

CP23/15 – THE FRAMEWORK FOR A UK CONSOLIDATED TAPE

FIX TRADING COMMUNITY RESPONSE

Question	Response
<p>Q2: What success criteria should be used in the post-implementation framework review?</p>	<p>The FIX Trading Community has observed that, in the use of standards to simplify market adoption, market participants have occasionally deviated from agreed protocols. This causes challenges for data consumers.</p> <p>Therefore, the FIX Trading Community recommends that the FCA includes a review of the adherence to the proposed data standards by both data contributors to the CTP and the CTP itself as part of the post implementation review.</p>
<p>Q4: Do you agree that data should be transmitted from data providers and received by the CTP via a standardised, open-source API developed by the CTP? Should this be based on the FIX protocol?</p>	<p>The FIX Trading Community strongly believes that the FIX Protocol is the correct choice for the CTP.</p> <p>The FIX Protocol is a standardized, free to use, open-source messaging protocol that has been developed through consultation with industry participants over many decades. Its free and open nature is guaranteed through a purpose trust, the key ‘purpose’ here being “<i>to ensure that the FIX Standards & Recommended Practices remain available without charge to any person (whether involved in the provision of financial services or members of the general public) and that they are managed via an open vendor-neutral process</i>”. “FIX Standards” here includes the FIX Protocol as well as FIX’s other technical and business standards.</p> <p>The FIX Protocol’s versatility has meant that it can be used with a multitude of technical encodings, sessions and transport mechanisms, chosen for speed, reliability, and/or readability.</p> <p>In particular, the FIX Protocol has specific features in place to ensure data quality, including ACK/NACK. The standard session (ISO 3531-2) has an in-built recovery mechanism to ensure</p>

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	<p>quick detection and remediation of any gaps in message transmission. We feel that features such as these are essential to ensure the completeness and accuracy of a consolidated tape.</p> <p>Nearly all Approved Publication Arrangements in the UK and Europe use the FIX Protocol for receiving Pre- and Post-Trade information from their customers, and that the FIX Protocol has already been extended to support known changes to RTS 1 and RTS 2 across the UK and Europe. We recognize, however, that trading venue market data feeds are generally proprietary (though the FIX Protocol does support market data messages and can be used on multicast transports).</p> <p>Using a single standard such as the FIX Protocol will mean that the CTP has a single data format for input (and, presumably output) which has benefits in terms of implementation cost and ability easily to identify inbound data issues. However, this will present costs to trading venues who will need to change their existing market data protocols or add a separate CTP feed using the agreed standard.</p> <p>The alternative, to allow trading venues to retain their existing feeds for feeding the CTP, will reduce the implementation overhead for them while transferring work to the CTP. We believe this would raise the costs of building and operating a CTP.</p> <p>Introducing a completely new standard would carry disadvantages of both of the above options; there would be benefits to having a single standard, but there would be work to create that standard and this would take time. It should be noted that it took three years for the FIX Protocol to go from concept to public roll-out and though, given regulatory mandated timelines, development of a new standard would be expected to be much faster, this will still eat into implementation timelines for the CTP.</p> <p>Further to the above, we would like to note that FIX is engaged in a joint working group with other standards experts and ISO to further interoperability between the FIX Protocol and ISO 20022 Business Models. There is general recognition that the FIX model is particularly appropriate for front office use cases.</p>
<p>Q5: Do you think that our rules should be more specific about the means of dissemination of a CT?</p>	<p>No. However we believe that in establishing the rules, the FCA should ensure:</p> <ul style="list-style-type: none"> ▪ The rules are clearly and separately defined for both inbound and outbound messages.

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	<ul style="list-style-type: none"> ▪ The business protocol (describing how actual business messages should be represented) is clearly stated including details of how trade flags should be expressed.
<p>Q7: Do you agree that the CT should only start operation after bond transparency regime changes come into effect?</p>	<p>Changes seen in the EU's bond transparency regime with regards to flags and the expression of price and quantity provide examples where technical changes are required. These take time to implement and can incur significant costs to providers and subscribers of data.</p> <p>Therefore, the FIX Trading Community strongly recommends that if any technical changes are required as a result of the bond transparency regime changes, and if CT go-live and transparency regime changes are expected to be less than a year apart, then the CT go-live should go behind the transparency regime change.</p>
<p>Q8: Do you agree that responsibility for applying deferrals should remain with data providers and not the CTP?</p>	<p>Yes. It is the FIX Trading Community's view that this would duplicate effort and add unnecessary cost and therefore recommends that only the APAs/MTFs/RMs/OTFs should be applying deferrals.</p> <p>In order for the CTP to carry out deferrals, the APAs/MTFs/RMs/OTFs would be required to provide both a real-time feed to the CTP as well as a feed with appropriate deferrals to the public. This would require additional resources to be developed by all the APAs/MTFs/RMs/OTFs and the CTPs to duplicate functionality.</p> <p>We further note that:</p> <ul style="list-style-type: none"> ▪ Deferral logic is already in place at contributing firms. ▪ There is an argument for having the CTP validate that contributors have applied deferral logic correctly, though this would involve replicating the logic, receiving all required data elements etc. ▪ In our view, best practice is for data quality checking to be enforced as early in the publication chain as possible.

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<p>Q9: Should the CTP offer a deferral checking service? If so, should use of this service by data providers be mandated?</p>	<p>See also response to Q8.</p> <p>The FIX Trading Community believes that the APAs/MTFs/ RMs/OTFs should continue to do their own deferral checking as recalculating deferrals independently may introduce further complexity for the CTP. We also believe it would be helpful for the CTP to perform data quality checks with a feedback loop to the data sources to ensure that the “Tape of Record” is as accurate as possible.</p> <p>The FIX Trading community has no view on the commercialisation of a deferral checking service.</p>
<p>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?</p>	<p>We note the proposal in paragraph 6.51 in the consultation for the CTP to “seek to identify any trade reports that it receives that are incomplete or contain information that is likely to be erroneous and to inform the relevant data contributors”. If this step is intended to be real time, this has implications for the design of the protocol between contributing firms and the CTP, specifically noting that this infers two-way communication, and that trading venue market data feeds are generally unidirectional.</p>
<p>Q32: Do you agree with our proposals on data quality?</p>	<p>The FIX Trading Community sees the issue of data quality being an essential cornerstone of the Consolidated Tape. While the additional feedback to contributors to identify potentially erroneous or incomplete information is correct, we believe that more detail should be provided as to the types of check (e.g., trade flag combinations, notional value checks, price range checks) and the speed of feedback should be dictated.</p> <p>The FIX Trading Community would be willing to assist FCA with providing the greater level of detail.</p>
<p>Q34: Do you have any comments on our guidance on the tender and retender process?</p>	<p>It is our view that a commitment to upholding and using free and open standards should form part of the selection criteria.</p>
<p>Q37: Are there any revisions to the requirements applying to ARMs and APAs you think we should make in due course?</p>	<p>We do not have any views on organisational, operational, or regulatory consideration for ARMs or APAs. We do note the divergence, specifically relating to the handling of trade flags, between RTS 1 and RTS 22 (while also recognising the FCA’s temporary regime to</p>

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	accommodate such divergence). We would be glad to participate in any future discussions aimed at resolving this point.
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?	We do not have a view on whether market outage communications should or should not form part of the scope of a consolidated tape. We would like to point out that, at the time of writing, we have work ongoing to design and document electronic messaging standards for such communications, and these are being designed to support both the existence and absence of a central communication utility. We would be very happy to discuss this.