

Consultation Paper **CP23/33*****

Consultation on Payments to
data providers and forms for Data
Reporting Services Providers
including
Policy Statement for the framework
for UK consolidated tape (CP23/15)

December 2023

How to respond

This relates to Consultation Paper 23/15 which is available on our [website](#).

We are asking for comments on the consultation proposals in Chapters 10 and 11 by **9 February 2024**.

You can send them to us via email, or in writing to:

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When we make rules, we are required to publish an account of the representations we receive and how we have responded to them. We are also required to publish a list of the names of the respondents who made the representations, where those respondents have consent to the publication of their names. In your response, please indicate whether or not you consent to the publication of your name. For further information on confidentiality of responses, see the Disclaimer at the end of this CP

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Chapter 1

Summary

- 1.1** In July 2023, as part of the Wholesale Markets Review (WMR), we published a Consultation Paper (CP) 23/15 on our proposed framework for a UK Consolidated Tape (CT) for bond market data. This also included a discussion chapter on a CT for equities.
- 1.2** This Policy Statement (PS) summarises the feedback received and sets out our final position on the rules and guidance to be included in the FCA Handbook on the bond CT. It also provides some feedback on the discussion paper questions on an equities CT.
- 1.3** A CT collates market data, such as prices and volumes, associated with trades in a financial market. It aims to give a comprehensive picture of transactions in a specific asset class, bringing together details of trades executed on trading venues as well as those arranged over-the-counter (OTC).
- 1.4** The role of a Consolidated Tape Provider (CTP) is to collect the market data from relevant trading venues and approved publication arrangements (APAs) and then disseminate the CT in a standardised electronic data feed to market participants.
- 1.5** By providing a single, authoritative, complete and affordable source of market data, the CT should reduce trading costs, increase liquidity and allow investors to better assess their brokers' execution quality (see, for example, papers by [Cespa, G. and Vives, X.](#) and [Cespa, G. and Foucault, T.](#)).
- 1.6** Our expectation is that the framework for a bond CT should result in the right incentives for a CTP to come forward. The economic model used for the CT will necessarily affect competitive pressures for existing sellers of market data (including trading venues, APAs and market data vendors), resulting in cheaper, higher quality and more accessible data for its users.
- 1.7** CP23/15 also consulted on bringing together existing provisions relating to Approved Reporting Mechanisms (ARMs) and APAs within the FCA's Handbook, without making any substantive changes to these provisions. ARMs send transaction reports to us on behalf of investment firms, while APAs make public trade reports on behalf of investment firms in relation to OTC trades in instruments that are 'traded on a trading venue' (ToTV). This PS also sets out how we will consolidate requirements for APAs and ARMs in the FCA Handbook.
- 1.8** Our rules and guidance take account of the [Data Reporting Services Regulations \(DRSRs\) 2023](#), a Statutory Instrument (SI) laid in draft before Parliament on 27 November. The SI restates, with modifications, the [DRSRs 2017](#). The DRSRs set the legislative framework for the regulation of CTPs, APAs and ARMs. They were originally used to transpose the relevant provisions in the second Markets in Financial Instruments Directive (MiFID II). Our rules and guidance are due to take effect on 5 April 2024, the same day as the DRSRs 2023, subject to Parliamentary approval, are due to come into force.

- 1.9** Our proposals from CP23/15 on a UK consolidated tape framework, and changes to those proposals reflecting feedback received in response to the CP, are summarised in Chapter 2.
- 1.10** Chapter 10 contains proposals for consultation on payments from the bond CTP to trading venues and APAs that will have to give data to the CTP. We did not propose any such payments in CP23/15 to cover the costs that the trading venues and APAs will face in setting up a connection to send their data to the CTP. This was the subject of significant comment in the responses. We think it is worth having another narrower consultation on this topic, including three options for ways in which payments could be made.
- 1.11** Chapter 11 contains consultation proposals on changes to authorisation and other forms for CTPs, APAs and ARMs. The changes are necessary to reflect the proposed changes to the DRSRs, consolidation of requirements in our Handbook and the new provisions about the operation of CTPs.
- 1.12** Please send your comments to us on the proposals in Chapters 10 and 11 by 9 February 2024, using the options in the 'How to respond' section above. Unless you have indicated that you wish your response to be confidential, we will not treat them as such. We are obliged to list the names of respondents, which is a matter separate from any request for the content of a response to be kept confidential. However, we will only publish the name of a respondent to a consultation where that respondent has consented to the publication of their name.

Who this affects

- 1.13** The PS and final rules and the consultation on forms will primarily be of interest to:
- trading venues which admit to trading or trade bonds
 - APAs who publish trade reports for bonds on behalf of investment firms
 - ARMs who send transaction reports to the FCA on behalf of investment firms
 - firms interested in bidding to be a CTP
 - investment firms who use market data
 - market data vendors

Chapter 2

The wider context

The wider context of this policy statement

Our consultation

- 2.1** CP23/15 was part of the WMR, the review of the UK wholesale financial markets we have been conducting with the Treasury. The WMR was set up to improve the UK's regulation of secondary markets, taking advantage of our new regulatory freedoms in financial services following the UK's withdrawal from the European Union (EU).
- 2.2** As part of the WMR (there was a [consultation](#) in July 2021 and a [response statement](#) in March 2022), the Treasury committed to making legislative changes to ensure that the FCA has all the necessary tools to set the requirements to allow the creation of CTs in the UK. In addition, the Chancellor committed at the Edinburgh Reforms that the Treasury and the FCA would have a legislative and regulatory regime for a UK CT in place by 2024.
- 2.3** The Financial Services and Markets Act (FSMA) 2023 inserted section 300H into FSMA 2000 which gives us rulemaking powers in relation to Recognised Investment Exchanges (RIEs) and Data Reporting Services Providers (DRSPs), which include CTPs, APAs and ARMs.
- 2.4** To supplement the changes in FSMA 2023, the Treasury laid before Parliament on 27 November a draft SI, the DRSRs 2023 which restates, with modifications, the DRSRs 2017. The SI removes firm-facing provisions, such as those on operating requirements in Part 3 of the DRSRs 2017, for DRSPs, in line with the Smarter Regulatory Framework (SRF). The draft SI also gives a power for the FCA to direct that a tender take place to select one or more CTPs per asset class, subject to authorisation or verification.
- 2.5** Work on a CT also forms part of the FCA's commitment in [Our Strategy 2022-2025](#) to strengthen the UK's position in global wholesale markets. The aim of the commitment is to ensure that the UK continues to be regarded as one of the leading global markets of choice for issuers, intermediaries and investors. In April 2023, we published our [Business Plan for 2023/24](#). A consultation on the design and setting up of the CT was listed as one of the pieces of work we are doing to meet the commitment to strengthening the UK's position in global wholesale markets.
- 2.6** In CP23/15, we built on responses received to the questions in the WMR on a CT and developed proposals in line with our objectives that would also help us to deliver on our strategic commitment to strengthen the UK's position in global wholesale markets.
- 2.7** Our work on a CT also forms part of a wider FCA strategy on market data. In [FS22/1](#) we announced that we would gather information to understand better the extent to which there are high data costs and complex licensing terms and conditions that are creating

user harm. We published a Wholesale Trade Data Review (WTDR) Findings Report in January 2023 in which we said that there are areas where competition in the market for market data is not working as well as it could.

- 2.8** Following on from the trade data findings report we said there would be a Wholesale Data Market Study (WDMS) covering benchmarks, credit ratings data and market data vendor services. The WDMS was launched on 2 March 2023, an update report was published on 31 August 2023 and the final report will be published by 1 March 2024. We will continue to consider the extent to which the issues we have identified in the WTDR are mitigated by the outcomes of the WDMS and the setting up of the CT.
- 2.9** The EU is working on revising its regulatory framework for CTPs. It has decided to set up tapes for bonds, equities and OTC derivatives through a tender process run by the European Securities and Markets Authority (ESMA) to appoint a single provider per asset class.

How it links to our objectives

Consumer protection

- 2.10** Existing market data vendors do not offer full coverage of bond and equities markets, nor are they bound by specific requirements about what they must offer and under what terms (including price, latency and correction of errors in data).
- 2.11** Designing a framework that encourages CTPs to come forward should help promote greater participation in financial markets through a clearer understanding of liquidity, thereby protecting those consumers' interests. A CT should also put downward pressure on the price of market data and offer clearer licensing terms that are suited to individual use cases.

Market integrity

- 2.12** Creating a framework for a UK CT will aid price formation through a clear, consistent picture of liquidity in markets. It might also help with the resiliency of markets by allowing the market to adapt more easily in circumstances in which a significant trading venue suffers an outage.

Competition

- 2.13** The changes will encourage competition for the provision of market data through two channels:
- Competition between the chosen CTP and existing data vendors for provision of aggregated trade data. Note that data users may choose to get their data directly from the CTP, through a data vendor (who may itself receive the CT and on-sell it to users), directly from trading venues/APAs, or some combination of the three approaches.

- Competition for the market during the CTP tender process. We have designed the framework to seek to ensure that, as far as possible, competition for the market during tendering achieves the outcomes that might be expected through competition in the market, were multiple consolidators to emerge.

Secondary International Competitiveness and Growth Objective

- 2.14** We have a secondary objective to facilitate the international competitiveness of the UK economy, and its medium to long-term growth, subject to aligning with relevant international standards, when advancing our primary objectives of consumer protection, market stability and effective competition in the interest of consumers. We consider below the impact of the framework for a bond CT on competitiveness and growth.
- 2.15** When considering the design of the framework, we have had regard to other overlapping regulatory initiatives and attempted to minimise undue costs to firms – for example, allowing a period of familiarisation with changes to the bond transparency regime (see the proposals in our CP on bonds and derivatives transparency) before the CTP will be expected to start operating the CT, and setting the scope of the CT itself consistently with those transparency regime requirements. Design of the CT framework itself aims to minimise unnecessary costs to firms. Driving proportionate regulation, by ensuring any cost or restriction imposed is proportionate to the benefits expected for the wider regulatory system, enhances competition and makes the UK a more attractive place for firms to enter or operate, improving the UK's competitiveness as a financial hub.
- 2.16** The WTDR findings report noted that a well-functioning wholesale market where participants can access good quality trade data at fair and reasonable prices would make the UK, overall, more competitive in the global market. Our work on the CT aims to increase the size and liquidity of the UK financial markets, which lowers costs and increases productivity. The finance sector can also help enable efficient business investment in the wider economy, further increasing productivity and growth and making the UK more internationally competitive.
- 2.17** The setting up of the CT could lead to the CTP, data providers (trading venues and APAs), and market data vendors attempting to differentiate their data aggregation products and services from those of competitors. Enhanced competition should benefit consumers by simultaneously increasing the variety of data products they have access to, while reducing the prices of those products. In turn, this should increase the relative competitiveness of the UK's trade data products and services.
- 2.18** The tender and the requirements applicable to the UK CTP will constrain the chosen CTP through competition for the market such that its prices resemble, to the extent possible, a competitive, cost-based outcome that might be expected under competition in the market.
- 2.19** It is complex to compare the framework for a bond CT set up through this PS with those in other jurisdictions. Market structures differ between the UK and those in other jurisdictions which inevitably explain certain differences of approach. However, there is a commonality in jurisdictions seeking to make sure there is an accessible source of comprehensive market data.

- 2.20** The key point of similarity between the framework in this PS, the bond CT that operates in the US and the CT proposed to operate in the EU is that there is a single CTP. In the US the Financial Industry Regulatory Authority (FINRA) operates the TRACE reporting system. In the EU a single CTP for bonds will be chosen by ESMA through a tender process.
- 2.21** Under the TRACE reporting system operated by FINRA in the US, individual firms send their transaction data to TRACE for publication (where there is no equivalent of APAs), a service for which they pay. The revenues that are raised by sales of TRACE data are not shared with the data providers.
- 2.22** There are three main differences between the outline of the EU's framework and our framework.
- **Data to the CTP.** The EU is proposing that its CTP collects data by connecting to each of the data providers rather than, as in our framework, requiring each of the data providers to connect to the CTP to send data. Chapter 10 discusses possible options for payments to be made to data providers to cover the costs of connecting to the CTP.
 - **Revenue sharing.** EU legislation has a provision that says a bond CTP may share revenue with data providers. Our framework does not prohibit revenue sharing.
 - **Tender process.** ESMA will be required to select a CTP based on a range of criteria in a single stage process. Our framework will take account of a range of factors, including the quality of the service to be offered, but will involve a price auction amongst those bidders who are judged to have met the wider requirements including in relation to quality of service.
- 2.23** Compared to the US bond CT and the framework in this PS, the framework in the EU appears to impose lower costs on data providers and more costs on the CTP (and, possibly, data consumers) by requiring that the CTP must connect to data providers' existing dissemination channels. At the margins, and this in part depends on the outcome of the consultation on the proposals in Chapter 10, the US/UK approach might result in more use of the data and more innovation in data products (because the CTP will have stronger incentives to offer a tape that is attractive to its users), and the EU approach in more investment in data quality by data providers and more spending by trading venues on their trading systems (because the data providers will face lower costs, and potentially some form of compensation, for contributing to the CTP).

Outcome we are seeking

- 2.24** Our expectation is that the framework for a bond CT should result in the right incentives for a CTP to come forward to operate a CT for bonds. The economic model used for the CT will necessarily affect competitive pressures for existing sellers of market data (including trading venues, APAs and market data vendors), resulting in cheaper, higher quality and more accessible data for its users. We explored the costs and benefits of a CT as part of our cost-benefit analysis in CP23/15 on which we summarise responses to in Chapter 9.

2.25 MiFID II rules do not appear to be producing the data market outcomes we would expect from well-functioning markets in some asset classes, including on high-quality data. We are seeking to achieve better market data by reforming rules on the content and timing of post-trade data – a CT for bonds is dependent on these changes being in place for the CT to be valuable; working with market participants to achieve greater standardisation; and supervisory work with APAs to ensure they are paying adequate attention to data quality issues. We have published our CP on proposed changes to improve bond and derivative transparency concurrently with this PS and welcome views from market participants on that.

Measuring success

2.26 The CTP is one of the policy measures that supports our strategic commitment to strengthen the UK's position in global wholesale markets. It seeks to do this by improving the functioning of bond markets in the UK (including best execution) leading to better price formation and deeper liquidity, benefitting investors and issuers.

2.27 The outcomes we seek from the design of the CT framework are:

- a CT for bond data operating from 2025, following a tender process and subsequent authorisation or verification of the chosen CTP
- enhanced market quality through an improved understanding of execution costs, leading to greater market participation, and a more efficient allocation of investments
- improved outcomes in wholesale markets in terms of addressable liquidity, market transparency and market access

2.28 We will achieve these outcomes through the design of the CT framework, rights and obligations applicable to the CTP and the tender process to ensure we deliver on the points below.

- The CTP is a reliable source of information on the overall trading in bonds that is complete, timely and relevant for a wide range of use cases.
- The cost of accessing bond market data for end users falls which, together with simpler licensing terms, allows greater access to market data and reduces trading costs. This increases liquidity and reduces the cost of capital which can encourage debt issuance in the economy and bond trading and investment that may not otherwise occur.
- There are incentives for the CTP and market data vendors to compete with one another, who then innovate their product and service offerings.

2.29 We will evaluate the effect of the changes by monitoring the operation of the CT and gathering data on market outcomes. As indicated in [Our Strategy 2022-2025](#), we will use a variety of measurements to assess whether our work is strengthening the UK's position in global wholesale markets.

2.30 Based on information from the CTP we will assess whether the CT is being published in a timely fashion and whether it is resilient. We will gather information from the CTP, and

through surveys and broader discussion with industry to understand whether the CT has made consolidated data more broadly available.

2.31 Ultimately, the aim of a CT is to improve the efficiency of the market by enabling greater access to market data. To assess this, we will look at an analysis of liquidity and the level of informed trading occurring in the relevant markets, although we will need to seek to control for other developments relating to the market including the changes to the transparency regime for bonds.

2.32 We will conduct a post-implementation review of the framework for the bond CT to assess its efficacy and whether the model of a single CTP for bonds is still appropriate. We intend to conduct the review after the bond CTP has operated for a sufficient period for us to gather evidence in line with our success measurements above, and with enough time to effect any changes by the end of the first tender period.

Summary of feedback and our response

2.33 We received 30 responses to CP23/15 from respondents who consented to have their names published. We include the list of respondents in Annex 2. We also discussed the issues raised in CP23/15 with several firms and trade associations during the consultation period.

2.34 We have updated the Markets Practitioner Panel (MPP) – one of our statutory panels – and the Secondary Markets Advisory Committee (S-MAC) on a regular basis on the progress of our work on a consolidated tape. We also gave the Prudential Regulatory Authority a draft of this statement and the rules we are proposing as part of the issues for consultation covered in Chapters 10 and 11.

2.35 Respondents welcomed the FCA's proposals for a UK bond CT framework and were generally supportive of our approach. Below is a summary of the main points raised in the feedback and our response. These are covered in more detail in Chapters 3 to 9.

Table 1

Issue	Summary of feedback and our response
Historical data	<p>Feedback. Many potential data users were keen for a CTP to be required to offer historical data to offer to the market an authoritative source of such information. Some respondents expressed concern that such a requirement would entrench the CTP's privileged position in the market.</p> <p>Our response. In a change to our original proposals, the CTP will be required to offer a historical data service. We have been persuaded that in seeking to improve access to market data, ensuring access to historical data is an important complement to (though should still be available separately from) the live feed of the CT.</p>

Issue	Summary of feedback and our response
Costs of connection to the CTP	<p>Feedback. There were mixed views about payments to data providers by the CTP. Data providers supported payments, including revenue sharing, to recognise the burdens the CT would place on them and to enable them to maintain their investment in the wider services they offer. Data users were more sceptical of what they saw as rewards for complying with regulatory obligations that were not available in other circumstances.</p> <p>Our response. We are consulting (see Chapter 10) on the CTP being required to make payments to data providers, for the costs of connection subject to certain conditions. Our original proposals did not envisage any payments, but we think it is important to seek to achieve a balance in the framework for a CT between the interests of data providers, the CTP and data users.</p>
Value-added services	<p>Feedback. Strong concerns were expressed about the CTP using its privileged position in the market to gain a dominant position in the provision of value-added services.</p> <p>Our response. In a change to our original proposals, the legal entity acting as the CTP will not be able to offer value-added services. The CTP will need to set up a separate legal entity for the provision of value-added services. In the CP we proposed that a CTP could offer value-added services, as long as these were not bundled with the core CT, though now believe that legal separation is the most appropriate way to deal with any unfair advantage that would otherwise be conferred on the CTP in the provision of value-added services.</p>
Governance requirements	<p>Feedback. Many respondents thought that it was important to have strong arrangements for market participants to input into the operation of the CT and made various suggestions for bolstering our proposals for a consultative committee. Several respondents said that there should be a role for the FCA if there are disagreements between the consultative committee and the CTP.</p> <p>Our response. In changes to our original proposals for governance requirements, we will clarify in the PS our expectations that: data providers and users can apply to join the committee; the membership of the governance committee should be constituted primarily of data users; the CTP will need to show that it has appropriately considered feedback from the committee; and committee membership must be refreshed at least once during the tender period. We do not think it is appropriate for us to be a point of escalation for disagreements between the consultative committee and the CTP.</p>
Single CTP	<p>Feedback. Respondents overwhelmingly favoured having a single CTP to give an authoritative source of data and to make the CTP financially viable. One respondent expressed a concern about the impact on the wider market for market data that having a single CTP could have.</p> <p>Our response. As we originally proposed, we will appoint a single bond CTP through a tender process.</p>

Issue	Summary of feedback and our response
Tender Process	<p>Feedback. Many respondents expressed concern that our proposed two-stage auction process, with the second stage focused on price, would adversely affect the quality of the CT. They preferred a single stage process in which price and quality are elements that are scored as part of reaching an overall assessment of the quality of a bid, with the CTP being subject to a rule on pricing on a reasonable commercial basis (RCB).</p> <p>Our response. In line with our original proposal, the CTP will be appointed through a two-stage tender process to seek to ensure the price for the CT is consistent with maximising access to the data. However, we recognise that the first stage of the process must get meaningful commitments from bidders on quality which then constrain how they can bid on price. Determining how to achieve this will be an important focus as we develop our framework for the tender. With the auction setting the price for the CT we are also, as we originally proposed, deleting rules on pricing on a RCB.</p>

Equality and diversity considerations

- 2.36** We have considered the equality and diversity issues that may arise from the changes in this PS.
- 2.37** Overall, we do not consider that the changes materially impact any of the groups with protected characteristics under the Equality Act 2020.

Next steps

- 2.38** The rules in the instrument made as part of this PS will come into force on 5 April 2024 if Parliament approves the DRSSRs 2023. The consultation on payments to data providers and forms for DRSPs closes on 9 February 2024. While we realise this is a relatively short consultation window, it will allow us to consider and respond to feedback while still finalising our rules concurrently with the DRSSRs 2023 taking effect.
- 2.39** If a firm decides that it is interested in bidding to be the CTP for bonds, we encourage it to speak to us at an early stage.

What you need to do next

- 2.40** Trading venues and APAs should familiarise themselves with our rules to ensure they are able to comply with relevant requirements. They should assess their current arrangements to ensure that they will be able to share data with a bond CTP, once appointed. We recognise that the scope of data to be shared will be affected by changes to the transparency regime for bonds, which we are currently consulting on in CP23/32 and which closes on 6 March 2024.

- 2.41** Potential CTPs should consider our rules before developing their approach to bidding for provision of the bond CT.
- 2.42** Responses to our consultation proposals on payments to data providers and forms for DRSPs should reach us by 9 February 2024.

What we will do next

- 2.43** We will develop tender criteria with a view to commencing the tender itself to appoint a bond CTP during 2024. As part of this process, we will speak to a full range of market participants to gather their views on relevant issues.
- 2.44** We expect that a bond CTP will start operation in the second half of 2025. We expect to complete changes to the transparency regime during 2024 with the changes starting to apply during 2025 before the CTP goes live. It will be necessary for us to discuss further with the CTP and other market participants what would be the appropriate gap between the two events.
- 2.45** We will update on next steps for an equities CT in 2024.
- 2.46** Once we have received responses to our proposals in respect of payments to data providers and forms for DRSPs we will work towards finalising the associated rules by 5 April 2024, the date on which the rules in the instrument in this PS are due to come into force.

Chapter 3

Our response to feedback on the number of consolidated tape providers per asset class

Introduction

- 3.1** In CP23/15, we proposed that a single CTP per asset class be appointed through a tender process. Our view is that this represents the most viable model for the UK CT framework to succeed. Having a single CTP per asset class will deliver a CT that offers a clear and commonly used benchmark of overall trading activity and should be sufficiently low-cost to enable broad access.
- 3.2** We said that the appointment of a single CTP through a tender process would not preclude us allowing multiple CTPs after the first tender period has expired. We endeavoured in our proposals to ensure that the market for provision of a CT is still contestable after the first tender period. We said we would conduct a post-implementation review during the period of the first tender contract to assess the operation of the framework, including how the single provider model was functioning and whether any changes would be required to the regulatory framework after the first tender period expires.
- 3.3** In CP23/15 we asked:
- Q1: Do you agree with the appointment of a single CTP per asset class through a tender process?**
 - Q2: What success criteria should be used in the post-implementation framework review?**

Summary of feedback

- 3.4** Almost all respondents agreed with the appointment of a single CTP per asset class through a tender process. The main reasons cited for this preference were that having a single bond CTP would result in a single, authoritative source of bond market data, and that it gives the greatest commercial incentive for potential CTPs to come forward. Other points made included that having multiple CTPs increases transmission costs for data providers and means that each individual CTP will likely capture a lower proportion of the total market of data users, driving prices for individual CTs higher. Concern was also expressed about the potential environmental impact of multiple CTPs.

- 3.5** Some respondents, while being supportive of a single CTP, recognised that it raises issues about the operation of that model. One respondent said the FCA should be thorough in its supervision of the chosen CTP and reserve the right to remove that CTP if it does not meet its obligations. Another respondent said that self-regulatory governance is critical in determining the success of a CTP. Under a self-regulatory model, users and industry would fund the CTP. Users, data aggregators and contributors would be members of the CTP. The CTP would be empowered by the regulator to set and enforce market-wide operating standards, market data regulation and penalties.
- 3.6** Several respondents expressed concern about the possibility of multiple CTPs being appointed following the first tender period because they felt it would undermine the authoritative nature of the CT.
- 3.7** One trade association did argue in favour of having, at a minimum, two CTPs that could compete. In its view, this approach would mitigate potential conflicts of interest that may arise when any group operating a CTP also performs competing commercial activities. It also argued that having more than one CTP would help to mitigate the single-point risk of failure of a single CTP and the difficulties of transferring to another CTP either part way through a tender period or at its conclusion. The trade association said that the appointment of a single CTP with exclusive rights to operate both the CT and ancillary services would pose a significant risk to competition and to innovation.
- 3.8** On 25 July 2023, the FCA received a letter from the Treasury Sub-Committee on Financial Services Regulations about our proposals in CP23/15. That letter sought clarity, amongst other things, on the FCA's cost benefit analysis (CBA) of allowing more than one bond CTP to develop and compete with one another. The response from the FCA noted that a multiple CTP model would threaten the commercial viability of individual CTPs, impose larger connectivity costs on data providers, negate the value of a single and authoritative source of truth envisaged under a single provider model, and represent potentially higher costs for data users if they must connect to multiple CTPs. It also noted that potential disadvantages of a single provider model could be mitigated through careful tender design and requirements to mitigate incumbency advantage.
- 3.9** Respondents suggested several success criteria and measurements.
- The CT being appointed, going live and being available on a continuous basis.
 - Quality, availability, coverage and latency (relative to direct feeds) of CT data. This could be measured, for example, through reports to the FCA under MAR 9.2B.32R and the CTP's reconciliation processes as described in MAR 9.2B.31R.
 - The CT should represent value for money, should be sold with simple licensing terms and should be the same price or cheaper than alternative market data sources.
 - The number and types of CT subscribers, including usage of CT data by market data contributors.
 - Usefulness of CT data for internal risk management, market monitoring, best execution analysis, market analysis and research.
 - Effectiveness of governance, including consideration of industry and regulatory feedback, and transparency of the CTP's costs, fees, revenue and policies.

- Impact on innovation; market participation, quality (including liquidity provision), data prices, resilience; trading locus (such as, on-venue, OTC) and volume of trading; bid-ask spreads; execution costs; and price formation.

Our response

- 3.10** Based on consultation responses, we intend to proceed with the appointment of a single bond CTP. We will consider outcomes from the post-implementation review when determining whether a single-provider model is the most appropriate upon expiry of the first bond CTP's tender contract. That assessment will consider market participants' concerns about ensuring that the CT offers an effective benchmark for understanding activity in the UK bond market.
- 3.11** About concerns that a single CTP could also perform competing commercial activities within the group that operates the CTP, our view is that this is best addressed through restrictions on the activities the CTP is allowed to perform rather than increasing the number of CTPs. Our intent has always been that the CTP auction would try to replicate, through competition for the market, the outcomes that would be delivered under competition between multiple CTPs.
- 3.12** We recognise that there are attractions to a CTP being set up as a self-regulatory utility. However, we think that the delivery challenges of setting up such a model mean that appointing a CTP through a tender is a more certain means to setting up a CT within a reasonable timeframe.

Chapter 4

Our response to feedback on the scope and operation of a consolidated tape for bonds

Scope

4.1 In CP23/15 we proposed that for the bond CT framework:

- trading venues be required to send data to a CTP and that the data should be distributed in as close to real time as is technically possible
- a CTP should publish data in real time as soon as is technically possible after receiving it
- the CT should include trade reports for all the MiFID categories of bonds other than Exchange Traded Commodities (ETCs)/Exchange Traded Notes (ETNs)
- the CTP should consolidate trade reports for all bonds, other than ETCs/ETNs, that are admitted to trading or ToTV in the UK
- the CT should include only post-trade transparency information
- the CT data published should cover all fields and flags that are part of post-trade transparency requirements
- the CT should include only transparency information and not wider regulatory data
- a CTP should be required to receive data from all trading venues and APAs publishing trade reports on bonds and new trading venues and APAs must connect and send data to a CTP as soon as possible after the start of their operations and in any case no later than six months after the start of their operations

4.2 We did not propose that there should be a backstop in the rules for the maximum time for trading venues and APAs to send the data to the CTP, and then for the CTP to publish the data after the CTP has received it.

4.3 In CP23/15 we asked:

Q3: Do you agree with our proposals on the scope of a bond CT?

Summary of feedback

4.4 Respondents were generally supportive of our proposals on the scope of a bond CT. However, responses made a few points about our proposals.

- Increasing automation in debt markets will mean the CT has to adapt in terms of the data elements it distributes (for example, an increase in multilateral trading could mean that pre-trade data becomes more relevant for a bond CT). Equally, collecting data on non-standard, less liquid instruments could become more useful.

- ETCs and ETNs should be included to broaden the coverage of the bond tape. Some suggested that ETCs and ETNs should be available on a tape at some stage, though not as part of the bond CT.
- New trading venues and APAs should not be given a six-month grace period before connecting to the CT, as this could result in those parties deliberately withholding information. Instead, it was suggested that these firms connect to the CT immediately.
- The FCA should set specific backstops for when data should be submitted to, and published by, the CTP.
- The scope of the UK bond CT should be aligned with the EU bond CT.

4.5 Some respondents discussed the formatting and content of bond transparency data, which will be relevant for our consultation on bond and derivative transparency regime changes, making several points.

- There will need to be more work done on standardising a sovereign and corporate bond CT as the current CFI taxonomies in UK FIRDS do not map precisely to the broad categorisation of bond sub-classes identified in CP23/15.
- The MiFID Regulatory Technical Standard (RTS) 2 reporting guidelines are not specific enough, which causes issues in the interpretation of the data for certain transactions. The FCA could give greater clarity around the speed of provision of data between data providers and the CTP.
- The CT should publish flags for package, portfolio and programme trades.

Our response

4.6 Subject to one change, described below in relation to data providers connecting to the CTP, we do not intend to amend the scope of the bond CT framework we proposed in CP23/15.

4.7 Following the UK's exit from the EU in setting rules we need to make decisions based on the objectives Parliament has set for us in legislation. In so doing we do consider developments in other jurisdictions, including the EU, not least as part of taking account of our Secondary International Growth and Competitiveness Objective.

4.8 Based on the framework in the revisions to the Markets in Financial Instruments Regulation (MiFIR) that have been agreed by the EU there are two main differences in our approach to that of the EU in respect of the issues set out in the opening paragraph of this chapter. First, we are not including ETCs/ETNs in the scope of the bond tape. Second, we will be requiring data providers to send data to the CTP rather than the CTP collect data from the data providers. Our approach on both issues was set out in CP23/15 and our responses to comments on those approaches are set out below and in the next section on Data consolidation and dissemination.

4.9 On the issue of ETCs/ETNs we are not going to include them in the scope of a bond CT when it starts operation. However, as discussed in Chapter 8 on an equities CT, we recognise that further thought needs to be given to the right vehicle for consolidating data on ETCs/ETNs and intend to discuss this further with market participants.

4.10 About the requirement that trading venues and APAs must connect to the CTP within six months of commencing their operations, we accept that this back stop is too liberal. While trading venues ought to have a commercial incentive to connect to the CTP so that CT subscribers will be made aware of trading activity on the new venue, we agree that to assist the wider efficiency of the market they ought to be under an obligation to connect as soon as possible from the point at which they start operation. We have revised the relevant part of MAR 9.2B.34 R (7) as below.

'When a new *UK trading venue* or *APA* starts operating, the *CTP* for bonds must include the information referred to in *MAR 9.2B.34R(1)(a)* made public by that *UK trading venue* or *APA* in the electronic data stream of its consolidated tape as soon as possible, ~~and in any case no later than 6 months~~ after the start of the operations of the *UK trading venue* or *APA*.'

4.11 About speed of transmission of data from data providers to the CTP, we said in CP23/15 that we were concerned that including a backstop would weaken the requirement to send information 'as soon as technologically possible' by setting a timescale that is slower than can be achieved. However, when assessing whether data is delivered to the CTP as soon as is technologically possible, we will consider whether data is being delivered at least as quickly as is occurring through any other publication service supplied by the data provider for the trade data.

4.12 Issues about the data to be published as part of post-trade transparency for bonds and the interpretation of when to use different flags are being considered in our separate consultation on the transparency regime for bonds and derivatives.

Data consolidation and dissemination

4.13 We proposed in CP23/15 that the CTP should develop a standardised, open-source application programming interface (API) for data receipt. This was primarily to ensure a high-quality, resilient CT that received consistent input data. It also helps to ensure that informational assets can be transferred between CTPs if an alternative CTP is appointed and equally, that data providers are able to connect to any new CTP without having to set up new API infrastructure.

4.14 We proposed that a CTP should publish the CT in at least two machine-readable forms – API and comma-separated value (CSV) – and a human-readable form through a Graphical User Interface (GUI). Machine-readable forms could be consumed by market participants and data resellers, while human-readable could be accessed by retail investors.

4.15 We proposed that firms should be afforded the option of choosing where and from whom they source the market data they need to meet their needs, and we did not propose to mandate the use of data from the CT by firms.

4.16 In CP23/15, we asked:

Q4: Do you agree that data should be transmitted from data providers and received by the CTP via a standardised, open-source API developed by the CTP? Should this be based on the FIX protocol?

Q5: Do you think that our rules should be more specific about the means of dissemination of a CT?

Q6: Do you agree that the consumption of the data published by the CT should be discretionary for market participants?

Summary of feedback

- 4.17** Respondents were generally supportive of the CTP receiving data via a standardised, open-source API, emphasising that this should be developed in consultation with industry. Of those that supported a standardised API, suggestions included that:
- a common API and data format be used across all asset classes and between CTPs
 - market participants would value compatibility between the UK and EU bond CTs
 - an existing standard be used to minimise cost and effort associated with developing a new one
- 4.18** Respondents noted that the Financial Information eXchange (FIX) protocol was either the preferred, or one of several alternative, option(s) for a standardised API. Alternative protocols included web-based technology (such as REST), Market Model Typology (MMT) or ITCH.
- 4.19** Some respondents suggested that the FCA should not mandate a specific protocol.
- 4.20** The main argument against a standardised, open-source API for receiving data was that it would be less onerous for trading venues and APAs if the CTP were to connect to their existing data publication arrangements.
- 4.21** All respondents agreed that the CTP should publish data in machine- and human-readable formats. Respondents were generally supportive of the level of specificity about the means of dissemination of a CT contained in the rules. There were several points of detail made.
- That the CTP dissemination requirement be based on empirical findings reached through modelling dissemination of current market data (including some stress scenarios, comparing unicast and multicast solutions) under different technical solutions and drawing conclusions from the findings to make sure that any technically inferior solution is not implemented. A multicast broadcasts data simultaneously to recipients rather than sending individual streams of data to recipients. Unicast operates under a one-to-one mapping and is the most common form of data transfer. Unicast makes sure that each host is responded to quickly.
 - Similarly, the FCA should be more specific in the rules about the mode of data dissemination, and that a thorough assessment of its advantages and costs needs

to be carried out. Respondents also suggested the FCA oblige prospective bidders, through the tender process, to detail the technology the CTP intends to use and its associated costs.

- Unicast alone should be enough for fixed income instruments. So long as there are no privileged parties receiving the information first then multicast is an unnecessary cost burden for both the CTP and consumers, making unicast the more equitable solution. Existing accepted practices within industry include that current market data distribution implementations are primarily based on multicast for high frequency asset classes (equities) while unicast is used for lower volume asset classes (bonds).
- The FCA should clearly and distinctly define the rules for inbound and outbound messages, as well as how the actual business messages be represented including details of how trade flags should be expressed.
- The FCA's rules should specify a single API format.
- Extensible Markup Language (XML) should be included as a machine-readable format for disseminating and publishing CT data, given this is the new format for regulatory reporting.

4.22 All respondents agreed that consumption of the CT should not be mandatory for market participants. Some respondents noted that best execution rules should not be changed to force market participants to use the CT to prove their compliance with best execution obligations, in case the CT data was not fit for purpose or suffered an outage.

Our response

4.23 As discussed in CP23/15, we recognise that there are arguments for and against the data being sent to the CTP as opposed to being collected by the CTP. Many of the arguments we mentioned were also reiterated in the responses we received. On balance, we continue to think that the best approach is for data to be transmitted from data providers and received by the CTP via a standardised, open-source API developed by the CTP as in doing so this will ensure consistency of approach for any potential CTP operator, which will reduce complexity and support its implementation.

4.24 From the responses it seems that we were insufficiently clear in our comments on data standards in CP23/15. It was not our intention to suggest that we would mandate a new standard for receiving data to be developed, as opposed to leveraging an existing one. We will mandate that data should be transmitted from data providers and received by the CTP via a standardised, open-source API developed by the CTP. However, we recognise that this could be based on a variety of existing protocols including FIX and as such, we will not mandate the use of a specific protocol by the CTP.

4.25 We do not propose to amend the draft rules on means of dissemination of a CT. It is not possible to know at this stage exactly how similar will be the means of dissemination of the tape in the UK and EU and what impact any differences will have on the costs of connecting to both tapes when they are up and running. However, we do not think that our proposals put any specific obstacles in the way of someone seeking to access both tapes and to combine the data.

- 4.26** Consumption of the CT will be at the discretion of market participants. It is not our intention to amend the best execution rules following the setting up of the CT. It will be for market participants to demonstrate that they have policies and arrangements in place to meet their best execution obligations, including that they have access to data that enables them to deliver best execution on an ongoing basis and to monitor the quality of the execution they get.

Bond transparency and application of deferrals

- 4.27** We said in CP23/15 that we thought that it would be better to wait for the changes to the transparency regime before a bond CT goes live. However, we also said that we would keep the issue under consideration as the timetables for the CT and the transparency changes evolved.
- 4.28** We proposed that trading venues and investment firms should retain responsibility for the application of deferrals to minimise confusion. However, a CTP could offer a deferral checking service if it so chose.
- 4.29** In CP23/15, we asked:

Q7: Do you agree that the CT should only start operation after bond transparency regime changes come into effect?

Q8: Do you agree that responsibility for applying deferrals should remain with data providers?

Q9: Should the CTP offer a deferral checking service? If so, should use of this service by data providers be mandated?

Summary of feedback

- 4.30** Several respondents agreed that the CT should only start operation after bond transparency regime changes come into effect to make sure that its implementation is affordable and that the CT itself is commercially viable. Others argued that this approach may unnecessarily delay introduction of the CT, particularly if technical changes are required as part of the transparency regime proposals, and that the CT itself could help to identify data quality issues.
- 4.31** Respondents generally agreed that responsibility for applying deferrals should stay with data providers, noting that having the CTP apply deferrals would be duplicative, costly, inefficient and potentially inconsistent with data providers' application of deferrals. Respondents also made the points below.
- Trades may be part of contingent and package transactions, and their deferral would be difficult for a CTP to manage. Similarly, only data providers have a full view

of the transaction chain and can make sure there is compliance with the relevant rules.

- A later review could be used to determine if data providers should still retain responsibility for applying deferrals.

4.32 Some suggested that deferrals could be applied more consistently by the CTP. If the CTP managed deferrals it would also be given the best chance of spotting erroneous data as quickly as possible, and the FCA would have a real-time view which could, for example, be used to calibrate a dynamic deferral regime.

4.33 Responses on whether a CTP should offer a deferral checking service, and whether use of this service should be mandated, were mixed. Those in favour of a deferral checking service suggested that for the service to offer value (via consistent application of deferrals), it would need to be supported by an obligation for all data providers to use it. Those against a deferral checking service made the points below.

- The data provided to the CTP would not be adequate to allow it to effectively check whether all deferrals have been correctly applied.
- The current rules oblige a CTP to make sure information it receives is complete and unlikely to be erroneous, negating any need to define a separate checking service. Similarly, data providers should already have their own internal systems for ensuring compliance with the transparency regime.

Our response

4.34 We will continue to work on the basis that the bond CT will come into effect after the bond transparency regime changes go live. This seems to offer the best basis for making the CT a commercial success and from where we are now does not appear to involve delaying the operation of the CT to accommodate the timetable for the transparency changes. Once a CTP is appointed, we will be able to provide greater clarity on when the CT will go live.

4.35 Our view is still that responsibility for applying deferrals should stay with trading venues and investment firms who use deferrals and not the CTP. A trading venue or investment firm may choose to outsource the application of deferrals to an APA, though the responsibility for correctly applying the deferrals ultimately lies with the trading venue or investment firm.

4.36 CP23/32 on improving bond and derivative transparency proposes amendments to the current deferral regime for bonds that will need to be applied by the data providers. Were the CTP to apply deferrals, any gains to be made in terms of consistency of application would be outweighed by the resultant cost and inefficiency of this requirement. Other mechanisms – including the CTP consultative committee and forthcoming bond transparency regime changes – will prove more effective means of remedying issues of erroneous and low-quality data.

4.37 We will leave it to the CTP to decide whether it wants to offer a deferral checking service for data providers. The provision of such a service would be outside of its activities as a CTP and would not relieve responsibility from trading venues and investment firms in relation to compliance with the deferral regime.

Historical data

4.38 Given the potential that exists for competition in the provision of historical data, we proposed in CP 23/15 that the single service that a CTP should be required to provide would be a live stream of trade reports. However, our proposals allowed the CTP to offer access to historical data if it so chose.

4.39 In CP23/15, we asked:

Q10: Do you agree that the provision of a historical data service be optional for a CTP?

Q11: If you think that a CTP should be required to provide a historical data service, what minimum requirements do you think should be established for such a service? For example, should data only be available in response to queries, or should there be a requirement to provide access to some of or all the data through a downloadable database?

Summary of feedback

4.40 Some respondents supported the CTP having the option to offer a historical data service, though several suggested either that the CTP should be required to offer the service to make sure the market has access to benchmark historical data, or that it should focus on the live CT and not offer historical data at all. Some suggested that, insofar as historical data constitutes a separate service from the core CT, it should be licensed for a fee from data providers. Respondents also said that:

- a separate tender should be held to appoint a provider of historical CT data, given the unique skills and resources needed
- having comprehensive historical data would be useful for surveillance and regulatory oversight
- historical data would help to improve data quality if a potentially erroneous, cancelled or corrected trade report needed to be checked

4.41 Generally, respondents argued for historical data to be made available in downloadable form and/or in response to queries. Respondents also made the points below.

- Allowing subscribers to download data would minimise development and storage costs for the CTP and empower the subscriber to manage and archive the trade data. Alternative delivery methods could include Simple Storage Service (S3) or Secure File Transfer Protocol (sFTP) interfaces.
- A GUI interface to query their data requests would be useful for smaller (retail) users who would have difficulty downloading and analysing larger volumes of data. Making this service available on demand would reduce costs for the CTP and data users.
- Historical data should be available in an unbundled form in licensing agreements.

- Types of historical data should include separate versions which are a record of exact reports, contain deferred trades after they have been published, and contain corrections.

Our response

4.42 We recognise that there is a distinction to be made between historic and historical data.

- Historic data is taken to mean a database capturing all the prints included on the live feed of CT data. It does not correct trade reports to take account of cancellations and amendments, though users of historic data could do this data cleaning themselves.
- Historical data is taken to mean a database of trades assembled in date and time order, with any subsequent amendments or cancellations reflected in the feed. We presume that this is a separate service that could be provided by the CTP.

4.43 Given our intent that the CT be a quasi-utility for market data users, our view is now that it is appropriate to make sure that the CTP offers historical data for sale to its users as a separate subscription from the live CT. The CTP will have to make this available via downloadable database and in response to bespoke queries, with the latter being available on demand to reduce the CTP's costs and the price of historical CT data.

4.44 This would also in our view be consistent with our operational objectives as referred to in our rulemaking powers in section 300H FSMA, particularly in relation to the integrity objective, and the orderly operation of financial markets and the transparency of the price formation process in financial markets.

Chapter 5

Our response to feedback on the economic model for a consolidated tape for bonds

Access to data

- 5.1** In CP23/15, we proposed that data providers should be required to supply data to the CTP without charge. This is to make sure that the CT has access to the full range of relevant data, to maximise the likelihood that a CTP will be commercially viable, and to offer the greatest chance that the CT will be distributed to users at a reasonable price.
- 5.2** We also proposed that the CTP would not be required to share revenues with data providers but said that our framework would not prevent a CTP from making optional incentive payments to data providers linked to the quality of their data, for example where the CT wished to offer data quality higher than the minimum mandated in the relevant rules. We said that we did not consider that revenue sharing would contribute to our objectives for a bond CT: it would not reflect current distribution of market data revenues (which are not, to our knowledge, at the centre of contributors' business models), would increase the cost of providing the CT and its price to users, and would not substantially increase incentives to sell bonds data through the CTP.
- 5.3** We said that we would not make the CTP contribute to offsetting data providers' costs for connecting to the CTP. We did not see that firms should receive payment for meeting a MiFID framework compliance cost. Also, if data is sent to the CTP rather than collected from data providers this may help to minimise data errors introduced by the CTP itself and reduce the time taken to distribute the CT. This approach also makes it more straightforward for one CTP to hand over to another.
- 5.4** We proposed deleting the requirement for the CTP to make its data available for free after 15 minutes, on the basis that this would diminish the CTP's commercial viability. However, we asked how best to make sure that academic and retail users of CT data could still access data at low (or no) cost.
- 5.5** In CP23/15, we asked:

Q12: Do you agree that trading venues and APAs should be required to provide data to a CTP without charge?

Q13: Do you agree that a bond CTP should not be required to share revenues with data providers but be allowed to offer incentives to data providers for high quality data?

Q14: Do you agree that a bond CTP should not be required to contribute to data providers' connectivity cost recovery? If you think that a bond CTP should contribute to data providers' connectivity cost recovery, on what basis should the terms of this arrangement be set?

Q15: Do you agree that the requirement for a CTP to provide data free of charge 15 minutes after publication should be removed? If so, how best should we seek to ensure that academic and retail users of the data have low-cost or free access to the data?

Summary of feedback

- 5.6** Many respondents agreed that trading venues and APAs should be required to give data to a CTP without charge and without compensation for their connectivity costs. However, in some responses this agreement was conditional on there being a revenue sharing requirement imposed on the bond CTP. Respondents emphasised that the data provided to the CTP should be used solely for consolidating and disseminating that data.
- 5.7** Responses on whether a bond CTP should be required to share revenues with data providers were mixed. Some suggested that the approach taken to bonds should be consistent with that taken for equities. Several respondents took the view that it was not appropriate to offer compensatory payments for meeting a regulatory obligation.
- 5.8** One respondent suggested that data providers should be offered a rebate when they consume the CT.
- 5.9** Those who argued in favour of revenue sharing suggested that it was necessary to support the investment that data providers make in providing high-quality services and defraying the costs of regulation (including contributing data to the CTP). They also made the points below.
- Revenue sharing will drive reinvestment in data providers' products and technology, which will in turn improve data quality.
 - Introduction of a CT will reduce data providers' existing revenues from data sales.
 - Forthcoming changes to the bond and derivatives transparency regime will increase the value of bond market data.
 - A volume-based revenue sharing scheme for bonds would be simple both for the CTP to administer and for the FCA to audit. Alternatively, revenue sharing could be organised with reference to CTP capital and operational expenditure, data compensation value for mandated submissions over and above CapEx/OpEx, and commercial negotiation for value-added services.
- 5.10** Respondents generally agreed that the requirement for a CTP to offer data free of charge 15 minutes after publication should be removed. Of the respondents that

agreed, some suggested the requirement also be removed for data providers. Some also suggested extending the duration before free access to the CT is granted – for example, to end of trading day.

- 5.11** Most respondents suggested that the CTP should have the ability to implement different pricing for different usage purposes such that academic and retail users receive the data at low or no cost. One respondent noted that retail and academia should be offered a free service that gives access to a subset of services and that these should be functionally rich enough to be of value to them but not so functionally rich that it could impact the commercial viability of the CTP.

Our response

- 5.12** We will not have a rule that a CTP makes CT data available for free after 15 minutes. We continue to think that this would reduce the commercial incentives of the CTP. We expect that in their business cases put forward as part of the auction, potential CTPs would outline how they intend to identify academic and retail users so that the CT can be offered to those users free of charge.
- 5.13** We do not intend to lift the requirement on data providers to offer their data for free after 15 minutes. In our view this requirement should not have a significant adverse effect on the commercial viability of the CT. The data will be available more slowly than the data from the CT and where data users consolidate that data, the consolidated data will not be consistent between users because their methods of data cleaning and aggregation will differ from one another. Conversely, the CT will offer a single, authoritative source of truth.
- 5.14** The terms upon which input data is accessed by the CTP are discussed separately in Chapter 10. We are consulting on a range of options for the CTP to make payments to data providers in recognition of the costs they will incur in connecting to the CTP's standardised API.

Licensing, pricing and auction design

- 5.15** We proposed deleting the non-exhaustive list of additional services that can be offered by a CTP in article 13 of MIFID RTS 13 in transferring the provisions of that article to MAR 9.2B.14R (other services provided by CTPs). We also proposed adding to the existing requirement that the provision of additional services should not create any risk affecting the quality of the CT or the independence of the CTP that could not be adequately prevented or mitigated. Specifically, the additional requirement in MAR 9.2B.14R would state that the provision of additional services should not give the CTP an unfair advantage relative to other persons seeking to offer the same services.
- 5.16** We proposed that the CTP should have the option to offer value-added (or 'derived') services, but the CT service itself would have to be available on a stand-alone basis. This is to avoid value-added services inflating the price of the core CT. If the core CT is defined with enough variety of licence types to offer a reasonable option for different

customer segments, we were of the view that any value-added services would face at least one core service as a significant substitute that would constrain the price of the value-added substitute.

5.17 We proposed that the CTP offer re-use licences which allow CT data to be used to create derived services, and licences for direct use without such a right. This allows for the pricing constraints to be set considering demand characteristics and allows for a more efficient pricing structure for the CTP to recover its costs. For direct use licences, we proposed that pricing be set out on a per-user basis to allow for quantity discounting. We did not take a firm view on whether, during the tender process to appoint a CTP, the FCA should prescribe a set of components for which CTP bidders must submit price bids, or bidders should be given the option of specifying their own price list.

5.18 We proposed that bidders should demonstrate that they meet minimum service quality requirements that would allow them to seek authorisation or verification if appointed as the CTP and subsequently meet their regulatory obligations, including timely and accurate delivery of the tape. The second stage of the tender, an auction, would then proceed in multiple descending rounds of price-based bidding, which would reduce demand uncertainty and the risk of 'winner's curse'. We did not take a firm view on whether a clock auction or Anglo-Dutch hybrid auction should be employed. This two-stage process was intended to give assurance that the CTP is capable and willing to meet data quality standards by virtue of commitments being made in the first stage, which then restricts applicants in the second stage where price is assessed bearing in mind the quality assurances made in the first stage.

5.19 In CP23/15, we asked:

Q16: Do you agree that the CTP should be able to offer value-added services, provided that the CT service is available on a stand-alone basis and the provision of such services does not give the CTP an unfair advantage?

Q17: Do you agree that CT licences should be separated according to re-use/direct use? For direct use licences, do you agree that users should be charged on a per-user basis? For re-use licences, should users be charged on a per-volume basis or on a use case basis? Which ways of licensing would encourage competition and innovation?

Q18: Should the FCA specify a set of components for which CTP bidders must submit price bids, or should bidders be given the option of specifying their own price list?

Q19: Do you agree that the tender process should be undertaken based on multiple descending rounds of price-based bidding? Do you have a preference between a clock auction or Anglo-Dutch hybrid auction?

Q20: What factors should be considered when determining bidding price parameters, standardisation of bids (if bidders are allowed to specify their own price list), and minimum price reduction in bids between rounds?

Summary of feedback

- 5.20** The prospect of a CTP being allowed to offer value-added services generated significant debate over the core purpose of a CT and separation of its other business activities. Respondents recognised that the CTP having preferential access to input data potentially gives an unfair advantage for the offering of value-added services and suggested that the offering of those services should be monitored and controlled accordingly. Some respondents argued that proposals to allow all CT licence holders to create products and services without restriction would allow profiteering from data they had created to the harm of their own trading and data businesses. It was also argued that a CTP would have an unfair commercial advantage in the provision of value-added services by virtue of the breadth of entities it sets up commercial relationships with to sell the CT and its free access to the CT itself. Respondents also emphasised that value-added services should be available separately from the core CT.
- 5.21** Responses were mixed on how prescriptive the FCA should be in specifying the CTP licensing regime. Respondents sought more clarity and specificity on the auction process overall, including the definitions of different licence types. Some respondents suggested that licence types be defined to align more closely with standard industry practice for data licensing. Suggestions included licences be separated according to:
- display and non-display usage
 - enterprise-based licences, tiered according to firm size
 - per-user and per-device charging
 - use cases (though this may be difficult to articulate and audit)
 - data storage
- 5.22** Respondents also emphasised the importance of appropriate audit rights to make sure data is being used for its stated purpose, and that CT prices should be transparent.
- 5.23** Respondents expressed significant concern over the proposed auction's focus on price as opposed to other service quality and value-driven parts of a potential CTP offering. Some cited the government's procurement policy around getting value for money, stating that a focus on price could precipitate a 'race to the bottom'. Some respondents felt that the process for checking that the potential CTP could meet minimum service quality requirements was not enough to guarantee a high-quality tape. Respondents argued that bidders should be assessed in the round and that controls on price should take the form of one or more requirements in the tender process, keeping the existing rule requiring pricing to be on a RCB (along with requirements on accounting practice to make sure this could be tested), and requiring pricing to be agreed with a committee of data providers and users.

- 5.24** Views were mixed about whether the FCA should allow bidders to specify their own price list. Respondents emphasised that bids should be comparable, though did not offer concrete suggestions on how this could be achieved.
- 5.25** Respondents emphasised the need for transparency during the tender process (with one respondent stating that a Dutch clock auction would be the most appropriate for this purpose), both from the FCA when determining criteria against which bids will be assessed, and from the potential CTPs on their business model.

Our response

- 5.26** We considered two main ways of addressing respondents' concerns about value-added services.
- First, requiring a proportion of the revenues earned by firms who sell value-added services that use CT data to be returned to the CTP to be distributed to data providers. This would mean either us or potential CTPs would have to design a scheme for revenue sharing. It would also mean the CTP would have to audit the firms providing value-added services to make sure the revenues being returned to it had been correctly calculated.
 - Second, requiring the CTP to offer data licences that prevent data from the CT being used to create value-added services. This would mean we would have to define value-added services (or, at least, data uses that do not constitute a value-added service) and audit CT licence holders to make sure their use of the data was consistent with the terms of the licence. If firms wanted to offer value-added services based on CT data, they would need to acquire and license the data directly from data providers.
- 5.27** On balance, we did not think that either option was desirable given that they represent increased complexity and potentially limit the gains to efficiency from the creation of the CT. Complexity is, as the WTDR highlighted, one of the key concerns about the current functioning of the trade data market. Restricting value-added services would reduce the potential benefits of the CT by limiting the use that can be made of the data. It would also reduce the incentives of data generators to cooperate with the CTP and include the tape in their own value-added products because it becomes either complex and costly (under the first option) or impossible (under the second option) to do so. Equivalently, it increases the incentives of data generators to work around the tape, developing and refining alternatives and looking to undermine the tape (potentially through deliberately providing low-quality data to the CT).
- 5.28** We realise that there is likely to be an impact from allowing the provision of value-added services using CT data on the revenues of data providers, principally the trading venues. Many trading venues, and the groups of which they are a part, offer value-added data services and levy significant charges on third parties who create value-added services from their data. However, they will continue to have a dominant role in respect of data products that use pre-trade information, can compete with others in respect of value-added services created using CT data and will be the only source of the lowest-latency data. There will not be a restriction on data users providing value-added services.

- 5.29** About services that a CTP should be allowed to offer, our purpose in designing the regulatory framework is to mandate the provision of data from data providers to the CTP for the sole purpose of providing access to consolidated data to end users. The credibility of the CT would be potentially undermined if it were perceived to have created a significant potential advantage to its operator to offer additional services using the CT data or tying additional services to the provision of CT data.
- 5.30** Although it is difficult to estimate the potential advantages to the CTP, we think that it is right to adjust our proposals, to limit the services the CTP can offer. This will reduce the ability of a CT to generate revenue from other services. This could potentially narrow the number of entities interested in bidding during tender which would reduce the intensity of competition at that stage. However, we do not think restrictions would deter a significant number of potential CTPs from bidding. A group company that buys data from the CTP will still be able to create value-added services.
- 5.31** We have considered two forms of restriction to limit the CTP from leveraging its position into an advantage for the provision of value-added services other than data consolidation.
- First, make sure that any value-added services provided by the CTP are based on arms-length transaction principles and that the CTP offers CT data to others (for developing value-added services) on equivalent terms. This seeks to give assurance that there is adequate separation between the different business lines (core and value-added services), and that the terms on which the CTP would transfer data to its value-added service arm would reflect those of a business transaction of independent entities. It does not, however, deal fully with perceptions of unfairness inherent in the same legal entity providing two different sets of services, even if the service provision uses separate branding, and policing the implementation of the arms-length principles would add supervisory complexity.
 - Second, restricting the entity acting as the CTP from offering value-added services, but not another entity within its group (in other words, requiring legal separation between the CTP and any entity it may have for providing value-added services). A group company would need to buy the CT to offer value-added services, placing it on the same terms as other firms offering value-added services. However, we would still need to consider whether the group company was in some way seeking to benefit from its link to the CTP. We would supervise the CTP to make sure that this was not allowed to occur, enforcing the obligation to offer data on a non-discriminatory basis and ensuring that any conflicts are appropriately managed.
- 5.32** On balance, we think a legal separation is a more straightforward way of dealing with the concerns that have been raised about the commercial position of the CTP and creates less supervisory complexity.
- 5.33** About the CTP auction, we continue to think that the two-stage process is an appropriate way to select the CTP. In our view a multiple round price auction is more likely to lead to setting of a price for a CT that mimics the price that would be set in a competitive market.

- 5.34** As the responses to the consultation highlighted, however, it is important that the price-auction process does not undermine the quality of service of the CTP. The bids in the price auction must be based on the CTP needing to offer a good quality of service. While retaining the two-stage approach we have been rethinking how the first stage of the process will work.
- 5.35** It was always our intention that issues of quality of service should be looked at in the first stage of the process alongside other requirements that would give confidence that a bidder was capable of being authorised and meeting its regulatory obligations on an ongoing basis. As part of our ongoing work on the development of the tender process, we will be developing our thinking on how a commitment to quality of service can be secured from the bidders and must be considered in the submissions made by potential bidders in the price auction. We are considering requiring bidders to commit to service level targets on areas such as uptime, recovery time after an outage and the timing of data corrections. We will seek to finish the tender design with expert support in early 2024.
- 5.36** We will return to the issue of specifying licence types in the invitation to tender. Our key aim is for the approach taken to licensing to be simple and easy to understand thereby limiting the need for extensive auditing of the use that data users make of the data.
- 5.37** We will return to the issue of pricing schedules and bidding price parameters once we have reconsidered how quality will be assessed in bids.

Duration of tender contract and mitigating incumbency advantage

- 5.38** We proposed that the bond CTP should be appointed for a period of five years. This is to balance the need for the CTP to be able to generate enough revenues to compensate for its investment over the course of the tender contract with the need to preserve competition through CTP reappointment.
- 5.39** We proposed several mitigants to deal with potential incumbency advantage of the first bond CTP, including:
- imposing a general obligation in MAR 9.2A.8R on the CTP to allow an orderly transfer to another CTP of *informational* assets (for example, knowledge relating to aggregation and cleaning of data)
 - requiring that a CT consultative committee be set up to:
 - oversee any future transfer of CT responsibilities between CTPs (though this function could also be performed by a separate Monitoring Trustee under s. 166 FSMA)
 - provide oversight and feedback on the operations of the CTP
 - ensuring that the CTP uses open data standards relating to the receipt of data and the distribution of the service to the end user

5.40 We encouraged potential CTPs to consider their obligations under the Competition Act 1998 when contemplating consortium/joint venture bidding. We proposed to seek assurances from bidders that, where operating outside of any consortia, their bids have been made independently, are genuine, are based on their own data and have not involved communication with other bidders.

5.41 In CP23/15, we asked:

Q21: Do you agree that the duration of the initial CTP contract should be five years? How would the length of the contract affect costs, revenues and incentives of a CTP?

Q22: Do you agree with the proposed mitigants to address any potential incumbency advantage of the first bond CTP? Are there additional factors that we ought to consider?

Summary of feedback

5.42 Respondents generally agreed that the duration of the initial CTP contract should not be shorter than five years. One respondent noted that a mechanism should be set up to make sure that a CTP which is failing in its duties, or is acting in an uncommercial or discriminatory fashion, can be removed or replaced before the end of the contract period.

5.43 Respondents generally agreed with proposed mitigants to deal with any potential incumbency advantage of the first bond CTP. Some respondents noted that the proposed mitigants did not address the main CT build cost impediments. Questions arose around ownership of historical data, intellectual property rights and licensing agreements if a replacement CTP is appointed.

5.44 One respondent raised concerns that MAR 9.2A.8R is too broadly drafted and that reference to 'assets' could suggest that the incumbent CTP would have to transfer all assets including technology to a successor CTP.

Our response

5.45 We will appoint the bond CTP for a contract length of five years. While we recognise that a longer contract period may appeal in that it gives more time for the CTP to recover its initial investment costs, particularly for the first CTP, this also limits the extent to which we can make timely changes to the framework where it becomes obvious that certain parts are not functioning as intended. A shorter contract length also means that competition *for* the market occurs more often, and that the existing CTP can have its position challenged before any incumbency advantages become too entrenched to allow credible challenge from alternative CTPs. Finally, a five year period is also the maximum period allowable under the draft DRSRs.

- 5.46** Regulation 10 of the DRSRs sets the circumstances in which the authorisation of a DRSP can be cancelled. The circumstances include where a DRSP no longer meets the conditions under which it was authorised and where it has seriously and systematically infringed requirements placed on it. Our expectation is that the contract for the appointed CTP would also include standard clauses to deal with non-performance by a CTP and, if necessary, termination of their contract.
- 5.47** We intend to leave the proposed mitigants to deal with any potential incumbency advantage of the first bond CTP largely unchanged. MAR 9.2A.8R on the transfer between CTPs of assets and data is limited by the provision that the outgoing CTP must only transfer those assets that are 'necessary to enable it [the incoming CTP] to operate the consolidated tape effectively'. This limits what must be transferred. Rather than issuing guidance on what this includes we believe that this will be better handled through supervisory discussion with the CTP.
- 5.48** Our draft of MAR 9.2A.8R did not explicitly mention client handover. We intend to include an additional provision to that rule for clarity's sake, as set out below.

'It must also have in place agreements with its clients which enable those clients who decide to do so to transfer to a successor CTP.'

Chapter 6

Our response to feedback on the framework of rules for a bond CTP, APAs and ARMs

Organisational and prudential requirements

- 6.1** In CP23/15, we proposed that a CTP should comply with the requirements in SYSC 15A on operational resilience through an amendment of the application provision in SYSC 15A. The provisions in SYSC 15A were intended to increase operational resilience by improving firms and Financial Market Infrastructures' (FMIs') ability to prevent, adapt, respond to, recover, and learn from operational disruptions. The rules have deliberately been framed in a way that enables them to be applied proportionately across a wide range of different businesses (including that of a CTP).
- 6.2** On outsourcing, we proposed that the requirements for CTPs are added to by the inclusion of provisions about a written agreement, the ability of the CTP to end its relationship with an outsourcer or have it ended without disruption to its business and to make sure that the CTP sets up arrangements to enable the FCA to speak directly to firms to whom the CTP outsources.
- 6.3** On conflicts of interest, we proposed requiring a CTP to take account of the activities of its group of which it is aware in its conflicts of interest arrangements, that the arrangements are subject to regular review and information is given to a CTP's management body on conflicts. We also proposed that, in MAR 9.2B.30, the existing requirements to separate business functions where a CTP is operated by an RIE or APA also apply where a CTP is operated by an investment firm or market data vendor or is part of a group that includes an RIE, APA, investment firm or market data vendor.
- 6.4** On other organisational requirements, we proposed to retain unchanged the effect of existing requirements in regulations 13, 44 and 45 of the DRSRs in MAR 9.2B.1R (Requirements for the management body of a data reporting service provider), 9.2B.7R (Record keeping) and 9.2B.8R (Reporting of infringements) and Articles 5 to 9 of MIFID RTS 13 (in MAR 9.2B.2R (Conflicts of interest), MAR 9.2B.3 (Organisational requirements regarding outsourcing), MAR 9.2B.4 (Business continuity and back-up facilities), 9.2B.5 (Testing and capacity) and 9.2B.6R (Security)).
- 6.5** On prudential requirements, we proposed that a CTP should be required to have sufficient financial resources for the proper performance of its duties as a CTP. We included guidance in MAR 9.2C.2G and 9.2C.3G on factors a CTP should have regard to, including its ability to carry out its operations and, if necessary, to prepare for orderly wind down or transfer of its operations.

6.6 In CP23/15, we asked:

Q23: Do you agree with our proposed extension of the operational resilience requirements in SYSC 15A to a CTP?

Q24: Do you agree with our proposed additional outsourcing and conflicts requirements applying to a CTP?

Q25: Do you agree with our proposed retention unchanged of the obligations currently contained in Regulations 13, 44 and 45 of the DRSRs and Articles 5 to 9 of MIFID RTS 13?

Q26: Do you agree with our proposed prudential regime for CTPs?

Summary of feedback

- 6.7** Respondents emphasised the importance of aligning with the EU on rules requirements for the CTP.
- 6.8** All respondents supported the extension of SYSC 15A operational resilience requirements to a CTP. Several respondents also suggested an alignment between SYSC 15A and any other operational resilience requirements with the EU's Digital Operational Resilience Act (DORA) to allow the UK CTP to access the EU user base more easily.
- 6.9** Respondents were generally supportive of the proposed additional outsourcing and conflicts requirements applying to a CTP.
- 6.10** One respondent believed more stringent conflict management rules were needed due to the unique position the CTP will be in through receiving a direct data feed from all data providers. To make sure there is a level playing field amongst market participants and that the CTP does not act improperly, the same respondent recommended the FCA oblige the CTP to implement robust information barriers amounting to complete physical separation of the CTP business and other business arrangements operated by that entity if they are also one of the bodies referred to in proposed MAR 9.2.30R(1) to (5).
- 6.11** Almost all respondents supported the retention unchanged of the obligations currently contained in Regulations 13, 44 and 45 of the DRSRs and Articles 5 to 9 of MiFID RTS 13.
- 6.12** Almost all respondents supported the proposed prudential regime for CTPs. One respondent suggested clarification on the distinction between holding 'sufficient' as opposed to 'adequate' financial resources, that further guidance on wind-down planning would be helpful, and that further clarity should be given on how financial resources requirements for CTPs would interact with any other prudential regimes.

Our response

6.13 We will proceed with:

- extension of SYSC 15A requirements to a CTP
- application of additional outsourcing and conflicts requirements applying to a CTP
- retaining unchanged the obligations currently contained in Regulations 13, 44 and 45 of the DRSRs and Articles 5 to 9 of MiFID RTS 13

6.14 The UK operational resilience framework shares similarities to the EU's DORA, such as a focus on governance and risk management, testing, and overall resilience. However, whereas DORA focuses on ICT risk, our approach is led by the in-scope firms' identification of their own important business services and the underlying processes, people and technology supporting them (including but not limited to ICT services). The UK's approach grants greater flexibility in how testing is conducted, leaving it to firms to assess the best way to implement policy. We do not intend to amend our proposals on these requirements. We believe that there should be a consistent approach for how a CTP manages operational resilience with the rest of the operational resilience framework for financial services.

6.15 In respect of conflicts, in our view the rules we proposed in MAR 9.2B.2R and 9.2B.30R together with the additional requirement we are adopting, discussed in Chapter 5 for requiring a CTP to be a separate entity from any entity within a group that seeks to create value-added services from the CT are adequate. The rules in 9.2B.2R and 9.2B.30R mean that a CTP will have to have a separation of duties and business functions, including measures to control the exchange of information where conflicts can arise.

6.16 In our proposed rules, we copied a provision (in MAR 9.2B.20) from Article 19 of MiFID RTS 13. MAR 9.2B.20 applies only to APAs, however the provision in MiFID RTS 13 we were copying, as set out below, also applies to CTPs.

'APA and CTPs shall ensure that the information which must be made public is sent through all distribution channels at the same time, including when the information is made public as close to real time as technically possible or 15 minutes after the first publication.'

6.17 While the table in Chapter 6 of CP23/15 said that MAR 9.2B.30 and MAR 9.2B.36 covered this obligation for CTPs, neither of these contain the substance of the provision above. We have added a provision to our rules, MAR 9.2B.33R(2) dealing with this issue.

6.18 In respect of the points made about prudential requirements our response is as follows.

- Holding 'sufficient' financial resources is the prudential standard applied to RIEs while 'adequate' applies to authorised persons. Because the prudential regime applying to CTPs is more akin to that for RIEs than authorised persons and 'sufficient' and 'adequate' are very similar terms, we believe it is appropriate to retain 'sufficient resources' as the basic prudential standard for the CTP. However, we have amended MAR 9.2C.1R to clarify that resources must be sufficient 'at all times'.
- We have added clarificatory guidance, in MAR 9.2C.2G(4) and 9.2C.3G, about how the prudential requirements for a CTP relate to other prudential regimes

a CTP might face. The first provision clarifies that the CTP financial resource requirements apply in addition to any other requirements in respect of other regulated activities. The second provision clarifies that any assessment of the level and quality of financial resources of a regulated entity to fulfil a particular purpose may be impacted by all its activity, both regulated and unregulated.

- The guidance in [FG20/1](#) and the [Wind-down Planning Guide](#) is aimed at authorised persons and was developed with them in mind. We do not think that it is appropriate to amend the scope of the guidance to include CTPs. However, those pieces of guidance are written in a way such that parts of what they have to say is of more general relevance to prudential and wind-down issues. We have included guidance in MAR 9.2C.4G saying that a CTP might find it useful to refer to these pieces of guidance.

Data pricing

6.19 In respect of existing provisions on pricing for a CTP we proposed to:

- remove the existing obligation for a CTP to price on a RCB
- retain the existing obligation for a CTP to offer market data on a non-discriminatory basis (because setting prices in the tender process is not compatible with allowing negotiation between the CTP and individual buyers of market data)
- retain the existing obligation on a CTP to be transparent about its prices and price changes but removing the existing obligation to be transparent about the content of market data, revenues and price setting

6.20 In CP23/15, we asked:

Q27: Do you agree with our proposed deletion of the requirement for a CTP to price on a reasonable commercial basis?

Q28: Do you agree with the retention of the requirement for a CTP to provide market data on a non-discriminatory basis?

Q29: Do you agree with our proposed changes to the transparency obligations in respect of pricing?

Summary of feedback

6.21 Respondents had mixed views on our proposed deletion of the requirement for a CTP to price on a RCB. Respondents did not appear to have a strong preference for where or how (whether through rules or tender) the requirement for the CT to be priced on a RCB would be applied, so long as the CT's price was reflective of its underlying costs. Respondents also made several points and suggestions about RCB.

- The RCB requirement should be retained for the CTP's value-added/ancillary services.
- RCB should only be removed for the CTP if it is also deleted for trading venues and the CTP is required to share revenue with trading venues.
- Regulatory intervention should not be required on pricing if CT consumption is not mandatory.
- The CTP's pricing should be allowed to evolve over the period of the tender contract to reflect changing costs. Retaining the RCB requirement could give the FCA greater leverage to effectively supervise any price changes.
- Guidance could be developed on how the RCB requirement should be applied.

6.22 Almost all respondents agreed that the CTP should be required to offer market data on a non-discriminatory basis, with some emphasising the need for transparent fee schedules. One respondent suggested that to clarify the terms under which fees should be set and importantly, to avoid the potential for the CTP to determine variable fees based on the perception of the value to the user by the CTP, it would be good for MAR 9.2B.36 to be amended. Another respondent suggested the FCA set out clear guidance on non-discriminatory price setting.

6.23 Respondents generally agreed with our proposed changes to transparency obligations, though some suggested that there should be greater assurance, whether through third party auditing or the FCA's supervisory functions, that those obligations were being met by the CTP.

Our response

6.24 We will delete from rules the requirement for a CTP to price on a RCB. We still think that with the CTP auction we are intending to hold, the auction rather than rules is the most appropriate mechanism for exercising competitive pressure on, and to constrain, the appointed CTP's pricing behaviour. The auction will set a clear pricing constraint and bind the CTP to adhere to it through the tender contract. The contract will also deal with the extent to which prices can be adjusted to deal with general inflation and whether there are other circumstances in which prices can be increased.

6.25 MAR 9.2B.36 says:

'Any differentials in prices charged to different categories of customers must be proportionate to the value of the market data to those customers, taking into account the use made by the customer of that data, including whether it is used for the customer's own trading activities, for resale or for data aggregation.'

6.26 We think that the detail of CT pricing is best dealt with in the tender process where we will set principles for how we would expect a CTP to construct their price list. It is also unclear how the value of market data to customers should be established.

6.27 A related pricing issue is the provision in MAR 9.2B.37 that says:

'The CTP for bonds must charge for the use of market data on the basis of the use made by individual end-users of the market data ('per user basis'). A CTP must have arrangements in place to make sure that each individual use of market data is charged only once.'

- 6.28** This was included in MiFID II to prevent the practice of data fees involving multiple charges for an individual user of the data at an entity level. We will retain the requirement for the CTP to offer market data on a non-discriminatory basis. We will consider whether there is specific guidance we should include in the tender document on this point.
- 6.29** We will implement our proposals on the transparency obligations in respect of pricing.
- 6.30** Our post-implementation review will consider, amongst other things, whether the CTP's pricing and charging mechanisms are operating as intended.

Governance

- 6.31** We proposed that a CTP be required to set up a consultative committee that is composed of data providers and users, meets regularly, and has mechanisms to show how it has taken forward recommendations from the committee. This would allow for direct involvement of data producers and users in the operation of a CT and help address concerns about the commercial incentives of the CTP and their potential conflicts of interest.
- 6.32** We proposed that a CTP maintain a clear apportionment of significant responsibilities among its senior management to make sure that there is accountability for decisions taken in relation to the CTP's operation.
- 6.33** In CP23/15 we asked:

Q30: Do you agree with our proposed governance requirements for the bond CTP?

Summary of feedback

- 6.34** Respondents were generally supportive of setting up a representative governance committee to oversee operation of the CTP but sought greater clarity over how the committee would be set up and run. Suggestions included that:
- the FCA should give greater clarity about:
 - whether recommendations made by the committee would be binding via voting rights
 - the consequences of a CTP not taking into consideration any recommendations and proposals from the committee, with the FCA potentially acting as an escalation point if there is a dispute
 - how committee members would be selected to make sure of a balanced and representative sample of market participants
 - how costs of the committee would be covered
 - terms of reference for the committee
 - who (either the CTP or the FCA) should enforce non-compliance of provision of data to the CTP on a timely basis

- how the FCA would keep the CTP accountable if the CTP did not meet its obligations
- committee members should periodically rotate to make sure that a greater range of market participant views are represented
- the committee should have oversight of the CTP's data quality reports, data products, fees, user policies, subscriber numbers and CT usage
- trading venues should be given the right to audit the CTP and its subscribers
- governance should be included as a selection criterion during the CTP tender process
- the regulatory community should be members of the committee
- anonymised committee minutes could be published to promote transparency without discouraging committee members from expressing their views
- a three-tier governance structure that exists for such bodies as the Global Legal Entity Identifier Foundation (GLEIF) and the International Financial Reporting Standards (IFRS) Foundation could offer useful inspiration for designing the governance structure surrounding the CTP
- the approach of a proportionately applied Senior Manager Regime (excluding the Certification Regime aspects) which is currently applied to Benchmark Administrators, should also form the supervisory basis for the governance of a CTP operator
- the committee could meet more frequently than every 6 months in the early stages of the CT to make sure that it is implemented effectively, and that the CTP is meeting its obligations

Our response

6.35 In our final rules on governance, we will make some additions to those consulted upon on CP23/15. We will revise MAR 9.2B.40R(1), MAR 9.2B.40R(2) and MAR 9.2B.40R(5) as follows (new text in bold).

(1) The CTP must establish a consultative committee composed of a representative range of its users and data producers. **CTP users and data producers may apply to the CTP to be members of the committee.**

(2) **The membership of the committee established in (1) must be renewed at least once during the period of tender for the CTP. At all times, users must comprise the majority of members on the committee.**

(5) **The committee may make recommendations to the CTP.** The Chair must make public information on how the CTP is taking forward the recommendations of the committee including on its performance and operation. **If the CTP decides not to take forward a recommendation, it must provide the committee with reasons for its decision.**

6.36 These changes add, relative to the proposals we consulted upon, requirements:

- to allow data providers and users to apply to join the consultative committee
- for the committee members to be refreshed at least once during the tender period

- for most of the committee members to be data users
- enabling the committee to make recommendations to the CTP and for the CTP to be clear with the committee on how the recommendations have been dealt with

6.37 In making these additions we were striving to give greater clarity on how the committee should be set up and operate while leaving room for the CTP, its users and data providers to determine the exact detail of how the interaction will work. Given that the purpose of the tape is ultimately to help data users we think it is appropriate that they should have most places on the committee.

6.38 In our original proposals we only specified that the CTP should give information to the committee in respect of operating costs. This was in the context of seeking to make sure that any subsequent tender process was contestable. However, we acknowledge that there will be a wider set of issues that ought to be subject to discussion and have spelled this out through a revised MAR 9.2B.40R(4) as follows:

(4) The CTP must share with the committee at a minimum information on the following:

- a. its operating costs, including providing regular updates about those costs;
- b. its operational performance;
- c. its fee and user policies, including any changes to those;
- d. usage of its services;
- e. any data quality issues; and
- f. any technology updates.

6.39 We do not think that it is appropriate to make changes on the points below.

- Inviting all data providers to the CTP consultative committee has the potential to make the committee very large and ineffective.
- The FCA's role is to make sure that the CTP meets its regulatory responsibilities, and we will act where there appear to be regulatory concerns. We do not think that there should be a specific mechanism involving the FCA as an escalation point for disputes between the consultative committee and the CTP.
- The CTP will not have enforcement powers against data providers. The requirement for data providers (all of whom will be authorised) to give data at a specified minimum quality standard is a regulatory requirement that will be subject to our normal supervisory and enforcement powers. Similarly, the CTP itself will be authorised and subject to our supervisory and enforcement powers.
- GLEIF and IFRS governance structures broadly involve regulatory oversight, a not-for-profit entity with governance structures and advisory committees. With respect to the CTP, there is no need for a regulatory oversight committee because it is a regulated entity, the governance structure of the CTP is a matter for the CTP itself (so long as the CTP complies with governance requirements in our rules), and we are proposing a **consultative** committee.
- There is no current legislative authority for applying a Senior Managers and Certification Regime (SM&CR) to the CTP.
- We regard six-monthly meetings as a baseline for a CTP's formal discussions with data providers and users. It will be a matter for the CTP to determine, taking account of views from data providers and users, whether to meet more frequently.

- Allowing data providers to audit the CTP and for users of the CT to be answerable to those data providers for their internal controls would involve treating the CTP as just another market data client of the data providers rather than a specific market infrastructure firm that is authorised in relation to the use of trade data. We think that issues of auditing and controls should be dealt with in the licensing terms offered by the CTP and should be limited to what is necessary to make sure that the CTP can collect its revenues and control use of the data in line with its licences.

Other requirements

- 6.40** We proposed a requirement that data providers send trade reports for bonds to the CTP in as close to real time as is technically possible. We proposed to retain provisions from article 10 of MiFID RTS 13 in MAR 9.2B.31R and 9.2B.32R that mean that a CTP must have various arrangements to make sure they are publishing the information from data providers correctly.
- 6.41** We proposed adding two new requirements:
- requiring a CTP to seek to identify any trade reports that it receives that are incomplete or contain information that is likely to be erroneous and to inform the relevant trading venue or APA
 - requiring the CTP to report to us every six months with observations about data quality, to help us in seeking to improve data quality
- 6.42** We did not propose to change the requirements in MiFID RTS 3 relating to requirements for a CTP to give data to the FCA for the transparency calculations. We did, however, propose that a CTP should give us a CT feed without charge to allow us to conduct market surveillance, particularly during periods of market stress.
- 6.43** In MAR 9.2A we set out guidance on the tender process and its relation to authorisation.
- 6.44** In CP23/15, we asked:

Q31: Do you agree with our proposals on requirements for trading venues and APAs to provide data to the CTP? Do you agree with our proposals on the management by the CTP of potentially erroneous information?

Q32: Do you agree with our proposals on data quality?

Q33: Do you agree with our proposal to require a CTP to provide a feed of its data to the FCA?

Q34: Do you have any comments on our guidance on the tender and retender process?

Summary of feedback

- 6.45** Respondents were generally supportive of our proposals on requirements for trading venues and APAs to provide data to the CTP, and on the management by the CTP of potentially erroneous information. Some respondents noted that while a CTP should inform data providers when it detects erroneous information, the CTP should not have discretion not to publish the data they receive from data providers given they do not possess full information about those trades, and that this could lead to unsynchronised publication of the same trade between the data provider and the CTP.
- 6.46** One respondent suggested that the FCA should consider fully aligning MAR 9.2B.32R(2) with MAR 9.2B.15R(5), which sets out minimum automated price and volume alerts. The FCA could consider issuing guidance to clarify its expectations in this respect, given APAs and CTPs could have different interpretations and approaches.
- 6.47** Other points made included those set out below.
- The CTP informing data providers of erroneous information will need two-way communication, which has implications for cost and timeliness of CT publication.
 - The CTP should periodically report to the FCA on instances of incorrect or incomplete data. One respondent suggested that the CTP should report to the FCA more frequently than the current proposal of at least six months.
 - Technical standards should specify sufficiency, quality, timeframes, and cut-offs to arbitrate any mismatches in data. The FCA should also set out detailed guidelines about where and when trade execution should be considered to have occurred together with aspects such as the treatment of contingent packages, spreads and trade aggregation.
- 6.48** Respondents generally agreed with our proposals on data quality, with some seeking more detailed technical specifications outlining precisely what (and how quickly) the CTP should verify and validate data (including checks on transmission speed, the accuracy of trade flags, notional value and price range).
- 6.49** Points raised included those set out below.
- Double-sided trade reporting should be introduced to identify, reconcile and resolve erroneous data quickly. One respondent flagged the risk that APAs and CTPs apply an inconsistent approach.
 - There may be scope to specify and monitor the categorisation of post-trade data noting that being able to clearly see where volume is traded and whether it was accessible would improve the efficacy of post-trade analysis which should in turn improve best execution.
 - In practice, there are no material quality problems with Multilateral Trading Facility (MTF)-derived post-trade data. This means there are not any CTP-related legislative measures necessary to improve the quality of post-trade data derived from Regulated Markets (RMs) and MTFs and any additional operational complexity exposes the market to operational/technological risk as the additional layer of CTP activity could result in delay as well as transparency prints mismatch.

- 6.50** All respondents agreed with the proposal that a CTP must give a feed of its data to the FCA without charge.
- 6.51** About the tender and retender process, respondents made the points below.
- The FCA could publish on its website names of eligible bidders in the auction process.
 - Allowances will need to be made for the transfer of licence income following any audit of the CTP that reveals additional usage by subscribers.
 - The retender process should start more than six months before termination of the previous CTP contract. There should also be a period of handover when one CTP replaces another.
 - The proposed guidance in MAR 9.2A.2G could be clarified to confirm that the 'selection criteria' referred to in MAR 9.2A.5G will be included in the direction to tender (or retender, as the case may be) that is published on the FCA's website.

Our response

- 6.52** In making our proposals on data quality, it was not our intention to suggest that the CTP would filter the data given to it by data providers before publication. Except in the circumstances where for technical reasons a data provider is unable to amend or cancel a trade, responsibility lies with data providers for determining whether data is erroneous and needs to be corrected. However, the advent of the CTP creates an additional opportunity for assessing whether there are quality issues with data. Our intention is that the CTP should feedback to data providers on any potential issues it identifies with the data they are sending so that there is an opportunity for any issues to be dealt with.
- 6.53** We intend to make the situation clearer by incorporating some text from Recital 16 of MiFID RTS 13 into MAR 9.2B.32R(3). This is explained further in the next chapter where we deal with the general issue of the handling of the recitals.
- 6.54** The CTP will have to give a feed of its data to the FCA without charge.
- 6.55** While we agree that the retender process should start significantly before the end of a tender period, and that selection criteria should be published, we do not think that a change to MAR 9.2A is required to effect either of these. The reference to six months does not indicate the point at which a re-tender process would start but the last point by which it must be underway. We do not think that the FCA should publish on its website names of eligible auction bidders, as this may discourage those bidders from coming forward.
- 6.56** In CP23/15 we did not propose, and no one commented on its absence, that a CTP should be required to have a complaints mechanism. On reflection we think that in common with other financial services firms, a CTP should be required to have a complaints mechanism. We have included in MAR 9.2D.1 requirements about complaints about the provision of a CT.
- 6.57** The provisions in MAR 9.2D.1 draw on those that apply to RIEs by virtue of paragraph 8 of the Recognition Requirements Regulations and the guidance given in REC 2.15.3 to REC

2.15.6. It makes more sense to draw on these sets of requirements, given that a CTP will be a form of market infrastructure, rather than those that apply to investment firms which have been designed for financial services intermediaries.

6.58 The requirements in MAR 9.2D.1 mean that a CTP will have to have arrangements for investigating and resolving complaints using an independent complaints investigator. The requirements do not, in contrast to the arrangements for RIEs and through the Ombudsman service, allow for monetary compensation in relation to a complaint. Given the role that a CTP plays in the market, and its lack of statutory immunity, we do not think that it would be appropriate for the complaints procedure to involve the possibility of compensation.

Chapter 7

APAs and ARMs

7.1 We proposed consolidating the provisions applying to ARMs and APAs currently in the DRSRs and MiFID RTS 13 in MAR 9 in the Handbook without making any substantive changes.

7.2 In CP23/15 we asked:

Q35: Do you have any comments on our consolidation in the Handbook of the requirements applying to ARMs and APAs?

Q36: Do you agree with not including material from the recitals in the Handbook?

Q37: Are there any revisions to the requirements applying to ARMs and APAs you think we should make in future?

Summary of feedback

7.3 Respondents did not make comments on our consolidation in the Handbook of requirements relating to ARMs and APAs.

7.4 Respondents generally agreed (though very few responded to this question) that we should not include material from the recitals in the Handbook, with one noting that recitals that continue to be relevant should be retained instead of a blanket removal. Specifically, it suggested that the second limb of recital 16 of MiFID RTS 13 is helpful and not covered in the substantive requirements and should be included in MAR 9.2B.15R(1) and (7).

7.5 Most respondents generally had no comments to make about revisions to the requirements applying to ARMs and APAs. However, one respondent made several suggestions. It argued for:

- consideration of a materiality threshold for the reporting of ICT incidents to the regulator
- a two-year cut off point for amendments to trade reports and an indication of how amendments should be handled in circumstances where there is a change in reporting requirements between the date a trade is originally reported and the date of an amendment
- a requirement for it to be obligatory to use ARMs to make transaction reports

- 7.6** Another respondent sought clarity on whether the deletion and lack of replacement of Regulation 21 of the DRSRs 2017 in the draft of the DRSRs in July 2023 is a deliberate change or merely an oversight.

Our response

- 7.7** We will press ahead with our proposals, save for the amendment indicated below, to consolidate the requirements applying to ARMs and APAs alongside those for CTPs in MAR 9 in the Handbook.
- 7.8** Recital 16 of MiFID RTS 13, after saying that in exceptional circumstances an APA or CTP should be capable of amending or deleting reports they have received, says:
- 'However, APAs and CTPs should not otherwise be responsible for correcting information contained in published reports where the error or omission was attributable to the entity providing the information. This is due to the fact that APAs and CTPs cannot know with certainty whether a perceived error or omission is indeed incorrect since they were not party to the executed trade.'
- 7.9** We agree that this gives some useful additional clarity on the role of APAs and CTPs and have added wording to this effect to MAR 9.2B.15R(7) and MAR 9.2B.32R(3).
- 7.10** We recognise that the points raised in the responses about the regime for APAs and ARMs merit consideration. At this time, however, because of work on the WMR and Smarter Regulatory Framework we cannot commit to a timetable for undertaking that consideration.
- 7.11** Regulation 21 of the DRSRs 2017 contains provisions dealing with the provision of information by DRSPs to the FCA. Changes to the DRSRs are the responsibility of the Treasury. In the policy note the Treasury issued with the draft of the DRSRs in July 2023 that omitted Regulation 21, the Treasury said that two of the reasons for the deletion of provisions were to remove firm-facing obligations and to avoid overlaps with powers the FCA has in FSMA.
- 7.12** Paragraph 3 of Regulation 21 of the DRSRs 2017 was a firm-facing obligation, requiring firms to notify us if they are unable to comply with a regulatory obligation. On reflection we have decided that it would be useful to restate such a provision in our rules and have added a provision along these lines in MAR 9.3.10(2).
- 7.13** Paragraphs 1 and 2 of Regulation 18 of the DRSRs 2023 give us powers under FSMA in relation to information gathering and investigations in respect of DRSPs. These powers and our ability to make rules relating to DRSPs under section 300H of FSMA 2000 overlap with the powers that were in Regulation 21 of the DRSRs 2017 and that is why paragraphs (1) and (2) of Regulation 21 are not restated in the DRSRs 2023.

Chapter 8

Our response to feedback on a consolidated tape for equities

- 8.1** In CP23/15, we said that we had not yet developed detailed proposals for an equities CT. Instead, we set out some of the main design issues relating to an equities CT and asked questions about them to elicit views that would help us develop such proposals. We will update on next steps for an equities CT in 2024. Our first step will be an analysis of the potential impact of the inclusion of pre-trade data in an equities CT on liquidity in central limit order books (CLOBs) and the quality of execution received by different types of investors.
- 8.2** We continue to regard the market for bond data as distinct from that for equities and take the view that the two need distinct assessments of the potential role of a CTP, its characteristics and its benefits in the relevant trade data market.

Scope

- 8.3** On scope, we discussed:
- whether the rules framework as set out in Chapter 6 of CP23/15 was also relevant for equities
 - whether, in addition to shares, depositary receipts, Exchange Traded Funds (ETFs), certificates, and other similar instruments, the equities CT should include ETCs and ETNs
 - whether the equities CT should include pre-trade data
 - arguments in favour of including pre-trade data were that it enables a wider range of use cases (and improves commercial viability of the equities CT), improves market resilience by providing a trusted source of pricing, and that it creates a single investable universe that will drive the growth of UK equity markets
 - the main argument made against including pre-trade data was that it could drive trading away from CLOBs, and that this would have implications for market fragmentation and ongoing viability of CLOB resilience insofar as the CLOB operators' revenues are reduced by introduction of a pre-trade equities CT
- 8.4** In CP23/15, we asked:

Q38: Do you agree that changes to the existing framework of rules discussed in Chapter 6 are also relevant for an equities CT?

Q39: Do you agree that an equities CT should cover shares, depositary receipts, ETFs, certificates, other similar instruments? Should it also include ETCs and ETNs?

Q40: Should an equities CT include pre-trade data? If so, why do you think this is necessary and what scope of data (including but not limited to depth of order book) should be included? If not, why not?

Summary of feedback

- 8.5** Many respondents agreed that changes to the existing framework of rules discussed in Chapter 6 of CP23/15 are also relevant for an equities CT, but some were opposed to creation of an equities CT.
- 8.6** On the potential future design of any equities CT, most respondents agreed that shares, depositary receipts, ETFs, certificates and other similar instruments should be included in an equities CT. Respondents also generally agreed that the equities CT should include ETCs and ETNs. One respondent noted that there is a question around the practicality of ensuring that all ETCs and ETNs are consistently classified as equities. Other respondents suggested that given ETCs and ETNs are subject to non-equity transparency requirements, their inclusion in the equities CT would pose several technical challenges, including building in non-equity transparency fields as well as setting up connectivity to the venues trading these instruments. Some respondents suggested that ETCs and ETNs should be considered for inclusion after the equities CT has started operating.
- 8.7** Most respondents strongly supported the inclusion of pre-trade data in an equities CT. Several – including the main buy- and sell-side trade associations – suggested the inclusion of at least five levels of order book data with venue attribution. It was argued that many firms already consume direct data feeds with the information that will eventually populate the tape without adverse effects on the market. It was also suggested that an equities CT with pre-trade data will not be suitable for trading purposes because of its latency and so will not lead to greater fragmentation or market instability.
- 8.8** Respondents in favour of the inclusion of pre-trade data said that it would support the resiliency of the market by allowing trading to continue on secondary markets if there is a primary market outage. It was also argued that allowing visibility of a comprehensive set of pre-trade data would bring healthy competition to the market and allow venues to innovate in both listing and trading, thereby improving the UK market. One respondent argued that if pre-trade data were included it would be important to distinguish firm orders on CLOBs from quotes that are being displayed but cannot be accessed and automatically executed by the entire market.
- 8.9** Some respondents were opposed to including pre-trade equities data in any CT. They argued that it was unlikely to lead to an increase in overall volumes of trading but could undermine the role of CLOBs in concentrating liquidity to the detriment of market

quality and the overall resilience and stability of equity markets. It was also argued that pre-trade equities data could disadvantage certain market users by encouraging trading decisions based on stale prices and creating opportunities for latency arbitrage.

- 8.10** One respondent suggested that the priority for an equities tape should be post-trade data because that would meet most use cases. The respondent went on to argue that consideration should only be given to including pre-trade data after a post-trade tape had been set up.

Our response

- 8.11** The feedback on the basic framework of rules means that we have a good starting point for the operational requirements for an equities CTP in the framework we have developed for a bond CTP. We recognise that there are challenges around the inclusion of data on ETCs and ETNs in an equities CT and will discuss the issues raised further with industry to find the best solution.
- 8.12** Views on the inclusion of pre-trade data in an equities CT are polarised. Given the importance of the attractiveness of equity markets in the UK for the wider competitiveness of UK wholesale markets we think that it is important that we have a very firm evidence base before making a judgement on whether or what pre-trade data should be included in an equities CT. Our further work on an equities CT will give priority to conducting analysis of the possible impact of the inclusion of pre-trade data on the stability and resilience of UK equity markets and the outcomes for different types of users of the market. In conducting this analysis, we will seek views from market participants about the right framework for the analysis and how to interpret the evidence gathered.
- 8.13** We will update in 2024 on next steps.

Revenue sharing

- 8.14** In CP23/15, we discussed several issues arising if revenue sharing were to be introduced for an equities CT:
- the price of the CT would increase because of revenue sharing, which would generate less demand for (and access to) the CT
 - data providers may lose revenues from some of their existing licensing services if users substitute away from existing data streams to the CT, though part of this effect could be offset by revenues shared from the CTP to affected data providers
 - depending on model, revenue sharing may encourage data providers to give high-quality and timely data to the CT
- 8.15** We noted three design issues to be decided for a revenue sharing scheme: how the sum of money to be distributed would be decided, the formula for distributing the revenue shares for a given sum of money, and who would share in the revenues.
- 8.16** In CP23/15, we asked:

Q41: Should an equities CTP be required to remunerate data providers through a form of revenue sharing? If employed, which data providers should a revenue sharing model reward, how should the revenues to be shared be determined and how should shares in the revenues be set?

Summary of feedback

- 8.17** Respondents were generally supportive of an equities CTP being required to share its revenues with data providers.
- 8.18** Suggestions from respondents included the following.
- All primary markets should be included in the revenue sharing model plus regulated trading venues that contribute to liquidity.
 - The CTP should only be required to remunerate data providers if CT data becomes a viable substitute for direct feed data – otherwise, the data providers will continue to receive revenues from direct sales of their data.
 - Revenue sharing should only be contemplated once the CTP has had a reasonable opportunity to establish itself. Alternatively, a 5-year period could be set out with a sliding fee schedule to zero. This would allow trading venues to adapt to a model where consolidated data becomes free and for the market to assess how the CT impacts exchanges' direct data feeds.
- 8.19** On how to determine the split of revenues between data providers, the following was suggested.
- Revenue shares should be based on data timeliness, quality, accuracy and standardisation (use of correct tagging including flagging of addressable liquidity). However, one respondent suggested that the quality of data given to the CTP should not be a factor in determining the amount of compensation paid to a data provider.
 - Revenue-sharing arrangements should not distinguish between different types of trading venues or their market share, but rather segment contributors according to the nature of the data they send (such as, pre-trade, post-trade, auction). It was suggested that revenue shares should be based mainly on pre-trade data contributions as these reward venues with good quality liquidity.
 - Revenue sharing should be determined from traded notional value with a weighting factor based on the execution mechanism where the trade occurred and its contribution to price formation (for example, CLOB, auction, Frequent Batch Auctions, reference price waiver (RPW), off-exchange/APA). However, one respondent stated that it is imperative to avoid overcompensating for price-forming trades in revenue redistribution, as this may discourage the reporting of non-price forming trades into the CT and ensuring their inclusion is paramount.
 - Respondents had different views on whether APAs (who publish investment firms' data) and systematic internalisers (who do not contribute to market-wide addressable liquidity/price discovery) should receive a share of revenues.

Our response

8.20 We will need to consider – if we adopt a revenue sharing approach - whether we set out in rules the revenue sharing scheme or make potential CTPs offer a scheme based on principles set out as part of the tender process. If we take the former approach our proposals will need to consider how to define the revenues to be shared as well as the formula for sharing the revenues generated. In both cases we recognise that careful thought will be needed on the impact of the revenue sharing scheme on the economic viability of acting as a CTP and the objective of ensuring that the CT is available at a price that makes sure it will be widely used. Chapter 10 includes some questions for further consultation to inform our final proposals - with comments welcome during a period of short consultation.

Data feeds and information on market outages

8.21 In CP23/15, we asked:

Q42: Do you think that there will be demand for disaggregated feeds, by instrument or industry sector, of the data included in an equities CT?

Q43: Do you agree that the equities CT should provide a single, combined feed of trade reports from different instrument categories?

8.22 We noted industry views that outage data is more relevant for equities than for bonds, given that equities trading primarily occurs on a central marketplace.

8.23 In CP23/15, we asked:

Q44: Do you agree that the equities CT should include data on market outages, and, if so, exactly what data on market outages do you think should be included?

Summary of feedback

8.24 Responses were mixed in their opinions of levels of demand for a single versus disaggregated feed. Respondents generally did not oppose the CTP providing its users with the option to consume either of these types of feeds, though cautioned against offering only single or disaggregated feeds. Single feeds could leave users purchasing feeds for which they have no use, particularly retail investors, and disaggregated feeds could defeat the purpose of a CT aggregating data to make a single, authoritative source of truth.

8.25 Almost all respondents agreed that it would be useful for the equities CT to include data on market outages. Respondents made the suggestions below.

- The CT should include:

- outages per contributor (segment Market Identifier Code (MIC))
- session administration messages (order book status updates (continuous trading, auction call, etc.), declaration of trading halts, fast markets, etc.)
- flags to identify outage type (for example, technical outage)
- The CT (through amendments to the RPW) could be used as a reference price source during an outage, allowing trading to dynamically move away from the 'most relevant market in terms of liquidity'. This would also create an incentive for primary venues to invest in operational resilience.
- CT consumption should not become mandatory because of market outage data being included in the tape.
- The S-MAC sub-committee on market outages should consider the types of information that trading venues could send to the CTP relating to an outage.
- It may not be possible to send information about outages to the CT in the same way that information is displayed about the status of securities trading. To support the goal of delivering consistent information to market participants during a market outage, other initiatives could be more effective. This includes the work of the FIX trading community on standardising communication among trading venues during outages.

Our response

8.26 We will be particularly interested in views from potential CTPs about data disaggregation and the extent to which it should be mandated through rules or left to bidders to specify what they will offer as part of a tender process. A sub-committee of the S-MAC is working on issues relating to market outages. We will take account of its work and the various technical points raised in the responses in considering whether and what information might be included in an equities CT in relation to outages and other trading halts and suspensions.

Chapter 9

Cost benefit analysis

- 9.1** In CP23/15, the FCA presented CBAs of the expected costs and benefits associated with the policy proposals set out in the consultation.
- 9.2** Our analyses were based on:
- discussion with market participants
 - existing estimates of the costs of setting up a CT in the EU
 - our internal assessment and quantification of the identified costs and benefits of the proposals
- 9.3** Respondents emphasised that the cost to data providers of providing data to the CTP is significant, and that this is particularly the case if the decision is made not to mandate a revenue sharing or connectivity cost recovery scheme between the CTP and data providers. This point was considered within the CBA in CP23/15 and in the CBA on our proposals for payments to data providers in Annex 4.
- 9.4** Respondents did not make any specific comments on the cost and benefit estimates set out in the CBAs or give us any additional evidence on their costs that would change our analyses.
- 9.5** As noted in Chapter 3, the Chair of the Treasury Sub-Committee on Financial Services Regulations wrote to the FCA on 25 July 2023 asking, amongst other questions, about the FCA's assessment and CBA of allowing more than one CT in bonds to develop and compete with one another.
- 9.6** Our response to that letter made several points in relation to that question, drawing on material included in Chapter 3 of CP23/15 and the CBA. It made two points about the potential disadvantages of multiple CTPs that drew heavily on analysis presented as part of the CBA in CP23/15.
- Our WTDR found that the revenues from sales of trade data in bond markets were relatively modest, in the low tens of millions of pounds. A CTP would be unlikely to earn as much revenue as is currently being spent on trade data for bonds, particularly given that a CT is not a complete substitute for buying data from the trading venues and the APAs. The CBA in CP23/15, based on a survey of potential CTPs and other publicly available information, estimated that set-up costs for a CTP would be between £4m and £10m, and yearly operating costs would be between £2m and £7m.
 - Having multiple CTPs increases connectivity costs for data providers. In the CBA for CP23/15, we estimated these one-off costs to be £1.6-3.3m and ongoing costs to be £0.5-1.0m. While we would not expect these costs to be fully duplicated when connecting to additional CTPs (due to synergies from setting up the first connection), some of these costs would be incurred each time a new CTP connection is required. Additionally, each new CTP would

duplicate fixed costs of the existing CTP(s) to set themselves up. It is not clear that the benefits of competition between multiple CTPs (if any) would outweigh these duplicative fixed costs.

- 9.7** We have made amendments to our proposals considering the feedback on the proposals in CP23/15. Most of these are relatively minor, aimed at clarifying the rules that we originally proposed and, as such, our original assessment of costs and benefits covering most of our proposed rules continues to be valid.
- 9.8** The two more significant changes that we are proposing are:
- the requirement that value-added data services cannot be provided in the same legal entity as a CTP
 - the requirement on the CTP to offer historical data
- 9.9** Our rules already required a separation between the operation of the CTP and other activities within the same legal entity. We do not think that the requirement for a separate legal entity will add significantly to the costs of a CTP, and it will make it easier to make sure that the CTP's group does not have access to the data in any way that is more favourable than others seeking to use the data to create value-added services.
- 9.10** A requirement to offer historical data will mean a CTP has to invest to make the data available. However, it will also mean that the CTP is a source of benchmark historical data which will put it in a stronger position to sell this data than would be the case if it were not required by regulation to make this service available.
- 9.11** Given the points discussed above, we do not believe that any updates to our CBA in CP23/15 are required for the bond CT framework. However, there is an exception regarding our cost recovery proposals, discussed in Chapter 10 of this PS, for which we have undertaken a separate CBA which is in Annex 4.

Chapter 10

Consultation on payments to data providers connecting to the bond CTP (including draft legal text)

Introduction

- 10.1** In Chapter 5, we summarise the responses to our proposals in CP23/15 on the bond CTP's terms of access to input data. As set out there, some respondents were concerned about the fact that our proposals did not include any recompense for the costs of setting up a connection to the CTP or for the likely loss of revenues they would sustain because of the creation of the CT. They were concerned that the combination of the two factors would inhibit their ability to invest in their systems for making data public as required by the regulatory framework and, for trading venues, their wider businesses.
- 10.2** In the responses to CP23/15 many potential CT users were strongly supportive of our proposed approach, whereby data providers connect to the CTP via a standardised API and the CTP is not required to pay data providers (which could potentially inflate the price of the CT for its users). In respect of compensating data providers for the costs of connecting to the CTP or revenue sharing they highlighted that investment firms are not compensated for connecting to APAs and receive no revenues from the sales of their data by the APAs.
- 10.3** We recognise that the contribution of data providers will be essential in helping to make the CT successful. It is important that the regulatory framework for the CT achieves an appropriate balance between the incentives facing data providers, the CTP and data users. Considering the consultation responses, we have decided to consult on specific potential mechanisms for making payments to data providers.

Analysis and proposals for consultation

- 10.4** Any mechanism for payments by the CTP to data providers to reflect the costs of connecting to the CTP should have several characteristics.
- It should be as administratively simple as possible for the CTP and data providers to minimise the frictional costs incurred for either.
 - It should not threaten the financial viability of the CTP or significantly diminish the incentive for potential bidders to respond to participate in the tender process. For example, payments could be delayed until the CTP has started to generate revenues.
 - To the extent possible, it should support the regulatory obligations on data providers to give high-quality data to the CTP. For example, payments could be conditional on meeting data quality standards.

10.5 We have considered several potential approaches to determining the level of payments from the CTP to data providers. Given that there was no detailed discussion of possible mechanisms in CP23/15 we think it is appropriate for us to present three options for consultation rather than a single approach. This should enable us to gain more effective feedback from data providers, potential bidders and data users before finalising our proposals. In recognition of the consultation closing on 9 February 2024, a timetable which is required to allow us to finish our rules concurrently with the DRSRs 2023 coming into effect on 5 April 2024, we encourage interested respondents to speak with us directly on our proposals. We will speak to industry and MPP and S-MAC during the consultation period to inform our decision on finalising our rules.

10.6 The three options we are now considering for determining the level of payments are as follows (draft legal text for implementing each of these options is presented after the questions in this chapter).

- **Option 1:** The CTP is required to pay each data provider that connects to its API a fixed sum. For example, this could be set at £58,500 – based on 50% of the estimated one-off cost of connecting to the CTP in CP23/15 (£58,500 represents 50% of the midpoint of the estimates per firm), divided equally between the number of data providers used to generate the estimate. Setting the figure at 50% of costs means that the costs of connection are shared between the data providers and the CTP (and thereby probably the data users). We have relied on the midpoint of the estimated range of costs from CP23/15 to try to make sure that despite the payments being averaged they cover at least half the costs of connection of as many data providers as possible while also providing an incentive for data providers to connect in a way that is cost-efficient.
- The payment could be split into two annual instalments starting after one year of operation to make the burden of making the payments more manageable for the CTP. Where a data provider connects to the CTP under a year before the end of the CTP tender contract, that data provider would receive a single payment.
- **Option 2:** Data providers must use cost accounting methodologies and submit to the CTP a figure for the direct one-off costs of setting up a connection to the CTP (the terms 'cost accounting methodologies' and 'direct costs' are used in Article 89 of the MiFID delegated regulation). To seek to make sure that the figures are as accurate as possible we have included a requirement for a firm's external auditors to validate the methodologies used and the figures produced. However, we recognise that this would involve a cost that will to some extent offset the benefits. The CTP will be required to pay 50% of these one-off connectivity costs to each data provider in two annual instalments. Where a data provider starts to give data to the CTP under a year before the end of the tender period, they will receive a single payment.
- **Option 3:** At the end of its first year of operation, the CTP must ringfence an amount equal to X% of revenues earned during that year. The intention of this approach is to condition payments on the financial success of the CT. The more successful the CT is the greater proportion of the costs of connection of data providers will be returned to them. As with the previous options, these payments could be made in instalments and be contingent on meeting data quality standards. In CP23/15 we estimated the costs of setting up and running a CTP per year. These

produced total costs in the range of £14 to £45 million. A CTP will need to at least earn back its costs and is unlikely to earn as much in revenues in its first year as in subsequent years. Taking a mid-point estimate of the costs and assuming a CTP will only earn 10 per cent of its revenues over the course of the tender period in the first year suggests 20% might be a reasonable starting point for a figure that could generate at least as much money as the figure in Option 1.

One way to tie this proposal more clearly back to cost recovery would be to put an upper limit of £3.3 million on the payments to be made which was the upper limit of our estimates of the costs of connectivity in our CBA in CP23/15.

- 10.7** Across each of the options, we are proposing that the payments should only be made to data providers where they have met criteria linked to the accuracy and timeliness of their data contributions. It will be for the CTP to define these criteria and determine whether they have been met. This is a way of seeking to make sure that a data provider has a stable connection to a CTP and is focused on data quality.
- 10.8** We are also proposing that where several entities in a group connect that only one payment should be made to reflect the ability of groups to share costs related to the creation of a connection.
- 10.9** Option 1 is simple but by relying on average estimated cost numbers gives a rough and ready approach to ensuring that individual data providers are compensated for the costs of connection that they face. It also takes no specific account of the CTP's ability to pay beyond introducing instalments and providing certainty over the amount of the payments. The payments themselves will not create a short-term or ongoing alignment between the interests of data providers and the CTP. However, linking the payments to data quality criteria seeks to create a short-term incentive for data providers to focus on the quality of their connection to the CTP and the data they contribute to it.
- 10.10** Option 2 is slightly more complex than the previous option, though potentially fairer in that it seeks to generate a unique payment sum for each data provider which reflects their actual one-off connectivity costs. However, it does not give an incentive for a data provider to minimise their expenditure on creating its connection to the CTP. Again, it takes no specific account of the CTP's ability to pay beyond introducing instalments but removes the certainty over how much the CTP must pay. As with Option 1, the payments themselves will not create a short-term or ongoing alignment between the interests of data providers and the CTP but linking the payments to data quality criteria seeks to create a short-term incentive for data providers to focus on the quality of their connection to the CTP and the data they contribute to it.
- 10.11** Option 3 is the most complex but explicitly seeks to take account of a CTP's ability to pay and to create a direct link between a CTP's success and the payment to the data providers. However, in terms of fairness the payments will not be based on individual data providers' costs of connection. The uncertainty over the level of the payment might also affect the incentive for data providers to invest in the quality of their connection to the CTP and the quality of their data.
- 10.12** In respect of Option 3 we are interested in views on appropriate levels for X and whether there is some way of setting it that does not rely on our estimates of costs that a CTP's revenues will have to cover.

10.13 All options create a risk that potential CTPs will submit larger price bids during the tender to recover the anticipated cost of contributing to data providers' connectivity costs. Connectivity cost recovery would be passed on to end users of the CT. However, under the proposals in CP23/15 users of CT data might be faced with higher costs of trading and APA services or a decline in the quality of those services.

10.14 Ahead of receiving the consultation responses, and discussions with individual firms, trade associations, the MPP and S-MAC, we are not ruling out implementing our original proposal that there should be no payments to data providers. However, this consultation indicates that we are now minded to have a rule on payments for the costs of connectivity. Of the options presented for making payments, we think that either Options 1 or 2 would be the better approach as they are more directly linked to the costs of connectivity.

- Q1:** Do you think any of the three options are preferable to the approach suggested in CP23/15? If not, please explain your response.
- Q2:** If you think that payments should be made to data providers, do you support any of the options we have proposed for calculating the payments to be made? If not, please explain your alternative approach.
- Q3:** If you think that payments should be made to data providers, do you think that those payments should be conditioned on data quality? If so, please explain any suggestions you have for measuring data quality.
- Q4:** Do you think that in Option 1 we have set an appropriate level of payment?
- Q5:** Do you think that in Option 2 there should be a requirement for external auditors to review the cost methodology and the costs? Do you have a view on the costs presented in the cost benefit analysis of this obligation?
- Q6:** Do you have any comments on the level of X in Option 3, including views on how it should be set?
- Q7:** If we proceed with Option 3, should we set an upper limit on the level of payments?

Draft legal text for Options for payments to data providers

Cost recovery for connecting to the CTP for bonds – Option 1

- R (1) The CTP for bonds must pay an operator of a *UK trading venue* or *APA* which connects to it in accordance with *MAR 9.2B.34R(4)(a)* a total of £58,500 in 2 equal instalments.
- (2) The obligation to make a payment in (1) does not apply in relation to an operator of a *UK trading venue* or *APA* which has not met reasonable, objective and non-discriminatory criteria set by the CTP regarding the accuracy and timeliness of market data contributions.
- (3) A CTP which considers (2) is applicable must notify the *FCA* and provide a justification for its assessment.
- (4) The CTP must make the first payment of £29,250 6 *months* after the operator first connects to it, and the second payment 18 *months* after the operator first connects to it.
- (5) Where a newly authorised operator of a *UK trading venue* or *APA* connects to the CTP for bonds within 18 *months* before the expiry of the tender contract term for that CTP, the CTP for bonds must pay £58,500 in accordance with (1) in one instalment to that operator 6 *months* after the connection is made.
- (6) Where more than one operator of a *UK trading venue* or *APA* in a group connects to the CTP for bonds, the CTP is only liable to pay a maximum of £58,500 in accordance with (1), to either that *group* or to a single operator within that *group*.

Cost recovery for connecting to the CTP for bonds – Option 2

- R (1) Each operator of a *UK trading venue* and *APA* which connects to the CTP for bonds in accordance with *MAR 9.2B.34R(4)(a)* must within 3 *months* of connecting provide to the CTP its calculation of the sum representing the direct one-off costs incurred in establishing its connection to the CTP.
- (2) The CTP for bonds must pay 50% of the sum provided by each operator of a *UK trading venue* and *APA* in accordance with (1) in 2 equal instalments.
- (3) The obligation to make a payment in (2) does not apply in relation to an operator of a *UK trading venue* or *APA* which has not met reasonable, objective and non-discriminatory criteria set by the CTP regarding the accuracy and timeliness of market data contributions.
- (4) A CTP which considers (3) is applicable must notify the *FCA* and provide a justification for its assessment.
- (5) The CTP must make the first payment to the operator of the *UK trading venue* or *APA* 6 *months* after the operator first connects to the CTP, and the second payment 18 *months* after the operator first connects to the CTP.
- (6) Where a newly authorised operator of a *UK trading venue* or *APA* first connects to the CTP for bonds within 18 *months* before the expiry of the tender contract term for that CTP, the CTP for bonds must pay 50% of the sum in accordance with (2) in one instalment to that operator 6 *months* after the connection is made.

- (7) Where more than one operator of a *UK trading venue* or *APA* in a *group* connects to the *CTP* for bonds, the *group* must submit a sum as referred to in (1) which represents the costs of establishing a connection to the *CTP* incurred by a single member only of that *group*, and the *CTP* must make its payment of 50% of that sum in accordance with (2) to either the *group* or to a single member within that *group*.
- (8) The calculation referred to in (1) and the cost accounting methodologies on which it is based must be published by the *UK trading venue* or *APA* and disclosed to the consultative committee established under *MAR* 9.2B.40R.
- (9) The method of calculation referred to in (1) must be accompanied by a statement from independent auditors that they consider it is a fair and reasonable one.

Cost recovery for connecting to the CTP for bonds – Option 3

- (1) By the end of 12 *months* from the date on which it started publishing a consolidated tape in accordance with *MAR* 9.2B.33R, a *CTP* for bonds must set up a cost sharing fund comprising (X)% of the total amount of all revenues it has earned from sales of the tape and historical data on an accruals basis during those 12 *months*.
- (2) The *CTP* for bonds must pay an operator of a *UK trading venue* or *APA* which connects to it in accordance with *MAR* 9.2B.34(4)(a), a total sum (Y), in 2 equal instalments.
- (3) The obligation to make a payment in (2) does not apply in relation to an operator of a *UK trading venue* or *APA* which has not met reasonable, objective and non-discriminatory criteria set by the *CTP* regarding the accuracy and timeliness of market data contributions.
- (4) A *CTP* which considers (3) is applicable must notify the *FCA* and provide a justification for its assessment.
- (5) (Y) represents the sum of the cost sharing fund established in accordance with (1), divided by the number of operators of *UK trading venues* and *APAs* which have connected to the *CTP* in the 12 *months* since it started publishing a consolidated tape.
- (6) The *CTP* must make the first payment in accordance with (2) 15 *months* after the operator first connects to it, and the second payment 24 *months* after the operator first connects to it.
- (7) Where a newly authorised operator of a *UK trading venue* or *APA* first connects to the *CTP* for bonds within 18 months before the expiry of the tender contract term for that *CTP*, the *CTP* for bonds must pay the total sum referred to in accordance with (2) in one instalment to that operator 6 *months* after the connection is made.
- (8) Where more than one operator of a *UK trading venue* or *APA* in a *group* connects to the *CTP* for bonds, the *CTP* is only liable to pay a maximum of the sum referred to in (2), to either than *group* or to a single operator within that *group*.

Chapter 11

Consultation on forms for Data Reporting Services Providers

Introduction

- 11.1** There are several forms relating to the activities of DRSPs to which links are currently given in the Annexes to MAR 9. Currently the forms are made by directions but the power of direction in the DRSRs 2017 under which some of the forms are made is not being restated in the DRSRs 2023. Instead, we need to rely on our new rulemaking power in relation to DRSRs that was included in FSMA 2000 (and inserted by FSMA 2023) to create those forms for which there is not a power of direction.

Analysis and Proposals

- 11.2** The forms linked to in the annexes to MAR 9 are as follows:
- Annex 1 – Application form to provide the service of ARM and/or APA and/or CTP
 - Annex 2 – Notification form for list of members of a management body
 - Annex 3 – Variation of Authorisation of a DRSP
 - Annex 4 – Cancellation of Authorisation of a DRSP
 - Annex 5 – Material Change in information for a DRSP
 - Annex 6 – Notification form for changes to the management body
 - Annex 7 – Market Data Processor on-boarding application form
 - Annex 8 – Yearly Notification Form for a DRSP
 - Annex 9 – DRSP Ad hoc notification
 - Annex 10 – Market Interface Specification confidentiality agreement
- 11.3** The DRSRs 2023 have powers of direction that relate to the first four forms above but not to the others. We are making those forms, with the necessary changes to legal references, using our rulemaking powers.
- 11.4** There are two other issues that arise relating to the forms. First, the forms currently refer to provisions in the DRSRs 2017 and MiFID RTS 13. Those references need to be updated so that they refer to provisions in the DRSRs 2023, FSMA and MAR 9 in the Handbook. Second, the authorisation form requires DRSPs to give information about their plans to comply with various obligations. Currently these do not include reference in respect of CTPs to the new obligations we are introducing covering operational resilience, financial resources, governance and complaints. We have expanded the authorisation form to seek information from prospective CTPs on these topics.
- 11.5** Where appropriate we have also used our rulemaking powers to streamline some of the language that was used in MiFID RTS 13.

11.6 In recognition of consultation closing on 9 February 2024, which is required to allow us to finish our rules concurrently with the DRSRs 2023 coming into effect on 5 April 2024, we encourage interested respondents to speak with us directly on our proposals. We will engage with industry, MPP and S-MAC during the consultation period to inform our decision on finalising our rules.

Q8: Do you have any comments on the forms for DRSPs that we are proposing to include in MAR 9?

Annex 1

Questions in Chapters 10 and 11

- Q1:** Do you think any of the three options are preferable to the approach suggested in CP23/15? If not, please explain your response.
- Q2:** If you think that payments should be made to data providers, do you support any of the options we have proposed for calculating the payments to be made? If not, please explain your alternative approach.
- Q3:** If you think that payments should be made to data providers, do you think that those payments should be conditioned on data quality? If so, please explain any suggestions you have for measuring data quality.
- Q4:** Do you think that in Option 1 we have set an appropriate level of payment?
- Q5:** Do you think that in Option 2 there should be a requirement for external auditors to review the cost methodology and the costs? Do you have a view on the costs presented in the cost benefit analysis of this obligation?
- Q6:** Do you have any comments on the level of X in Option 3, including views on how it should be set?
- Q7:** If we proceed with Option 3, should we set an upper limit on the level of payments?
- Q8:** Do you have any comments on the forms for DRSPs that we are proposing to include in MAR 9?

Annex 2

List of respondents

1. Alternative Investment Management Association (AIMA)
2. The APA and ARM Association (APARMA)
3. Association for Financial Markets in Europe (AFME)
4. BlackRock
5. Bloomberg
6. Cboe Europe
7. Citadel
8. Dimensional
9. DXC Technology
10. Ediphy
11. Electronic Debt Markets Association (EDMA)
12. eTrading Software
13. Euronext
14. European Venues & Intermediaries Association (EVIA)
15. Federation of European Securities Exchanges (FESE)
16. FIA EPTA
17. Finbourne
18. FIX Trading Community (FTC)
19. Intercontinental Exchange, Inc. (ICE)
20. International Capital Markets Association (ICMA)
21. London Stock Exchange Group (LSEG)
22. Managed Funds Association (MFA)
23. Market Structure Partners (MSP)
24. NICE Systems Inc.
25. Norges Bank Investments Managements (NBIM)
26. Sustainable Trading
27. The Investment Association (IA)
28. The World Federation of Exchanges (WFE)
29. UK Finance
30. UK Information Providers User Group (IPUG)

Annex 3

Cost benefit analysis for payments to data providers and forms for DRSPs

1. Section 138I(2)(a) of the Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) when proposing draft rules unless, in line with section 138L(3) of FSMA, we believe that the proposals in Chapters 10 and 11 of this paper will not increase costs or that the increase will be of minimal significance. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'. Those costs that we do expect to be incurred in addition to those under our framework in CP23/15, while minimal, are discussed below.

Payments to data providers

2. In Chapter 10 we propose that data providers should be compensated for the costs of connecting to a Consolidated Tape Provider (CTP) to send it data to be used to create the CT. Data providers will incur a connection cost because they will be required under the rules we are finalising to send their trade reports to the CTP by connecting to a standardised, open-source application programming interface (API) developed by the CTP.
3. In the CBA for CP23/15 we explained that connecting to the CTP's API will involve various one-off costs.

'IT development costs include developing or adapting software to be able to connect and transmit data to the API in the required format and setting up the required connectivity to the API. Firms may be able to use existing connectivity dependent on the setup of the API, minimising incremental costs. However, if existing connections cannot be used, firms may need to build new connections or contract with a third-party to set one up. Firms may also need to incur incremental hardware costs if their existing hardware is not adequate for the task. Finally, the data providers will need to incur User Acceptance Testing (UAT) costs associated with limited and reasonable checks that data is successfully transmitted and received by the API in an appropriate manner.'

Rationale for intervention

4. Paragraphs 5 to 17 of the CBA in CP23/15 went through the harms and drivers of harms that form the rationale for us seeking to introduce a Consolidated Tape (CT) for bonds. The rationale for requiring the CTP to make payments to data providers is about ensuring that the intervention through facilitating the introduction of a CT is as effective as possible in remedying the harms identified.

The baseline

5. The baseline for our proposals in Chapter 10 is our original proposals in CP23/15. We did not propose in CP23/15 that data providers would receive any recompense for the costs they incurred in connecting to the CTP. Using the Standardised Cost Model and input we received from firms we estimated that across all data providers the one-off costs of connection would be in the range of £1.6 million to £3.3 million.

The proposals

6. In Chapter 10 we present three possible options for a mechanism for a CTP making cost recovery payments to a CTP.
- **Option 1.** A fixed level of payment that shares the cost of connection between the CTP (and, potentially, data users via higher CT licence prices), the payment of which is linked to a data provider meeting certain requirements in terms of the quality of its connection to the CTP and the quality of the data it gives.
 - **Option 2.** Payments are based on invoices from the data providers of their direct one-off costs of connection, with the payment being linked to a data provider meeting certain requirements in terms of the quality of its connection to the CTP and the quality of the data it gives.
 - **Option 3.** Payments are based on a percentage of the revenues a CTP earns in its first year of operation, with the payment being linked to a data provider meeting certain requirements in terms of the quality of its connection to the CTP and the quality of the data it gives.
7. Relative to the baseline, we think the main justification, from a CBA perspective, for introducing a mechanism for requiring the CTP to make payments to data providers linked to the data providers' costs of connection is to try and help make sure that the connections that data providers make to the CTP, and the data given, are more robust and of a higher quality standard than they would otherwise be. Without payments for the costs of connection, data providers lack an incentive to invest in robust connections and high-quality data to be provided to the CTP, particularly given the implications that the introduction of a bond CT has for their current market data revenues.

Table 1: Summary of costs and benefits

Participant type	Costs	Benefits
Data providers	<p>Option 1: cost of investment in increased data and connection quality</p> <p>Option 2: cost of investment in increased data and connection quality; audit costs of £149,000 (£7,000 per firm)</p> <p>Option 3: cost of investment in increased data and connection quality</p>	<p>All options: data providers receive payments from the CTP that at least cover cost of investment in data and connection quality.</p> <p>For Option 3: the data provider receives increased payments as sales of the CT increase from higher data quality and more robust connection.</p>

Participant type	Costs	Benefits
The CTP	<p>Option 1: £1.23m</p> <p>Option 2: ~£0.8m - £1.65m million</p> <p>Option 3: X% of the CTP's revenues, ~£0.8m - £1.65m million</p>	The CTP should receive higher quality data through a more robust connection.
Data users	Price of the tape will likely increase by the amount required to offset the CTP's costs of contributing to data providers' cost recovery.	Higher quality data and a more stable stream of data from data providers through the CT.
The FCA	Negligible – the CTP will be responsible for applying any cost recovery mechanism, and the FCA will only become involved if it is clear that the framework is not being correctly applied.	-

Option 1 costs and benefits

8. A requirement for the CTP to contribute to data providers' connectivity cost recovery will not affect the cumulative cost to industry of setting up a bond CT, only the distribution of costs between data providers and the CTP (and data users, insofar as costs are passed on in the form of higher CT licence prices). Our estimates need not change from what was reported in CP23/15. However, our proposals do affect who these costs fall on and the overall benefits of the CTP. As we stated and explained in CP23/15, it is not reasonably practicable to estimate the benefits of the CTP. Our proposals here aim to make sure that these benefits are delivered and increase them relative to the base case of no contribution by increasing the quality of CT input data. Hence, the benefits described here are also not reasonably practicable to estimate.
9. Below we set out the costs and benefits of this option compared to the baseline of a CTP not making payments to data providers. It is important to note that the payments to data providers do not represent a new cost of implementing the CT. They are a redistribution of a cost that was part of our original proposals. Where the payments lead to data providers investing more in their connection to the CTP and efforts to ensure data quality this will also not be an additional cost. The investments will only be made where a data provider calculates that the return generated by the spending is greater than the investment it is making.
 - Our proposals imply the following costs.
 - Revenue transfer from CTP. With a mid-point estimate of connectivity costs from CP23/15 of £2.45 million, it will cost a CTP £1.23 million if it has to pay 50% of this cost to data providers. The CTP is likely to increase its price bid to

recover an additional £246,000 of revenue per year on average over the five-year contract to cover this transfer to data providers, relative to a situation where no connectivity cost recovery is required. This cost will be borne by data users.

- We expect the following benefits from our proposals.
 - A revenue transfer from the CTP to data providers (which equivalently represents a cost to the CTP and likely its data users) equivalent to £1.25m. This is a benefit of redistribution.
 - Increased demand for the CT, which will be based on higher-quality input data than would otherwise have been the case, and hence value (despite higher prices). This is a net incremental benefit.

Option 2 costs and benefits

10. This option has similar costs and benefits to the previous option relative to the baseline. The points of difference are as follows.

- Costs.
 - The exact size of the revenue transfer from the CTP cannot be known before the bills are submitted, although our best estimate would be that it will fall within the range of £0.8 to £1.65 million based on our estimates of the costs of connection in CP23/15. This would involve the CTP potentially looking to recover an additional £160,000 to £330,000 of revenues on average per year from data users through higher prices compared to the situation where it is not making such payments.
 - The data providers must pay audit costs for auditors to check the accuracy of the data providers' cost accounting methodologies. Based on a cost of £700 an hour for an external auditor and 10 hours of work this equates to £7,000 per firm and £149,000 in total. Other things being equal, this cost will reduce investment in the robustness of the data connection and the quality of the data.
- Benefits.
 - Payments to data providers potentially in the range of £0.8 to £1.65 million.

Option 3 costs and benefits

11. The costs and benefits of this option relative to the baseline are as follows.

- Costs.
 - We cannot be certain about the size of the transfer from the CTP before the first year of operation of the CT as that will depend on the size of its revenues in that year. However, we have proposed to set the percentage of revenue at a level that will return to the data providers an amount that lies in the range of the costs of connectivity estimated in CP23/15. If this is achieved, costs of the transfer, and the amount the CTP would seek to increase its prices to recover the cost of that transfer, would be in the range of those in Option 2.

- Benefits.
 - We cannot be certain on the size of the transfer to data providers but if we proceed with this Option we want to design it so that there is a reasonable certainty that payments would fall in the range of £0.8 to £1.65 million.
 - As with Option 1, increased demand for the CT, which will be based on higher-quality input data than would otherwise have been the case, and hence value (despite higher prices).

12. In all cases we assume that the costs of setting up and operating the mechanism to make payments are of minimal significance.

13. In designing a mechanism for setting the level of payments to be made from a CTP to data providers there is a trade-off between a level of payment that will encourage greater investment in the quality of the connection to the CTP and its input data, and the attractiveness to potential bidders of bidding to become the CTP. It is difficult before we run the tender to understand the costs for setting up the CTP and its initial operation to determine how exactly these trade-offs will work in practice. We have attempted to take account of these uncertainties by not offering full recompense for connection costs and trying to build into the mechanisms incentives for data providers to have a robust connection and good data quality to get the payments.

Secondary International Competitiveness and Growth Objective

14. We said in the CBA in CP23/15 that our objective is that a CT will allow access to high quality trade data at fair and reasonable prices, in turn making the UK more competitive in the global market and potentially facilitating GDP growth. The purpose of requiring a CTP to make payments to data providers is to try and enhance the quality of the CT without significantly impacting the reasonableness of the price of the CTP.

Uncertainties

15. There are significant uncertainties about the effect of requiring the CTP to make one-off payments to data providers. The two most significant are: the extent to which such payments will lead, at least in the short term, to more robust connections and better data quality; and the impact on the attractiveness of acting as a CTP. These uncertainties arise from data limitations and a lack of precise understanding of how prospective data contributors and CTP bidders will react.

Q1: Do you have any comments on our cost benefit analysis of payments for data providers by the CTP?

DRSP forms

16. Our consultation on DRSP forms restates in rules some forms that had previously rested on a power of direction in the DRSRs 2017 (which is not restated in the draft DRSRs 2023). It also incorporates into some of the forms requests for information relating to new obligations we are imposing on CTPs, such as new systems and controls

requirements. Relative to the baseline of forms existing based on powers of direction and relating to obligations in existing requirements, we do not expect that our proposals represent an increase in costs of more than minimal significance, given that the forms are purely the mechanism by which processes that are already required, or required by new obligations, will now be fulfilled. Hence, we are not required to do a CBA by FSMA.

Q2: Do you have any comments on our cost benefit analysis of forms for DRSPs?

Annex 4

Compatibility statement for payments to data providers and forms for DRSPs

Compliance with Legal Requirements

1. This Annex records the FCA's compliance with several legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, we are required by section 138I(2) of FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA and the importance of taking action intended to minimise financial crime (section 1B(5)(b) of FSMA). We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.
3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s. 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s. 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex explains how our work on CT contributes towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target).
6. This Annex includes our assessment of the equality and diversity implications of these proposals.
7. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to several high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

The FCA's objectives and regulatory principles: Compatibility statement

8. We are satisfied that the proposed rules are compatible with our objectives and regulatory principles. The options for payments to data providers are intended to help make sure that the data given to the CTP to create the CT is of high quality by recognising the cost burden that data providers will bear to contribute data to the tape. The options for cost recovery advance our operational objective of protecting and enhancing the integrity of the UK's financial system. They are also compatible with the FCA's secondary international growth and competitiveness objective. The options do not add to the overall costs of the delivery of a CT and a high-quality CT will make bond markets in the UK more attractive to potential investors.
9. The forms enable the authorisation of DRSPs and for DRSPs to communicate certain important updates about their firm and its management body to the FCA in a standardised way. The proposed rules advance our operational objective of protecting and enhancing the integrity of the UK's financial system. It is also compatible with the FCA's secondary international competitiveness and growth objective. A CTP in the EU will need to use very similar forms and there will be little difference in the burden of form filling on a CTP in each jurisdiction.

The principle that a burden or restriction should be proportionate to the benefits

10. We set out a cost benefit analysis in Annex 4. We are satisfied that the net benefits of these proposals outweigh and justify the costs.

The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term

11. The proposals have regard to this principle and the government's aim, expressed in its December 2022 letter of recommendations to the FCA, of having an internationally competitive financial centre that supports the economy. Better data in bond markets that is widely available should strengthen the attractiveness of the UK as a location for bond trading and help UK companies in raising funds from the bond market.

The general principle that consumers should take responsibility for their decisions

12. A better-quality consolidated tape should help consumers in taking responsibility for their decisions by providing an opportunity for them to be better informed.

The responsibilities of senior management

13. The CTP's senior management will be responsible for its compliance with the requirement to make payments to data providers and for ensuring the information submitted to the FCA through forms is accurate.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

14. The issue of payments to data providers was one we consulted on through CP23/15. We had comments from different types of business on this issue and this has been reflected in our decision to consult for a second time on this issue.
15. There will be a single CTP for bonds that has to fill in CTP forms.

The principle that we should exercise of our functions as transparently as possible

16. Our consultation processes are intended to make sure that we are transparent about the thinking behind our proposals and clearly explain what we expect to achieve. We believe that this CP meets these objectives.
17. In formulating these proposals, the FCA has had regard to the importance of acting intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s. 1B(5)(b) FSMA).

Climate change

18. The FCA must contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target). More efficient bond markets will make it easier for companies to raise finance for a variety of purposes including in support of their transition plans towards net zero.

Impact on Mutuals

19. Section 138K(2) of FSMA requires us to prepare a statement setting out our opinion on whether proposed rules will have an impact on mutual societies which is significantly different from the impact on other authorised persons. We are satisfied that the proposals in Chapters 10 and 11 would not have a significantly different impact on mutual societies compared with other authorised persons if a mutual society sought to become a CTP or other type of DRSP.

Equality and Diversity

20. We have considered the equality and diversity issues that may arise from the proposed amendments and options for amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (which are, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation, and gender reassignment).

- 21.** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Annex 5

Abbreviations used in this paper

Abbreviation	Description
APA	Approved Publication Arrangement
API	Application Programming Interface
ARM	Approved Reporting Mechanism
CBA	Cost Benefit Analysis
CLOB	Central Limit Order Book
CP	Consultation Paper
CSV	Comma-separated values
CT	Consolidated Tape
CTP	Consolidated Tape Provider
Data Provider	A trading venue (Regulated Market, Multilateral Trading Facility or Organised Trading Facility) or Approved Publication Arrangement that provides data to the consolidated tape provider
DORA	EU Digital Operational Resilience Act
DRSs	Data Reporting Services
DRSP	Data Reporting Services Provider
DRSR	Data Reporting Services Regulations
ESMA	European Securities and Markets Authority
ETC	Exchange Traded Commodity
ETF	Exchange Traded Fund
ETN	Exchange Traded Note
EU	European Union
FCA	Financial Conduct Authority
FINRA	Financial Industry Regulatory Authority
FIX	Financial Information eXchange
FMI	Financial Market Infrastructure
FSMA	Financial Services and Markets Act
GLEIF	Global Legal Entity Identifier Foundation
GUI	Graphical User Interface
IFRS	International Financial Reporting Standards

Abbreviation	Description
MAR	Market Conduct Sourcebook
MIC	Market Identifier Code
MiFID	Markets in Financial Instruments Directive (Directive 2004/39/EC)
MiFID II	The second Markets in Financial Instruments Directive (Directive 2014/65/EU)
MiFID Org Regulation	Articles 84 to 89 of the UK version of Commission Delegated Regulation No 2017/565
MiFID RTS 3	UK version of Commission Delegated Regulation No 2017/577
MiFID RTS 13	UK version of Commission Delegated Regulation No 2017/571
MiFIR	Markets in Financial Instruments Regulation
MPP	Markets Practitioner Panel
MSP	Market Structure Partners
MTF	Multilateral Trading Facility
OTC	Over-the-Counter
PS	Policy Statement
RCB	Reasonable Commercial Basis
RIE	Recognised Investment Exchange
RM	Regulated Market
RPW	Reference Price Waiver
RTS	Regulatory Technical Standard
S3	Simple Storage Service
SCM	Standardised Cost Model
sFTP	Secure File Transfer Protocol
SI	Statutory Instrument
SM&CR	Senior Managers and Certification Regime
S-MAC	Secondary Markets Advisory Committee
SRF	Smarter Regulatory Framework
ToTV	Traded on a Trading Venue
WDMS	Wholesale Data Market Study
WMR	Wholesale Markets Review
WTDR	Wholesale Trade Data Review
XML	Extensible Markup Language

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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Appendix 1

Draft Handbook text

DATA REPORTING SERVICES FORMS (AMENDMENT) INSTRUMENT 2024

Powers exercised

- A. The Financial Conduct Authority (“FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 300H (Rules relating to investment exchanges and data reporting service providers).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*].

Amendments to the Handbook

- D. The Market Conduct sourcebook (MAR) is amended in accordance with the Annex to this instrument.

Notes

- E. In the Annex to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text

Citation

- F. This instrument may be cited as the Data Reporting Services Forms (Amendment) Instrument 2024.

By order of the Board
[*date*]

Annex

Amendments to the Market Conduct sourcebook (MAR)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

9 Data reporting service

...

9 Annex 1 Application form to provide the service of ARM and/or APA and/or CTP

- D ~~[Editor's note: The form can be found at this address:
<https://www.fca.org.uk/publication/forms/mifid-data-reporting-services-form.docx>]~~

[Editor's note: where footnote reference numbers are struck through, the corresponding footnotes are also deleted]



ANNEX I

Application form for authorisation to provide data reporting services

...

TO:

Competent authority: The Financial Conduct Authority

Address:

Contact details of the designated contact point at the competent authority FCA

...

Dear [insert appropriate name]

In accordance with ~~Article 2 of Commission Implementing Regulation (EU) 2017/1110~~[‡] MAR 9.2.1D, please find attached the authorisation application.

...

Content

Please insert the information referred to under ~~Commission Delegated Regulation (EU) 2017/571~~² provide the information requested below. Please set out that information under the appropriate section or make reference to the relevant annexes containing the information.

Information on the organisation (~~Article 2 of Delegated Regulation (EU) 2017/571~~) of the applicant, including the following:

- information on the organisation, including an organisation chart and a description of the human, technical and legal resources allocated to the applicant's business activities;
- information on the compliance policies and procedures of the applicant, including:
 - a copy or explanation of the relevant policies or procedures;
 - the name of the person or persons responsible for the maintenance of those policies;
 - the arrangements to monitor and enforce the compliance policies and procedures;
 - the measures to be undertaken in the event of a breach which may result in a failure to meet the conditions for initial authorisation; and
 - a description of the procedure for reporting to the FCA any breach which may result in a failure to meet the conditions for initial authorisation;
 - such other information as the FCA may request; and
- a list of all outsourced functions and resources allocated to the control of the outsourced functions.

If you offer services other than data reporting services, please describe those services.

Information on corporate governance (~~Article 3 of Delegated Regulation (EU) 2017/571~~) policies and the procedures which govern the applicant's management body, senior management and, where established, committees, including the following:

- a description of the processes for selection, appointment, performance evaluation and removal of senior management and

members of the management body;

- a description of the reporting lines and the frequency of reporting to the senior management and the management body; and
- a description of the policies and procedures on access to documents by members of the management body.

Information on the members of the management body (~~Article 4 of Delegated Regulation (EU) 2017/571~~) as set out in MAR Annex 2.

Information on conflicts of interest (~~Article 5 of Delegated Regulation (EU) 2017/571~~) the arrangements designed to prevent conflicts of interest as set out in MAR 9.2B.2R. In addition, for an application for authorisation as a CTP, information on conflicts of interest obligations for CTPs as set out in MAR 9.2B.27R.

Information on organisational requirements regarding outsourcing (~~Article 6 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.3R. In addition, for an application for authorisation as a CTP, information on outsourcing obligations as set out in MAR 9.2B.29R.

Information on business continuity and back-up facilities (~~Article 7 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.4R.

Information on testing and capacity (~~Article 8 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.5R.

Information on security (~~Article 9 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.6R.

Information on management of incomplete or potentially erroneous information by APAs and CTPs (~~Article 10 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.15R.

Information on management of incomplete or potentially erroneous information by ARMs (~~Article 11 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.10R.

Information on management of incomplete or potentially erroneous information by CTPs, as set out in MAR 9.2B.31R and MAR 9.2B.32R (1) to (3).

Information on data quality for CTPs as set out in MAR 9.2B.32R.

Information on connectivity of ARMs (~~Article 12 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.11R.

Information on other services provided by CTPs (~~Article 13 of Delegated Regulation (EU) 2017/571~~) as set out in MAR 9.2B.14R.

Information on publication arrangements (Chapter 3 of Delegated Regulation (EU) 2017/571).

Information on machine readability as set out for APAs in MAR 9.2B.17R and for CTPs in MAR 9.2B.35R.

Information on details to be published by APAs as set out in MAR 9.2B.19R.

Information on the scope of the consolidated tape for bonds and publication of information as set out in MAR 9.2B.34R.

Information on certification requirements, as set out in MAR 9.2B.18R for APAs.

Information on non-discrimination obligations, as set out in MAR 9.2B.20R for APAs, MAR 9.2B.30R for CTPs, and in MAR 9.2B.36R for the CTP for bonds.

Additional information to be provided by consolidated tape providers

Information on operational resilience as set out in SYSC 15A, including the CTP's self-assessment of its compliance with the requirements in that chapter (SYSC 15A.6.1R).

Information on financial resources requirements for CTPs as set out in MAR 9.2C.

Information on the arrangements for governance for CTPs as set out in MAR 9.2B.39R.

Information on the arrangements for the investigation and resolution of complaints as set out in MAR 9.2D.1R

9 Annex 2 Notification form for the list of members of the management body

- D ~~[*Editor's note*: The form can be found at this address:
<https://www.fca.org.uk/publication/forms/mifid-management-body-members-form.docx>]~~

~~[*Editor's note*: where footnote reference numbers are struck through below, the corresponding footnotes are deleted]~~



ANNEX II

Application form for the list of members of the management body

...

TO:

Competent authority: Financial Conduct Authority

Address:

Contact details of the designated contact point at the competent authority FCA

...

Dear [insert appropriate name]

In accordance with ~~Article 2 of the Commission Implementing Regulation (EU) 2017/1110~~ ¹ MAR 9.2.1D, please find attached the notification relating to the members of the management body.

...

List of members of the management body

...

Criminal records attached to this application OR self-declaration of good repute and authorisation to the ~~competent authority~~ FCA to make enquiries ~~under Article 4(d) of Commission Delegated Regulation (EU) 2017/571~~² into whether the member has been convicted of any criminal offence in connection with the provision of financial or data services or in relation to acts of fraud or embezzlement

Self-declaration of good repute and authorisation to the ~~competent authority~~ FCA to make enquiries ~~under Article 4(e) of Delegated Regulation (EU) 2017/571~~ into the matters set out in footnote 1 in relation to the member¹

...

Insert the following footnote in the appropriate location. The text is not underlined.

¹ The FCA is authorised to enquire into whether the member has been:

- (i) subject to an adverse decision in any proceedings of a disciplinary nature brought by a regulatory authority or government body or is the subject of any such proceedings which are not concluded;
- (ii) subject to an adverse judicial finding in civil proceedings before a court in connection with the provision of financial or data services, or for misconduct or fraud in the management of a business;
- (iii) part of the management body of an undertaking which was subject to an adverse decision or penalty by a regulatory authority or whose registration or authorisation was withdrawn by a regulatory authority;
- (iv) refused the right to carry on activities which require registration or authorisation by a regulatory authority;
- (v) part of the management body of an undertaking which has gone into insolvency or liquidation while the person held such position or within a year after which the person ceased to hold such a position;
- (vi) otherwise fined, suspended, disqualified, or been subject to any other sanction in relation to fraud, embezzlement or in connection with the provision of financial or data services, by a professional body; or
- (vii) disqualified from acting as a director, disqualified from acting in any managerial capacity, dismissed from employment or other appointment in an undertaking as a consequence of misconduct or malpractice.

Amend the following text as shown.

Additional information relevant for the assessment of whether the member is of sufficiently good repute, possesses sufficient knowledge, skills and experience and commits sufficient time to perform the duties pursuant to ~~Regulation 13 of the Data Reporting Services Regulations 2017~~ MAR 9.2B.1R.

...

Criminal records attached to application OR self-declaration of good repute and authorisation to the ~~competent authority~~ FCA to make enquiries ~~under Article 4(d) of Delegated Regulation (EU) 2017/571~~ into whether the member has been convicted of any criminal offence

in connection with the provision of financial or data services or in relation to acts of fraud or embezzlement

Self-declaration of good repute and authorisation to the FCA to make enquiries into the matters set out in footnote 1 in relation to the member

...

Additional information relevant for the assessment that the member is of sufficiently good repute, possesses sufficient knowledge, skills and experience and commits sufficient time to perform the duties referred to in ~~Regulation 13 of the Data Reporting Services Regulations 2017~~ MAR 9.2B.1R.

...

9 Annex 3 Variation of Authorisation of a Data Reporting Services Provider (DRSP)

- D The form can be found at this address:
<https://www.fca.org.uk/publication/forms/drsp-variation-authorisation-form.doc>



Data Reporting Services Provider (DRSP) Variation of Authorisation

...

Purpose of this form

You should use this form (MAR 9 Annex 3D) if you are a DRSP that wishes to:

- Vary its authorisation to provide one or more additional data reporting services in accordance with Regulation ~~12(1)~~ 11(1) of the Data Reporting Services Regulations ~~2017~~ 2023 or;
- Vary its authorisation so as to remove one or more data reporting services in accordance with Regulation ~~12(1)~~ 11(1) of the Data Reporting Services Regulations ~~2017~~ 2023, where at least one data reporting service will continue to be provided going forward.

...

Important information you should read before completing this form

...

It is important that you provide accurate and complete information, and disclose all relevant information. If you do not, you may be committing an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, appropriate professional advice should be sought before supplying information to us. If any information is inaccurate or incomplete this notification may take longer to be processed. You must notify us immediately of any significant change to the information provided. If you do not, it may take longer to be processed.

...

6

Declaration and signature

The application must be signed by the person who is responsible for making the application on behalf of the applicant firm

Warning

Knowingly or recklessly giving the FCA information which is false or misleading in material particular may be an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, appropriate professional advice should be sought before supplying information to us. If any information is inaccurate or incomplete this notification may take longer to be processed. You must notify us immediately of any significant change to the information provided. If you do not, it may take longer to be processed.

Data protection

For the purposes of complying with the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018-, please note that any personal information provided to us will be used to discharge our statutory functions under the Data Reporting Services Regulations ~~2017~~ 2023 and other relevant legislation and may be disclosed to third parties for those purposes.

...

9 Annex 4 Cancellation of Authorisation of a Data Reporting Services Provider (DRSP)

- D The form can be found at this address:
<https://www.fca.org.uk/publication/forms/drsp-cancellation-form.doc>



Data Reporting Services Provider (DRSP) Cancellation of authorisation

...

Purpose of this form

You should use this form (MAR 9 Annex 4-D) if you are a DRSP that wishes to:

- cancel your data reporting services authorisation in line with Regulation ~~11(1)(b)~~ 10 of the Data Reporting Services Regulations ~~2017~~ 2023, to stop providing **ALL** data reporting services.

...

Important information - read before completing this form

...

It is important that you provide accurate and complete information, and disclose all relevant information. If you do not, you may be committing an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, you should seek appropriate professional advice before supplying information to us. If any information is inaccurate or incomplete, it may take us longer to process this notification. You must notify us immediately of any significant change to the information provided.

...

4 Declaration

The application must be signed by the person who is responsible for making the application on behalf of the applicant firm

Warning

Knowingly or recklessly giving the FCA information which is false or misleading in material particular may be an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, appropriate professional advice should be sought before supplying information to us. If any information is inaccurate or incomplete this notification may take longer to be processed. You must notify us immediately of any significant change to the information provided. If you do not, it may take longer to be processed.

Data protection

To comply with the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018, please note that we will use any personal information provided to us to discharge our statutory functions under the Data Reporting Services Regulations ~~2017~~ 2023 and other relevant legislation and may be disclosed to third parties for those purposes.

...

9 Annex 5 Material Change in information for a Data Reporting Services Provider (DRSP)

Ⓓ The form can be found at this address:

Ⓔ <https://www.fca.org.uk/publication/forms/drsp-material-change-notification.doc>



Data Reporting Services Provider (DRSP) Material Change in information

...

Purpose of this form

You should use this form (MAR 9 Annex 5D 5R) if you are a DRSP that wishes to:

- notify us **before** implementing a **material change** in information provided at authorisation and after that ~~in line with article 1(2) of Commission Delegated Regulation (EU) 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting services providers in accordance with MAR 9.3.1R.~~

...

Important information – read before completing this form

...

It is important that you provide accurate and complete information, and disclose all relevant information. If you do not, you may be committing an offence under Regulation 29 of the Data Reporting Services Regulations 2017 section 398 of the Financial Services and Markets Act 2000. If necessary, you should seek appropriate professional advice before supplying information to us. If any information is inaccurate or incomplete, it may take us longer to process this notification. You must notify us immediately of any significant change to the information provided.

Terms in this form

In this form we use the following terms:

...

- ~~'Commission Delegated Regulation 2017/571' refers to Commission Delegated Regulation (EU) No 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorization, organisational requirements and the publication of transactions for data reporting services providers~~

...

2 Notification details

...

Material Change

...

2.11 Please describe why you have deemed this change to be material with reference to the ~~article in Commission Delegated Regulation 2017/571~~ provision in MAR 9 to which the change relates

...

3 Declaration and signature

...

Warning

Knowingly or recklessly giving the FCA information which is false or misleading in material particular may be an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, appropriate professional advice should be sought before supplying information to us. If any information is inaccurate or incomplete this notification may take longer to be processed. You must notify us immediately of any significant change to the information provided. If you do not, it may take longer to be processed.

Data protection

To comply with the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018, please note that we will use any personal information provided to discharge our statutory functions under the Data Reporting Services Regulations ~~2017~~ 2023 and other relevant legislation and may be disclosed to third parties for those purposes.

...

9 Annex 6 Notification form for changes to the membership of the management body

- ~~D~~ The form can be found at this address:
~~R~~ <https://www.fca.org.uk/publication/forms/drsp-changes-to-management-body-members.doc>

[*Editor's note*: where footnote reference numbers are struck through below, the corresponding footnotes are deleted]



ANNEX III

Notification form for changes to the membership of the management body

...

TO:

Competent Authority Financial Conduct Authority

Address:

Contact details of the designated contact point at the competent authority FCA

...

Dear [insert appropriate name]

In accordance with ~~Article 4 of the Commission Implementing Regulation (EU) 2017/1110¹~~ MAR 9.3.2R please find attached the notification on changes to the membership of the management body.

...

Information on new member(s) of the management body

...

Criminal records attached to this application OR self-declaration of good repute and authorisation to the ~~competent authority FCA~~ to make enquiries ~~under Article 4(d) of Commission Delegated Regulation (EU) 2017/571²~~ into whether the member has been convicted of any criminal offence in connection with the provision of financial or data services or in relation to acts of fraud or embezzlement

...

Self-declaration of good repute and authorisation to the competent authority FCA to make enquiries under Article 4(e) of Commission Delegated Regulation (EU) 2017/571³ into the matters set out in footnote 1 in relation to the member¹

...

Insert the following footnote in the appropriate location. The text is not underlined.

¹ The FCA is authorised to enquire into whether the member has been:

- (i) subject to an adverse decision in any proceedings of a disciplinary nature brought by a regulatory authority or government body or is the subject of any such proceedings which are not concluded;
- (ii) subject to an adverse judicial finding in civil proceedings before a court in connection with the provision of financial or data services, or for misconduct or fraud in the management of a business;
- (iii) part of the management body of an undertaking which was subject to an adverse decision or penalty by a regulatory authority or whose registration or authorisation was withdrawn by a regulatory authority;
- (iv) refused the right to carry on activities which require registration or authorisation by a regulatory authority;
- (v) part of the management body of an undertaking which went into insolvency or liquidation while the person held such position or within a year after which the person ceased to hold such a position;
- (vi) otherwise fined, suspended, disqualified or subject to any other sanction in relation to fraud, embezzlement or in connection with the provision of financial or data services, by a professional body; or
- (vii) disqualified from acting as a director, disqualified from acting in any managerial capacity, dismissed from employment or other appointment in an undertaking as a consequence of misconduct or malpractice.

Amend the following text as shown.

Additional information relevant for the assessment that the member is of sufficiently good repute, possesses sufficient knowledge, skills and experience and commits sufficient time to perform the duties referred to in ~~Regulation 13 of the Data Reporting Services Regulations 2017~~ MAR 9.2B.1R.

...

Criminal records attached to this application OR self-declaration of good repute and authorisation to the ~~competent authority FCA~~ to make enquiries ~~under Article 4(d) of Delegated Regulation (EU) 2017/571~~ into whether the member has been convicted of any criminal offence in connection with the provision of financial or data services or in relation to acts of fraud or embezzlement

Self-declaration of good repute and authorisation to the ~~competent authority FCA~~ to make enquiries ~~under Article 4(e) of Commission Delegated Regulation (EU) 2017/571~~ into the matters set out in endnote (1) in relation to the member

...

Additional information relevant for the assessment that the member is of sufficiently good repute, possesses sufficient knowledge, skills and experience and commits sufficient time to perform the duties referred to in ~~Regulation 13 of the Data Reporting Services Regulations 2017~~ MAR 9.2B.1R.

...

9 Annex FCA MDP on-boarding application form 7

- Ⓓ ~~[Editor's note: The form can be found at this address:~~
 Ⓔ ~~https://www.fca.org.uk/publication/forms/mdp_on-boarding_application_form.doc~~



Market Data Processor (MDP) On-boarding Application Form

...

9

Declaration

This section should be completed by all applicant entities

Warning

Knowingly or recklessly giving the FCA information which is false or misleading in material particular may be an offence under the law, including sections 398 and 400 of the Financial Services and Markets Act 2000, and Paragraph 16 of Schedule 1 to the Markets in Financial Instruments Regulations 2017 and Regulation 29 of the Data Reporting Services Regulations 2017 as appropriate. SUP 15.6.1R and SUP 15.6.4R require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FCA and to notify the FCA immediately if materially inaccurate information has been provided.

...

Data Protection

For the purposes of complying with the Data Protection Act ~~1998~~ 2018 and the UK General Data Protection Regulation, please note that any personal information provided to us will be used to discharge any of our functions and may be disclosed to third parties for those purposes or any other lawful purpose.

...

9 Annex 8 Yearly Notification Form for a Data Reporting Service Provider (DRSP)

- D The form can be found at this address:
 R <https://www.fca.org.uk/publication/forms/drsp-yearly-notification-form.doc>



Yearly Notification Form for a Data Reporting Service Provider (DRSP)

...

Purpose of this form

You should use this form (MAR 9 Annex ~~8D~~ 8R) to confirm that:

- that you continue to comply with the Data Reporting Services Regulations ~~2017~~ 2023 and the relevant provisions of MAR; and
- the information provided to us at the time of authorisation and thereafter is in accordance with the ~~Commission Delegated Regulation 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting services providers (“RTS 13”)~~ MAR 9.2.1D and MAR 9.3.1R.

...

Important information - read before completing this form

...

It is important you provide accurate and complete information, and disclose all relevant information. If you do not, you may be committing an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, appropriate professional advice should be sought before supplying information to us. If any information is inaccurate or incomplete, this notification may take longer to be processed. You must notify us immediately of any significant change to the information provided. If you do not, it may take longer to be processed.

...

2

Notification details

I confirm that the DRSP continues to be compliant with the conditions of authorisation ~~under RTS 13~~, as follows:

2.1 Information on the organisation (~~article 2 of RTS 13~~) (MAR 9 Annex 1D – Information on the organisation)

...

- 2.2 **Information on corporate governance (~~article 3 of RTS 13~~) (MAR 9 Annex 2D – Information on corporate governance)**
...
- 2.3 **Information on members of the management body (~~article 4 of RTS 13~~) (MAR 9 Annex 1D – Information on members of the management body)**
...
- 2.4 **Information on ~~conflict~~ conflicts of interest (~~article 5 of RTS 13~~) (MAR 9.2B.2R)**
...
- 2.5 **Information on organisational requirements regarding outsourcing (~~article 6 of RTS 13~~) (MAR 9.2B.3R)**
...
- 2.6 **Information on business continuity and back-up facilities (~~article 7 of RTS 13~~) (MAR 9.2B.4R)**
...
- 2.7 **Information on testing and capacity (~~article 8 of RTS 13~~) (MAR 9.2B.5R)**
...
- 2.8 **Information on security (~~article 9 of RTS 13~~) (MAR 9.2B.6R)**
...
- 2.9 **Information on management of incomplete or potentially erroneous information by APAs and CTPs (~~article 10 of RTS 13~~) (MAR 9.2B.15R and MAR 9.2B.31R, respectively)**
...
- 2.10 **Information on management of incomplete or potentially erroneous information by ARMs (~~article 11 of RTS 13~~) (MAR 9.2B.10R)**
...

2.11 Information on connectivity of ARMs (~~article 12 of RTS 13~~) (MAR 9.2B.11R)

...

2.12 Information on other services provided by CTPs (~~article 13 of RTS 13~~) (MAR 9.2B.14R)

...

2.13 Information on publication arrangements (~~Chapter III of RTS 13~~) (MAR 9.2B.19R and MAR 9.2B.34R)

...

2.14 Information on financial resources (MAR 9.2C.1R)

- Yes
- No – Please explain below
- Not applicable

3

Declaration

Warning

Knowingly or recklessly giving the FCA information which is false or misleading in material particular may be an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, appropriate professional advice should be sought before supplying information to us. If any information is inaccurate or incomplete this notification may take longer to be processed. You must notify us immediately of any significant change to the information provided. If you do not, it may take longer to be processed.

Data protection

For the purposes of complying with the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018, please note that any personal information provided to us will be used to discharge our statutory functions under the Data Reporting Services Regulations

~~2017~~ 2023 and other relevant legislation, and may be disclosed to third parties for those purposes.

...

9 Annex 9 Data Reporting Services Provider (DRSP) Ad hoc notification

~~D~~ The form can be found at this address:

R <https://www.fca.org.uk/publication/forms/drsp-ad-hoc-change-notification.doc>

Data Reporting Services Provider (DRSP)
Ad hoc notification



...

Purpose of this form

You should use this form (MAR 9 Annex ~~9D~~ 9R) if you are a DRSP that wishes to notify us about:

- ~~notify us about~~ breaches in physical and electronic security measures; ~~;~~
- service interruptions; ~~and;~~
- errors or omissions in the transaction report caused by the Approved reporting mechanism (ARM); or
- any matter which you are required to notify us of under MAR 9.3.10(2)R

...

Important information – read before completing this form

...

It is important you provide accurate and complete information, and disclose all relevant information. If you do not, you may be committing an offence under ~~Regulation 29 of the Data Reporting Services Regulations 2017~~ section 398 of the Financial Services and Markets Act 2000. If necessary, you should seek appropriate professional advice before supplying information to us. If any information is inaccurate or incomplete, it may take us

longer to process this notification. You must notify us immediately of any significant change to the information provided.

...

2 Notification details

...

2.2 Description of the issue, including the date(s) and time(s). Supporting documentation to be provided where appropriate.

Where the issue is being reported under MAR 9.3.10R(2), please include in the description the relevant rule or regulatory obligation and the reason why you are unable to comply with it.

...

3 Declaration

Warning

Knowingly or recklessly giving the FCA information which is false or misleading in material particular may be an offence under Regulation 29 of the Data Reporting Services Regulations 2017 section 398 of the Financial Services and Markets Act 2000. If necessary, appropriate professional advice should be sought before supplying information to us. If any information is inaccurate or incomplete this notification may take longer to be processed. You must notify us immediately of any significant change to the information provided. If you do not, it may take longer to be processed.

Data protection

For the purposes of complying with the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018, please note that any personal information provided to us will be used to discharge our statutory functions under the Data Reporting Services Regulations 2017 2023 and other relevant legislation, and may be disclosed to third parties for those purposes.

...

Appendix 2

Made rules (legal instrument)

DATA REPORTING SERVICES (AMENDMENT) INSTRUMENT 2023**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance);
 - (d) section 300H (Rules relating to investment exchanges and data reporting service providers);
 - (e) section 312J (Statement of policy);
 - (f) section 395 (The FCA’s and PRA’s procedures); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making provisions listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 5 April 2024.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Conduct of Business sourcebook (COBS)	Annex C
Market Conduct sourcebook (MAR)	Annex D
Decision Procedure and Penalties manual (DEPP)	Annex E
Recognised Investment Exchanges sourcebook (REC)	Annex F

Amendments to material outside the Handbook

- E. The Enforcement Guide (EG) is amended in accordance with Annex G to this instrument.

- F. The MiFID 2 Onshoring Guide (M2G) is amended in accordance with Annex H to this instrument.

Notes

- G. In the Annexes to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- H. This instrument may be cited as the Data Reporting Services (Amendment) Instrument 2023.

By order of the Board
14 December 2023

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Insert the following new definitions in the appropriate alphabetical position. All the text is new and is not underlined.

<i>consolidated tape for bonds</i>	a consolidated tape for bonds excluding exchange traded commodities and exchange traded notes.
<i>data vendor</i>	a <i>person</i> whose regular occupation or business is the collection, processing and supply of financial market data for use by third parties.
<i>historical data</i>	a database of all the information published by the operator of the <i>CTP</i> for bonds on trades in date and time order, including any amendments or cancellations subsequent to those trades taking place.
<i>information system</i>	a device or group of interconnected or related devices, one or more of which, pursuant to a programme, automatically processes computer data, as well as computer data stored, processed, retrieved or transmitted by that device or group of devices for the purpose of its or their operation, use, protection and maintenance. For these purposes, ‘computer data’ means a representation of facts, information or concepts in a form suitable for processing in an information system, including a programme suitable for causing an information system to perform a function.
<i>MiFIR investment firm</i>	an <i>investment firm</i> which is either an <i>investment firm</i> to which article 1(2) of <i>MiFIR</i> applies or a <i>third country investment firm</i> to which <i>GEN 2.2.22AR</i> applies.
<i>UK trading venue</i>	for the purposes of <i>MAR 9</i> (and in accordance with article 2(1)(16A) <i>MiFIR</i>), a <i>UK RIE</i> , a <i>UK MTF</i> or a <i>UK OTF</i> .

Amend the following definitions as shown.

<i>close links</i>	(1) (in relation to <i>MiFID business</i> , the operation of a <u><i>data reporting service</i></u> or in <i>FUND</i>) a situation in which two or more persons are linked by:
	...
	...

<i>complaints investigator</i>	<p>...</p> <p>(3) ...</p> <p>(4) <u>(in relation to a CTP) the independent person appointed under arrangements referred to in MAR 9.2D.1R(2) to investigate a complaint and to report on the result of their investigation to that CTP and to the complainant.</u></p>
<i>consolidated tape provider</i>	<p>a person permitted under regulation 5 of the DRS Regulations to provide the service of:</p> <p>...</p>
<i>data reporting service</i>	<p>(in accordance with regulation 2(1) of the DRS Regulations) the operation of provision of the service of an APA, an ARM or a CTP when carried out as a regular occupation or business activity.</p>
<i>DRS Regulations</i>	<p>the Data Reporting Services Regulations 2017 (SI 2017/699) 2023. [Editor's note: add SI number once finalised]</p>
<i>senior management</i>	<p>...</p> <p>(4) ...</p> <p>(5) <u>(in MAR 9) those natural persons who exercise executive functions within an investment firm, a market operator or a data reporting services provider, and who are responsible and accountable to the management body for the day-to-day management of the entity, including for the implementation of policies concerning the distribution of services and products to clients by the firm and its personnel.</u></p>
<i>transaction report</i>	<p>a report of a transaction:</p> <p>(a) for the purposes of SUP TP 9 or MAR 9; or</p> <p>...</p>
<i>working day</i>	<p>(1) (in PRR and COMP and MAR 9) (as defined in section 103 of the Act) any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.</p> <p>...</p>

Annex B

**Amendments to the Senior Management Arrangements, Systems and Controls
sourcebook (SYSC)**

In this Annex underlining indicates new text and striking through indicates deleted text.

15A Operational resilience**15A.1 Application**

15A.1.1 R This chapter applies to:

...

(2) a *UK RIE*; ~~and~~

(3) an *electronic money institution*, a *payment institution* or a *registered account information service provider*; and

(4) a consolidated tape provider.

15A.1.2 R In this chapter, a reference to a *firm* includes a *UK RIE*, an *electronic money institution*, a *payment institution* ~~and~~, a *registered account information service provider* and a consolidated tape provider.

...

15A.1.5 R ...

15A.1.5A R This chapter applies in relation to a consolidated tape provider as if a reference to a client includes a person who purchases a consolidated tape for bonds from:

(a) a consolidated tape provider; or

(b) a data vendor.

...

15A.1.7 R The requirements in this chapter apply with respect to:

...

(6) the provision of *payment services* and the issuance of *electronic money*, and activities connected to the provision of *payment services* and to the issuing of *electronic money* (whether or not the activity of issuing *electronic money* is specified in article 9B of the *Regulated Activities Order*); ~~and~~

(7) any other *unregulated activities*, but only in a *prudential context*; and

(8) *data reporting services provided by a consolidated tape provider.*

...

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex underlining indicates new text and striking through indicates deleted text.

11 Dealing and managing

...

11.4 Client limit orders

...

How client limit orders may be made public

- 11.4.3 UK ~~70(1)~~ A client limit order in respect of shares admitted to trading on a regulated market or traded on a trading venue which have not been immediately executed under prevailing market condition as referred to in {COBS 11.4.1R} shall be considered available to the public when the investment firm has submitted the order for execution to a regulated market or a MTF or the order has been published by a person authorised to provide data reporting services under the ~~Data Reporting Services Regulations 2017~~ DRS Regulations and can be easily executed as soon as market conditions allow.
- A

...

Annex D

Amendments to the Market Conduct sourcebook (MAR)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

9 Data reporting service

9.1 Application, ~~introduction~~, approach and structure

Application

9.1.1 G This chapter applies to:

- (1) ...
- (2) a UK branch of a *third country person* seeking authorisation to provide a *data reporting service* as an ARM or APA;

...

Introduction

9.1.2 G ~~The original purpose of this chapter was to implement Title V of MiFID which sets out harmonised market data services authorisation and supervision requirements. These are designed to ensure a necessary level of quality of trading activity information across EU financial markets for users, and for the regulator to receive accurate and comprehensive information on relevant transactions. These requirements provide for: [deleted]~~

- (1) *approved publication arrangements (APAs)* to:
 - (a) ~~improve the quality of trade transparency information published in relation to *over the counter* trading; and~~
 - (b) ~~contribute significantly to ensuring such data is published in a way that facilitates its consolidation with data published by *trading venues*;~~
- (2) *consolidated tape providers (CTPs)* to supply a comprehensive consolidated tape of *equity* and equity-like *financial instruments* data from all *APAs* and *trading venues* to make it easier for market participants to gain access to a consolidated view of trade transparency information;
- (3) ~~CTPs to enable a comprehensive consolidated tape for non-equity *financial instruments* with an extended date for the application of national measures transposing *MiFID*; and~~

- (4) ~~approved reporting mechanisms (ARMs) to provide the service of transaction reporting on behalf of investment firms.~~

Approach to onshoring

- 9.1.3 G ~~The market data services authorisation and supervision requirements in Title V of MiFID are onshored through a combination of: [deleted]~~
- (1) ~~HM Treasury legislation in the form of:~~
- (a) ~~the DRS Regulations which set out a separate regulatory framework for persons providing one or more data reporting service in the UK; and~~
- (b) ~~the MiFI Regulations which set out additional provisions addressing requirements imposed by MiFIR and onshored regulations;~~
- (2) ~~this chapter; and~~
- (3) ~~onshored regulations, including~~
- (a) ~~MiFID-RTS 1;~~
- (b) ~~MiFID-RTS 2;~~
- (c) ~~MiFID-RTS 3;~~
- (d) ~~MiFID-RTS 13;~~
- (e) ~~MiFID-ITS 3;~~
- (f) ~~the MiFID-Org Regulation; and~~
- (g) ~~the MiFIR Delegated Regulation.~~
- 9.1.3A G ~~See M2G for further guidance on how the measures referred to in MAR 9.1.3G have been amended by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 and FCA instruments made pursuant to the Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018. [deleted]~~
- 9.1.3B G This regulatory framework enables the authorisation and supervision of data reporting service providers whose services form a key component of transparency in wholesale markets and, in the case of approved reporting mechanisms, a reporting service that assists in the detection and prevention of market abuse.

Structure

- 9.1.4 G The following table provides an overview of this chapter:

Handbook reference	Topic and specific application
MAR 9.1	Application, introduction , approach and structure
MAR 9.2	Authorisation and verification
<u>MAR 9.2A</u>	<u>Consolidated tape providers</u>
<u>MAR 9.2B</u>	<u>Operating requirements</u>
<u>MAR 9.2C</u>	<u>Financial resources requirements for consolidated tape providers</u>
...	

9.2 Authorisation and verification

Application form and notification form for members of the management body

9.2.1 D (1) Each of the following must complete the forms in (2):

- (a) ...
- (b) a *MiFID investment firm* operating a *trading venue* seeking verification of its rights to provide a *data reporting service* under regulation ~~5(b) and (e)~~ 3(1)(b) and (c) of the *DRS Regulations*; and
- (c) a *UK RIE* operating a *trading venue* seeking verification of its rights to provide a *data reporting service* under regulation ~~5(d)~~ 3(1)(d) of the *DRS Regulations*.

...

9.2.2 G ~~MAR 9 Annex 1D and MAR 9 Annex 2D are derived from Annex I and Annex II respectively of MiFID ITS 3. [deleted]~~

Variation of authorisation form

...

9.2.4 G ~~MAR 9 Annex 3D requires completion of Annex I of MiFID ITS 3 in the case of an extension of authorisation and, if relevant, Annex II of MiFID ITS 3 if the members of the management body are different from the existing authorised data reporting services provider. [deleted]~~

Cancellation of authorisation form

...

- 9.2.5C G Where a *data reporting service provider* wishes to cancel all of its *data reporting service* authorisation, it must continue to comply with the requirements in the *DRS Regulations* rules in this chapter and other regulatory obligations up until its authorisation is cancelled, in particular in relation to publishing trade reports or submitting details of transactions to the *FCA*. The *FCA* expects the *data reporting services provider* to provide a written confirmation at the end of the cancellation process confirming compliance with the *DRS Regulations* rules in this chapter and other regulatory obligations.

...

Insert the following new chapters, MAR 9.2A, MAR 9.2B, MAR 9.2C and MAR 9.2D, after MAR 9.2 (Authorisation and verification). All the text is new and is not underlined.

9.2A Consolidated tape providers

Selection of a consolidated tape provider

- 9.2A.1 G The *FCA* will organise a selection procedure for a single *consolidated tape provider* for the asset class of bonds, excluding exchange traded commodities and exchange traded notes.
- 9.2A.2 G The *FCA* will give a direction to tender for the provision of the service of a *consolidated tape for bonds* by placing a notice on the *FCA*'s website inviting tenders, and providing details of the tender specification and process to be followed. As well as providing additional information to be set out in the direction to tender, tenders should include the information set out in *MAR* 9.2A.3 and *MAR* 9.2A.4.
- 9.2A.3 G (1) Tenders should include a programme of operations. The programme of operations should include:
- (a) information on the organisational structure of the bidder, including an organisational chart and a description of the human, technical and legal resources allocated to its business activities;
 - (b) information on the compliance policies and procedures of the bidder, including:
 - (i) the name of the *person* or *persons* responsible for the approval and maintenance of those policies;
 - (ii) the arrangements to monitor and enforce the compliance policies and procedures;
 - (iii) the measures to be undertaken in the event of a breach which may result in a failure to meet the conditions for initial authorisation; and

- (iv) a description of the procedure for reporting to the *FCA* any breach which may result in a failure to meet the conditions for initial authorisation; and
 - (c) a list of all outsourced functions and resources allocated to the control of the outsourced functions.
 - (2) A bidder offering services other than *data reporting services* must describe those services in the organisational chart.
- 9.2A.4 G A bidder should include in its tender:
 - (1) a description of the processes for selection, appointment, performance evaluation and removal of *senior management* and members of the *management body*;
 - (2) a description of the reporting lines and the frequency of reporting to the *senior management* and the *management body*; and
 - (3) a description of the policies and procedures on access to documents by members of the *management body*.
- 9.2A.5 G After assessing each tender, the *FCA* will select a single winning bidder by applying the selection criteria in the tender documentation.
- 9.2A.6 G
 - (1) The appointment of a *CTP* for bonds will commence on the date that an authorisation by the *FCA* of the selected bidder as the *CTP* for bonds takes effect under regulation 9(4) of the *DRS Regulations*.
 - (2) The tender contract is awarded for a maximum of 5 years, commencing from a date to be determined by the *FCA*. The tender contract term is renewable in limited circumstances for a period of no more than 2 years in accordance with regulation 6 of the *DRS Regulations*.
 - (3) Within 6 *months* before either the expiry of the tender contract term or the *FCA* cancelling an authorisation to provide a *data reporting service* as a *CTP* under regulation 10 of the *DRS Regulations*, the *FCA* will begin the process to re-tender for a *CTP* for bonds.
- 9.2A.7 R A *CTP* must publish information relating to its costs for establishing, maintaining and operating the *consolidated tape for bonds* in such a way as to be accessible to potential bidders in a re-tender process.
- 9.2A.8 R A *CTP* for bonds must take all reasonable steps to transfer without delay to a successor *CTP* the assets, data and operational information necessary to enable it to operate the consolidated tape effectively. It must also have in place agreements with its clients which enable those clients who decide to do so to transfer to a successor *CTP*.

9.2B Operating requirements

Requirements for the management body of a data reporting service provider

- 9.2B.1 R The following requirements apply in respect of the *management body* of a *data reporting service provider*:
- (1) The *management body* must possess adequate collective knowledge, skills and experience to be able to understand the activities of the *data reporting service provider*.
 - (2) The members of the *management body* must:
 - (a) be of sufficiently good repute;
 - (b) possess sufficient knowledge, skill and experience, and be able to commit sufficient time, to perform their duties; and
 - (c) act with honesty, integrity and independence of mind:
 - (i) to challenge effectively the decisions of the *senior management* where necessary; and
 - (ii) to oversee and effectively monitor management decision-making where necessary.
 - (3) The *management body* must:
 - (a) define and oversee the implementation of governance arrangements of the *data reporting service provider* to ensure the effective and prudent management of the provider, including the segregation of duties in the provider and the prevention of conflicts of interest; and
 - (b) when doing so, act in a manner that promotes the integrity of the financial markets and the interests of its clients.
 - (4) Where:
 - (a) an applicant for verification under regulation 7 of the *DRS Regulations* is a *recognised investment exchange*; and
 - (b) the *management body* of the applicant is the same as the *management body* of the exchange,

the requirements in (1) and (2) are deemed to be met.

Conflicts of interest

- 9.2B.2 R (1) A *data reporting services provider* must operate and maintain effective administrative arrangements, designed to prevent conflicts of interest with clients using its services to meet their regulatory obligations, and other entities purchasing data from *data reporting services providers*. Such arrangements must include policies and procedures for identifying,

managing and disclosing existing and potential conflicts of interest and must contain:

- (a) an inventory of existing and potential conflicts of interest, setting out their description, identification, prevention, management and disclosure;
 - (b) the separation of duties and business functions within the *data reporting services provider*, including:
 - (i) measures to prevent or control the exchange of information where a risk of conflicts of interest may arise; and
 - (ii) the separate supervision of relevant *persons* whose main functions involve interests that are potentially in conflict with those of a client;
 - (c) a description of the fee policy for determining fees charged by the *data reporting services provider* and undertakings to which the *data reporting services provider* has *close links*;
 - (d) a description of the remuneration policy for the members of the *management body* and *senior management*; and
 - (e) the rules regarding the acceptance of money, gifts or favours by staff of the *data reporting services provider* and its *management body*.
- (2) The inventory of conflicts of interest referred to in (1)(a) must include conflicts of interest arising from situations where the *data reporting services provider*:
- (a) may realise a financial gain or avoid a financial loss, to the detriment of a client;
 - (b) may have an interest in the outcome of a service provided to a client, which is distinct from the client's interest in that outcome;
 - (c) may have an incentive to prioritise its own interests or the interests of another client or group of clients rather than the interests of a client to whom the service is provided; and
 - (d) receive or may receive from any *person* other than a client, in relation to the service provided to a client, an incentive in the form of money, goods or services, other than commission or fees received for the service.

Organisational requirements regarding outsourcing

- 9.2B.3 R (1) Where a *data reporting services provider* arranges for activities to be performed on its behalf by third parties, including undertakings with

which it has *close links*, it must ensure that the third-party service provider has the ability and the capacity to perform the activities reliably and professionally.

- (2) A *data reporting services provider* must specify which of the activities are to be outsourced, including a specification of the level of human and technical resources needed to carry out each of those activities.
- (3) A *data reporting services provider* that outsources activities must ensure that the outsourcing does not reduce its ability or power to perform *senior management* or *management body* functions.
- (4) A *data reporting services provider* must remain responsible for any outsourced activity and must adopt organisational measures to ensure:
 - (a) that it assesses whether the third-party service provider is carrying out outsourced activities effectively, and in compliance with applicable laws and regulatory requirements, and adequately addresses identified failures;
 - (b) the identification of the risks in relation to outsourced activities and adequate periodic monitoring;
 - (c) adequate control procedures with respect to outsourced activities, including effectively supervising the activities and their risks within the *data reporting services provider*; and
 - (d) adequate business continuity of outsourced activities.
- (5) For the purposes of (4)(d), the *data reporting services provider* must obtain information on the business continuity arrangements of the third-party service provider, assess its quality and, where needed, request improvements.
- (6) A *data reporting services provider* must ensure that the third-party service provider cooperates with the *FCA* in connection with outsourced activities.
- (7) Where a *data reporting services provider* outsources any critical function, it must provide the *FCA* with:
 - (a) the identification of the third-party services provider;
 - (b) the organisational measures and policies with respect to outsourcing and the risks posed by it as specified in (4); and
 - (c) internal or external reports on the outsourced activities.
- (8) For the purpose of *MAR 9.2B.3R(7)*, a function will be regarded as critical if a defect or failure in its performance would materially impair the continuing compliance of the *data reporting services provider* with

the conditions and obligations of its authorisation or its other obligations under the *DRS Regulations* and this chapter.

Business continuity and back-up facilities

- 9.2B.4 R (1) A *data reporting services provider* must use systems and facilities that are appropriate and robust enough to ensure continuity and regularity in the performance of the services provided as referred to in this chapter.
- (2) A *data reporting services provider* must conduct periodic reviews, at least annually, evaluating its technical infrastructures and associated policies and procedures, including business continuity arrangements. A *data reporting services provider* must remedy any deficiencies identified during the review.
- (3) A *data reporting services provider* must have effective business continuity arrangements in place to address disruptive incidents, including:
- (a) the processes which are critical to ensuring the services of the *data reporting services provider*, including escalation procedures, relevant outsourced activities and dependencies on external providers;
 - (b) specific continuity arrangements, covering an adequate range of possible scenarios, in the short and medium term, including system failures, natural disasters, communication disruptions, loss of key staff and an inability to use the premises regularly used;
 - (c) duplication of hardware components, allowing for failover to a back-up infrastructure, including network connectivity and communication channels;
 - (d) back-up of business-critical data and up-to-date information of the necessary contacts, ensuring communication within the *data reporting services provider* and with clients;
 - (e) the procedures for moving to and operating *data reporting services* from a back-up site;
 - (f) the target maximum recovery time for critical functions, which must be as short as possible and, in any case, no longer than 6 hours in the case of *approved publication arrangements (APAs)* and *consolidated tape providers (CTPs)* and until the close of business of the next *working day* in the case of *approved reporting mechanisms (ARMs)*; and
 - (g) staff training on the operation of the business continuity arrangements, individuals' roles, including specific security operations personnel ready to react immediately to a disruption of services.

- (4) A *data reporting services provider* must set up a programme for periodically testing, reviewing and, where needed, modifying the business continuity arrangements.
- (5) A *data reporting services provider* must publish on its website and promptly inform its clients and the *FCA* of any service interruptions or connection disruptions as well as the time estimated to resume a regular service.

Testing and capacity

- 9.2B.5 R (1) A *data reporting services provider* must implement clearly delineated development and testing methodologies, ensuring that:
- (a) the operation of the IT systems satisfies the *data reporting services provider's* regulatory obligations;
 - (b) compliance and risk management controls embedded in IT systems work as intended; and
 - (c) the IT systems can continue to work effectively at all times.
- (2) A *data reporting services provider* must also use the methodologies referred to in (1) prior to and following the deployment of any updates of the IT systems.
- (3) A *data reporting services provider* must promptly notify the *FCA* of any planned significant changes to the IT systems prior to their implementation.
- (4) A *data reporting services provider* must set up an ongoing programme for periodically reviewing and, where needed, modifying the development and testing methodologies.
- (5) A *data reporting services provider* must run stress tests periodically and at least on an annual basis. A *data reporting services provider* must include in the adverse scenarios of the stress test unexpected behaviour of critical constituent elements of its systems and communications lines. The stress testing must identify how hardware, software and communications respond to potential threats, specifying systems unable to cope with adverse scenarios. A *data reporting services provider* must take measures to address identified shortcomings in those systems.
- (6) A *data reporting services provider* must:
- (a) have sufficient capacity to perform its functions without outages or failures, including missing or incorrect data; and
 - (b) have sufficient scalability to accommodate without undue delay any increase in the amount of information to be processed and in the number of access requests from its clients.

Security

- 9.2B.6 R (1) A *data reporting services provider* must set up and maintain procedures and arrangements for physical and electronic security designed to:
- (a) protect its IT systems from misuse or unauthorised access;
 - (b) minimise the risks of attacks against *information systems*;
 - (c) prevent unauthorised disclosure of confidential information; and
 - (d) ensure the security and integrity of the data.
- (2) Where a *MiFIR investment firm* ('reporting firm') uses a third party to submit information to an *ARM* on its behalf ('submitting firm'), the *ARM* must have procedures and arrangements in place to ensure that the submitting firm does not have access to any other information about, or submitted by, the reporting firm to the *ARM* which may have been sent by the reporting firm directly to the *ARM* or through another submitting firm.
- (3) A *data reporting services provider* must set up and maintain measures and arrangements to promptly identify and manage the risks identified in (1).
- (4) In respect of breaches in the physical and electronic security measures referred to in (1) to (3), a *data reporting services provider* must promptly notify:
- (a) the *FCA* and provide an incident report, indicating the nature of the incident, the measures adopted to cope with the incident and the initiatives taken to prevent similar incidents; and
 - (b) its clients that have been affected by the security breach.

Record keeping

- 9.2B.7 R (1) A *data reporting service provider* must maintain records, in retrievable and legible form, of information that could be relevant to demonstrating its compliance or non-compliance with any requirement imposed by the *rules* in this chapter.
- (2) A *data reporting service provider* must retain the records for no less than 5 years from the date on which the records were created.

Reporting of infringements

- 9.2B.8 R A *data reporting service provider* must have in place effective procedures for its employees to report potential or actual infringements of:
- (1) the *rules*;

- (2) *MiFIR*, and any *onshored regulations* previously deriving from *MiFIR* or *MiFID*; and
 - (3) the *DRS Regulations*,
- internally through a specific, independent and autonomous channel.

Conditions for an ARM

- 9.2B.9 R (1) An *ARM* must have adequate policies and arrangements in place to enable it to report the information required from a *MiFIR investment firm* under article 26 of *MiFIR* as quickly as possible and no later than 11:59pm on the *working day* following the *day* on which the transaction took place.
- (2) The information mentioned in (1) must be reported in accordance with article 26 of *MiFIR*.
- (3) An *ARM* must:
- (a) operate and maintain effective administrative arrangements designed to prevent conflicts of interest with its clients;
 - (b) have sound security mechanisms in place designed to:
 - (i) guarantee the security and authentication of the means of the transfer of information;
 - (ii) minimise the risk of data corruption and unauthorised access;
 - (iii) prevent information leakage; and
 - (iv) maintain the confidentiality of the data at all times;
 - (c) maintain adequate resources and have back-up facilities in order to offer and maintain its services at all times; and
 - (d) have systems which:
 - (i) effectively check *transaction reports* for completeness;
 - (ii) identify omissions and obvious errors caused by the *MiFIR investment firm*;
 - (iii) communicate details of such omissions or errors to the *MiFIR investment firm* and request re-transmission of erroneous reports;
 - (iv) detect omissions or errors caused by the *ARM* itself; and

- (v) enable the *ARM* to correct and transmit, or retransmit, correct and complete *transaction reports* to the *FCA*.
- (4) An *ARM* which is also a *recognised investment exchange* or a *MiFID investment firm* must treat all information collected in a non-discriminatory fashion and must operate and maintain appropriate arrangements to separate different business functions.

Management of incomplete or potentially erroneous information by ARMs

- 9.2B.10 R (1) An *ARM* must set up and maintain appropriate arrangements to identify *transaction reports* that are incomplete or contain obvious errors caused by clients. An *ARM* must perform validation of the *transaction reports* against the requirements established under article 26 of *MiFIR* for field, format and content of fields in accordance with Table 1 of Annex I to *MiFID RTS 22*.
- (2) An *ARM* must set up and maintain appropriate arrangements to identify *transaction reports* which contain errors or omissions caused by that *ARM* itself and to correct, including deleting or amending, such errors or omissions. An *ARM* must perform validation for field, format and content of fields in accordance with Table 1 of Annex I to *MiFID RTS 22*.
- (3) An *ARM* must continuously monitor in real time the performance of its systems, ensuring that a *transaction report* it has received has been successfully reported to the *FCA* in accordance with article 26 of *MiFIR*.
- (4) An *ARM* must perform periodic reconciliations at the request of the *FCA* between the information that the *ARM* receives from its client or generates on the client's behalf for *transaction reporting* purposes and data samples of the information provided by the *FCA*.
- (5) Any corrections, including cancellations or amendments of *transaction reports* that are not correcting errors or omissions caused by an *ARM*, must only be made at the request of a client and per *transaction report*. Where an *ARM* cancels or amends a *transaction report* at the request of a client, it must provide this updated *transaction report* to the client.
- (6) Where an *ARM*, before submitting the *transaction report*, identifies an error or omission caused by a client, it must not submit that *transaction report* and must promptly notify the *MiFIR investment firm* of the details of the error or omission to enable the client to submit a corrected set of information.
- (7) Where an *ARM* becomes aware of errors or omissions caused by the *ARM* itself, it must promptly submit a correct and complete report.
- (8) An *ARM* must promptly notify the client of the details of the error or omission and provide an updated *transaction report* to the client. An *ARM* must also promptly notify the *FCA* about the error or omission.

- (9) The requirement to correct or cancel erroneous *transaction reports* or report omitted transactions must not extend to errors or omissions which occurred more than 5 years before the date that the *ARM* became aware of such errors or omissions.

Connectivity of ARMs

- 9.2B.11 R (1) An *ARM* must have in place policies, arrangements and technical capabilities to comply with the technical specification for the submission of *transaction reports* required by the *FCA*.
- (2) An *ARM* must have in place adequate policies, arrangements and technical capabilities to receive *transaction reports* from clients and to transmit information back to clients. The *ARM* must provide the client with a copy of the *transaction report* which the *ARM* submitted to the *FCA* on the client's behalf.

Conditions for an APA – organisational requirements

- 9.2B.12 R (1) An *APA* must:
- (a) have sound security mechanisms in place designed to:
 - (i) guarantee the security of the means of the transfer of information;
 - (ii) minimise the risk of data corruption and unauthorised access; and
 - (iii) prevent information leakage before publications;
 - (b) maintain adequate resources and have back-up facilities in order to offer and maintain its services at all times; and
 - (c) have systems which can effectively:
 - (i) check trade reports for completeness;
 - (ii) identify omissions and obvious errors; and
 - (iii) request re-transmission of any erroneous reports.
- (2) An *APA* which is also a *recognised investment exchange* or a *MiFID investment firm* must treat all information collected in a non-discriminatory fashion and must operate and maintain appropriate arrangements to separate different business functions.

Conditions for a CTP – organisational requirements

- 9.2B.13 R A *CTP* must:
- (1) have sound security mechanisms in place designed to:

- (a) guarantee the security of the means of the transfer of information; and
 - (b) minimise the risk of data corruption and unauthorised access; and
- (2) maintain adequate resources and have back-up facilities in order to offer and maintain its services at all times.

Other services provided by CTPs

- 9.2B.14 R (1) A *CTP* for bonds must not provide any additional service which utilises the information it receives from *UK trading venues* and *APAs* in its capacity as a *CTP*.
- (2) Where a *CTP* for bonds is a member of a *group*, a member of that *group* may provide an additional service utilising information from the consolidated tape for bonds, provided it has paid for that information in accordance with *MAR* 9.2B.36R(1).

Management of incomplete or potentially erroneous information by APAs

- 9.2B.15 R (1) *APAs* must set up and maintain appropriate arrangements to ensure that they accurately publish the trade reports received from *MiFIR investment firms* without themselves introducing any errors or omitting information and must correct information where they have themselves caused the error or omission.
- (2) *APAs* must continuously monitor in real-time the performance of their IT systems ensuring that the trade reports they have received have been successfully published.
- (3) *APAs* must perform periodic reconciliations between the trade reports that they receive and the trade reports that they publish, verifying the correct publication of the information.
- (4) An *APA* must confirm the receipt of a trade report to the reporting *MiFIR investment firm*, including the transaction identification code assigned by the *APA*. An *APA* must refer to the transaction identification code in any subsequent communication with the reporting firm in relation to a specific trade report.
- (5) An *APA* must set up and maintain appropriate arrangements to identify on receipt trade reports that are incomplete or contain information that is likely to be erroneous. These arrangements must include automated price and volume alerts, taking into account:
- (a) the sector and the segment in which the *financial instrument* is traded;
 - (b) liquidity levels, including historical trading levels;

- (c) appropriate price and volume benchmarks; and
 - (d) if needed, other parameters according to the characteristics of the *financial instrument*.
- (6) Where an *APA* determines that a trade report it receives is incomplete or contains information that is likely to be erroneous, it must not publish that trade report and must promptly alert the *MiFIR investment firm* submitting the trade report.
 - (7) In exceptional circumstances, *APAs* must delete and amend information in a trade report on request from the entity providing the information when that entity cannot delete or amend its own information for technical reasons. *APAs* are not otherwise responsible for correcting information contained in published reports where the error or omission was attributable to the entity providing the information.
 - (8) *APAs* must publish non-discretionary policies on information cancellation and amendments in trade reports which set out the penalties that *APAs* may impose on *MiFIR investment firms* providing trade reports where the incomplete or erroneous information has led to the cancellation or amendment of trade reports.

Conditions for an *APA* – policies and arrangements for publication of information

- 9.2B.16 R (1) An *APA* must have adequate policies and arrangements in place to make public the information required under articles 20 and 21 of *MiFIR* in as close to real time as is technically possible on a reasonable commercial basis.
- (2) The information referred to in (1) must be made available by the *APA* free of charge 15 minutes after the *APA* has first published it.
 - (3) The *APA* must be able to disseminate efficiently and consistently the information referred to in (1):
 - (a) in a way which ensures fast access to the information on a non-discriminatory basis; and
 - (b) in a format that facilitates the consolidation of the information with similar data from other sources.
 - (4) The information referred to in (1) must include the following details:
 - (a) the identifier of the *financial instrument*;
 - (b) the price at which the transaction was concluded;
 - (c) the volume of the transaction;
 - (d) the time of the transaction;

- (e) the time the transaction was reported;
- (f) the price notation of the transaction;
- (g) the code for the trading venue the transaction was executed on or, where the transaction was executed on a *systematic internaliser*, the code ‘SI’ or, otherwise, ‘OTC’; and
- (h) if applicable, an indicator that the transaction was subject to specific conditions.

Machine readability – APAs

- 9.2B.17 R (1) *APAs* must publish the information which has to be made public in accordance with *MAR* 9.2B.16R(1) in a machine-readable way.
- (2) Information is published in a machine-readable way where all of the following conditions are met:
- (a) it is in an electronic format designed to be directly and automatically read by a computer;
 - (b) it is stored in an appropriate IT architecture, in accordance with *MAR* 9.2B.5R(6), that enables automatic access;
 - (c) it is robust enough to ensure continuity and regularity in the performance of the services provided and ensures adequate access in terms of speed; and
 - (d) it can be accessed, read, used and copied by computer software that is free of charge and publicly available.
- (3) For the purposes of (2)(a), the electronic format must:
- (a) be specified by free, non-proprietary and open standards; and
 - (b) include the type of files of messages, the rules to identify them, and the name and data type of the fields they contain.
- (4) *APAs* must:
- (a) make instructions available to the public, explaining how and where to easily access and use the data, including identification of the electronic format;
 - (b) make public any changes to the instructions referred to in (4)(a) at least 3 *months* before they come into effect, unless there is an urgent and duly justified need for changes in instructions to take effect more quickly; and

- (c) include a link to the instructions referred to in (4)(a) on the homepage of their website.

Certification requirement

- 9.2B.18 R An *APA* must require each *MiFIR investment firm* to certify that it only reports transactions in a particular *financial instrument* through that *APA*.

Details to be published by the *APA*

- 9.2B.19 R (1) An *APA* must make public:
- (a) for transactions executed in respect of shares, depositary receipts, *exchange-traded funds (ETFs)*, *certificates* and other similar *financial instruments*, the details of a transaction specified in Table 2 of Annex I to *MiFID RTS 1* and use the appropriate flags listed in Table 3 of Annex I to *MiFID RTS 1*; and
 - (b) for transactions executed in respect of bonds, *structured finance products*, *emission allowances* and derivatives, the details of a transaction specified in Table 1 of Annex II to *MiFID RTS 2* and use the appropriate flags listed in Table 2 of Annex II to *MiFID RTS 2*.
- (2) Where publishing information on when the transaction was reported, an *APA* must include the date and time, up to the second, it publishes the transaction.
- (3) By way of derogation from *MAR 9.2B.19R(2)*, an *APA* that publishes information regarding a transaction executed on an electronic system must include the date and time, up to the millisecond, of the publication of that transaction in its trade report.
- (4) For the purposes of (3), an ‘electronic system’ means a system where orders are electronically tradable or where orders are tradable outside the system, provided that they are advertised through the given system.
- (5) The timestamps referred to in (2) and (3) must, respectively, not diverge by more than one second or millisecond from the Coordinated Universal Time (UTC) issued and maintained by one of the timing centres listed in the latest Bureau International des Poids et Mesures (BIPM) Annual Report on Time Activities.

Non-discrimination requirements for *APAs*

- 9.2B.20 R *APAs* must ensure that the information which must be made public is sent through all distribution channels at the same time, including when the information is made public, as close to real time as technically possible or 15 minutes after the first publication.

Obligation on *APAs* to provide market data on a reasonable commercial basis

- 9.2B.21 R (1) For the purposes of making market data containing the information set out in articles 6, 20 and 21 of *MiFIR* available to the public on a reasonable commercial basis and in accordance with *MAR 9.2B.16R(1)*, *APAs* must comply with the obligations set out in *MAR 9.2B.22R* to *MAR 9.2B.26R*.
- (2) The obligations set out in *MAR 9.2B.22R*, *MAR 9.2B.23R(2)*, *MAR 9.2B.24R*, *MAR 9.2B.25R(2)* and *MAR 9.2B.26R* do not apply to *APAs* that make market data available to the public free of charge.

Provision of market data based on cost – *APAs*

- 9.2B.22 R (1) The price of market data must be based on the cost of producing and disseminating such data and may include a reasonable margin.
- (2) The costs of producing and disseminating market data may include an appropriate share of joint costs for other services provided by *APAs*.

Obligation to provide market data on a non-discriminatory basis – *APAs*

- 9.2B.23 R (1) *APAs* must make market data available at the same price and on the same terms and conditions to all customers falling within the same category in accordance with published objective criteria.
- (2) Any differentials in prices charged to different categories of customers must be proportionate to the value which the market data represent to those customers, taking into account:
- (a) the scope and scale of the market data, including the number of *financial instruments* covered and trading volume; and
 - (b) the use made by the customer of the market data, including whether it is used for the customer's own trading activities, for resale or for data aggregation.
- (3) For the purposes of *MAR 9.2B.23R(1)*, *APAs* must have scalable capacities in place to ensure that customers can obtain timely access to market data at all times on a non-discriminatory basis.

Per user fees – *APAs*

- 9.2B.24 R (1) *APAs* must charge for the use of market data on the basis of the use made by individual end-users of the market data ('per user basis'). *APAs* must have arrangements in place to ensure that each individual use of market data is charged only once.
- (2) By way of derogation from *MAR 9.2B.24R(1)*, *APAs* may decide not to make market data available on a per user basis where to charge on a per user basis is disproportionate to the cost of making market data available, having regard to the scale and scope of the market data.

- (3) *APAs* must provide grounds for the refusal to make market data available on a per user basis and must publish those grounds on their webpage.

Unbundling and disaggregating market data – APAs

- 9.2B.25 R (1) *APAs* must make market data available without being bundled with other services.
- (2) Prices for market data must be charged on the basis of the level of market data disaggregation provided for in article 12(1) of *MiFIR* as further specified in articles of *MiFID RTS 14*.

Transparency obligation – APAs

- 9.2B.26 R (1) *APAs* must disclose and make easily available to the public the price and other terms and conditions for the provision of the market data in a manner which is easily accessible.
- (2) The disclosure must include the following:
- (a) current price lists and other contractual terms and conditions; and
 - (b) advance disclosure with a minimum of 90 *days*' notice of future price changes.

Conflicts of interest obligations for CTPs

- 9.2B.27 R (1) Where a *CTP* is a member of a *group*, the arrangements it establishes to prevent or manage conflicts of interest in accordance with *MAR* 9.2B.2R(1) must also take into account any circumstances, of which the *CTP* is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the *group*.
- (2) A *CTP* must assess and periodically review, on an at least annual basis, the conflicts of interest policies and procedures established in accordance with *MAR* 9.2B.2R(1) and must take all appropriate measures to address any deficiencies.
- (3) A *CTP* must keep and regularly update a record of the kinds of services or activity it carries on in which a conflict of interest entailing a risk of damage to the interests of one or more clients has arisen, or in the case of an ongoing service or activity, may arise. *Senior management* of the *CTP* must receive on a frequent basis, and at least annually, written reports on these records and how any conflicts have been managed.

Obligations for CTPs on apportionment of responsibilities

- 9.2B.28 R A *CTP* must take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among its *senior management* in such a way that:

- (1) it is clear who has which of those responsibilities; and
- (2) the business and affairs of the *CTP* can be adequately monitored and controlled by its directors, senior managers and *management body* of the *CTP*.

Outsourcing obligations for CTPs

- 9.2B.29 R (1) In addition to complying with its obligations under *MAR* 9.2B.3R(6), a *CTP* must provide the *FCA* with a written agreement in respect of any arrangement it enters into with a third-party provider to outsource a critical function. The agreement must contain a clear allocation of the respective rights and obligations of the *CTP* and the third-party provider.
- (2) In relation to the arrangement referred to in (1), the *CTP* must take the necessary steps to ensure it is able to:
- (a) terminate that arrangement where necessary, with immediate effect, without detriment to the continuity and quality of its provision of services; and
 - (b) cooperate with the *FCA*, including providing information to the *FCA* on request, and putting in place arrangements enabling the *FCA* to seek information from the third-party provider.

Non-discrimination obligations for CTPs

- 9.2B.30 R Any of the following *persons* who are also a *CTP* must treat all information collected in a non-discriminatory fashion and must operate and maintain appropriate arrangements to separate different business functions:
- (1) a *recognised investment exchange*;
 - (2) an *APA*;
 - (3) an *investment firm*;
 - (4) a *data vendor*; or
 - (5) a *firm* whose *shares* or voting rights are at least 20% owned by a *person* referred to in (1) to (4) or who shares a business function with such a *person*.

Management of incomplete or potentially erroneous information by CTPs

- 9.2B.31 R (1) A *CTP* must set up and maintain appropriate arrangements to ensure that it accurately publishes the trade reports received from *MiFIR investment firms*, *regulated markets* and *APAs* without itself either:
- (a) introducing any errors that would affect the accuracy and completeness of the data contained in those reports; or

- (b) omitting any information from those reports, except where such omission is a deliberate one in accordance with the *CTP's* regulatory and contractual obligations.
- (2) A *CTP* must correct information where it has itself introduced an error or made a non-deliberate omission as referred to in (1).
- (3) A *CTP* must perform periodic reconciliations between the trade reports it receives and the trade reports it publishes, verifying the correct publication of the information.

Obligations of CTPs to ensure data quality and report information

- 9.2B.32 R (1) A *CTP* must continuously monitor in real time the performance of its IT systems and ensure that the trade reports it has received have been successfully published.
- (2) A *CTP* must set up and maintain appropriate arrangements to identify on receipt trade reports that are incomplete or contain information that is likely to be erroneous, and must inform the provider of the trade report in each instance.
- (3) In exceptional circumstances, a *CTP* must delete and amend information in a trade report on request from the entity providing the information when that entity cannot delete or amend its own information for technical reasons. *CTPs* are not otherwise responsible for correcting information contained in published reports where the error or omission was attributable to the entity providing the information.
- (4) The *CTP* must submit a report to the *FCA* every 6 months on the quality of the data that it has received during that period. The report must include at least the following information:
- (a) the timeliness of the receipt of data from data contributors;
 - (b) the timeliness of publication of information by the *CTP*;
 - (c) details of the trade reports that are incomplete or contain information that is likely to be erroneous that have been identified;
 - (d) whether the *CTP* has correctly published the information it has received;
 - (e) the performance of the *CTP's* IT systems; and
 - (f) the usage of the consolidated tape.

Consolidation of data by CTPs

- 9.2B.33 R A *CTP* must:

- (1) ensure that the data it makes available publicly is consolidated from all *UK trading venues* and *APAs* into a continuous electronic data stream;
- (2) ensure that the information which must be made public is sent through all distribution channels at the same time, including when the information is made public, as close to real time as technically possible or 15 minutes after the first publication; and
- (3) provide the *FCA* with direct and immediate access to the *consolidated tape for bonds*.

Scope of the consolidated tape for bonds and publication of information

- 9.2B.34 R (1) The *CTP* for bonds must have adequate policies and arrangements in place to:
- (a) receive the information made public in accordance with articles 10 and 21 of *MiFIR* by all *UK trading venues* and *APAs* in respect of bonds excluding exchange traded commodities and exchange traded notes; and
 - (b) make that information available to the public in as close to real time as is technically possible or 15 minutes after the first publication.
- (2) The *CTP* for bonds must have adequate policies and arrangements in place to make *historical data* available in response to a request for it in accordance with *MAR 9.2B.35R(2)*.
- (3) The information referred to in (1) must include the details of a transaction specified in Table 1 of Annex II to *MiFID RTS 2* and use the appropriate flags listed in Table 2 of Annex II to *MiFID RTS 2*.
- (4) Following the appointment of a provider of a *consolidated tape for bonds*, *UK trading venues* and *APAs* must:
- (a) connect to the *CTP* for bonds before commencing or continuing operations; and
 - (b) send to the *CTP* for bonds, in as close to real time as is technically possible using the means established in *MAR 9.2B.34R(5)* by the *CTP*, the information referred to in (1)(a).
- (5) The *CTP* for bonds must operate an open-source Application Programming Interface (API) in order to receive the information referred to in (1)(a) from *UK trading venues* and *APAs*.
- (6) The *CTP* for bonds must be able to disseminate the information referred to in (1)(a) efficiently, consistently and in way that:

- (a) ensures fast access to the information on a non-discriminatory basis; and
 - (b) is in a generally accepted format that is interoperable, easily accessible and utilisable for market participants.
- (7) When a new *UK trading venue* or *APA* starts operating, the *CTP* for bonds must include the information referred to in (1)(a) made public by that *UK trading venue* or *APA* in the electronic data stream of its consolidated tape as soon as possible after the start of the operations of the *UK trading venue* or *APA*.
- (8) The *CTP* for bonds must not consolidate trade reports with the code “DUPL” in the reprint field.

Machine readability and required formats for CTPs for bonds

- 9.2B.35 R (1) The *CTP* for bonds must publish the information referred to in *MAR* 9.2B.34R(1) in Graphical User Interface (GUI) and at least 2 machine-readable formats: Application Programming Interface (API) and Comma Separated Value (CSV).
- (2) The *CTP* for bonds must make *historical data* available in response to a request for it in GUI and one machine-readable format.
- (3) Information is published in a machine-readable format where all of the following conditions are met:
- (a) it is in an electronic format designed to be directly and automatically read by a computer;
 - (b) it is stored in an appropriate IT architecture, in accordance with *MAR* 9.2B.5R(6), that enables automatic access;
 - (c) it is robust enough to ensure continuity and regularity in the performance of the services provided and ensures adequate access in terms of speed; and
 - (d) it can be accessed, read, used and copied by computer software that is free of charge and publicly available.
- (4) For the purposes of *MAR* 9.2B.35R(3)(a), the electronic format must be specified by free, non-proprietary and open standards, and include the type of files or messages, the rules to identify them, and the name and data type of the fields they contain.
- (5) The *CTP* for bonds must:
- (a) make instructions available to the public, explaining how and where to easily access and use the data, including identification of the electronic format;

- (b) make public any changes to the instructions referred to in (5)(a) at least 3 *months* before they come into effect, unless there is an urgent and duly justified need for changes in instructions to take effect more quickly; and
- (c) include a link to the instructions referred to in (5)(a) on the homepage of their website.

Obligation for the CTP for bonds to provide market data on a non-discriminatory basis

- 9.2B.36 R (1) The *CTP* for bonds must make market data available at the same price and on the same terms and conditions to all customers falling within the same category in accordance with published objective criteria.
- (2) The *CTP* for bonds must charge for the use of *historical data* when it is requested separately from the use of market data, except where it is provided in a machine-readable form through an API.
- (3) For the purposes of *MAR* 9.2B.36R(1), the *CTP* for bonds must have scalable capacities in place to ensure that customers can obtain timely access to market data at all times on a non-discriminatory basis.

Cost recovery for connecting to the CTP for bonds

- 9.2B.37 R [to follow]

Unbundling market data for the CTP for bonds

- 9.2B.38 R The *CTP* for bonds must make market data available without being bundled with other services.

Transparency obligations for the CTP for bonds

- 9.2B.39 R (1) The *CTP* for bonds must disclose and make easily available to the public the price and other terms and conditions for the provision of the market data in a manner which is easily accessible.
- (2) The disclosure must include the following:
- (a) current price lists and other contractual terms and conditions; and
 - (b) advance disclosure with a minimum of 90 *days*' notice of future price changes.

Governance obligations for the CTP

- 9.2B.40 R (1) The *CTP* must establish a consultative committee composed of a representative range of its users and data producers. *CTP* users and data producers may apply to the *CTP* to be members of the committee.

- (2) The membership of the committee established in (1) must be renewed at least once during the period of tender for the *CTP*. At all times, users must comprise the majority of members on the committee.
- (3) The committee must meet at least every 6 *months*, and its chair must make the meeting agenda and minutes public.
- (4) The *CTP* must share with the committee, at a minimum, information on the following:
 - (a) its operating costs, including providing regular updates about those costs;
 - (b) its operational performance;
 - (c) its fee and user policies, including any changes to those policies usage of its services;
 - (d) usage of its services;
 - (e) any data quality issues; and
 - (f) any technology updates.
- (5) The committee may make recommendations to the *CTP*. The chair must make public information on how the *CTP* is taking forward the recommendations of the committee, including on its performance and operation. If the *CTP* decides not to take forward a recommendation, it must provide the committee with reasons for its decision.

9.2C Financial resources requirements for consolidated tape providers

- 9.2C.1 R A *CTP* must at all times have sufficient financial resources for the proper performance of its obligations as a *CTP*.
- 9.2C.2 G In assessing whether a *CTP* has at all times sufficient financial resources for the proper performance of its obligations as a *CTP*, the *FCA* may have regard to:
 - (1) the operational and other risks to which the *CTP* is exposed;
 - (2) the amount and composition of the *CTP*'s capital, liquid financial assets and other financial resources (such as insurance policies and guarantees, where appropriate);
 - (3) the financial benefits, liabilities, risks and exposures arising from the *CTP*'s connection with any *person*, including but not limited to, its connection with:
 - (a) any *undertaking* in the same *group* as the *CTP*;

- (b) any other *person* with a significant shareholding or stake in the *CTP*;
 - (c) any other *person* with whom the *CTP* has made a significant investment, whether in the form of equity, debt, or by means of any guarantee or other form of commitment; and
 - (d) any *person* with whom the *CTP* has a significant contractual relationship;
- (4) the extent to which the *CTP*'s ability to fulfil its obligations as a *CTP* under this chapter may be impacted by any *regulated activities* and other *unregulated activities* it undertakes; and
 - (5) the extent to which, after allowing for the financial resources necessary to cover operational and other risks to which the *CTP* is exposed, the *CTP*'s financial resources are sufficient and sufficiently liquid to ensure that it would be able to complete an orderly closure or transfer of the services it provides as a *CTP* without being prevented from doing so by insolvency or lack of available funds.
- 9.2C.3 G The obligation set out in *MAR 9.2C.1R* applies in addition to any other requirements in respect of *regulated activities* undertaken by the *CTP*.
- 9.2C.4 G The *CTP* may find it useful to refer to the *FCA*'s guidance in FG 20/1 (Our framework: assessing financial resources) and the Wind-down Planning Guide when considering how it meets the obligation set out in *MAR 9.2C.1R*.

9.2D Complaints concerning the performance of a CTP

- 9.2D.1 R (1) A *CTP* must have effective arrangements for the investigation and resolution of complaints arising in connection with the performance of, or failure to perform, any of its functions as a *CTP* under the *rules* in this chapter and other regulatory obligations. A *CTP* must make public how such a complaint may be raised.
- (2) The arrangements must include arrangements for a complaint to be fairly and impartially investigated by a *complaints investigator* independent of the *CTP*, and for the *complaints investigator* to report the result of the investigation to the *CTP* and to the complainant.
 - (3) The arrangements must confer on the *complaints investigator* the power to recommend, if the *complaints investigator* thinks appropriate, that the *CTP* remedies the matter complained of.
 - (4) *MAR 9.2D.1R(3)* is not to be taken as preventing the *CTP* from making arrangements for the initial investigation of a complaint to be conducted by the *CTP*.
 - (5) Where a *CTP* has investigated a complaint arising in connection with the performance of, or failure to perform, any of its functions as a *CTP*

under the *rules* in this chapter and other regulatory obligations, and the *complaints investigator* has made a recommendation in respect of that complaint that the *CTP* should remedy the matter which was the subject of that complaint, the *CTP* must immediately:

- (a) notify the *FCA* of that event; and
- (b) give the *FCA* a copy of the *complaints investigator's* report and particulars of the *complaints investigator's* recommendation as soon as that report or the recommendation is available to it.

Amend the following as shown.

9.3 Notification and information

Notification to the *FCA* of material changes in information provided at the time of authorisation

- 9.3.1 ~~D~~ R A *data reporting services provider* must promptly complete the material change in information form at ~~MAR 9 Annex 5D~~ MAR 9 Annex 5R to inform the *FCA* of any material change to the information provided at the time of its authorisation.

Notification to the *FCA* of change to membership of management body

- 9.3.2 ~~D~~ R A *data reporting services provider* must promptly complete the notification form for changes to the membership of the management body form at ~~MAR 9 Annex 6D~~ MAR 9 Annex 6R to inform the *FCA* of any change to the membership of its *management body* before any change to the membership of its *management body* or when this is impossible within 10 working days after the change.

- 9.3.3 G ~~MAR 9 Annex 6D is derived from Annex III of MiFID ITS 3. [deleted]~~

Notification to the *FCA* by an *APA* or a *CTP* of compliance with connectivity requirements

- 9.3.4 ~~D~~ R As soon as possible and within 2 weeks of being authorised as an *APA* or a *CTP*, an *APA* or a *CTP* seeking a connection to the *FCA's market data processor system* must:

- (1) sign the MIS confidentiality agreement at ~~MAR 9 Annex 10D~~ MAR 9 Annex 10R; and

...

...

- 9.3.6 ~~D~~ R An *APA* or a *CTP* seeking a connection to the *FCA's market data processor system* must complete the form at ~~MAR 9 Annex 7D~~ MAR 9 Annex 7R as

soon as possible and no later than 4 weeks following authorisation as an *APA* or a *CTP*.

...

Yearly notifications to the FCA

- 9.3.8 ~~D~~ R A *data reporting services provider* must complete the yearly notification form in ~~MAR 9 Annex 8D~~ MAR 9 Annex 8R:

...

- 9.3.9 G For example, if a *data reporting services provider's* authorisation commences on ~~3 January 2018~~ 8 April 2024, the *data reporting services provider* must provide the information in ~~MAR 9 Annex 8D~~ MAR 9 Annex 8R on or before ~~3 April 2019~~ 8 July 2025 and then every year thereafter on or before ~~3 April~~ 8 July of that particular year.

Ad hoc notifications to the FCA

- 9.3.10 ~~D~~ R (1) A *data reporting services provider* must promptly complete the ad hoc notification form in ~~MAR 9 Annex 9D~~ MAR 9 Annex 9R to notify the *FCA* in respect of all matters required by ~~MiFID RTS 13~~ the rules in MAR 9.2B.5R(3), MAR 9.2B.6R(4), MAR 9.2B.10R(8) and MAR 9.3.10R(2).

(2) A *data reporting services provider* must notify the *FCA* as soon as reasonably practicable if it considers that it is unable to comply with any rule in this chapter or other regulatory obligation, explaining the reasons why it is unable to comply.

- 9.3.11 G Information to be provided in ~~MAR 9 Annex 9D~~ MAR Annex 9R includes information relating to breaches in physical and electronic security measures and service interruptions or connection disruptions.

Provision of the forms in MAR 9 Annexes ~~5D~~ 5R, ~~6D~~ 6R, ~~7D~~ 7R, ~~8D~~ 8R and ~~9D~~ 9R to the *FCA*

- 9.3.12 ~~D~~ R A *data reporting services provider* must promptly provide the forms in *MAR 9 Annexes* ~~5D~~ 5R, ~~6D~~ 6R, ~~7D~~ 7R, ~~8D~~ 8R and ~~9D~~ 9R and supporting documentation to the *FCA*:

...

...

Sch 2 Notification requirements

...

- Sch 2.2 G Notification requirements

Handbook Reference	Matter to be notified	Contents of Notification	Trigger event	Time allowed
...				
<i>MAR</i> 8.3.17R	Reasonable possibility of not being able to hold sufficient financial resources	Full details together with relevant financial information	Occurrence	As soon as practicable
<i>MAR</i> <u>9.2B.5(3)R</u>	<u>Any planned significant changes to IT systems</u>	<u>Summary of changes</u>	<u>Decision to make the planned change</u>	<u>Without delay</u>
<i>MAR</i> <u>9.2B.6(4)R</u>	<u>Breaches of the physical and electronic security measures referred to in <i>MAR</i> 9.2B.6 R(1) to <i>MAR</i> 9.2B.6 R(3)</u>	<u>Full details of the breach, including an incident report, indicating the nature of the incident, the measures adopted to cope with the incident and the initiatives taken to prevent similar incidents</u>	<u>Occurrence</u>	<u>Without delay</u>
<i>MAR</i> <u>9.2B.10R(8)</u>	<u>Errors or omissions in <i>transaction reports</i></u>	<u>Summary of the error or omission</u>	<u>Occurrence</u>	<u>Without delay</u>
<i>MAR</i> <u>9.3.10R(2)</u>	<u>Non-compliance with any <i>rule</i> in <i>MAR</i> 9 or other regulatory obligation</u>	<u>Reasons for non-compliance</u>	<u>Occurrence</u>	<u>As soon as reasonably practicable</u>

Annex E

Amendments to the Decision Procedure and Penalties manual (DEPP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

2 Statutory notices and the allocation of decision making

...

2 Annex 1 Warning notices and decision notices under the Act and certain other enactments

...

Data Reporting Services Regulations 2017 <u>2023</u>	Description	Handbook reference	Decision maker
Regulation 10(8)(a) <u>Regulations 7(4)(a) and 9(8)(a)</u>	when the <i>FCA</i> is proposing to impose a restriction on the applicant for <u>verification</u> or authorisation as a <i>data reporting services provider</i>	...	
Regulation 10(9)(b) <u>Regulations 7(5)(b) and 9(9)(b)</u>	when the <i>FCA</i> is deciding to impose a restriction grants <u>verification or authorisation subject to the imposition of restrictions</u> on the applicant for <u>verification</u> or authorisation as a <i>data reporting services provider</i>	...	
Regulations 8(5) and 10(8)(b) <u>7(4)(b) and 9(8)(b)</u>	...		
Regulations 8(6)(b) and 10(9)(c) <u>7(5)(c) and 9(9)(c)</u>	when the <i>FCA</i> is deciding to refuse <u>refuses</u> an application for verification or	...	

	authorisation as a <i>data reporting services provider</i>		
Regulations 8(9), 11(4)(a) and 11(5)(b)(i) <u>7(7), 10(4)(a) and 10(5)(b)(i)</u>	...		
Regulations 8(9), 11(4)(a) and 11(5)(b)(i) <u>7(7) and 10(4)(b)</u>	...		
Regulations 8(9) and 11(5)(b)(i) <u>7(7) and 10(5)(b)(ii)</u>	...		
Regulations 8(10) and 12(3) <u>7(7) and 11(3)</u>	...		
Regulations 8(10) and 12(4) <u>7(7) and 11(4)</u>	...		
Regulations 25(1)(a) and 26(1)(a) <u>19(5) and (6)(a)</u>	when the <i>FCA</i> is proposing or deciding to publish a statement <u>by exercising the power conferred by section 312E</u>	...	
Regulations 25(1)(b) and 26(1)(b) <u>19(5) and (6)(a)</u>	when the <i>FCA</i> is proposing or deciding to impose a financial penalty <u>by exercising the power conferred by section 312F</u>	...	
Regulation 36(1) and 36(7) <u>22(1) and 22(7)</u>	...		

Annex F

Amendments to the Recognised Investment Exchanges sourcebook (REC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Recognition requirements

...

2.16B Operation of a data reporting service

Schedule to the Recognition Requirements Regulations, Paragraph 9I

2.16B.1 UK

A [<i>UK RIE</i>] providing data reporting services must comply with—	
(a)	the Data Reporting Services Regulations 2017 (SI 2017/699) <u>2023</u> ; and [<i>Editor's note: add SI number once finalised</i>]
(b)	the requirements of [MAR 9];
(c)	Chapter 6 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive; [deleted]
(d)	Commission Delegated Regulation (EU) 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting service providers; [deleted]
(e)	Commission Implementing Regulation (EU) 2017/1110 of 22 June 2017 laying down implementing technical standards with regard to the standard forms, templates and procedures for the authorisation of data reporting service providers and related notifications pursuant to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments. [deleted]

...

Annex G

Amendments to the Enforcement Guide (EG)

In this Annex, underlining indicates new text and striking through indicates deleted text.

19 Non-FSMA powers

...

19.35 Data Reporting Services Regulations ~~2017~~ 2023

19.35.1 ~~The *DRS Regulations* implemented *MiFID*.~~ The *FCA* has investigation and enforcement powers in relation to both criminal and non-criminal breaches of the *DRS Regulations* (including requirements imposed on *persons* subject to the *DRS Regulations* by *MiFIR* and any *onshored regulation* which was an *EU regulation* made under *MiFIR* or *MiFID*). The *DRS Regulations* impose requirements on *data reporting services providers* (“*DRSPs*”) which are entities authorised or verified to provide services of:

...

...

Annex H

Amendments to the MiFID 2 Onshoring Guide (M2G)

M2G 1 (Onshoring for Trading Venues & Data Reporting Service Providers) is deleted in its entirety. The deleted text of the chapter is not shown but it is marked [deleted] as shown below.

M2G 1 Onshoring for Trading Venues & Data Reporting Service Providers [deleted]

**TECHNICAL STANDARDS (AUTHORISATION, ORGANISATIONAL REQUIREMENTS
AND THE PUBLICATION OF TRANSACTIONS FOR DATA REPORTING SERVICES
PROVIDERS) INSTRUMENT 2023**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) paragraphs 34, 35, 36, 37, 38 and 39 of Schedule 3 to Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012; and
 - (2) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138P (Technical standards);
 - (b) section 138Q (Standards instruments);
 - (c) section 138S (Application of Chapters 1 and 2); and
 - (d) section 137T (General supplementary powers).
- B. The provisions listed above are specified for the purposes of section 138Q(2) (Standards instruments) of the Act.

Pre-conditions to making

- C. The FCA has consulted the Prudential Regulation Authority and the Bank of England as appropriate in accordance with section 138P of the Act.
- D. A draft of this instrument has been approved by the Treasury in accordance with section 138R of the Act.

Interpretation

- E. In this instrument, any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

Modifications

- F. The FCA revokes the following technical standards:
- (1) Commission Delegated Regulation (EU) 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorisation, organisational requirements and the publication of transactions for data reporting services providers; and
 - (2) Commission Implementing Regulation (EU) 2017/1110 of 22 June 2017 laying down implementing technical standards with regard to the standard forms, templates and procedures for the authorisation of data reporting services providers and related notifications pursuant to Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

Commencement

G. This instrument comes into force on 5 April 2024.

Citation

H. This instrument may be cited as the Technical Standards (Authorisation, Organisational Requirements and the Publication of Transactions for Data Reporting Services Providers) Instrument 2023.

By order of the Board
14 December 2023

