Transaction Reporting User Pack (TRUP)

Version 3.1
effective from 6 February 2015

1. THE TRANSACTION REPORTING USER PACK (TRUP)

1.1. What is the *TRUP*?

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

1.2. Scope of the *TRUP*

The *TRUP* applies to transaction reports submitted to the FCA. Other competent authorities may have different requirements.

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

This guidance does not replace *SUP 17* and the relevant definitions in the Handbook glossary and it will not provide technical specifications for the format of transaction reports. We would expect firms to read the *TRUP* in conjunction with *SUP 17*, the Handbook glossary and the technical specifications of their respective Approved Reporting Mechanism(s) (*ARM(*s)).

The *TRUP* is updated periodically and reflects the situation at publication. Firms should remember that circumstances change and so monitor the FCA's communications to stay up to date. Whenever there is a particular transaction reporting issue or concern to address, we cover it in our Market Watch newsletter. As such, firms are encouraged to review all Market Watch newsletters. You can download issues from our website.[2]

To receive Market Watch by email contact: market.watch@fca.org.uk.

For further information, please see the transaction reporting section of our website.[3]

1.3. Who should read the *TRUP*?

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

[1] Directive 2004/39/EC on Markets in Financial Instruments (MiFID)
[2] http://www.fca.org.uk/firms/systems-reporting/transaction-reporting/transaction-reporting-library
[3] http://www.fca.org.uk/firms/systems-reporting/transaction-reporting

1.4. FCA contacts

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

1.5. Have your say

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

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

1.6. History

This is Version 3.1 of the *TRUP*. It replaces Version 3 of the *TRUP*, which was published in March 2012.

Document	Effective date
TRUP Version 1	5 November 2007
TRUP Version 2	21 September 2009
TRUP Version 3 (Replaced Version 2 and the guidance in Guidelines on reporting of On-Exchange derivatives (AII and ISIN derivatives) which was published in September 2009).	1 March 2012
TRUP Version 3.1	6 February 2015

2. WHY TRANSACTION REPORTS ARE IMPORTANT TO THE FCA

SUP 17 requires firms entering into reportable transactions to send us transaction reports containing mandatory details for those transactions by the end of the following business day (T+1). Transaction reports received from firms are loaded into our transaction monitoring system, Zen.[4] The reports and the system are used for purposes listed below.

2.1. Monitoring for market abuse and market manipulation

The primary purpose of transaction reports is to detect and investigate suspected market abuse (including insider trading and market manipulation) in support of our operational objective to protect and enhance the integrity of the UK financial system that also forms part of our statutory objectives.

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

2.2. Firm supervision

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

2.3. Market supervision

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

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

MiFID requires us to exchange certain transaction reports with other EEA competent authorities through the Transaction Reporting Exchange Mechanism (TREM) of the European Securities Markets Authority (*ESMA*).[5] We send transaction reports from UK

[4] Zen replaced the former monitoring system SABRE II on 8 August 2011.
[5] Formerly the Committee of European Securities Regulators (CESR).

branches of non-UK EEA firms to their respective home competent authorities. And where we receive transaction reports in instruments where we are not the most relevant competent authority, we send them to the most relevant competent authority. This means that other competent authorities, as well as the FCA, may be reviewing the integrity of your data.

2.5. Use by other regulatory bodies

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

3. WHO NEEDS TO REPORT AND WHAT IS REPORTABLE?

3.1. Who needs to report?

The application section in *SUP 17.1* sets out, firstly, which firms the transaction reporting obligation applies to and, secondly, which transactions firms need to report to us. Firms need to transaction report to us when they execute a transaction that is reportable, and we define 'execute'[6] and give guidance on what is reportable[7] elsewhere in this document. All firms should have regard to *SUP 17* and *MiFID* in addition to the *TRUP* when considering their obligation to transaction report.

3.2. Reportable instruments

Under *SUP 17.1.4R*, a firm that executes a transaction must report the details to us if it is executed:

1) in any financial instrument admitted to trading on a *regulated market*[8] or *prescribed market*[9] (whether or not the transaction was carried out on such a market)[10]; or

2) in any over-the-counter (OTC) derivative (*OTC derivative*), the value of which is derived from or is otherwise dependent on an equity or debt-related financial instrument that is admitted to trading on a *regulated market* or on a *prescribed market*[11].

Reporting firms should also consider the following exceptions:

a. *SUP 17.1.4R(2)* does not apply to a transaction in any *OTC derivative*, the value of which is derived from, or is otherwise dependent on, multiple equity or multiple debt-related financial instruments, except where the multiple financial instruments are all issued by the same issuer. For example, we do not require firms to transaction report *OTC derivatives* on the FTSE 100 index.

b. Transactions in commodity, interest rate and foreign-exchange OTC/listed derivatives are not reportable. However, securitised instruments admitted to

[6] See *TRUP* section 4 *Obligation to make a transaction report.*
[7] See *TRUP* sections 3.2. *Reportable instruments* and 3.3. *Reportable transactions.*
[8] For a list of *regulated markets*, please see the *ESMA MiFID* database at: http://mifiddatabase.esma.europa.eu/
[9] See glossary for the definition of a *prescribed market*
[10] The ESMA *MiFID* database (http://mifiddatabase.esma.europa.eu/) contains information about equity instruments admitted to trading on a *regulated market*. Each competent authority is responsible for ensuring that information about equity instruments admitted to trading on their *regulated markets* is updated as and when required. Firms should note, however, that this database does not contain details of **all** financial instruments reportable under SUP 17.1.4R(1). Trading in a security admitted to trading on another market in addition to a *regulated market* is reportable if the instrument identifier is identical, eg if the securities have the same *ISINs* on the different markets.

trading on *regulated* securities *markets* and *prescribed markets* that track commodities, interest rates and foreign exchange are reportable. For example, Cocoa Futures contracts on ICE Futures Europe are not reportable, but the ETFS Cocoa Exchange Traded Commodity (*ISIN* JE00B2QXZK10) is reportable as it is admitted to trading on the London Stock Exchange.[12]

It was agreed by CESR[13] and the European Commission (EC) that competent authorities need not require firms to report transactions in non-securities derivatives (ie, commodity, interest rate and FX derivatives) admitted to trading on *regulated markets*. We do not require firms to report transactions in these derivatives and we will work with the relevant exchanges in these markets to ensure that, where another competent authority requires information on transactions in these derivatives, it is made available.

3.3. Reportable transactions

A transaction, as defined in article 5 of *MiFID*, refers to the purchase and sale of a financial instrument. However, the definition excludes:

- 'securities financing transactions' – stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction (article 2(10) of *MiFID*)

- the exercise of options or of covered warrants, and

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

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

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

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

  This exclusion extends to placements, initial allotments of new shares following rights issues and the creation and redemption of exchange traded funds.

[12] These so-called "exchange traded commodities" are actually debt securities that trade and are priced like exchange traded funds on securities exchanges.
[13] CESR is now the European Securities Markets Authority (*ESMA*).

4. OBLIGATION TO MAKE A TRANSACTION REPORT

Firms must transaction report to us when they execute a reportable transaction in a principal or agency capacity.[14]

This includes, not only the market side of the transaction but also any subsequent client leg of the transaction.

For example, where a firm (firm A) acting on behalf of a client trades with another firm (firm B) to purchase/sell shares in the market, then firm A is a counterparty to the transaction and must report that it has traded with firm B for its client. Depending on its business model, this may be reported as a principal transaction with firm B and a second principal transaction to its client[15], or as an agency trade with firm B as counterparty 1 and its client as counterparty 2.

Where a firm is not a counterparty to the transaction, for example where a firm is just acting as a facilitator and introduces two firms to each other, who then trade with each other, the introducing firm has not purchased/sold any financial instruments and does not have a responsibility to make a transaction report. Similarly, if the firm is simply receiving and transmitting a client order (and plays no role in executing the transaction), then it has no transaction reporting obligation providing it has also transmitted the identity of the client to the executing broker. This is described in further detail in section 9.5.

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

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

4.1. Obligation to ensure transaction reports are complete and accurate

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

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

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

[14] See section 9.7. for firms providing a service of portfolio management
[15] Alternatively, these two principal transactions can be reported as a single principal cross – see section 7.5 on trading capacity.

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

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

4.2. Firms providing a service of portfolio management relying on a third party to transaction report

In certain circumstances, firms providing a service of portfolio management may be able to rely on a third party to make transaction reports. For more information, please see section 9.7. *Transactions involving portfolio managers*.

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

Under *SUP 17.2.3R* firms can be relieved of their obligation to make a transaction report if the transaction is instead reported directly to us by a *regulated market* or multi-lateral trading facility (MTF).

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

However, firms should inform the FCA of whether or not they wish to rely on the direct ICE Futures Europe reporting by emailing *TMU* at tmu@fca.org.uk.

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

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

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

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

5. OBLIGATIONS FOR BRANCHES

5.1. Obligations for branches of EEA firms

UK branches of EEA firms can choose to report all transactions they execute to us. Likewise, EEA branches of UK firms may report all their transactions to the local regulator. In these cases, transaction reports should follow the rules of the competent authority to which the report is made. However, it is essential that firms should not report the same transaction in *MiFID* instruments to two separate competent authorities.

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

5.2. Obligations for branches of non-EEA firms

When a non-EEA firm falling within the definition of a third-country investment firm[16] executes a transaction from its UK branch, it must report that transaction to the FCA.

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

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

6. HOW TO SEND US TRANSACTION REPORTS

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

http://www.fca.org.uk/firms/systems-reporting/transaction-reporting/approved-reporting-mechanisms

7. TRANSACTION REPORT FIELDS GUIDELINES

We use transaction reports for a variety of purposes and to perform these functions effectively it is vital that firms provide us with accurate data. Transaction reports should contain all mandatory fields applicable to the transaction being reported in line with *SUP 17* Annex 1, *Minimum content of a transaction report*.

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

7.1. Reporting firm

This field should contain the *BIC* or the Firm Reference Number (*FRN*) of the firm that executes the transaction and on whose behalf the transaction report is being made.

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

7.2. Trading date

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

Please note that, where a transaction has been executed outside of the UK, the trading date and, for *OTC derivatives* (where applicable) the maturity date, should reflect the day in UK time. For example, a trade executed in Tokyo on Wednesday 18 February 2015 at 08:30 local time would be reported to us with the UK trading date, Tuesday 17 February 2015 and UK time 23:30.

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

7.3. Trading time

This field must contain the time at which the transaction took place in UK time. Firms should note that, where a transaction has been executed outside of the UK, the trading time must still reflect the UK time. Therefore, the trading time must be reported in GMT or, during the summer, in BST. Firms may need to contact their

ARM(s) to see whether they need to switch from/to GMT/BST or whether their *ARM*(s) will meet this requirement for them.

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

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

When a firm uses an external broker to fill an order on a market and that external broker fills the order in several transactions, the time of trade in the transaction reports should reflect the time at which the firm becomes the beneficial owner (ie, the allocation time) see section 9.2. *Orders filled by external brokers.*

Where reporting firms are unable to meet the requirement to populate the trading time field with the actual trading time and instead give the time at which the trade is entered into their system (when this is not materially different from the actual trading time), firms should make best efforts to minimise any discrepancy between the trading time and the booking time.

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

7.4. Buy/sell indicator

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

Firm X buys as principal from Firm Y

Transaction report should be as follows:

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

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

Transaction report should be as follows:

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

7.5. Trading capacity

The table below shows which counterparties may be identified in which fields for each trading capacity. The actual counterparties to be identified will depend on the particular circumstances of the transaction and must be populated according to the rules in *SUP 17*. Firms should also have regard to existing guidance in other sections of *TRUP*.

Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Principal (P)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the market counterparty/executing or clearing broker[17]/client; or • the *BIC* of the central counterparty (*CCP*) [18], or • 'INTERNAL'[19]	Blank
Principal cross (C)	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the market counterparty/executing or clearing broker/client; or • the *BIC* of the *CCP*; or • 'INTERNAL'.	• The *BIC*, *FRN* or internal code (where a *BIC*/*FRN* has not been assigned to that entity) of the counterparty or client; or • 'INTERNAL'.

[17] The clearing broker should only be identified in the counterparty field when the identity of the client is not known by the executing broker and is known by the clearing broker.
[18] Where firms identify a central counterparty (*CCP*) with no *BIC* assigned, we expect firms to inform us so that for a UK *CCP* we contact SWIFT and ensure that a *BIC* is made available for that *CCP*. Likewise for any other EEA *CCP*, we will contact the respective competent authority.
[19] Please refer to section 7.18.2. (Use of 'INTERNAL') for further details.

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

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

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

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

The principal cross could be reported as two principal transactions:

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

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

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

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

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

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

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

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

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

Firms should ensure that the trading capacity field is populated in transaction reports to accurately reflect the changes in positions of the firm and its client(s) at the time of the transaction(s).
To ensure these positions are reported correctly firms should take into account the following principles:

- agency transactions are disregarded when calculating the change in a reporting firm's position as they should be riskless for the firm[20]

- in all cases where 'INTERNAL' is used, the FCA expects to see a movement into 'INTERNAL' and out of 'INTERNAL' (see section 7.18.2.)

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

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

7.5.1. Firm buying from the market on a principal basis and selling to the client under an agency agreement

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

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

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

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

7.5.2. Firm executing an order from its own books when acting under an agency arrangement for the client

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

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

7.5.3. Firm executing a client order partly in an agency capacity and partly on a principal basis

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

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

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

Quantity	Buy/sell	Trading Capacity	CP1	CP2
10	B	P	counterparty	

Quantity	Buy/sell	Trading Capacity	CP1	CP2
10	S	P	client	

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

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

Quantity	Buy/sell	Trading Capacity	CP1	CP2
10	B	P	counterparty	

Quantity	Buy/sell	Trading Capacity	CP1	CP2
10	S	P	INTERNAL	

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

7.5.4. Firm executing an average price transaction for multiple clients with multiple fills where fills are of mixed trading capacity

Section 9.4. of *TRUP* sets out the methodology for reporting orders for average prices. For transaction reporting purposes, shares from individual executions are not required to be assigned to allocations. Where different trading capacities apply to the different fills, the transactions should nonetheless be reported to correctly reflect the change in the firm's position and the client's position. This can be achieved by reporting a movement using 'INTERNAL' between the principal book and an agency book.

For example, if a firm places an aggregated order for 1,000 shares for three clients for 150, 650 and 200 shares, respectively, and the order is filled partly from the market on an agency basis (500 shares) and partly on a principal basis (remaining 500 shares) this could be reported as:

Reporting firm	**B/S**			**Trading Capacity**	**CP1**	**CP2**
	B	500	Execution price	A	Market	INTERNAL
	B	500	Execution price	P	Market	
	S	500	Execution price	P	INTERNAL	
	B	150	Av price	A	INTERNAL	Client 1
	B	650	Av price	A	INTERNAL	Client 2
	B	200	Av price	A	INTERNAL	Client 3

If, instead, the portion being filled from the market on a principal basis was filled from the firm's own books, this could be reported as:

Reporting firm	**B/S**			**Trading Capacity**	**CP1**	**CP2**
	B	500	Execution price	A	Market	INTERNAL
	S	500	Execution price	P	INTERNAL	
	B	150	Av price	A	INTERNAL	Client 1
	B	650	Av price	A	INTERNAL	Client 2
	B	200	Av price	A	INTERNAL	Client 3

Please note that the above guidance in this section 7.5 is only intended to apply to the very particular scenarios set out above and should not be interpreted as giving firms a broader license to report a different trading capacity from that in which they are acting. If firms are in any doubt they should contact the *TMU*.

The changes to the guidance on trading capacity introduced in *TRUP* 3.1 will be effective from 6 August 2015.

7.6. Instrument identification

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

For transactions in derivatives admitted to trading on a *regulated market* where the *ISIN* is not the industry method of identification, these should be identified using the Alternative Instrument Identifier (*Aii*) in which case the instrument identification field should contain the *Aii* Exchange Product Code.[21] Failure to report using the *Aii* in these circumstances will cause the transaction report to be rejected.

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

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

7.7. Instrument description

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

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

7.8. Underlying instrument identification

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

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

[21] Exchange product codes for *Aii* instruments can be found on the exchanges' websites or from data vendors.

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

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

7.9. Instrument type

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

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

7.10. Maturity date

This field must contain the maturity/expiry date when you are reporting a transaction in an *OTC derivative* that is an option, future, warrant, spread bet[22], credit default swap, other swap, spread bet on an option on an equity, or a contract for difference on an option on an equity. Where the derivative type is a spread bet on an option on an equity or a contract for difference on an option on an equity, this field must contain the expiry date of the option.

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

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

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

Firms are not required to populate this field for complex *OTC derivative*s (derivative type 'K'). For further information, see section 8.3.7.

[22] This is not required for daily rolling spreadbets and as noted in section 8.3.1. only the initial opening and final closure for daily rolling spreadbets need to be reported.

7.11. Derivative type

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

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

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

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

7.12. Put/call

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

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

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

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

Firms are not required to populate this field for complex *OTC derivative*s (derivative type 'K'). For further information, see section 8.3.7.

7.13. Strike price

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

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

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

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

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

Firms are not required to populate this field for complex *OTC derivative*s (derivative type 'K'). For further information, see section 8.3.7.

7.14. Price multiplier

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

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

For a future or option on an index[23], the price multiplier is the amount per index point.

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

7.15. Unit price

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

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

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

[23] Note that *OTC derivatives* on indices are not reportable as set out in Section 3.2(a).

7.15.1. Bonds and bond futures

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

For instruments with bond characteristics that are traded as equities, we expect the unit price in the transaction report to reflect the traded price, ie, if the instrument is traded in monetary terms the unit price should be transaction reported in monetary terms.

7.15.2. Credit Default Swaps (*CDS*)

Please refer to section 8.3.5.

7.15.3. Spread bets

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

7.15.4. Derivatives other than bond futures, *CDS* and spread bets

The unit price of derivatives, other than bond futures and *CDS*, should be reported as the price per underlying security or index point[24] such that the monetary value of the derivative contract can be determined by the FCA by multiplying that unit price by the price multiplier. For option contracts, it is the premium of the derivative contract per underlying security or index point.

Example:

Firm X reports three transactions.

Reporting Firm	Instrument Description[25]	Unit price	Quantity	Derivative Type[26]	Price Multiplier[27]
Firm X	Index Future	6477	5	F	10
Firm X	Stock A Option	0.04	12	O	1000
Firm X	Index Option	3	7	O	10

[24] Note, however, that this applies to instruments admitted to trading on a *regulated market* or *prescribed market*. *OTC derivatives* on indices are not reportable, as set out in section 3.2(a).

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

[26] Please note, for derivatives admitted to trading on a *regulated market* or a *prescribed market,* the derivative type should not be reported by the firm if the instrument is identified by an *ISIN*. However, this field needs to be reported for *Aii* instruments.

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

Transaction 1

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

UNIT PRICE = 6,477

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

Transaction 2

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

UNIT PRICE = 0.04

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

Transaction 3

Firm X buys 7 FTSE 250 index options, correctly reporting UNIT PRICE = GBP 3 (because the premium of the derivative contract per underlying index point is GBP 3). The price multiplier is 10 because this option is worth GBP10 per index point, therefore:

Monetary value = GBP 3 × 7 × 10 = GBP 210

7.16. Price notation

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

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

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

7.17. Quantity

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

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

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

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

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

7.18. Counterparty and customer/client identification fields

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

The counterparty field must be populated for all transaction reports.

The customer/client identification field is sometimes referred to as the counterparty two field. This field must be blank when reporting a transaction where the trading capacity is ‘principal’ and should be populated for other trading capacity types.[28] Failure to populate this field for trading capacities other than principal will result in the transaction report being rejected.

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

7.18.1. Use of *BIC* codes

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

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

The *BIC* of the entity that was the counterparty to the transaction should be used. However, we recognise that some firms may have more than one *BIC* and in these cases any of the available *BIC*s can be used to identify those firms.

The *BIC* must be valid on the trading date.

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

Where the counterparty is a *CCP*, the *BIC* for that *CCP* must be used. A list of EEA *CCPs* and their *BIC*s can be found under the 'Central Counterparties' section of the *ESMA MiFID* database at http://mifiddatabase.esma.europa.eu. Where the *CCP* is a non EEA *CCP* firms may refer to the FCA register of Exchanges[29], which includes Recognised Overseas Clearing Houses, and should check the *BIC* against the Swift website.

7.18.2. Use of 'INTERNAL'

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

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

When identifying an internal account (eg, an aggregated account or an average price account), firms should use the word 'INTERNAL'. See sections 9.3. and 9.4. for details on how this should be used.

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

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

[29] http://www.fsa.gov.uk/register/exchanges.do;jsessionid=7c42aa96cce141f088d596eba00045fa.s6fNml1Ka38InBbv-ArJrwTPoNCNa30Ocybtah0IaNuIahiIbh0IaNfwmxiInxiObk9ynhvybMSHc30Ka2aToi5hch0Na2TSn7bvq70KawTAqQ4InQXQ-BjF8NaPaNyScgbMnkrDqRfzqwbMnkrDqRfzqwbynknvrkLOlQzNp65

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

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

The changes to the guidance on use of 'INTERNAL' introduced in *TRUP* 3.1 will be effective from 6 August 2015.

7.19. Venue identification

The guidance in sections 7.19.1. to 7.19.4. for on-market transactions, off-market transactions and listed derivatives only applies where the instrument is not an *OTC derivative.*[30] Where the instrument is an *OTC derivative*, the guidance in section 7.19.5. should be followed.

7.19.1. On-market transactions

As per *SUP 17 Annex 1G field 21,* where the transaction was executed on any trading venue and the transaction is not in an *OTC derivative*[31], the venue identification field must contain the four-character Swift *ISO* 10383 Market Identifier Code (*MIC*). For clarity, where a derivative is traded on an MTF, under *MiFID* that is classified as an *OTC derivative* trade.

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

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

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

- Where the venue is a *regulated market* or MTF, firms should use the appropriate *MIC* from the *ESMA* database: http://mifiddatabase.esma.europa.eu/.

- For other valid trading venues firms should populate the venue field with the relevant segment *MIC* available on www.iso10383.org.

- The *MIC* is valid as at the trading date.

Firms should make every effort to obtain the segment *MIC* from the trading venue or from data reference channels. However, if firms are still unable to determine the segment *MIC*, they may use the operating *MIC*.

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

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

7.19.3. Off-market transactions

The venue identification field should contain the code 'XOFF' where the transaction is in a financial instrument admitted to trading on a *regulated* or *prescribed* market (other than an *OTC derivative*[32]), but the transaction is made off market – ie, the transaction is agreed bilaterally between the parties and is agreed by the parties to be an off-market transaction, which means it is not governed by the rules and regulations of the market.

This field should contain the code 'XOFF' where the firm executes a transaction in a financial instrument admitted to trading on a *regulated market* or *prescribed market* (other than an *OTC derivative*[33]) using an external broker and the identity of the trading venue is not made available before the reporting deadline.

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

[32] Reporting of the venue for *OTC derivatives* is covered in section 7.19.5.
[33] Reporting of the venue for *OTC derivatives* is covered in section 7.19.5.

7.19.4. Transactions in listed derivatives

Transactions in listed derivatives which are not *OTC derivatives*[34], both market side and client side must be reported with the *MIC* of the *regulated market* in the venue identification field. This includes derivative transactions conducted through clearing platforms of derivative *regulated markets* (see section 8.2.).

7.19.5. Transactions in *OTC derivatives*

Where the transaction is in an *OTC derivative*[35], the venue field should be reported as XXXX, regardless of whether the transaction took place on a trading venue or off market.

7.20. Transaction reference number

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

7.21. Cancellation flag

7.21.1. Cancelling a previously submitted transaction report

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

The **current** validation rules are applied to all fields **before** processing the cancellation itself. This may lead to rejections where a firm is back reporting.

For example, if a cancellation is sent for a transaction report where the original transaction report was submitted before 8 August 2011[36] with a *BIC* in the counterparty (counterparty one) field that was not valid on the trading date, the cancellation will be rejected. (The original report would have been accepted if the *BIC*

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[34] Reporting of the venue for *OTC derivatives* is covered in section 7.19.5.
[35] An *OTC derivative* is defined in *SUP* as 'a derivative traded solely over the counter'.
'Over the counter' is subsequently defined as '(in relation to a transaction in an investment) not on-exchange'. A derivative traded on an MTF is classified as OTC under *MiFID.*
In turn, 'on-exchange' means:
'(a) (in relation to a transaction in the United Kingdom) effected by means of the facilities of, or governed by the rules of, an RIE or a *regulated market*;
(b) (in relation to any other transaction) effected by means of the facilities of, or governed by the rules of, an exchange.'
[36] The soft go-live date of the current reporting system, Zen.

was valid at the time of submission, but the cancellation would be rejected because from the implementation of the current reporting system, Zen, the validation checks that the *BIC* was valid on the trading date).

To resolve this, firms should submit the cancellation with a *BIC* in the counterparty field that was valid on the trading date, even though this will differ from the *BIC* submitted in the original transaction report.

7.21.2. Amending the time, trade date, transaction reference number or reporting firm id of a previously submitted transaction report

Firms cannot amend a transaction report's trading time, trade date, transaction reference number or reporting firm id – they should cancel the original report and resubmit a new report.

This is because these four fields form the identifiers we use to uniquely identify a transaction report. As a consequence, if an update to a transaction report is submitted to us with a new trading time, for example, our systems will be unable to locate the original transaction report and will, therefore, reject the amendment transaction report.

7.21.3. Amending a previously submitted transaction report

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

8. GUIDELINES FOR REPORTING DERIVATIVES

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

8.1. Transactions in derivatives on *Aii* markets

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

The six elements are:

- ***Aii* exchange code**: the *MIC* of the *regulated market* that admits the derivative to trading
- **Exchange product code**: the code which is assigned and maintained by the *regulated market* where the derivative is traded[37]
- **Derivative type**: identifies whether the instrument is an option or a future
- **Put/Call identifier**: identifies whether the derivative is a put or call option
- **Expiry date**: the expiry date of the derivative, and
- **Strike price**: the strike price of an option.

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

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

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

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

[37] Exchange product codes for *Aii* instruments can be found on the exchanges' websites or from data vendors.

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

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

8.2.1. (a) ISIN derivative markets (eg, options on the London stock exchange derivatives market (LSEDM)

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

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

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

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

8.2.1. (b) *Aii* derivative markets (eg, ICE Block)

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

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

- Buy 10 Vodafone Mar 2015 220 Calls through ICE Block (ICE Futures Europe).
- The firm should report this transaction using the *Aii* code. The counterparty will be the exchange *CCP*. The quantity will be 10.
- The *Aii* code for this transaction will contain the following components: Instrument Identification 'VOD' (Exchange Product Code for this particular contract), Strike Price 220, Expiry Date 20 Mar 2015, Derivative Type 'O', Put/Call Indicator 'C', Venue Identification 'IFLO'.

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

- Buy 10 Vodafone Mar 2015 180 Calls expiring on 13 Mar 2015 through ICE Block (ICE Futures Europe)

- The firm should report this transaction using the *Aii* code. The counterparty will be the exchange *CCP*. The quantity will be 10.

- The *Aii* code for this transaction will contain the following components: Instrument Identification 'VOU'[38] (Exchange Product Code for this particular contract), Strike Price 1.80, Expiry Date 13 Mar 2015, Derivative Type: 'O', Put/Call Indicator 'C', Venue Identification 'IFLO'.

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

The appropriate *MIC* for trades executed on ICE Futures London varies according to the asset class in question. The following link provides details of the product codes and venues for particular instruments: https://www.theice.com/products

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

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

However, in some circumstances the FCA and the *ARMs* are unable to obtain reference data from derivatives markets on their non fungible derivatives contracts.

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

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

- the exchange product code of the standardised derivative contracts (order book contracts), and

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

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

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

8.3. OTC derivatives

In this section, we aim to confirm the way in which certain *OTC derivative* transactions should be reported to us. Transaction reports should contain all mandatory fields in line with *SUP 17* Annex 1, *Minimum content of a transaction report*. Where we refer to specific fields in a transaction report, firms should complete these fields in the formats described or be sure that their *ARM(*s) will use these formats when sending their transaction reports to us. Additional guidelines for some of these fields have been provided below.

8.3.1. Spread bets

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

- The instrument type must classify the instrument type of the underlying instrument (eg, a spread bet on an equity would have an instrument type of ‘A’ for equity).
- Text in the instrument description field should begin with the full name of the underlying instrument, eg, 'Vodafone BET' rather than 'BET Vodafone'.
- The underlying instrument identification field must contain the *ISIN* of the ultimate underlying instrument.
- The maturity date must be included except for daily rolling spreadbets.

As set out in *SUP 17.1.7G(2)* for a rolling spread bet, only the initial opening and final closure of the contract need to be reported.

8.3.2. Spread bets on an option on an equity

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

- The instrument type must be ‘A’ for ‘equity’.

- The text in the instrument description field should begin with the full name of the ultimate underlying instrument.
- The underlying instrument identification field must contain the *ISIN* of the ultimate underlying instrument (eg, when reporting a transaction in a spread bet on an ICE Futures Europe traded equity option, this field must contain the *ISIN* of the equity).
- The maturity date, put/call and strike price fields must be used to indicate the terms of the underlying option.
- The price multiplier should represent the movement in the price of the option premium rather than the number of shares represented by the option contract. Usually we would expect a value of '100'.

8.3.3. Contracts for difference

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

- The instrument type must classify the instrument type of the underlying instrument (eg, a *CFD* on an equity would have an instrument type of 'A' for equity).
- The text in the instrument description field should begin with the full name of the underlying instrument, eg, 'Vodafone CFD' rather than 'CFD Vodafone'.
- The underlying instrument identification field must contain the *ISIN* of the underlying instrument.
- Where the transaction is a total return swap (see section 8.3.6.), the maturity date field must contain the maturity date of the contract.

8.3.4. Contract for difference on an option on an equity

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

- The instrument type field must be 'A' for 'equity'.
- The text in the instrument description field should begin with the full name of the ultimate underlying instrument.
- The underlying instrument identification field must contain the *ISIN* of the ultimate underlying equity.

- The maturity date, put/call indicator and strike price fields must be used to indicate the terms of the underlying option.
- The price multiplier should reflect the number of option contracts represented by the *CFD* (rather than the number of shares represented by the option contract). Usually, we would expect a value of ‘1’.

8.3.5. Credit default swaps (*CDS*)

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

- The instrument description field should be used to identify the reference entity.
- The quantity field should contain the nominal size of the transaction.
- The unit price field should contain the spread at which the transaction was executed, annualised for the duration of the swap. We would prefer the spread to be reported as the coupon in basis points, plus upfront payment expressed in basis points of notional. However, we recognise that this might require a systems change for some firms and, since this will only be an interim arrangement, firms may continue to report as currently.
- Where the price is negative or cannot be determined, a default value of ‘1’ should be used. A default value should only be used as a last resort and firms should make every effort to report the actual price at which the transaction was executed.
- The maturity date field must contain the maturity date of the contract.
- Where the underlying financial instruments have all been issued by the same issuer, the instrument type should be ‘B’ for bond and the underlying instrument identification field must contain either the ISIN of the reference obligation, or the *ISIN* of any of the deliverable obligations.
- Where there is no underlying debt instrument or where the underlying debt instrument is not admitted to trading on a regulated market or prescribed market then the *CDS* is not reportable.

8.3.6. Total return swaps

Where the transaction is in an *OTC derivative* that is a total return swap, it may either be reported as a *CFD* or as a swap. For details of how to report as a *CFD*, see section 8.3.3.

If the total return swap is being reported as a swap the derivative type field must contain ‘S’ for ‘other swap’.

- The instrument type must classify the instrument type of the underlying instrument (eg, a total return swap on an equity would have an instrument type of ‘A’ for equity).
- The text in the instrument description field should begin with the full name of the underlying instrument, eg, 'Vodafone total return swap', rather than 'Total return swap Vodafone'.
- The underlying instrument identification field must contain the *ISIN* of the underlying instrument.
- The maturity date field must contain the maturity date of the contract.

8.3.7. Complex derivatives

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

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

- an option that cannot be classified as a call or put option at the time the transaction is entered into, or
- an option or warrant that has multiple puts and calls, or
- an option that allows the purchaser to choose whether the option is a put or a call on a particular date in the future (often referred to as a chooser option), or
- an option or a warrant where the strike price is not known at the time the transaction is entered into and is based on the average price over an averaging period.

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

9. GUIDELINES FOR REPORTING CERTAIN TRADING SCENARIOS

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

9.1. Internal transactions

Intra-company transactions are transactions within the same legal entity, which are purely internal and not executed on a trading venue[39], while inter-company transactions are transactions between two or more legal entities in the same group. Inter-company trades must be transaction reported to the FCA, while intra-company transactions undertaken within the same FCA-authorised firm are not reportable, unless this is required to correctly reflect the change in a firm's or its client(s) position (see section 7.5.). *SUP 17.1.7G* sets out when financial instruments are transferred between clients in the same legal entity, and the beneficial ownership of the instrument changes, this is reportable. Where a firm hits its own order on a trading venue resulting in a trade report, we expect to see the equivalent transaction report, irrespective of any subsequent cancellation by the trading venue or clearing/settlement activity. If a venue cancels two equal and opposite orders from the same member firm such that no trade report ever occurs – then there is no transaction to report as long as the cancellation is immediate and not after the publication of the trade report.

The changes to the guidance on internal transactions introduced in *TRUP 3.1* will be effective from 6 August 2015.

9.2. Orders filled by external brokers

There may be instances where Firm A gives an order to Firm B for execution (eg, Firm A is not a member of an exchange) and Firm B fills the order by undertaking multiple transactions. Transaction reports reported by Firm A will need to reflect the time at which Firm A became the beneficial owner. We appreciate that the client allocations are defined under contractual arrangements and may differ from client to client.

9.3. Aggregated transactions

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

[39] *Regulated market*, *prescribed market* or MTF.

On this approach, the transaction reports would be as follows:

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

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

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

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

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

9.4. Average price transactions

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

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

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

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

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

Market side

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

Client side

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

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

For example:

Market side

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

Client side

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

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

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

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

Where the fills for multiple clients for an average price transaction are carried out in different trading capacities then the guidance in section 7.5. should be followed.

9.5. Receipt and transmission of orders

The transaction reporting regime is based on the reporting of transactions, rather than the reporting of orders. So there is no reporting obligation for firms that simply receive and transmit orders to another firm to execute.

In this scenario, the executing broker now has the relationship with the client and it will make a transaction report identifying that client. However, for this to happen, the executing broker must know the identity of the client. If this identity is not passed to the executing broker, then the firm that originally received the client order is <u>not</u> simply receiving and transmitting the order – it has a role in the execution of the transaction, as it still has the relationship with the client. Therefore, if the firm receiving the original order does not pass the identity of the client to the executing broker, it becomes the counterparty of the executing broker and it must make one or more transaction reports to identify the executing broker and the client.

9.6. Direct Electronic Access (DEA)

We understand that the term *DEA*[40] incorporates various forms of electronically transmitting orders from client to broker to venue, including Direct Market Access, smart order routing and sponsored access.

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

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

Therefore, we would expect the *DEA* provider to report each individual market execution and to transaction report the client transaction with the time it was agreed with the client.[41] Where the subject of the transaction is an exchange traded derivative, firms acting in a principal capacity should submit two transaction reports, one for the market side and another for the client side, both with the same date/time, the same quantity, the same price and the same trading venue.[42] Firms should note that the two principal transactions can be reported in a single transaction report with trading capacity set as principal cross.

Where the *DEA* client has transaction reporting obligations, we would expect the *DEA* client to send transaction reports detailing the counterparty as the *DEA* provider and the date and time at which the beneficial ownership is transferred to/from the *DEA* client.[43]

9.7. Transactions involving portfolio managers

9.7.1. Portfolio managers relying on a third party to report

SUP 17.2.2G applies to firms providing a service of portfolio management when they undertake a transaction on behalf of a client on a discretionary basis.

In the course of their discretionary business, firms providing a service of portfolio management may (on occasion) operate in an advisory capacity and specifically recommend a transaction to a client who has given them a discretionary mandate, ie, recommend a transaction that falls outside of that mandate. *SUP 17.2.2G* also applies in this specific case.

SUP 17.2.2G does not apply in any other circumstances, such as execution-only transactions by firms who provide a service of portfolio management, nor does it apply to firms that do not provide a service of portfolio management.

Where a firm in the course of providing a service of portfolio management undertakes a transaction in an agency or principal capacity on behalf of a client on a discretionary basis, or in the course of this discretionary business undertakes a transaction having specifically recommended the transaction to the client, and the firm has reasonable grounds to be satisfied that another party (typically, the broker) will report to us or another competent authority, the firm can rely on that other party to make the transaction report and will not need to make a separate report to us.

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

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

[43] Firms providing a service of portfolio management may rely on the *DEA* provider to make transaction reports if the scenarios outlined in SUP 17.2.2G are met. For further information, please see section 9.7.

In these circumstances 'reasonable grounds' could include making a check not less than annually that the reporting firm continues to be a *MiFID* investment firm subject to transaction reporting obligations under *MiFID*. The portfolio manager is not required to conduct due diligence to ensure that reports are being submitted accurately, as this is an existing obligation of the broker.

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

There are several scenarios in which a firm providing a service of portfolio management undertakes a transaction in an agency or principal capacity on behalf of a client but the firm will not be able to rely on a third party to report under *SUP 17.2.2G* and will, therefore, need to make a transaction report itself. These include the following scenarios.

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

b. Where the transaction is reportable under *SUP 17* but is not a transaction in a financial instrument admitted to trading on a *regulated market* and the broker is a non-UK *MiFID* investment firm. This covers areas where the UK is super-equivalent to the *MiFID* requirements. It includes transactions in *OTC derivative*s where the underlying instrument is traded on a *regulated market* or *prescribed market* and transactions in financial instruments admitted to trading on *prescribed market*s. In these circumstances, the non-UK broker is not expected to make a transaction report, as the transaction is likely to be outside the reporting rules applicable in the broker's home state. Consequently, under *SUP 17.2.2G*, the firm providing the service of portfolio manager cannot rely on a third party to report.

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

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

e. In the event that a firm providing a service of portfolio management contacts an EEA broker to conduct a transaction in a reportable instrument on a non-EEA exchange[44], the EEA broker may pass the order to a non-EEA broker to execute the trade. If the EEA broker is not itself entering into the transaction in an agency or principal capacity because the relationship with the firm providing the service of portfolio management has been given up to the non-

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

EEA broker, then the firm providing a service of portfolio management, rather than the EEA broker, would have an obligation to transaction report.

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

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

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

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

In the event that a firm providing a service of portfolio management is unable to rely on a third party to meet its reporting obligations under *SUP 17.2.2 G*, the firm must make arrangements for the transaction to be reported via an *ARM*[45] in accordance with the guidelines below:

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

- The guidance in *SUP 17.2.2 G* does not apply where a firm providing a service of portfolio management undertakes a transaction in an agency capacity on behalf of a client on an execution-only basis ie, where the portfolio manager executes a non-discretionary transaction. The transaction report should identify the firm providing a service of portfolio management in the reporting firm field, the counterparty in the counterparty field

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

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

All fields should be populated in accordance with *SUP 17*, the guidelines in Chapter 7 and the technical specifications of the respective *ARM*(s).

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

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

9.7.5. Portfolio managers as counterparties

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

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

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

9.8. Strategy trades

This guidance applies to exchange traded strategy trades where two or more that are dependent on each other are executed simultaneously.

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

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

One exception to this approach is for strategy trades involving derivative and cash equity legs entered into on the *Aii* exchanges[46] where both legs are executed on the

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

[46] All other relevant fields should be reported in accordance with the guidance set out in the *TRUP*.

same *Aii* exchange. The FCA will not accept *ISIN*-based cash equity transactions from *Aii* exchanges. In this instance, firms should report the *ISIN* cash equity leg with the venue “XOFF” (see example 2).

Firms who rely on the ICE Futures Europe feed to the FCA to report their transactions should note that they will need to report any *ISIN*-based legs to the FCA separately, as the feed only includes *Aii* transactions.

Example 1

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

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

The two legs should be reported as follows[47]

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

Example 2

A strategy trade on ICE Futures Europe that combines a transaction in an equity option on BP plc and a transaction in BP plc cash equities. ICE Futures Europe is an *Aii* exchange, but the BP cash equity is an *ISIN*-based instrument. The two legs should be reported as follows[48]:

1) The BP plc equity option leg is reported using:
   - instrument code: ICE Futures Europe Exchange Product Code for the relevant BP plc option and
   - venue: “XLIF”.
2) The BP plc cash equity leg is reported using:
   - instrument code: *ISIN* for the BP plc cash equity and
   - venue: “XOFF”.

[47] All other relevant fields will need to be reported in accordance with the guidance set out in the *TRUP*.

10. DATA INTEGRITY: FIRMS' OBLIGATIONS

As stated in Market Watch 29, firms must meet the specified standards when reporting transactions to us in terms of the submission of reports and their content. To ensure accuracy and completeness, firms, under our Handbook's SYSC (Senior Management Arrangements, Systems and Controls sourcebook)[49] and Principle 3 (Management and Control)[50], must have appropriate systems and controls in place to enable them to comply with their regulatory obligations.

Firms' obligations under *SUP 17.3.6G* must make sure they have successfully provided their transaction reports to us.[51] The successful submission of reports to an *ARM* may be a step in this process; however, firms should also take reasonable steps to verify that the *ARM* is successfully passing these reports on to us.

SUP 17.4 and *SUP 17 Annex 1, Minimum content of a transaction report,* also detail the obligation firms have to ensure their transaction reports contain the required information and are provided in the correct format.

10.1. Transaction reporting arrangements within firms

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

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

We consider an 'end-to-end reconciliation' to mean the reconciliation of a firm's front-office trading records and data[52] against the reports it submits to its *ARM(s)* and against data samples extracted from the FCA transaction report database (see section 10.1.1.).

It is not the FCA's intention to prescribe exactly how transaction report reconciliations should be carried out. Firms could perform front-to-back reconciliations or several point-to-point reconciliations. However, the effect of such reconciliations should achieve the same result as a straight-through end-to-end reconciliation.

In addition, firms are encouraged to have, among other things:

- a clear allocation of responsibility for transaction reporting within the organisation and clearly defined escalation procedures
- appropriate information produced on a regular basis to enable proper oversight of the transaction reporting process

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

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

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

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

- end-to-end testing for ALL reporting mechanisms in place
- change management processes that are designed to ensure IT changes do not impact the accuracy and completeness of the reported transactions; including unit, functional and regression testing and formal change sign-off as appropriate to the nature and scale of the business
- appropriate oversight of transaction reporting by compliance, including reviews, as part of the compliance monitoring programme
- reviews and testing that are tailored to the nature and scale of activities of the organisation and its transaction reporting arrangements
- regular validation of static data to ensure static data integrity
- documentation detailing transaction reporting processes and the relevant systems and controls
- where sample testing is employed in a firm's reconciliation processes, care should be taken to select transaction report samples that are representative of the firm's full trading activity and
- where reliance is placed on reporting by an *ARM* or another third party, that periodic checks are carried out to ensure that the transactions are being correctly reported

Firms should provide comprehensive training for members of staff with transaction reporting duties and with roles impacting the accuracy or completeness of the firm's transaction reports. While it is expected that firms will tailor their training programmes appropriately for different audiences, as well as covering the firm's own processes and procedures and the applicability of transaction reporting rules and guidance relevant to the firm's particular business, firms should consider including elements such as:

- the reasons why transaction reports are collected by the FCA and their role in detecting and pursuing cases of market abuse
- the legal obligation for firms to deliver complete and accurate reports
- the limitations of using exception reports from the *ARM(s)* and the FCA as checks for the completeness and accuracy of transaction reports[53]

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

- an understanding of the firms' policy for communicating with the FCA
- training for IT staff responsible for developing and testing systems which can impact transaction reporting processes, and
- training for staff members submitting manual data, including static data and trade data.

10.1.1. Data extract service and review of data extracts

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

We encourage firms to use this facility from time to time as part of their review and reconciliation processes. This enables firms to compare the reports we receive with their own front office trading records and the reports firms (or their representatives) submit to their *ARM(s)*. Firms should also check the accuracy and completeness of the individual data elements within their transaction reports, and their compliance with transaction reporting rules and requirements, having regard to the guidance we have issued. In particular, we suggest that firms request carefully defined samples of their transaction reports to review issues such as (but not limited to) whether:

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

The above list is not exhaustive and firms may have to conduct additional checks and validation processes according to their particular circumstances. However, any checks carried out on the content of reports must be made with reference to the transaction reporting rules and requirements under *SUP 17*, this document and the technical specifications of your chosen *ARM*(s).

10.2. Responsibilities when outsourcing transaction reporting

Under Chapter 8 of SYSC, if a firm outsources critical or important operational functions or any relevant services and activities, it remains fully responsible for discharging all of its obligations under the regulatory system (see SYSC 8.1.6R).

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

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

10.3. Transaction reporting failures and errors

If your firm finds errors in transaction reports or fails to submit some or all of its transaction reports as required under *SUP 17*, we expect you to notify us as soon as possible of:

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

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

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

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

11. Frequently Asked Questions (FAQs)

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

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

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

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

- checking whether the instruments are reportable (see section 3.2)
- checking *SUP 17*, the *TRUP* and Market Watch articles for any recent guidance on the proposed products
- checking with your *ARM(s)* that they have the ability to report the transactions
- considering the change implications to your systems
- testing prior to starting trading, and
- validating your new transaction reports against a data extract soon after starting to trade.

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

11.3. Is over-reporting acceptable?

Over reporting is the reporting of instruments that are not deemed reportable under *SUP 17*. We recognise that separating out transactions in non-reportable instruments may be costly. Firms should take reasonable steps to avoid over reporting of non-reportable instruments. We allow firms to over report transactions in non-reportable instruments but we will typically reject such transactions on *Aii* markets and firms should ensure that any transaction reports they send for non-reportable instruments are complete and accurate.

11.4. The mechanics of transaction reporting

11.4.1. What happens on UK public holidays?

Under *SUP 17.2.7R*, you must report the transaction by the close of the working day following the day on which that transaction took place, eg, transactions entered into on the Friday before a Bank Holiday Monday will need to be reported by the end of the Tuesday.

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

A firm will be deemed to have reported a transaction in line with *SUP 17.2.7R* where that transaction report has been received by the FCA. However, from a practical standpoint, firms need to ensure that transaction reports are accepted by an *ARM* that reports to us by the end of that reporting channel's working day. For further clarification, you should contact your respective *ARM*(s), who will be able to advise the time of the end of their working day, which will be before the end of the FCA's working day for receipt of transaction reports.

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

Under our rules (*SUP 17.2.5R*), it is the responsibility of the reporting firm to ensure the accuracy of the information contained in a transaction report. However, we recognise that there may be instances where the firm takes all reasonable efforts to report correctly through an *ARM*, but the *ARM* fails to transmit the correct information to us. In these instances, we recognise that this is not a fault of the firm. In such circumstances, we would expect the *ARM* to notify us of any issues which prevent it from submitting transaction reports on time.

11.5. Questions about reportability

11.5.1. Are 'grey market' transactions reportable?

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

11.5.2. Are 'in specie' transfers reportable?

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

11.6. What about COBS 16 Annex 1R?

COBS 16 Annex 1R states that certain information must be reported to a retail client in line with *SUP 17 Annex 1R*. However, in some instances the format specified by *SUP 17* is not relevant to the needs of the customer. Where a particular field is not applicable to the circumstances of the trade, the firm is not required to report the information to the client or include the field on the confirmation. The information must be provided, where relevant, for the purposes of reporting to a retail client in accordance with *SUP 17 Annex 1*. Where the format specified by *SUP 17* is not relevant to the needs of the customer then the information must still be provided but another format may be used. [54]

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

12. GLOSSARY OF TERMS

Agency cross	Where the reporting firm acted as agent for both the selling and buying counterparties and the single transaction report represents both of these transactions
Aii	Alternative Instrument Identifier
ARM(s)	Approved Reporting Mechanism(s)
BIC	*ISO* 9362 Business Identifier Code, issued by SWIFT
CCP	Central counterparty
CDS	Credit default swap
CFD	Contract for difference
DEA	Direct Electronic Access
ESMA	European Securities Markets Authority
FRN	Firm Reference Number
Fungible instruments	Instruments which have identical specifications and are interchangeable
ISIN	*ISO* 6166 International Securities Identifying Number
ISO	International Organization for Standardization
MIC	*ISO* 10383 Market Identifier Code, issued by SWIFT
MiFID	The Directive 2004/39/EC on Markets in Financial Instruments
OTC derivative	A derivative that is traded over-the-counter and is not admitted to trading on any *regulated market*
Prescribed market	A market that has been prescribed by the Treasury under section 130A of FSMA as a market prescribed for the purposes of the market abuse regime contained in Part VIII of

	FSMA.[55] These are markets established under the rules of a UK-recognised investment exchange.
Principal cross	Where the reporting firm has acted simultaneously for two counterparties as principal in a single product, at the same price and quantity, and the single transaction report represents both of these transactions
Regulated market	A multilateral system operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of title III of *MiFID*
SUP 17	Chapter 17 (Transaction Reporting) of the FCA Handbook Supervision Manual
TMU	The FCA's Transaction Monitoring Unit
Transition management	Process to manage and execute changes of assets in an investment portfolio. These changes are commonly driven by asset allocations and/or management changes
TRUP	Transaction Reporting User Pack

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

13. INDEX