the buy/sell indicator has been completed correctly; and
- the trading time is the time of execution of the trade in local UK time.

The above list is not exhaustive and firms may have to conduct additional checks and validation processes according to their particular circumstances. However, any checks carried out on the content of reports must be made with reference to the transaction reporting rules and requirements under *SUP17*, this document and the technical specifications of your chosen *ARM*(s).

Glossary of Terms: definition of prescribed market[79]

A market that has been prescribed by the Treasury under section 130A FSMA as a market prescribed for the purposes of the market abuse regime contained in Part VIII of FSMA.[80] These are markets established under the rules of a UK-recognised investment exchange.

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[79] See section on Definition of Prescribed market in Section B of main consultation text.

[80] FSMA Prescribed Markets and Qualifying Investments Order (SI 2001/996)