Guidance consultation

Transaction Reporting User Pack (TRUP)

October 2011

We invite your comments on the following document by 24 November 2011.

Transaction Reporting User Pack (TRUP)

Version 3 ***effective from TBD***

1. THE TRANSACTION REPORTING USER PACK (TRUP)

1.1. What is the *TRUP*?

The FSA developed the *TRUP* in conjunction with firms and trade associations. Its purpose is to help firms understand the transaction reporting obligations, set out in Chapter 17 (Transaction Reporting) of the FSA Handbook Supervision Manual (SUP17), which implements the transaction reporting provisions in the Markets in Financial Instruments Directive[1](*MiFID*)

1.2. Scope of the *TRUP*

The *TRUP* is intended to provide firms with sufficient guidance to make informed decisions about their transaction reporting obligations. It is not designed to be a comprehensive list of how firms should report in every situation.

It is not intended to be a replacement for SUP17 and the relevant definitions in the Handbook glossary and it will not provide technical specifications for the format of transaction reports. We would expect firms to read the *TRUP* in conjunction with SUP17, the Handbook glossary and the technical specifications of their respective Approved Reporting Mechanism(s) (*ARM(*s)).

The *TRUP* is updated periodically and reflects the situation at publication. Firms should bear in mind that circumstances change and so monitor the FSA's communications to stay up to date. Whenever there is a particular transaction reporting issue or concern to address, we cover it in our Market Watch newsletter. Firms are therefore encouraged to review all Market Watch newsletters. You can download issues from our website:

http://www.fsa.gov.uk/pages/About/What/financial_crime/market_abuse/library/newsletters/index.shtml

To receive Market Watch by email contact: market.watch@fsa.gov.uk.

For further information, please see the transaction reporting section of our website at: http://www.fsa.gov.uk/Pages/Doing/Regulated/Returns/mtr/.

1.3. Who should read the *TRUP*?

We expect compliance departments and compliance officers of firms with transaction reporting responsibilities (see section 3.1.) to ensure that the *TRUP* is fully understood and any necessary amendments to transaction reporting processes are initiated. It should be read by all staff with transaction reporting responsibilities.

[1] Directive 2004/39/EC on Markets in Financial Instruments (MiFID)

1.4. FSA contacts

If you have any transaction reporting queries, please contact our transaction monitoring unit (*TMU*) on 020 7066 6040 or by email at tmu@fsa.gov.uk.

1.5. Have your say

We would like the *TRUP* to be an evolving document. If you would like anything new to be included in future versions, please email us at tmu@fsa.gov.uk or call us on 020 7066 6040.

We produced this version of the *TRUP* with various firms and trade associations and would like to thank everyone involved for their willingness to engage with us and for their valuable assistance.

1.6. History

This is Version 3 of the *TRUP*. It replaces Version 2 of the *TRUP*, which was published in September 2009 and also replaces the guidance published in *Guidelines on reporting of On-Exchange derivatives (AII and ISIN derivatives)* in September 2009.

Document	Effective date
TRUP Version 1	5 November 2007
TRUP Version 2	21 September 2009
TRUP Version 3	TBD

2. WHY TRANSACTION REPORTS ARE IMPORTANT TO THE FSA

Chapter 17 (Transaction Reporting) of the FSA Handbook Supervision Manual (SUP17) requires firms entering into reportable transactions to send us transaction reports containing mandatory details for those transactions by the end of the following business day (T+1). Transaction reports received from firms are loaded into our transaction monitoring system, Zen.[2] The reports and the system are used for purposes listed below.

2.1. Monitoring for market abuse and market manipulation

The primary purpose of transaction reports is to detect and investigate suspected market abuse (insider trading and market manipulation) in support of our statutory objectives of maintaining confidence in financial markets and reducing financial crime.

Zen plays a key role in both the identification of suspicious transactions (via automated alerting algorithms) and the establishment of facts once suspected market abuse has been identified. However, the efficiency of both of these functions can be compromised by inaccurate transaction reporting and poor data quality. We are required to identify any questionable transactions and establish their nature, timing and the parties involved. Transaction reports are a keys means of establishing this, enabling us to spot examples of market abuse that call for enforcement action. Similarly, transaction reports are very important as evidence when we (or other authorities) are bringing market abuse cases to court, as they provide an audit trail of the complete transaction.

2.2. Firm supervision

Firm supervisors may view firms' transaction reports to help identify and investigate potential breaches of Conduct of Business rules.

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[2] Zen replaced the former monitoring system SABRE II on 8 August 2011.

2.3. Market supervision

The FSA also carries out wider market surveillance so we can spot any possible risks due to new market developments. Transaction reports provide us with useful information that can help with this kind of surveillance, eg statistics that show the rate of growth in the use of certain instruments.

2.4. Exchange with other European Economic Area (EEA) competent authorities

MiFID requires us to exchange certain transaction reports with other EEA competent authorities through the Transaction Reporting Exchange Mechanism (TREM) of the European Securities Markets Authority (ESMA)[3]. We send transaction reports from UK branches of non-UK EEA firms to their respective home competent authorities. And where we receive transaction reports in instruments where we are not the most relevant competent authority, we send them to the most relevant competent authority. This means that other competent authorities, as well as the FSA, may be reviewing the integrity of your data.

2.5. Use by other regulatory bodies

Transaction reports may be shared with, and used by, certain appropriate external parties, including the Bank of England and the Takeover Panel.

[3] Formerly the Committee of European Securities Regulators (CESR).

3. WHO NEEDS TO REPORT AND WHAT IS REPORTABLE?

3.1. Who needs to report?

The application section in SUP17.1 sets out, firstly, which firms the transaction reporting obligation applies to and, secondly, which transactions firms need to report to us. Firms need to transaction report to us when they execute a transaction that is reportable, and we define 'execute'[4] and give guidance on what is reportable[5] elsewhere in this document. All firms should have regard to SUP17 and *MiFID* in addition to the *TRUP* when considering their obligation to transaction report.

3.2. Reportable instruments

Under SUP17.1.4 R, a firm that executes a transaction must report the details to us if it is executed:

(1) in any financial instrument admitted to trading on a *regulated market*[6] or *prescribed market* (whether or not the transaction was carried out on such a market)[7]; or

(2) in any over-the-counter (OTC) derivative (*OTC derivative*), the value of which is derived from or is otherwise dependent on an equity or debt-related financial instrument that is admitted to trading on a *regulated market* or on a *prescribed market*[8].

Reporting firms should also consider the following exceptions:

a. SUP17.1.4R(2) does not apply to a transaction in any *OTC derivative*, the value of which is derived from or is otherwise dependent on multiple equity or multiple debt-related financial instruments, except where the multiple financial instruments are all issued by the same issuer. For example, we no longer require firms to transaction report *OTC derivatives* on the FTSE 100 index.

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[4] See *TRUP* section 4 *Obligation to make a transaction report.*

[5] See *TRUP* sections 3.2. *Reportable instruments* and 3.3. *Reportable transactions.*

[6] For a list of *regulated market*s, please see the *ESMA MiFID* database at: http://mifiddatabase.esma.europa.eu/

[7] The ESMA *MiFID* database (http://mifiddatabase.esma.europa.eu/) contains information about equity instruments admitted to trading on a *regulated market*. Each competent authority is responsible for ensuring that information about equity instruments admitted to trading on their *regulated market*s is updated as and when required. Firms should note, however, that this database does not contain details of **all** financial instruments reportable under SUP17.1.4 (1).

[8] See glossary for the definition of a *prescribed market*

b. Transactions in commodity, interest rate and foreign-exchange OTC/listed derivatives are not reportable unless those derivatives are securitised and admitted to trading on a *regulated market* or on a *prescribed market*.

It was agreed by CESR[9] and the European Commission (EC) that competent authorities need not require firms to report transactions in non-securities derivatives (ie commodity, interest rate and FX derivatives) admitted to trading on *regulated markets*. We do not require firms to report transactions in these derivatives and we will work with the relevant exchanges in these markets to ensure that, where another competent authority requires information on transactions in these derivatives, it is made available.

3.3. Reportable transactions

A transaction as defined in Article 5 of *MiFID* (Implementing Directive 2004/39/EC) refers to the purchase and sale of a financial instrument. The definition however excludes:

- 'securities financing transactions' which means an instance of stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction (Article 2(10) of *MiFID*);

- the exercise of options or of covered warrants; and

- primary market transactions (such as issuance, allotment or subscription) in:

  (a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares; and

  (b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities

  (see Article 4(1)(18) (a) and (b) of *MIFID*)

[9] CESR is now the European Securities Markets Authority (ESMA)

4. OBLIGATION TO MAKE A TRANSACTION REPORT

Firms need to transaction report to us when they execute a transaction that is reportable. Broadly we interpret 'execute' to include when a firm:

(i) transacts on its own account, for itself; or

(ii) transacts on its own account, on behalf of a client; or

(iii) transacts as an agent.

We additionally require:

- the identity of the client on whose behalf the transaction is carried out. So in cases (ii) and (iii) above the client must be identified.[10]

Where a firm receives and transmits an order on behalf of a client without transmitting the identity of the client, the transmitting firm is requested to provide us with a transaction report.

MiFID has not defined the term 'execute' so we have interpreted the term in light of the level 3 guidance from CESR[11], and expect firms to do likewise.

It is a firm's responsibility to make arrangements for the transaction to be reported and this responsibility does not change as a result of clearing arrangements.

Where a firm engages another firm or service organisation to submit transaction reports on its behalf, the executing firm does not relieve themselves of their obligation to transaction report; the submitting firm or service organisation serves only to transmit the transaction reports to the FSA and the reporting firm remains responsible for their completeness and accuracy.

4.1. Obligation to ensure transaction reports are complete and accurate

Firms must ensure that the transaction reports they submit are complete and accurate. To achieve this, firms must have appropriate systems and controls in place. Detailed guidance on this is set out in Chapter 10.

The requirement for firms to provide complete and accurate transaction reports includes the requirement to:

- correct a previously submitted transaction report that is inaccurate; and

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[10] There are some circumstances where this is not required, as set out in sections 9.6.1. and 9.6.4.

[11] http://www.cesr-eu.org/popup2.php?id=4610

- correct a transaction report when the transaction itself has been amended post trade.

See section 7.21. for details of how these should be reported.

4.2. Relying on a third party to transaction report

In certain circumstances, firms providing a service of portfolio management may be able to rely on a third party to make transaction reports on their behalf. For more information please see section 9.6. *Transactions involving portfolio managers*.

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

Under SUP17.2.3 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 receives a feed directly from NYSE Liffe (*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 whether or not they wish to rely on the direct NYSE Liffe reporting by emailing *TMU* at tmu@fsa.gov.uk.

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*.

5. OBLIGATIONS FOR BRANCHES

5.1. Obligations for branches of EEA firms

MiFID Article 32(7) requires all transactions executed by UK branches of EEA firms, where the transaction is executed in the UK, to be reported to us. Where a transaction is executed outside of the UK, Article 32(7) requires these transactions to be reported to the home member state competent authority.

CESR recognised that, from a practical point of view, it may be burdensome for branches to report their transactions to two different national regulators. Therefore, following discussion among the member states, CESR issued guidelines[12] stating that all transactions executed by branches can be reported to the host member state competent authority, if the investment firm elects to do so. This means that a UK branch of an EEA firm can choose to report all its transactions to us. Likewise, the EEA branch of a UK firm may report its transactions to the local regulator rather than us. In these cases, transaction reports should follow the rules of the competent authority to which the report is made.

Firms should not report the same transaction in MiFID instruments to two separate competent authorities.

Where an EEA firm transacts a reportable instrument through a non-EEA branch, no transaction report needs to be submitted to a member state competent authority.

5.2. Obligations for branches of non-EEA firms

When a non-EEA firm which falls within the definition of a third-country investment firm[13] executes a transaction from its UK branch, it must report that transaction to the FSA.

Any transactions made by a non-EEA firm which are executed from its branches or offices located outside the UK do not have to be transaction reported to the FSA.

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[12] CESR Level 3 guidelines on *MiFID* transaction reporting

[13] A firm which would be a *MiFID* investment firm if it had its head office in the EEA.

6. HOW TO SEND US TRANSACTION REPORTS

You may use any one or more of the *ARM*s to send transaction reports to us. You cannot report by fax or email. A list of *ARM*s is available on our website at:

http://www.fsa.gov.uk/Pages/Doing/Regulated/Returns/mtr/arms/index.shtml

7. TRANSACTION REPORT FIELDS GUIDELINES

We use transaction reports for a variety of purposes and to perform these functions effectively it is vital that firms provide us with accurate data. Transaction reports should contain all mandatory fields applicable to the transaction being reported in line with SUP17 Annex 1, *Minimum content of a transaction report*.

In this section, we provide some additional guidelines on how some of these fields should be populated. Where we refer to specific fields, firms should complete these in the formats described or be sure that that their *ARM*(s) will use these formats when sending their transaction reports to us. Please note that field names and classifications may differ across *ARM*s. For clarification, please contact your respective *ARM*(s).

7.1. Reporting firm

This field should contain the *BIC* or the FSA reference number (*FRN*) of the firm that executes the transaction and on whose behalf the transaction report is being made.[14]

If you have appointed a reporting agent to submit transaction reports on your firm's behalf, please ensure this field identifies **your** firm and not the reporting agent.

7.2. Trading date

The trading date for a transaction entered into the trading date field should be presented in the correct format as specified by the *ARM* you are using (eg in UK format rather than US format). Failure to use the correct format may result in the transaction report being rejected.

Please note that, where a transaction has been executed outside of the UK, the trading date and, for *OTC derivatives*, where applicable, the maturity date, should reflect the day in UK time. For example, a trade executed in Tokyo on Wednesday 21 February 2007 at 08:30 local time would be reported to us with the UK trading date, Tuesday 20 February 2007 and UK time 23:30.

[14] In Market Watch 38 we gave notice of our intention to move from a choice of *FRN* or *BIC* to *BIC* only for reporting firm ID. This project is currently on hold until further communication.

Failure to ensure the trading date and maturity date are reported to us in UK time (ie in Greenwich Mean Time (GMT) or, during the summer, in British Summer Time (BST)) may cause a one-day contract traded outside of the UK to be rejected by your *ARM*(s), as the contract may appear to expire before the trading date.

7.3 Trading time

This field must contain the time at which the transaction took place in UK time. Firms should note that, where a transaction has been executed outside of the UK, the trading time must still reflect the UK time. The trading time must therefore be reported in GMT or, during the summer, in BST. Firms may need to contact their *ARM*(s) to see whether they need to switch from/to GMT/BST or whether their *ARM*(s) will meet this requirement for them.

Firms should ensure we receive the trading time information as in *ISO* 8601 Time Format HH:MM:SS and they should contact their *ARM*(s) to see if this requirement is met. Where the 'seconds' element of the trading time is unknown or not captured, please use a default of '00'. However, firms should strive to capture this information correctly.

If your firm works a client's order as riskless principal and holds the stock on its own book until the order is complete, you should transaction report the client transaction with the allocation time you have agreed with the client.

When a firm uses an external broker to fill an order on a market and that external broker fills the order in several transactions, the time of trade in the transaction reports should reflect the time at which the firm becomes the beneficial owner (ie. the allocation time) see section 9.1. *Orders filled by external brokers.*

Where the trading time is not made available, for example by the broker, the default time of 00:01:00 UK time must be used (this value will need to be presented in the format applicable to the *ARM*(s) used). A default time should only be used as a last resort and firms should take reasonable steps to report the actual time that the transaction was executed. Using this default time will ensure that these transaction reports are picked up during our monitoring of trading before a price-sensitive announcement.

7.4 Buy/sell indicator

This field must contain 'buy' or 'sell' to show whether the transaction was a buy or a sell from the perspective of the reporting firm or, in the case of an agency transaction, of the client. For example:

Firm X buys as principal from Firm Y

Transaction report should be as follows:

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

Firm X sells to Firm A on behalf of Client B in an agency capacity

Transaction report should be as follows:

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

7.5. Trading capacity

The table below shows which counterparties may be identified in which fields for each trading capacity.

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 market counterparty/executing or clearing broker[15]/client; or • the *BIC* of the central counterparty (*CCP*) [16]	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'[17].	• 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 the *BIC*/*FRN* have not been assigned) of Client 1.	• The *BIC*, *FRN* or internal code (where the *BIC*/*FRN* have 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

[15] 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.

[16] 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.

[17] Please refer to section 7.18.3. (Use of 'INTERNAL') for further details.

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

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

7.6. Instrument identification

Where the subject of a transaction is a financial instrument admitted to trading on a *regulated market* or *prescribed market* where the industry method of identification is the *ISIN*, this field should contain an *ISO* 6166 *ISIN*. Failure to report an ISO 6166 *ISIN* in these circumstances will cause the transaction report to be rejected.

For transactions in derivatives admitted to trading on a *regulated market* where the *ISIN* is not the industry method of identification, these should be identified using the Alternative Instrument Identifier (Aii) in which case the instrument identification field should contain the Aii Exchange Product Code. Failure to report using the Aii in these circumstances will cause the transaction report to be rejected.

For general information on reporting of derivatives on Aii markets see section 8.1.

Where the subject of a transaction is an *OTC derivative* where the underlying instrument is a financial instrument admitted to trading on a *regulated market* or *prescribed market*, the instrument identification field should be blank.

7.7. Instrument description

When reporting a transaction in an *OTC derivative*, you should supply a full description of the security in the following format: reference security, derivative type and, where applicable, strike price and maturity date. For further information on how to report transactions in *OTC derivative*s, see section 8.3.

Firms do not have to populate this field where they are reporting an instrument admitted to trading on a *regulated market* or *prescribed market*.

7.8. Underlying instrument identification

This field should contain the *ISO* 6166 *ISIN* of the ultimate underlying instrument when reporting a transaction in an *OTC derivative*.

For example, a spread bet on an option on an equity should have the underlying *ISO* 6166 *ISIN* for the equity.

For *OTC derivatives* on bond contracts such as the Long Gilt Future, the underlying *ISIN* can be populated with the *ISIN* of any of the bonds issued by the issuer (ie the *ISIN* for any Gilt in this particular example) rather than limiting it to the specific issues within the basket of deliverables.

7.9. Instrument type

This field must contain the instrument type of the ultimate underlying instrument when reporting a transaction in an *OTC derivative* (eg a spread bet on an equity would have an instrument type of 'A' for equity and a contract for difference on an option on an equity would have an instrument type of 'A' for equity). Instrument types of X, F or O must not be used.

This field is not required for instruments admitted to trading on a *regulated market* or *prescribed market*.

7.10. Maturity date

This field must contain the maturity/expiry date when you are reporting a transaction in an *OTC derivative* that is an option, future, warrant, spread bet, credit default swap, other swap, spread bet on an option on an equity, or a contract for difference on an option on an equity. Where the derivative type is a spread bet on an option on an equity or a contract for difference on an option on an equity, this field must contain the expiry date of the option.

This field must also be populated for derivatives on Aii markets. The expiry date must be reported for futures and options.

For guidance on how to report transactions in derivatives on Aii markets see section 8.1.

This field should not be populated for financial instruments admitted to trading on a *regulated market* or *prescribed market* where the industry method of identification is the *ISIN*.

Firms are not required to populate this field for complex *OTC derivative*s (derivative type 'K'). For further information, see section 8.3.6.

7.11. Derivative type

This field must contain the derivative type when reporting a transaction in an *OTC derivative*, eg option (O), future (F), warrant (W), spread bet (X), contract for difference (D), credit default swap (Z), other swap (S), spread bet on an option on an equity (Q), contract for difference on an option on an equity (Y) or complex derivative (K). For guidelines on reporting transactions in *OTC derivative*s see section 8.3.

For transactions in derivatives on an Aii market, this field must identify whether the derivative is an option or a future.

For guidance on how to report transactions in derivatives on Aii markets see section 8.1.

This field should not be populated for financial instruments admitted to trading on a *regulated market* or *prescribed market* where the industry method of identification is the *ISIN*.

7.12. Put/call

This field must contain either ‘P’ for put or ‘C’ for call when reporting a transaction in an *OTC derivative* that is an option, warrant, spread bet on an option on an equity or contract for difference on an option on an equity. Where the derivative type is a spread bet on an option on an equity or a contract for difference on an option on an equity this field should be used to indicate whether the option is a put (P) or a call (C) option. Failure to provide this information for OTC options will result in rejected transaction reports.

For general information on reporting of derivatives on Aii markets see section 8.1.
This field must be populated for derivatives on Aii markets when the instrument traded is an option.

This field should not be populated for financial instruments admitted to trading on a *regulated market* or *prescribed market* where the industry method of identification is the *ISIN*.

Firms are not required to populate this field for complex *OTC derivative*s (derivative type ‘K’). For further information, see section 8.3.6.

7.13. Strike price

This field must contain the strike price when reporting a transaction in an *OTC derivative* that is an option, a warrant, a spread bet on an option on an equity, or a contract for difference on an option on an equity. Where the derivative type is a spread bet on an option on an equity or a contract for difference on an option on an equity, this field should be used to indicate the strike price of the option. This field is sometimes referred to as ‘exercise price’.

This field must be populated for derivatives traded on Aii markets when the instrument traded is an option.

Where the strike price is expressed in currency it must be provided in the major unit eg **pounds rather than pence**, euros rather than cents.

For example, a June call option on BAE has a strike price of 320p and is currently trading around 9.3p. This must be reported with a strike price of £3.2 and unit price of £0.093.

N.B. this similarly applies to those *OTC derivative*s where the strike price is mandatory.

This field should not be populated for financial instruments admitted to trading on a *regulated market* or *prescribed market* where the industry method of identification is the *ISIN*.

Firms are not required to populate this field for complex *OTC derivative*s (derivative type 'K'). For further information, see section 8.3.6.

7.14. Price multiplier

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*.

7.15. Unit price

This field must contain the unit price of the transaction, which should exclude commission and any accrued interest (where relevant). Firms may report the 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 price is the only price available for the trade and in these circumstances the net price may be reported.

The trade price for a transaction in a bond or a bond option should be the percentage clean price (ie the actual transaction price not including any commission and/or accrued interest).

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

The unit price must be provided in the major currency unit, eg **pounds rather than pence**, euros rather than cents.

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

7.16. Price notation

This field must contain the alpha *ISO* 4217 currency code of the currency in which the unit price is expressed.

If in the case of a bond or other form of debt the price is expressed as a percentage of nominal value, then this field must contain the alpha *ISO* 4217 code of the currency of the nominal value, including any legacy codes, even if they are no longer in circulation.

For spread bets, the price notation field should reflect the currency of the spread bet ie the currency of the quantity/stake, which may not necessarily be the currency of the underlying instrument.

7.17. Quantity

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 will reject transaction reports with a zero or negative value in the quantity field. The quantity should not be negative 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. 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.

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 and a price multiplier of 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. Counterparty and customer/client identification fields

The counterparty field is sometimes referred to as the counterparty one field and must contain a code to identify your counterparty.

The counterparty field must be populated for all transaction reports.

The customer/client identification field is sometimes referred to as the counterparty two field. This field must be blank when reporting a transaction where the trading capacity is 'principal'.[18]

7.18.1. Codes to be used and use of unique codes

Where a *BIC* or *FRN* exists for your counterparty or client, you must use one of these codes. Where your counterparty (or client) does not have either of these codes, you will need to use an internal code. In these circumstances the internal code must be unique to that counterparty or client and must be used consistently across all instrument types and platforms for that counterparty or client.

7.18.2. Use of BIC codes

Where the counterparty is a *CCP*, the *BIC* for that *CCP* must be used. A list of EEA *CCPs* and their *BIC*s can be found under the 'Central Counterparties' section of the ESMA MiFID database at http://mifiddatabase.esma.europa.eu

A *BIC* must be 11 alphanumeric characters long. Firms should contact their *ARM(s)* for confirmation of whether an eight character *BIC* should be appended with XXX.

We recognise that some firms may have more than one *BIC*. The *BIC* of the entity that was the counterparty to the transaction should be used.

The *BIC* must be valid as at the trading date.

For details on how to obtain a feed of *BIC*s or look up *BIC*s online, please visit the Swift website at: www.swift.com. For details on how to obtain a feed of *FRN*s, or look up *FRN*s online, please consult our register at: http://www.fsa.gov.uk/register/home.do

7.18.3. Use 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 'INTERNAL'. See sections 9.2. and 9.3. for details on how the code 'INTERNAL' can be used.

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[18] Please refer to Section 7.5. *Trading capacity* for further details on how to populate the counterparty and customer/client identification fields.

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

We expect an agency transaction to be reported in a single transaction report (without using the internal account) and **this guidance will be effective from 31 March 2012**.

7.19. Venue identification

7.19.1. On market transactions

Where the transaction was executed on any market, the venue identification field must contain the four-character Swift *ISO* 10383 Market Identifier Code (MIC).

The MIC must be valid as at the trading date.

Where the venue is a *regulated market,* firms should validate the MIC against the MIC on the ESMA database: http://mifiddatabase.esma.europa.eu/.

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, 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* 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 where the reporting firm or the counterparty executed the transaction as a systematic internaliser.

7.19.4. Transactions in listed derivatives

Transactions in listed derivatives, 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 (see section 8.2.).

7.19.5. Transactions in *OTC derivative*s

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

7.20. Transaction reference number

This field must contain a unique reference, internal to the firm making the report, which will enable the firm to provide us with more information about the transaction should we require it. The format and content of the transaction reference number is at the firm’s discretion.

7.21. Cancellation flag

7.21.1. Cancelling a previously submitted transaction report

If you need to cancel a previously submitted transaction report, you must submit a 'cancellation' transaction report as soon as possible. The 'cancellation' transaction report should contain values for the reporting firm code, trade date, trade time and transaction reference number that are identical to those contained in the original transaction report and the cancellation flag should mark the transaction report as a ‘cancellation’.

7.21.2. Amending the time or trade date of a previously submitted transaction report

Firms cannot amend a transaction report’s trading time or trade date – they should cancel the original report and resubmit a new report.

Trading date and time fields, together with the transaction reference number and reporting firm ID, form the identifiers we use to uniquely identify a transaction report. As a consequence, if an amendment to a transaction report is submitted to us with a new trading time or trading date, our systems will be unable to locate the original transaction report and will therefore reject the amendment transaction report.

7.21.3. Amending a previously submitted transaction report

Where there is a requirement to amend a previously submitted transaction report, you may need to contact your *ARM* to understand what action to take. Some *ARM*s may allow you to send a transaction report marked as an amendment to a previously submitted transaction report. Other *ARM*s may require you to cancel the originally submitted transaction report and submit the new amended version. Firms should make amendments in accordance with the technical specifications of their *ARM*(s).

8. GUIDELINES FOR REPORTING DERIVATIVES

This section sets out guidelines that apply specifically to the reporting of derivatives. When reporting transactions in derivatives you must also refer to the general guidance set out in the other sections of the *TRUP*.

8.1. Transactions in derivatives on Aii markets

Transactions in derivatives admitted to trading on a *regulated market* where the *ISIN* is not the industry method of identification must be identified using six separate elements which are collectively known as the Alternative Instrument Identifier (Aii).

The six elements are:

- Aii exchange code: this is the *MIC* of the *regulated market* that admits the derivative to trading;
- Exchange product code: this is the code which is assigned and maintained by the *regulated market* where the derivative is traded;
- Derivative type: identifies whether the instrument is an option or a future;
- Put/Call identifier: identifies whether the derivative is a put or call option;
- Expiry date: this is the expiry date of the derivative; and
- Strike price: identifies the strike price of an option.

A list of Aii exchanges is available under the '*Regulated market*s' section of the ESMA *MiFID* database:
http://*MiFID*database.esma.europa.eu/

8.2. Reporting transactions in derivatives conducted through clearing platforms of derivative markets (*ISIN* or Aii)

This guidance applies to all transactions in derivatives conducted through clearing platforms of derivative markets (*ISIN* or Aii) within the EEA, regardless of whether those derivatives are fungible or differ in any characteristics from an exchange standardised instrument.

This guidance applies to transaction reports submitted to the FSA. Other competent authorities may have different requirements.

These derivatives are on-exchange instruments traded off order book and should be reported accordingly, as set out below.

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

(a) ISIN derivative markets (eg flex options on the Turquoise Derivatives[19])

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[20].

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 Turquoise Derivatives reported as an ISIN transaction

- FI100 12 2011 5300 Equity Index Call Option on the Turquoise Derivatives.
- The firm should report this using the *ISIN* code (GB00D62KYB69). The exchange venue will be TRQD. 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.

(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.

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

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

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 Aii code for this transaction will contain the following components: Instrument Identification 'VOD' (Exchange Product Code of Vodafone), 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 Aii code for this transaction will contain the following components: Instrument Identification 'VOU'[21] (Exchange Product Code of Vodafone), 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).

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

Example of reporting as OTC derivative transaction prior to 31 March 2012

- Buy 10 Vodafone Dec 2011 160 Calls through BClear (NYSE Liffe).

- The firm should report using the Venue Identification Code (*MIC*) of 'XXXX', and the counterparty will be the actual counterparty to the transaction.

- Other components of the report will include: Underlying Instrument Identification 'GB00B16GWD56' (*ISIN* of Vodafone), Instrument Type 'A' (Equity), Quantity 10, Strike Price 1.60, Expiry Date 16 Dec 2011, Derivative Type: 'O', Put/Call Indicator 'C'.

8.2.2. Where reference data is not available to the FSA and *ARMs*

The FSA and *ARMs* rely on the provision of instrument reference data relating to the transactions conducted through clearing platforms of derivative markets in order to validate the accuracy of the transaction reports. Typically, this reference data is provided by the regulated derivative exchange concerned.

However, in some circumstances the FSA and the *ARMs* are unable to obtain reference data from derivatives markets on their flex derivatives contracts (eg currently Eurex does not provide Aii codes for the flex derivative contracts).

In circumstances where this reference data is not made available to the FSA and *ARMs* firms will be required to report these transactions using the equivalent *ISIN* for *ISIN* derivative markets or the Aii exchange product code for Aii derivative markets of the standardised derivative contracts (order book contracts).

When reporting transactions in derivatives conducted through clearing platforms of an Aii derivative market where the reference data for these transactions is not made available to the FSA and the *ARMs*, the Aii code for these transactions should contain the following components:

- the Exchange Product Code of the standardised derivative contracts (order book contracts); and

- the remaining Aii fields (derivative type, put/call identifier, maturity date, strike price and the *MIC*) should be populated as per the flex derivative contract traded.

When reporting transactions in derivatives conducted through clearing platforms of an *ISIN* market where the reference data for these transactions is not available, the *ISIN* of the standardised derivative contracts (order book contracts) should be transaction reported.

This guidance will be effective from 31 March 2012.

Prior to 31 March 2012, firms are not required to report transactions in derivatives conducted through clearing platforms of derivative markets where reference data is not available to the FSA and *ARMs*.

However, where firms choose to report these transactions they may do so in a number of ways:

- using the equivalent *ISIN* for *ISIN* derivative markets or Aii code for Aii derivative markets of the standardised derivative contracts (order book contracts); or

- using the *ISIN* for *ISIN* derivative markets or Aii code for Aii derivative markets which is issued by the clearing platform to the parties to the trade but is not part of the reference data available to the FSA and to the *ARMs*. These trades will be rejected by the FSA and/or *ARMs* and the FSA does not require them to be re-submitted; or

- as an *OTC derivative* transaction.

8.3. OTC derivatives

In this section, we aim to confirm the way in which certain *OTC derivative* transactions should be reported to us. Transaction reports should contain all mandatory fields in line with SUP17 Annex 1 *Minimum content of a transaction report*. Where we refer to specific fields in a transaction report, firms should complete these fields in the formats described or be sure that their *ARM(*s) will use these formats when sending their transaction reports to us. Additional guidelines in respect of some of these fields have been provided below.

8.3.1. Spread bets

Where the transaction is in an *OTC derivative* that is a spread bet, the derivative type field must contain ‘X’ for ‘spread bet’, unless it is a spread bet on an option on an equity (see section 8.3.2. below).

- The instrument type must classify the instrument type of the underlying instrument (eg a spread bet on an equity would have an instrument type of ‘A’ for equity).

- Text in the instrument description field should begin with the full name of the underlying instrument, eg 'Vodafone BET' rather than 'BET Vodafone'.

- The underlying instrument identification field must contain the *ISIN* of the ultimate underlying instrument.

As set out in SUP17.1.7G (2) for a rolling spread bet, only the initial opening and final closure of the contract need to be reported.

8.3.2. Spread bets on an option on an equity

Where the transaction is a spread bet on an option admitted to trading on a *regulated market* where the underlying instrument is a single equity admitted to trading on a *regulated market* or *prescribed market* the derivative type field must contain 'Q' for 'spread bet on an option on an equity'.

- The instrument type must classify the type of the ultimate underlying instrument (eg a spread bet on an option on an equity would have an instrument type 'A' for 'equity').

- The text in the instrument description field should begin with the full name of the underlying instrument.

- The underlying instrument identification field must contain the *ISIN* of the ultimate underlying instrument (eg when reporting a transaction in a spread bet on a LIFFE traded equity option this field must contain the *ISIN* of the equity).

- The maturity date, put/call and strike price fields must be used to indicate the terms of the underlying option.

8.3.3. Contracts for difference

Where the transaction is in an *OTC derivative* that is a contract for difference (*CFD)*, the derivative type field must contain 'D' for 'contract for difference', unless it is a contract for difference on an option on an equity (see section 8.3.4. below).

- The instrument type must classify the instrument type of the underlying instrument (eg a *CFD* on an equity would have an instrument type of 'A' for equity).

- The text in the instrument description field should begin with the full name of the underlying instrument, eg 'Vodafone CFD' rather than 'CFD Vodafone'.

- The underlying instrument identification field must contain the *ISIN* of the underlying instrument.

8.3.4. Contract for difference on an option on an equity

Where the transaction is in a contract for difference on an option admitted to trading on a *regulated market* where the underlying is a single equity admitted to trading on a *regulated market* or *prescribed market* then the derivative type field must contain 'Y' for 'contract for difference on an option on an equity'.

- The instrument type field must be 'A' for 'equity'.

- The text in the instrument description field should begin with the full name of the underlying instrument.

- The underlying instrument identification field must contain the *ISIN* of the ultimate underlying equity.

- The maturity date, put/call indicator and strike price fields must be used to indicate the terms of the underlying option.

8.3.5. Credit default swaps

Where the transaction is in an *OTC derivative* that is a credit default swap (*CDS*), the derivative type must contain 'Z' for 'credit default swap'.

- The instrument description field should be used to identify the reference entity.

- The quantity field should contain the nominal size of the transaction.

- The unit price field should contain the spread at which the transaction was executed (coupon in basis points plus upfront payment expressed in basis points of notional), annualised for the duration of the swap.[22]

- Where the price cannot be determined, a default value of '1' may be used. A default value should only be used as a last resort and firms should make every effort to report the actual price at which the transaction was executed.

- The maturity date field must contain the maturity date of the contract.

- Where the underlying financial instruments have all been issued by the same issuer, the instrument type should be 'B' for bond and the underlying instrument identification field must contain either the *ISIN* of the reference obligation, or the *ISIN* of any of the deliverable obligations.

- Where there is no underlying debt instrument or where the underlying debt instrument is not admitted to trading on *regulated market* or *prescribed market* then the *CDS* is not reportable.

[22] As set out in Market Watch 38 following the CESR publication of the technical standards for reporting transactions in *OTC derivative* instruments (CESR/10-661), we will be making changes to the reporting of the pricing of *CDS*. We will, therefore, consult on this and work with the industry to set a date when we expect firms to make this change.

8.3.6. Complex derivatives

Where the transaction is in a reportable *OTC derivative* that is too complex for other derivative type classifications. the derivative type should be 'K'.

This derivative type classification should be used where the *OTC derivative* is:

- an option that cannot be classified as a call or put option at the time the transaction is entered into; or

- an option or warrant that has multiple puts and calls; or

- an option that allows the purchaser to choose whether the option is a put or a call on a particular date in the future (often referred to as a chooser option); or

- an option or a warrant where the strike price is not known at the time the transaction is entered into and is instead based on the average price over an averaging period.

We expect firms to contact us if they have any doubts about the suitability of this category for certain *OTC derivative*s.

9. GUIDELINES FOR REPORTING CERTAIN TRADING SCENARIOS

In this section, we provide guidance on how to report specific trading scenarios. Please note that field name classifications may differ across *ARM*s. For clarification, please contact your respective *ARM*(s).

9.1. Orders filled by external brokers

There may be instances where Firm A gives an order to Firm B for execution (eg Firm A is not a member of an exchange) and Firm B fills the order by undertaking multiple transactions. Transaction reports reported by Firm A will need to reflect the time at which Firm A became the beneficial owner.

9.2. Aggregated transactions

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

9.3. Average price transactions

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, 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 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 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 using the code ‘INTERNAL’ only) and ten agency buy transactions from that designated average price account (identified in the counterparty field using the code ‘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.

9.4. Receipt and transmission of orders

Where a firm receives an order from a client and transmits the order together with the client details to a third party for execution, the firm executing the transaction has a responsibility to make arrangements for the transaction and the identity of the client to be reported to us. In this scenario, the firm who receives and transmits the order has no obligation to transaction report.

Where the firm passes the order to a third party for execution, but does not give up the client details, the firm executing the transaction has a responsibility to make arrangements for the transaction and the entity of the client to be reported to us. However, in this scenario, their client is the firm from whom they have received the order. The industry accepts that in this situation, in order to monitor effectively for market abuse, we need to know the identity of the client. We, therefore, request that the firm which gave the order to the firm that executed the transaction also makes arrangements to report the transaction from their perspective, including their unique client reference.

9.5. Direct Electronic Access (DEA)

We understand that the term *DEA*[23] incorporates various forms of electronically transmitting orders from client to broker to venue.

For transaction reporting purposes, however, it is irrelevant how orders/instructions are routed to the markets (whether electronically or via a salesperson).

Therefore, we would expect the *DEA* provider to report each individual market execution and also to transaction report the client transaction with the time it was agreed with the client. Where the subject of the transaction is an exchange traded derivative, firms acting in a principal capacity should submit two transaction reports, one for the market side and another for the client side, both with the same date/time, the same quantity, the same price and the same trading venue[24]. Firms should note that the two principal transactions can be reported in a single transaction report with trading capacity set as principal cross.

We appreciate that the client allocations are defined under contractual arrangements and may differ from client to client.

[23] IOSCO's *Principles for Direct Electronic Access to Markets*
http://www.iosco.org/library/pubdocs/pdf/IOSCOPD332.pdf

[24] Likewise, where the *DEA* client has transaction reporting obligations, we would expect the *DEA* client to submit a transaction report with the same date/time, the same quantity, the same price and the same trading venue as per the *DEA* provider transaction report.

Where the *DEA* client has transaction reporting obligations, we would expect the *DEA* client to send transaction reports detailing the counterparty as the *DEA* provider and the date and time at which the beneficial ownership is transferred to/from the *DEA* client.[25]

Firms are expected to monitor their daily trades in order to identify instances of suspicious trading and submit the respective Suspicious Transaction Report (STR) to the regulator as per SUP15.10.

9.6. Transactions involving portfolio managers

9.6.1. Portfolio managers as counterparties

- To report a transaction where your counterparty is a firm providing the service of portfolio management, the transaction report must identify the firm providing this service using their *BIC* or *FRN*, or, if neither is available, a unique internal code.

- There is no requirement for the transaction report to identify the fund managed by the firm providing the service of portfolio management.

- There is no requirement to report separate transactions for the respective funds managed by the firm providing the service of portfolio management; it is only necessary to report the bulk trade with the portfolio manager. The broker may choose to report each individual allocation by identifying the portfolio manager rather than the individual funds and the time of the execution of the original trade.

9.6.2. Portfolio managers relying on a third party to report on their behalf

SUP17.2.2 G outlines the scenarios in which a firm providing a service of portfolio management may rely on a third party acting on the firm's behalf to make a transaction report.

Where a firm in the course of providing a service of portfolio management undertakes a transaction in an agency or principal capacity on behalf of a client on a discretionary basis, or does so having specifically recommended the transaction to the client, and the firm has reasonable grounds to be satisfied that another party (typically, the broker) will report to us or another competent authority, the firm can rely on that other party to make the transaction report on behalf of the firm and will not need to make a separate report to us. In these circumstances 'reasonable grounds' could include making a check not less than annually that the reporting firm continues to be a *MiFID* investment firm subject to transaction reporting obligations under *MiFID*. The portfolio manager is not required to conduct due diligence to ensure that reports are being submitted accurately, as this is an existing obligation of the broker.

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[25] Firms providing a service of portfolio management may rely on the *DEA* provider to make transaction reports on their behalf if the scenarios outlined in SUP17.2.2 are met. For further information please see section 9.6.

SUP17.2.2 G refers to where a firm provides a service of portfolio management to a client. Where you are executing transactions in the course of providing portfolio management services you can rely on the relevant broker to supply a transaction report. However, the guidance in SUP17.2.2G does however not include any transactions you may execute which arise from execution only orders you may get from the client, as these transactions will not be conducted as part of providing the service of portfolio management.

If a client has a non-discretionary account then all those transactions must be reported to the FSA.

9.6.3. Portfolio managers' transaction reporting obligations when they cannot rely on a third party to report on their behalf

There are several scenarios in which a firm providing a service of portfolio management undertakes a transaction in an agency or principal capacity on behalf of a client but the firm will not be able to rely on a third party to report on their behalf under SUP17.2.2G, and will therefore need to make a transaction report itself. These include:

a) Where the broker is not a *MiFID* investment firm (and so will not be required to report the transaction to us or another competent authority) and the financial instrument is admitted to trading on a *regulated market* or *prescribed market*.

b) Where the transaction is reportable under SUP17 but is not a transaction in a financial instrument admitted to trading on a *regulated market* and the broker is a non-UK *MiFID* investment firm. This covers areas where the UK is super-equivalent to the *MiFID* requirements. It includes transactions in *OTC derivative*s where the underlying instrument is traded on a *regulated market* or *prescribed market* and transactions in financial instruments admitted to trading on *prescribed market*s. In these circumstances, the non-UK broker is not expected to make a transaction report as the transaction is likely to be outside the reporting rules applicable in the broker's home state. Consequently, under SUP17.2.2 G, the firm providing the service of portfolio manager cannot rely on a third party to report on their behalf.

c) Where the counterparty is another firm providing a service of portfolio management, in which case both firms will have to transaction report.

d) When a firm providing a service of portfolio management undertakes a transaction in an agency or principal capacity on behalf of a client on an execution-only basis. This will include transactions undertaken in the course of a transition management service if execution-only instructions are received from clients.

e) In the event that a firm providing a service of portfolio management contacts an EEA broker to conduct a transaction in a reportable instrument on a non-EEA exchange[26], the EEA broker may pass the order to a non-EEA broker to execute the trade. If the EEA broker is not itself entering into the transaction in an agency or principal capacity because the relationship with the firm providing the service of portfolio management has been given up to the non-EEA broker, then the firm providing a service of portfolio management, rather than the EEA broker, would have an obligation to transaction report.

However, it would be perfectly permissible for the EEA broker to report this transaction either in its own name or the name of the firm providing a service of portfolio management so that the firm providing a service of portfolio management need not report directly. This would form part of an agreement that the firm providing a service of portfolio management may wish to undertake with the EEA broker.

Where the EEA broker agrees to report a transaction in its own name (as if the EEA broker had acted in an agency capacity), the transaction report should identify the EEA broker in the reporting firm field, the non-EEA broker in the counterparty field (sometimes referred to as the counterparty one field) and the firm providing a service of portfolio management in the client/customer field (sometimes referred to as the counterparty two field).

Where an EEA broker agrees to report a transaction in the name of the firm providing a service of portfolio management, the transaction report should identify the firm providing a service of portfolio management in the reporting firm field, the counterparty in the counterparty field (sometimes referred to as the counterparty one field) and the firm providing a service of portfolio management in the client/customer field (sometimes referred to as the counterparty two field).

9.6.4. How the portfolio manager must report when not able to rely on a third party

In the event that a firm providing a service of portfolio management is unable to rely on a third party to meet its reporting obligations under SUP17.2.2 G, the firm must make arrangements for the transaction to be reported via an *ARM*[27] in accordance with the guidelines below:

- Where a firm providing a service of portfolio management undertakes a transaction in an agency capacity on behalf of a client on a **discretionary basis** and the firm cannot rely on a third party to report on its behalf, the transaction report should identify the firm providing a service of portfolio management in the reporting firm field, the counterparty in the counterparty field (sometimes referred to as the counterparty one field) and the firm providing a service of portfolio

[26] ie the instrument is admitted to trading on the non EEA exchange and is also admitted to trading on a *regulated market*.

[27] For transactions in reportable derivatives executed on NYSE Liffe, the portfolio management firm could rely on the feed we currently receive from NYSE Liffe. For further details, please see section 4.3.

management in the client/customer field (sometimes referred to as the counterparty two field).

- The guidance in SUP17.2.2 G does not apply where a firm providing a service of portfolio management undertakes a transaction in an agency capacity on behalf of a client on an **execution only basis** ie where the portfolio manager executes a non-discretionary transaction. The transaction report should identify the firm providing a service of portfolio management in the reporting firm field, the counterparty in the counterparty field (sometimes referred to as the counterparty one field) and the client in the client/customer field (sometimes referred to as the counterparty two field).

All fields should be populated in accordance with SUP17, the guidelines set out in Chapter 7 and the technical specifications of the respective *ARM*(s).

9.6.5. Outsourcing of a portfolio to another firm providing a service of portfolio management

If you have outsourced the management of a portfolio to another firm providing a service of portfolio management, whether an EEA firm or a non EEA firm, you are not required to transaction report.

10. DATA INTEGRITY: FIRMS' OBLIGATIONS

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)[28]) and Principle 3 (Management and Control)[29], 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.[30] 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. This may, among other things, require:

- a clear allocation of responsibility for transaction reporting within an organisation;
- appropriate training for staff in transaction reporting;
- appropriate information produced on a regular basis to enable proper oversight of the transaction reporting process;
- testing wherever alternative reporting mechanisms are used;
- 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 tailored to the activities of the organisation and its transaction reporting arrangements;

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[28] http://fsahandbook.info/FSA/html/handbook/SYSC

[29] http://fsahandbook.info/FSA/html/handbook/PRIN/2/1

[30] http://fsahandbook.info/FSA/html/handbook/SUP/17/3

- 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.

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.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 process where they compare the reports we receive with the reports they send from their systems. This kind of exercise should also involve checking the accuracy of the individual data elements and their compliance with the guidance we have issued. In particular, if you request a sample of your firm's transaction reports, we suggest you review whether:

- the counterparty field and customer/client identification fields have been correctly filled in depending on the trading capacity in which your 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 (where your counterparty or client does not have 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 and firms will tailor their checks and validation process for their own purposes. 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).

10.2. Responsibilities when outsourcing transaction reporting

Under Chapter 8 of SYSC, if a firm outsources critical or important operational functions or any relevant services and activities, it remains fully responsible for discharging all of its obligations under the regulatory system (see SYSC8.1.6R).

Outsourcing may present risks to transaction reporting because the party providing the outsourcing services may not have the robust governance arrangements and internal control mechanisms of a transaction reporting firm to control the accuracy and completeness of its reporting.

For transaction reporting purposes, reporting firms may outsource the submission of their transaction reports to a third party (also known as the submitting firm). Where a firm outsources the submission of its transactions to a third party, the reporting firm has the ultimate obligation of ensuring the accuracy and completeness of the transaction reports the FSA receives. To meet this obligation, we expect the reporting firm to ensure that it has effective procedures for checking the accuracy and completeness of its reports; this extends to checking the service provided by the submitting firm.

10.3. Transaction reporting failures and errors

If your firm finds errors in transaction reports or fails to submit some or all of its transaction reports as required under SUP17, we expect you to notify us as soon as possible of:

- the nature and extent of the reporting failure, including the volume of transactions affected and length of time the problem has persisted;
- the causes of the failure and how it was identified;
- who within the firm has oversight responsibility for transaction reporting;
- your firm's plan, including a timetable, to submit corrected transaction reports;
- details of your firm's systems and controls around transaction reporting, including its processes for addressing response files from your chosen *ARM*(s);
- any weaknesses in your firm's systems and controls and your plans to address these; and
- any planned audit or compliance monitoring reviews of transaction reporting and the scope of these.

Contact the *TMU* by calling 020 7066 6040 or by emailing tmu@fsa.gov.uk. You should also ensure that you inform your FSA supervisor.

Where transaction reporting issues are identified, we will review the circumstances of the issue and decide on an appropriate course of action. Our policy is to require firms to submit corrected transaction reports at their earliest convenience, in all cases. This is necessary as we require a full set of historic transaction reporting data for our surveillance activities.

In cases which we consider to be particularly serious, we will consider using our enforcement tools.

In these cases, we will consider the extent to which the firm's systems and controls around transaction reporting were appropriate to the nature, scale and complexity of the business. We will also review the extent to which the identified failings are due to failings by individuals to exercise their oversight role where they undertake a significant influence function in respect of transaction reporting.

11. FREQUENTLY ASKED QUESTIONS (FAQS)

11.1. We have concerns about certain rules, what should we do?

Any firm with concerns about their ability to meet any transaction reporting rule should contact the *TMU* as soon as possible.

11.2. We are considering trading a new product, what do we do?

Before starting to trade a new product type, we encourage you to ensure that you've fully considered the transaction reporting implications and made appropriate arrangements. This may include:

- checking whether the instruments are reportable (see section 3.2.);
- checking SUP17, the *TRUP* and any Market Watch articles for any recent guidance on the proposed products;
- checking with your *ARM(s)* that they have the ability to report the transactions;
- considering the change implications to your systems;
- testing prior to starting trading; and
- validating your new transaction reports against a data extract soon after starting to trade.

Firms' obligations to transaction report start as soon as they start trading in reportable instruments and they must transaction report by the end of the business day following the trade. No grace period will be given.

11.3. Is over-reporting acceptable?

We recognise that separating out transactions that are not reportable may be costly. So we allow firms to over report transactions in non-reportable instruments but we will typically reject such transactions. Firms should ensure that any transaction reports they send for non-reportable instruments are complete and accurate.

11.4. The mechanics of transaction reporting

11.4.1. What happens on UK public holidays?

Under SUP17.2.7, you must report the transaction by the close of the working day following the day on which that transaction took place, eg transactions entered into on the Friday before a Bank Holiday Monday will need to be reported by the end of the Tuesday.

11.4.2. What time is the close of the working day?

A firm will be deemed to have reported a transaction in line with SUP17.2.7 R where that transaction report has been accepted by an *ARM or regulated market*, that reports to us by the end of that reporting channel's working day. For further clarification, you should contact your respective *ARM*(s), who will be able to advise the time of the end of their working day.

11.4.3. What happens when our *ARM* has a technical problem?

Under our rules (SUP17.2.5 R), it is the responsibility of the reporting firm to ensure the accuracy of the information contained in a transaction report. However, we recognise that there may be instances where the firm takes all reasonable efforts to report correctly via an *ARM*, but the *ARM* fails to transmit the correct information to us. In these instances, we recognise that this is not a fault of the firm.

11.5. Questions about reportability

11.5.1. Are internal transactions reportable?

Intra-company transactions are transactions within the same legal entity, 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, while intra-company transactions undertaken within the same FSA authorised firm are not reportable. However, SUP17.1.7 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

11.5.2. Are 'grey market' transactions reportable?

In order to effectively monitor for market abuse it is helpful for the FSA to receive transaction reports undertaken in the grey market for financial instruments that will be admitted to trading on a *regulated market*, or a *prescribed market* (or in any *OTC derivative* the value of which is derived from or is otherwise dependent on an equity or debt-related financial instrument that is admitted to trading on a *regulated market*, or on a *prescribed market)*. The FSA therefore requests that firms undertaking these transactions report them to us.

11.5.3. Are 'in specie' transfers reportable?

In specie transfers involve the direct transfer of assets into or out of a portfolio or trust. Often in specie transfers are used as a means of reducing the costs involved in the sale or purchase of assets. On this basis, we do not consider that in specie transfers should be reported, as long as they do not involve a change in beneficial ownership. In addition, there may be cases where a technical change in beneficial ownership occurs but there is no requirement for transaction reporting. For example, in specie transfers in and out of unitlinked insurance funds of assets involve a change in beneficial ownership since the assets are owned by the insurance company and the policyholder only has contractual rights valued on the assets. Nonetheless, we would not require reporting of such transfers. If you are not sure whether a particular transfer should be reported, please contact the *TMU*.

11.6. How should total return swaps be reported?

Total return swaps should be reported as swaps with a derivative type of S for 'other swap'.

11.7. What about COBS 16 Annex 1 R?

COBS 16 Annex 1 R states that certain information must be reported to a retail client in line with SUP17 Annex 1R. However, in some instances the format specified by SUP17 is not relevant to the needs of the customer. Where a particular field is not applicable to the circumstances of the trade then the firm is not required to report the information to the client or include the field on the confirmation. The information must be provided, where relevant for the purposes of reporting to a retail client in accordance with SUP17 Annex 1. Where the format specified by SUP17 is not relevant to the needs of the customer then the information must still be provided but another format may be used. [31].

[31] Policy Statement 07/06 http://www.fsa.gov.uk/pubs/policy/ps07_06.pdf

12. GLOSSARY OF TERMS

Agency cross	Where the reporting firm acted as agent for both the selling and buying counterparties and the single transaction report represents both of these transactions.
ARM(s))	Approved Reporting Mechanism(s)
BIC	*ISO* 9362 Business Identifier Code, issued by SWIFT
CCP	Central counterparty
CDS	Credit default swap
CFD	Contract for difference
DEA	Direct Electronic Access
FRN	FSA Reference Number
ISIN	*ISO* 6166 International Securities Identifying Number
ISO	International Organization for Standardization
SUP17	Chapter 17 (Transaction Reporting) of the FSA Handbook Supervision Manual
TMU	The FSA's Transaction Monitoring Unit
MIC	*ISO* 10383 Market Identifier Code, issued by SWIFT
MiFID	The Directive 2004/39/EC on Markets in Financial Instruments
OTC derivative	A derivative that is traded over-the-counter and is not admitted to trading on any *regulated market*.
Prescribed market	A market that has been prescribed by the Treasury as a market that comes within the scope of the market abuse regime contained in

	Part VIII of FSMA[32] 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).
Principal cross	Where the reporting firm has acted simultaneously for two counterparties as principal in a single product, at the same price and quantity and the single transaction report represents both of these transactions.
Regulated market	A multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of title III of *MiFID*
TMU	*Transaction Monitoring Unit*
TRUP	Transaction Reporting User Pack

[32] FSMA Prescribed Markets and Qualifying Investments Order (SI 2001/2161)

13. INDEX