Managed Funds Association
The Voice of the Global Alternative Investment Industry
Washington, D.C. | New York | Brussels | London

15 September, 2023

Via Email: cp23-15@fca.org.uk

Mr. Stephen Hanks
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Re: Consultation Paper 23/15; The Framework for a UK Consolidated Tape

Dear Mr. Hanks:

Managed Funds Association ("**MFA**" or "**we**")[1] appreciates this opportunity to submit these comments to the Financial Conduct Authority ("**FCA**") on Consultation Paper 23/15, "The Framework for a UK Consolidated Tape" (the "**Consultation Paper**" or "**Consultation**").[2] MFA represents the global alternative asset industry[3] and has long been supportive of the benefits of a consolidated tape ("**CT**"). Many MFA member firms that trade in the US subscribe to the US consolidated tape administered by the Financial Industry Regulatory Authority ("**FINRA**"), known as TRACE, and appreciate the firm-wide benefits of accurate and timely trade data in helping them meet their business and regulatory needs. Properly calibrated consolidated market data also contributes to market competition. In this respect, we believe that a CT will bring significant benefits to UK markets and will enhance overall UK competitiveness.

MFA greatly appreciates the determined work of the FCA in developing the contours of a CT and presenting a detailed tender process to select a consolidated tape provider ("**CTP**"). We further appreciate the efforts of the FCA to address issues such as market data costs, and availability of data,

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[1] Managed Funds Association ("**MFA**"), based in Washington, DC, New York, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 170 member firms, including traditional hedge funds, credit funds, and crossover funds, that collectively manage nearly $2.2 trillion across a diverse group of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors to diversify their investments, manage risk, and generate attractive returns over time.

[2] Financial Conduct Authority, The Framework for a Consolidated Tape, CP23/15 (July 2023) available at https://www.fca.org.uk/publication/consultation/cp23-15.pdf.

[3] The global alternative asset management industry includes hedge funds, credit funds, and crossover funds, and has approximately $4 trillion of assets under management (as of Q4 2022). This industry serves thousands of public and private pension funds, charitable endowments, foundations, sovereign governments, and other global institutional investors by providing portfolio diversification and risk-adjusted returns to help meet their funding obligations and return targets.

along with its focus on the commercial viability of a CT and the overall usability of the data from a commercial standpoint.

Beyond supporting properly functioning markets and overall market competition, accurate and timely market data is critical to investment managers' implementation of investment strategies. Market data is increasingly used throughout many aspects of a manager's operations. At the front end, market data provides important colour on pricing that helps inform trading and order routing decisions. It also helps risk managers monitor adherence to trading strategies and investment guidelines. Further, Market data is critical to compliance and risk efforts to monitor execution quality, regulatory reporting, and asset valuation. From a longer-term perspective, market data is important to safeguard data security, risk management, and business continuity protocols. As markets become more fragmented with each new trading venue (each with its own products and data feeds), a single "golden source" of data is vital. MFA member firms thus are important stakeholders in the UK CT.

For the UK CT to be successful, MFA urges the CT to provide, in addition to fair pricing and reliable data, flexibility in CT offerings so that managers need only subscribe to the data sets that they need for their own pre-defined uses. No manager should be obligated to accept an "all or nothing" option to subscribe to the CT, but rather, MFA urges the CTP to offer "cafeteria-style" pricing where managers can determine the data sets they need and subscribe to those CT class(es) accordingly. It is important to consider that managers today obtain trade data from other sources, and any CT will necessarily be competing with the legacy data sources currently in use.

Executive Summary

In our detailed comments that follow in Annex 1, MFA provides an overview of the academic research regarding consolidated tapes generally, and then addresses the following concepts in response to the FCA's questions.

a. Proposals (Consultation Paper, ch. 3)

- MFA supports the transparent, public, and reasoned selection of a single CTP, required to charge commercially reasonable rates to subscribers for the asset classes chosen by the subscriber.

b. The scope and operation of a consolidated tape for bonds (Consultation Paper, ch. 4)

- The Consultation proposal to begin with a fixed income securities CT is pragmatic and reasonable, based on a standardised, open-source protocol; MFA would urge the FCA to act swiftly to seek a tender process to select one or more CTPs for equities CTs.

- Firms should not be mandated to use any or all of the CT data, including historical data or value-added data created by the CTP, but should be allowed to select the data sets needed by that firm.

c. Economic Model (Consultation Paper, ch. 5)

- MFA does not believe that the CT should be required to share revenues with the data providers; as with TRACE, data should be free after 15 minutes.

d. Rules Framework (Consultation Paper, ch. 6)

- MFA does not support the proposed deletion of the requirement for the CTP to price on a reasonable commercial basis.

e. Discussion: provisions for a consolidated tape for equities (Consultation Paper, ch. 8)

- MFA supports broad CTs for equities that cover all applicable asset classes, including shares, depositary receipts, ETFs, ETCs, ETNs, and other similar instruments and recommends publishing post-trade data after the CT is up and running.

- As with the fixed income CT, MFA does not support a requirement that equities CTPs participate in revenue sharing with the data providers.

- Subscribers should be able to subscribe to those CT asset classes that it wants, without requiring it to subscribe to an aggregated CT that contains trade data it does not need.

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MFA appreciates the opportunity to provide constructive comments to the FCA as it embarks on this important Consultation. We are hopeful that the FCA can take into consideration the lessons learned through the EU's efforts to implement a CT as well as the successes that FINRA's TRACE system has experienced in the US. We encourage the FCA to commence the tender process for the fixed income CTP as soon as practicable so that the FCA and the markets can look towards the development and implementation of an equities CT. If you have any questions, please do not hesitate to contact Jeff Himstreet (jhimstreet@managedfunds.org) or the undersigned at 202.730.2600.

Respectfully yours,

\s\ Jennifer W. Han

Jennifer W. Han
Executive Vice President
Chief Counsel & Head of Global Regulatory Affairs

ANNEX 1

1. Benefits of CTs Generally

The benefits of trade reporting to the markets generally have been well-studied by academics in the EU and US, each yielding a consistent conclusion: trade reporting increases liquidity, promotes price discovery, improves execution quality, and reduces trading costs. One of the benefits of FINRA's TRACE reporting system is that academics, market professionals and others have studied trade data across a myriad of asset classes going back to 2002.

The benefits of public reporting have consistently been found to level the playing field between large and smaller market participants. For investment managers, this means improved investment performance for the benefit of the managers' clients and greater ability to invest in research, infrastructure, and technology to continue to improve trading, performance, and reporting for the benefit of the funds and separate accounts they manage.

The benefits of CT to the fixed income markets in the US, as evidenced by TRACE data, have been considerable, with the benefits increasing the most for less-liquid bonds. As it relates to fixed income securities, specifically securities offered in the US to institutional investors, one study found that transaction costs decreased by approximately 10 percent following trade reporting, with large reductions found for less-liquid transactions, such as block trades and bonds with lower dealer competition.[4] Less liquid bonds include high-yield bonds, which have been found to product a 22.9 percent decrease in trading costs than before transaction reporting.[5]

The benefits realized by publication of market data are not limited to high-yield bonds. Another study found that trading in BBB-rated corporate bonds has had a positive effect on liquidity – bond prices decline for those bonds whose prices become more transparent, when compared with bonds that experience no transparency change.[6] Still another study found that costs are lower for bonds with publicly disseminated prices, and the prices drop when the TRACE system started to publicly disseminate the bonds' prices.[7]

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[4] Jacobsen, Stacey E. and Venkataraman, Kumar, *Does Trade Reporting Improve Market Quality in an Institutional Market? Evidence from 144a Corporate Bonds* (April 30, 2018), available at https://ssrn.com/abstract=3171056.

[5] *See* Asquith, Paul, Covert, Thomas, and Pathak, Parag, *The Effects of Mandatory Transparency in Financial Market Design: Evidence from the Corporate Bond Market*, National Bureau of Economic Research (Sept. 2013, rev. April 2019), available at www.nber.org/papers/w19417.

[6] Hotchkiss, Edith S. and Goldstein, Michael A. and Sirri, Erik R., *Transparency and Liquidity: A Controlled Experiment on Corporate Bonds*, AFA 2006 Boston Meetings Paper (Mar. 20, 2006), available at SSRN: https://ssrn.com/abstract=686324.

[7] Edwards, Amy K. and Harris, Lawrence and Piwowar, Michael S., *Corporate Bond Market Transparency and Transaction Costs*, Fifteenth Annual Utah Winter Finance Conference (Sept. 21, 2004), available at SSRN: https://ssrn.com/abstract=593823.

The benefits of transparency also would extend to equity securities, which tend to have higher transaction costs. We support the FCA's efforts in the CP to highlight the addition of an equities CT and urge the FCA to move forward with developing a CT for equities so that the benefits of increased trade transparency can be realized throughout the asset classes traded in the UK for the benefit of market participants and investors.

2. Specific Questions

a. Proposals (Consultation Paper, ch. 3)

- ***Q1: Do you agree with the appointment of a single CTP per asset class through a tender process?***

MFA does not oppose the appointment of a single CTP per asset class, provided the CTP tender process is rigorous, impartial, transparent, and public. MFA expects the FCA to exercise diligent oversight of the CTP in anticipation of the extension or renewal of any agreement between the FCA and the CTP, and encourages the FCA to seek public input to help inform its decision of whether to extend or renew the CTP contract.

We concur with the FCA's assessment that a single CTP will afford the CT the most reasonable chance of economic success while acting as the golden source of fixed income trade data. MFA appreciates the commercial risks to the CT generally if multiple competing CTPs per asset class were appointed, and note (as the FCA has noted) that although MiFID II introduced a regulatory framework for a CT, inviting multiple CTPs per asset class, no firm has sought CTP authorization.[8]

The emergence of multiple CTPs per asset class would increase transmission costs for the trading venues as they would be reporting the same data to multiple sources and would seek to recoup those additional costs through levying higher fees to the CTPs for the trade data. More importantly, appointing multiple CTPs per asset class raises the risk of inconsistent data amongst CTPs for the same trades, increases the risk of breakage between the trading venue and one or more CTPs, and dilutes the efficacy of the CT in general by moving away from the CT functioning as the single source of trade data per asset class.

b. The scope and operation of a consolidated tape for bonds (Consultation Paper, ch. 4)

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

MFA concurs with the proposals on the scope of a bond CT, covering the MiFID category of bonds (sovereigns, public bonds, convertible bonds, covered bonds, corporate bonds, other bonds, ETNs and ETCs). With any reporting of trades, the value of the reported data diminishes rapidly after the time of trade. As the FCA notes, most do "not see any value in a bonds CTP publishing delayed data."[9] MFA

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[8] Consultation, at §2.1.

[9] *Id.* at §4.2.

concurs, and for this reason, supports not only the regulatory standard for the publication of bond trades by trading venues to as soon as reasonably possible (but no later than five minutes) after trade, and supports the tender process considering the speed at which the CTP can publish data after it receives the data. The FCA is encouraged to closely monitor the speed at which the CTP publishes the trade data and consider latency risk as an important component of its vendor oversight of the CTP.

The intermediation of an Approved Publication Arrangement ("**APA**") into the process adds an extra layer into the reporting process, as the trades go from the trading venue to the APA and then to the CT. This extra transmission layer adds complexity and cost to the reporting process, which makes the time of reporting by the trade venue even more critical.

MFA would encourage the FCA to transition to consideration of an equities CT with all due haste. Given that most of the equities traded in the UK trade on the London Stock Exchange, MFA is hopeful that this single source of trade data can enable the UK to sidestep the commercial and territorial discussions that have hampered the ability of an equities CT in the EU. While the introduction of a fixed income CT is an important first step, both from a commercial and markets perspective, the benefits of price transparency to the markets more broadly cannot fully be realized without an equities CT.

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

MFA emphatically believes that data should be transmitted from data providers and received by the CTP via a standardised, open-source API, and would suggest that the API be based on the FIX protocol. Trade venues and other data providers are generally accustomed to transmitting and receiving data via the FIX protocol, and addressing any issues associated with data transmission via FIX. MFA would discourage the FCA from deviating from this well-established, widely adopted data transmission protocol.

A CT is only as beneficial as its data is accurate. Because the CTP will be receiving trade data from multiple sources, it is imperative that the data transmission format be standardised to reduce delays, errors in the data, or breakages in transmission.

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

MFA agrees with the FCA's assessment that it "do[es] not think the success of a bonds CT requires" firms to be mandated to subscribe to the CT.[10] Investment managers and others, as noted above, currently are obtaining trade data from other sources to meet their trading, compliance, and risk needs: they are looking to the CT to provide data that is more accurate, less expensive, and/or provided on a timelier basis.

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10 *Id.* at §4.31.

Investment managers are obligated to monitor for best execution and price portfolio holdings accurately. Because the regulatory obligation rests with the managers, they are best positioned to determine the data sources they need to best comply with their regulatory and fiduciary obligations. Moreover, if the FCA were to mandate that investment managers subscribe to the CT, it places the manager in an untenable position if the CT is down or prices are unavailable for whatever reason.

There is no legitimate need to mandate that managers and others subscribe to the CT. Any such mandate would only incentivize the CTP to price the data as exorbitantly as possible since it not only has an FCA-conferred monopoly, but an entirely captive base of subscribers that would have no choice as to whether to subscribe. There would be no incentive for the CTP to invest in technology or systems to help drive faster or more accurate transmission of data. MFA would vigorously oppose any effort to mandate consumption of the CT data.

If the data is an accurate, golden source of trade data, published data in a timely manner, and priced fairly, investment managers and others will subscribe to CT. This has been the experience in the US with TRACE reporting data, which has been widely adopted as the primary price source for fixed income and other securities traded in the US.

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

MFA would encourage the FCA to move towards swiftly implementing a CT for fixed income securities. It would be unnecessary to impose an artificial delay in implementing the fixed income CT by waiting for summer of 2025, the anticipated time when the bond transparency regime to take effect. We appreciate that it would be useful to understand the data that would be consolidated for a CTP in considering the commercial benefits of a CT,[11] but MFA would suggest that the FCA can commence the tender process long before then to speed the implementation of the equities CT once a CTP is selected. We further appreciate that timetables and transparency changes may shift as the FCA, the CTP, and market participants move towards the effectiveness of the transparency regime.

By not tying the launch date of the CT to the transparency regime, the FCA would build in additional time to allow the fixed income CT to address technology or other issues before the new transparency rules are adopted. In addition, moving forward with a fixed income CT, regardless of the effective date of the transparency rules, would speed the development and implementation of an equities CT. The longer the fixed income CT is delayed, the longer it will take for market participants

[11] *See id.* at §4.39.

(and the markets themselves) to realize the considerable benefits of an equities CT on liquidity, transparency, price, and execution quality.

- ***Q8: Do you agree that responsibility for applying deferrals should remain with data providers and not the CTP?***

Deferrals are an important component in the publication of market data and serve as a critical check to ensure the accuracy of the trade data published. As MFA has noted previously, the value of trade data hinges on the timeliness of the data. We also would note that pre-trade transparency efforts have been hampered by a large number of waivers from reporting, which has resulted in a lag in reporting.[12] MFA looks forward to commenting on deferrals more broadly following the issuance of the MiFID II/MiFIR post-trade transparency consultation paper.

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

MFA supports a two-tiered approach to deferrals. The primary responsibility for deferrals should rest with the APAs, as they currently apply the deferral regime to trades passing through the APA. MFA would not object to having the CTP act as a check to, as the Consultation notes, "apply an additional layer of protection" and can "consistently apply deferrals."[13] The CTP can provide a critical benefit to ensuring that deferrals are applied consistently from data provider to data provider.

MFA would not support having the CTP act as the sole processor of deferrals. This approach would result in increased costs to the users of the CT, a new skillset for the CTP to apply across a wide variety of trades and trade types, and increase the likelihood that a deferral would be applied incorrectly given the relative lack of familiarity with the deferral process when compared with the APAs currently applying deferrals. A two-tiered approach would increase the consistency of the application of deferrals and serve as a check against deferrals that are inappropriately applied when the trade is transmitted through the APA.

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

MFA believes strongly that the CTP should provide historical data but that it should be optional for CT subscribers. While some subscribers may value historical data, others have obtained historical data from other sources and would likely continue to do so. In addition, subscribers should be able to download their trade data so they can maintain and preserve the data to meet their own recordkeeping and related obligations. The CT should be required to maintain and preserve historical data for an agreed upon period of years – the CT is the golden source of fixed income data, and the data should not

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[12] On a related note, MFA members have observed that cancellations and amendments to existing trades currently are often inaccurately reflected as new trades. MFA would encourage the FCA to address this anomaly as it develops technical standards for the CTP.

[13] Consultation, at §4.36.

disappear after a truncated period of weeks or months. Again, the key for subscribers is flexibility -- they should be able to subscribe the historical data if they so choose but should not be required to do so. Allowing subscribers, with reasonable licensing restrictions,[14] to download data for securities they trade in would minimise development and storage costs for the CTP and empower the subscriber to manage and archive the trade data to suit its own regulatory, risk, and data management needs.

c. Economic model (CP ch. 5)

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

MFA does not support revenue sharing between the CTP and the data providers. Revenue sharing arrangements would leave the CTP beholden to the data providers and incentivise the data providers to negotiate for a greater revenue share over time, driving up costs to the CT subscribers. If the CT is not priced reasonably and fairly, investment managers and other market participants will not subscribe to the CT, and it will fail. Revenue sharing could also lead to data received by some data providers to be deemed more valuable than trade data received by others, which would result in a disinclination of the data provider receiving a lower revenue share to continue to provide trade data on the same asset class as the data provider with the higher revenue share. This could potentially result in an incomplete CT for that asset class.

The CTP is entitled to a quantifiable and known cost structure in both the tender process and throughout the CTP contract's lifespan. Introducing a variable, inconsistent, and changing cost structure by requiring the CTP to share revenues with a variety of data providers upends the economic certainty that the CTP will need to develop and operate the CT and on which its subscribers rely.

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

MFA concurs that the CTP should not be required to contribute to the data providers connectivity cost recovery. The data providers – CT or no CT – are already required to publish high quality data and have developed their own connectivity and recovery systems. It is unnecessary for the CTP to pay or incentivize the data provider for something they are already obligated, legally and contractually, to provide. Such an approach, as with revenue sharing, would disrupt the economic assumptions that the CTP has made going into the CT development by introducing unexpected and variable costs into the development and operation of the CT.

[14] While we believe that it would be feasible to restrict users from, for example, reselling the data, MFA does not believe it would be reasonable to charge users a monthly or yearly fee to maintain and preserve the licensed data for firm use.

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

MFA does not support the removal of the requirement for a CTP to provide data free of charge 15 minutes after publication. As we have noted, the value of the data to subscribers (and prospective subscribers) diminishes rapidly after the time the trade is reported. We appreciate the commercial concerns expressed in the Consultation, but would note that with respect to FINRA's TRACE system, such commercial concerns have not materialized. Anyone can access the TRACE portal and receive trade information on a 15-minute delay, and as such, commercial concerns with the free provision of 15-minute-delayed data would appear unfounded. Nevertheless, to address concerns for prospective CTPs that providing free, delayed data may affect the commercial viability of the CT, upon a proper showing by the CTP, MFA would not object to revision of the 15-minute timeframe to the end of that trading day.

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

If the value-added services provided by the CTP are optional for subscribers, MFA would not object to allowing the CTP to develop value-added services and market them separately or in addition to the CT. The development of these value-added services, however, should not come at the expense of the CT subscribers in the form of higher costs. MFA recognizes that additional revenue streams to the CTP may be important in helping manage the costs of the CTP, which should result in lower prices for CT subscribers.

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

MFA appreciates that a firm will use CT data in a variety of ways. The use of the data by fund portfolio managers will be very different than its use by risk professionals, compliance personnel, or operations staff. For this reason, we support the CTP offering different licensing classes based on use, as a firm may have several different uses for trade data covering the same trade.

MFA understands that commercial concerns may render impractical a firm-wide, blanket license for the CT data. Many data providers in the US and elsewhere have long used a per-user licensing regime so that firms with hundreds of users are paying more than a smaller firm with a handful of users.

It is important to note that, not only is the CTP entitled to a predictable and consistent cost structure, so are the subscribing firms. For this reason, a per-use subscription model would be preferable to a per-volume basis, as a firm that realizes a sudden increase in trading volume should not be penalized in the form of increased per-volume fees when the number of subscribers to the data has not changed. A per-volume subscription model also would serve to inappropriately penalize firms that employ quantitative or more frequent trading strategies. The unpredictability of a per-volume fee would be a disincentive to the subscriber because it would be challenging for it to manage its costs and would result in an increase in the number of subscriber non-renewals to the CT.

d. Rules framework (CP ch. 6)

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

MFA agrees with the proposed retention of the obligations currently contained in in Regulations 13, 44 and 45 of the DRSRs (requirements for the management body of a data reporting service provider) and Articles 5 to 9 of MIFID RTS 13 (conflicts avoidance provisions). FCA oversight of the CTP will be critical to the success and ultimate industry adoption of the CT, and MFA urges the FCA to exercise vigilant oversight of the CTP. The CTP may inherently have conflicts of interest based on its other commercial endeavors and as such should be subject to conflict avoidance and mitigation requirements. Firms may be reluctant to engage with a CTP that is perceived as biased or not engaging with affiliates on an arm's length basis.

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

MFA strongly opposes the deletion of the requirement that the CTP price its services on a reasonable commercial basis. If the subscription fees charged by the CTP are not reasonable, the CT will fail.

There is considerable flexibility in the bounds of a "commercially reasonable price" and removing even those loose outer limits would leave limitless the fees the CTP could charge. We would note that there is a "commercially reasonable" requirement in Europe for market data and yet the costs of data in Europe are, for many firms, prohibitively high. We would encourage the FCA to learn from the flawed pricing scheme in Europe and retain a requirement that the CTP price the data in a commercially reasonable manner.

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

MFA strongly supports requirements that the CTP provide market data on a non-discriminatory basis. The integrity of the CT dictates not only that market data be priced in a commercially reasonable manner, but also that prices are non-discriminatory amongst subscribers. We therefore support the obligation of a CTP to provide market data on a non-discriminatory basis.

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

MFA supports the existing transparency obligations covered in art. 89 of the MiFID Org Regulation by disclosing prices and other terms, explaining the list of information that is included in the price, and providing at least 90 days' notice of future price changes, a description of the market data revenue information regarding the sale of the CT, and information on how price is set. The CTP understandably is interested in long-term, "sticky" subscriber relationships. Common sense would suggest that renewal rates for CT subscribers will be higher if subscribers understand what they are paying for and have sufficient notice to absorb and react to any fee changes. A mismatch of information and expectations between the CT and the subscriber would result in an increase of non-renewals and potentially jeopardize the economics of the CT itself.

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

MFA agrees with the proposals on the requirements for trading venues and APAs to provide data to the CTP. As the Consultation notes, a "CT can only be successful if it receives the data it is to consolidate in a timely fashion. Creating an obligation for trading venues and APAs to send data to the CTP will enable [the FCA] to supervise the provision of the data."[15] We agree, and would note that one key reason for the success of TRACE is that FINRA member firms are required to submit data to TRACE and are subject to regulatory consequences by FINRA and the SEC for failure to do so. If submission of TRACE data was voluntary, the trades comprising the CT would be incomplete and submitting firms would lack the incentive to correct or fix erroneously reported trades or breakages in data transmission. The success of the CT hinges on all data providers submitting data to the CTP in as close to real time as possible.

The CTP, as part of the tender process, should be required to demonstrate that it has or is prepared to implement processes and controls to reconcile the data received against the trade data to ensure that it is publishing data that is complete and free from error. The CTP should be required to share with the FCA periodic reports of reconciliation and error data, listing the errors in data it received, or errors in the CTP's publication of the data, and the steps the CTP took to correct any incorrect or incomplete trade data. This reporting would also enable the FCA to ascertain the source of any erroneous data.

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

MFA supports the reporting protocol prescribed in the Consultation to require the CTP to submit reports of data quality to the FCA every six months.[16] Furthermore, we suggest, to provide maximum

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[15] *Id.* at §6.49.

[16] *See id.*, at §6.51.

transparency to subscribers and the marketplace, that the FCA publish a periodic report based on the reported accuracy and quality of the data reported. It is important for subscribers, the FCA, and the marketplace to understand the source of the erroneous data – was it faulty data received from the data provider? Or was the data provider data accurate but published by the CTP in an erroneous manner? Subscribers deserve assurances that the CT trade data is accurate, and such transparency can help drive market confidence in the CT data and thereby its commercial success.

e. Discussion: provisions for a consolidated tape for equities (CP ch. 8)

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

MFA strongly supports the development and implementation of a CT for equities as soon as practicable. We appreciate the rationale for moving towards a CT for fixed income securities first, but note that the bulk of the trading volume in the UK is in equities and thus, there is a strong market demand for an equities CT.

MFA supports the inclusion of a broad array of asset classes in the equities CT, including ETCs and ETNs. We do not disagree with the FCA's assessment that ETCs and ETNs are of a different class than bonds and that the commercial case for a separate CT for ETCs and ETNs is lacking.[17] That said, ETCs and ETNs as a general matter should be included in a CT and since the subscriber interest in a CT for ETCs and ETNs is challenged, including ETCs and ETNs in the equities CT would appear a sensible approach.

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

MFA supports inclusion of pre-trade data with a CT at the appropriate time. We would prefer to see the equities CT up and running as quickly as possible, even if limited initially to post-trade data. Delaying the implementation of an equities CT until pre-trade data would pose additional delays of the equities CT that are unjustified given the strong market interest in an equities CT – even if the CT initially only publishes post-trade data. We however, would not support a decision by the FCA or the CTP to abandon pre-trade data in the equities CT altogether.

Not all firms will need pre-trade data, and certainly not for all purposes. If monitoring for execution quality or using the CT for asset valuation purposes, pre-trade data is not necessary. MFA appreciates the ambition to consider pre-trade data, but notes that pre-trade data is of considerable value to the trading venues, and we are skeptical that they would part with it cheaply. The debate as to whether to include pre-trade data in the EU CT, we would note, has proven contentious and remains unresolved. These additional financial (and political) considerations will take time to address and the need for an equities CT is too acute to delay implementation while these issues are resolved with the various central order limit books that currently hold and sell the pre-trade data. MFA would strongly

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[17] *See id.*, at §8.13.

support the inclusion of pre-trade data into the equities CT once the equities CT is established and in use.

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

As with the fixed income CT, MFA would not support a revenue sharing between the equities CT and the data providers. Equites CTPs, like the fixed income CTPs are entitled to predictable costs to the extent necessary and a revenue sharing arrangement between the CTP and the data providers would incentivise the data providers to attempt to squeeze as much from the CTP as possible with the threat of holding the data provider's trading data hostage. This would lead to increased costs and ultimately threaten the viability of the equities CT. We believe that this concern is only magnified when considering the inclusion of pre-trade data in the equities CTP.

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

MFA supports the offering of disaggregated feeds, by industry or sector, of an equities CT. An equities CT, like the fixed income CTs, can maximize its subscriber reach by offering subsets of the overall data feed so managers and others can elect to subscribe to the data sets that are of the greatest use to the subscriber, without having to pay for asset classes that the manager would not need. MFA advocates for a "cafeteria" style approach where subscribers can elect to subscribe to the data sets that are appropriate for their needs but not require them to subscribe to data sets they neither want nor need.

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

MFA would not support an equities CT that is limited to a mandated, single, combined feed of trade reports for different asset categories. A CTP or a data reseller that is interested in aggregating the various equity CTs into a single consolidated feed to offer to subscribers and prospective subscribers can do so, so long as subscribers are not obligated to subscribe to the aggregated equities CT. Subscribers must be left with the option of subscribing either to the consolidated, aggregated equities CT or one or more subsets of asset classes to suit their business, risk, and compliance needs. As we discussed above, the viability of a CT in general is to avoid a scenario where subscribers must buy trade data they do not need for their business.

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

Subscribers are entitled to data on market outages and instances when market data for particular trades and/or asset classes is unavailable. Market data, as noted above, serves a number of vital compliance functions and when that golden source of data is temporarily unavailable, subscribers need to know. For example, when pricing securities, it would not be unexpected for a regulatory authority to inquire why the CT price was not used to price a particular security on a particular day. The subscriber should be able to produce a record from the CTP that demonstrates that there was a market outage or other disruption that caused prices to be unavailable for that security on that day. MFA suggests that the CTP tender process specifically inquire about the reporting of market outages – or other instances where the data provider was unable to provide data or an issue at the CTP which may have prevented the publication of trade data – as part of the selection process for the CTP.