

FIX Trading Community Consolidated Tape Working Group

Response to ESMA Consultation on Consolidated Tape

Introduction

The FIX Trading community welcomes the opportunity to participate in the discussion surrounding the provision of a Consolidated Tape (CT) and would like to confirm that our responses are focused on addressing the standards elements of the consultation and do not consider any commercial aspects. FIX Trading Community is the non-profit, industry-driven standards body at the heart of global trading. The organization is independent and neutral, dedicated to addressing real business and regulatory issues impacting multi-asset trading in global markets through standardization, delivering operational efficiency, increased transparency, and reduced costs and risks for all market participants. Central to FIX Trading Community's work is the continuous development and promotion of the FIX family of standards, including the core FIX Protocol messaging language, which has revolutionized the trading environment and has successfully become the way the world trades. Over recent years, FIX has promoted a new standard in support of efficient data aggregation - known as the Market Model Typology (MMT). Through FIX Trading Community's work and coordination with the financial industry, MMT has been broadly adopted and has become the de facto standard to enable the usability of consolidated equity data as a means of enhancing the transparency in European equity markets. The introduction of CT should leverage the work FIX has done to date and take advantage of FIX's developmental work going forward.

Guidance on the consultation makes it clear that ESMA's ambition is to have a CT that would cover both Pre and Post trade across all asset classes, while FIX supports this ambition, in the first instance it would most likely be more effective to leverage the work the FIX Trading Community has done to enable equity post-trade transparency. The current MMT v3.04 covers both equity/equity-like and non-equity instruments and supports consistent trade flagging across all asset classes under MiFID regulation. Unless specifically stated in the detailed answers the views expressed below apply to all asset classes.

In our experience Industry-led solutions are a good way to provide the industry what it (they) need, however we recognise that in order to meet the needs of the markets and the regulators the most effective solution would be an industry led initiative in cooperation and with guidance from the regulators. The industry is continually evolving, and any adopted standards must be flexible in order to adapt to those changes and continually create and develop best practice.

The aim of the CT should be to provide good quality data and a comprehensive view across markets based on as close to 100% contribution as possible

Q15: Do you consider that further elements hinder the establishment of an equity CT? If yes, please explain which elements are missing and why they matter.

Views expressed below are related only to the equity asset class.

Yes, we are aware of a number of challenges that currently exist and if left unaddressed will hinder the establishment of a robust CT.

The FIX standard MMT has established a framework that functions efficiently for a significant portion of equity trades, but further enhancements/improvements could include the following

1. Addressable and non-addressable liquidity - Engagement between the regulators and the industry is required to provide greater clarity on what is addressable and non-addressable liquidity - for example should a negotiated trade be considered addressable? Currently MMT flagging provides some information but this could be expanded (with further guidance) by developing these tags. MMT supports unambiguous granular identification of all execution types from lit to OTC.
2. To help validate a genuine post trade tape of record and enable correct sequencing, consolidation based on different timestamping granularity (as specified in RTS 25) needs to be addressed.
3. There are current issues with identification and related data quality. There is a growing variety of identifiers, data, data sources, an evolution of different standards, and the desire to have a best of breed approach in solutions across the industry. This enables innovation, increased quality, and reduced costs across the FIX Community's membership while increasing transparency through the use of open data. Where appropriate, future proofing through alternative identifiers may be required as the industry and industry practices evolve.

The FIX CT Working Group will be available to work with ESMA on the resolution of all the above issues

Q16: Please explain what CTP would best meet the needs of users and the market?

The choice and means of the selection of a CT Provider is a matter for the industry and regulators. We assume that the selection process will include a partnership with the industry for the evaluation and selection of CTP(s) and involvement in the structure of any resulting regime.

Whichever CT Provider or CT Providers are selected we believe that they should utilise FIX and FIX/MMT standards. The CT Provider(s) should work closely with the FIX Trading Community on the implementation and long-term evolution of the CT.

From a FIX perspective there is no opinion on whether there should be one or many CT Providers, other than that in the case of multiple CT Providers:

- Addressing interoperability issues between CT Providers is paramount
- switching between CT Providers should be as easy as possible and ideally seamless
- all should use the same standards of implementation (i.e. FIX and FIX/MMT)

Q19: Do you agree with the issues on the content of data and the use different data standards identified or do you consider that important issues are missing and/or not correctly presented?

In general, through feedback and discussions with our members we agree with most of the analysis detailed in paragraph 150, however we would also add:

- If non-price forming trades are to be included clear and concise data descriptions are required to identify which trades are non-price forming.
- **Equity Asset Class Only** - Duplicate reporting of trades due to lack of a trusted, complete and common record of SI status (in Equities) needs to be addressed, unlike non-equities where the industry collaboration around the SI Registry Data Group has provided the necessary clarity. There would appear no reason why this model and approach could not be fully extended to completely cover Equities also via the participation of other APAs and SIs.

There are issues with identification and related data quality. There is a growing variety of identifiers, data, data sources, an evolution of different standards, and the desire to have a best of breed approach in solutions across the industry. This enables innovation, improved quality, and reduced costs across the FIX Community's membership while increasing transparency through the use of open data. Where appropriate, future proofing through alternative identifiers may be required as the industry and industry practices evolve. There should be better and wider adoption in the unambiguous use of qualifying tags

Q20: Do you agree that the observed deficiencies make it challenging to consolidate data in a real-time data feed? If yes, how could those deficiencies best be tackled in your view?

Views expressed below are related only to the equity asset class.

- The observed deficiencies make it challenging to identify the trades that should be used for trade analysis and which trades should be ignored. The importance here for trade flagging is that different entities would be looking to use the CT for different reasons and the subset of trades required would differ from use case to use case.
- These deficiencies can best be addressed using a free and open standard such as the FIX Protocol and FIX MMT

In order to address these inefficiencies more granular work should be conducted to identify and document those use cases that are causing firms challenges and ensure that there are clear and unambiguous standards with appropriate flagging, created and consistently applied (i.e. through the use of a single technical standards MMT)

- Technical details:
 - Consolidation based on different timestamping granularity (as specified in RTS 25) needs to be addressed.

- different classifications of instruments occur on FIRDS database – where there are data classification/identification issues, future proofing through alternative identifiers may be required as the industry and industry practices evolve.

When dealing with trades that have been deferred as per the regulation, appropriate flagging should be used.

Q22: Would you be supportive of an industry-led initiative to further improve data quality and the use of harmonised standards or would you prefer ESMA guidance? Please explain.

Views expressed below are related only to the equity asset class.

An Industry-led solution could enable an effective dialogue with the regulators and reduce costs of implementation and enable greater accuracy in the output of data. Therefore the solution could be an industry led initiative in cooperation with and guidance from the regulators.

MMT is part of the FIX family of standards and the FIX trading community is ideally placed to assist with the purpose of improving the data quality, however, we would welcome a joint approach of an industry led initiative alongside ESMA guidance.

Q23: In addition to the standardisation of the reporting and format, as described before, did you identify any further relevant data quality issue to be considered for the successful establishment of CTPs?

Time stamping/clock synchronisation - There are a number of technical challenges with regard to timestamping

- Consolidation based on different timestamping granularity (as specified in RTS 25) needs to be addressed.
- Differences between different deferral regimes

Inconsistencies between time of transaction and time of publication maybe based on the delay according to regulation. Significant delay differences may even occur per member state and add to the burden of creating a sensible and supportive CT Provider.

Where there are data classification/identification issues, future proofing through alternative identifiers may be required as the industry and industry practices evolve.

Q30: Are there any measures (either technical or regulatory) that can be taken in order to mitigate the latency impacts?

The Adoption of FIX/ FIX/MMT as the official standard, which is led by the industry providing best practice in alongside regulatory review. MMT is part of the FIX family of standards and the FIX Trading Community is ideally placed to assist with the purpose of improving the data quality, and we would welcome a joint approach of an industry led initiative alongside ESMA guidance. However, we believe that further work around the use of timestamps will help to negate the impact of consolidation latency. Consolidation based on different timestamping granularity (as specified in RTS 25) needs to be addressed.

Q31: Do you agree that the CT should be operated on an exclusive basis? To what extent should other entities (e.g. APA or data vendors) be allowed to compete with the CTP?

The provision of clear and unambiguous standardised data across the industry should not preclude the concept of competition between or with CT Providers, with equivalent information to be combined. However, in the definition of the standards, the specification of reporting entity/regime will be of utmost importance to ensure that consumers of the data would be able to strip out those trades that have been reported multiple times.

Q35: How would Brexit impact the establishment of a CT? Would an EU27 CTP consolidating only EU27 transactions be of added value or would a CT that lacks UK data not be perceived as attractive?

We recognise the challenges that a single CT might introduce, however if multiple CTs were required the use of a standard to harmonise the creation of those CTs might aid the success of a CT, but we do not underestimate the issues that this will bring to the industry and ultimately to the ability to provide clear and unambiguous data to the end investor.

From a FIX perspective there is no opinion on whether there should be one or many CT Providers, other than that in the case of multiple CT Providers

- interoperability issues should be addressed,
- switching between CT Providers should be as easy as possible and ideally seamless
- all should use the same rigid standards implementation (i.e. FIX)

One of the main challenges will be the identification of trades that are required to be reported in multiple jurisdictions.

