

# Guidelines for investment firms using Trade Data Monitors (TDMs)

August 2013





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**This page reports on Guidelines for investment firms using TDMs.**

**This is not a consultation document, but should you have comments please address them to:**

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# 1. Introduction

- 1.1** Firms intending to use trade publication arrangements for post-trade reporting are under an obligation to verify that the systems:
- ensure that information to be published is reliable, monitored continuously for errors, and corrected as soon as errors are detected;
  - facilitate the consolidation of data with similar data from other sources; and
  - make the information available to the public on a non-discriminatory commercial basis at a reasonable cost.

- 1.2** The FCA considers that firms which use trade publication arrangements which ensure that they will meet the guidelines set out below will fulfil the obligation described above. The FCA has developed a twin-track approach to assist firms to assess whether trade data providers enable firms to meet the guidelines, either through:
- confirmation by the FCA that the arrangements enable the firm to meet the guidelines; or
  - confirmation by an external auditor that the arrangements enable the firm to meet the guidelines.

A trade data monitor (TDM) is a trade publication arrangement which has been confirmed as enabling the firm to meet the guidelines.

- 1.3** Trade publication arrangements intending to seek confirmation from the FCA must demonstrate to the FCA that their systems and facilities can ensure that any firm who is their client will thereby comply with the guidelines below. As part of this process, the trade publication arrangement should commission (if it has not already done so) a report by a reporting accountant qualified to act as auditor (or an equivalent arrangement as agreed with the FCA). This report should confirm to the FCA the extent to which, in the auditor's opinion, the trade publication arrangement concerned will enable the firm to meet the guidelines.
- 1.4** Firms intending to use a trade publication arrangement whose systems and controls have been assessed by the FCA should request sight of the FCA letter of confirmation to enable them to carry out their own assessment of the adequacy of the trade publication arrangement's services and facilities.
- 1.5** Similarly, firms intending to use a trade publication arrangement whose systems and controls have been assessed by an auditor should request that the trade publication arrangement commissions an auditor's report (if such a report does not already exist) confirming the extent of the trade publication arrangement's capacity to enable the firm to meet the guidelines. This report should be made available by the trade publication arrangement to other firms

to enable them to carry out their own assessment of the adequacy of the trade publication arrangement's services and facilities. It should be made available by the investment firm to the FCA, on request.

- 1.6** In the event that a TDM is considered by the FCA or by the external auditor responsible for the relevant report to have ceased to enable firms to meet their MiFID Level 2 Regulation Article 32 trade reporting obligations, the FCA, or the external auditor, reserves the right to withdraw the status of TDM from the data provider concerned.
- 1.7** In order to help firms with their assessment, the FCA will supply a list of organisations that are holding themselves out as a TDM under section 3 (List of Trade Data Monitors (TDMs) below).
- 1.8** These guidelines may be amended from time to time to take account of factors such as advances in technology and changes in market practice.

## 2. The guidelines

### Security

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- 2.1** Firms should satisfy themselves that the TDM has appropriate measures in place to ensure that there is:
- certainty over which firms submit trade information;
  - no corruption of data in the input process at the TDM; and
  - no unauthorised access to the trade information during the input process at the TDM.
- 2.2** Firms should satisfy themselves that there are controls over the facilities of the TDM service and individuals providing the service to ensure that the trade information is monitored securely and to prevent the misuse of the information.
- 2.3** To that end, as a minimum, the following controls should be in place for providing the TDM service:
- the working environment is secure;
  - the computer-based systems should incorporate:
    - access controls;
    - procedures for problem management and system changes; and
    - arrangements to monitor system performance, availability and integrity.
  - the working environment should be free of unauthorised surveillance;
  - individuals providing the TDM service should be under a duty to keep confidential any trade information to which they might have access; and
  - if there is a breach of any security measure relating to the provision of a TDM service, the clients involved should be notified immediately and, if requested, a detailed report of the breach should be provided and any corrective steps taken.

## Dissemination

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**2.4** Firms should ensure that the TDM:

- has arrangements in place for the trade information it receives to be disseminated to the market without delay or provided to a third party that can perform this function on its behalf;
- makes trade information available on a non-discriminatory commercial basis at a reasonable cost and in a manner which is easily accessible to other market participants; and
- facilitates the consolidation of data with similar data from other sources. The arrangements should make trade information public in a way which:
  - is accessible by automated electronic means in a machine-readable way (ie is in a physical form that is designed to be read by a computer; is in a location on a computer storage device where that location is known in advance by the party wishing to access the data, and; is in a format that is known in advance by the party wishing to access the data);
  - utilises technology that facilitates consolidation of the data and permits commercially viable usage;
  - is accompanied by instructions outlining how users can access the information; and
  - conforms to a consistent and structured format based on industry standards.

**2.5** Firms should ensure that the TDM which they are intending to use for their post-trade reporting obligations does not have in place, or intend to enter into, exclusive distribution arrangements.

## Identification of potentially erroneous information

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**2.6** Firms should ensure that the TDM has in place appropriate systems and controls to identify on receipt (ie in real-time), information likely to be incorrect. Appropriate systems and controls are deemed to include various automated price and volume alerts. The firm should confirm whether, when establishing these alerts, the TDM has taken into account the following factors:

- the sector and the segment in which the security is traded;
- liquidity levels including historical trading levels;
- appropriate price and volume benchmarks; and
- if needed, other parameters to be set manually according to the characteristics of the security.

**2.7** An appropriate benchmark would be the current real-time trading situation on a market where a particular share has considerable liquidity.

**2.8** Firms should satisfy themselves that a TDM ensures that its systems, controls and alerts are periodically reviewed and adjusted when deemed necessary.



- 2.9** Firms may consider it desirable for a TDM to have facilities in place to inform the market of those trades it is reviewing as potentially incorrect.

### **Correction of trade information**

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- 2.10** Firms should ensure that the contractual terms agreed with a TDM contain information about correcting provisions for the correction of trade publications, including the respective obligations and responsibilities of the TDM and the firm in relation to correction. It would be desirable for a TDM to have the ability to amend a publication itself where the firm cannot do it for technical reasons.

### **Monitoring**

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- 2.11** Firms should satisfy themselves that a TDM has the capability to monitor its own systems and controls to ensure, with reasonable certainty, that the trades it monitors have been successfully disseminated for publication.

### **Operational hours**

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- 2.12** Firms should satisfy themselves that a TDM is capable of monitoring trade information through the normal trade publication hours of the investment firms submitting information to it.

### **Resources**

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- 2.13** Firms should satisfy themselves that a TDM has appropriate numbers of staff overseeing the TDM service who are competent to perform their duties.
- 2.14** Firms should request that a TDM notifies its clients of the person with overall management responsibility for the TDM service and the person responsible for ensuring the service complies with these standards.

### **Contact provisions**

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- 2.15** Firms may consider it desirable for a TDM to provide:
- facilities for market participants to query the accuracy of the trade publications it monitors and disseminates; and
  - procedures for market participants to raise complaints regarding the TDM's service and activities.

### Recovery provisions

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- 2.16** Firms should satisfy themselves that a TDM can adequately provide for possible disruptions to its operations by having arrangements (including access to sufficient back-up facilities and where necessary spare capacity) to ensure that IT systems are resilient and not prone to failure and to ensure business continuity if a system or systems failed.
- 2.17** Firms should confirm whether recovery provisions are reviewed regularly and are sufficient to ensure that there is minimum disruption to the continuous operation of a TDM service.
- 2.18** Firms should ensure that, if a TDM's operations are disrupted, it will inform its clients without delay.

### Transparent Charges

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- 2.19** Firms should consider whether charges for a TDM service are clearly stated and indicate the activities covered so they can be readily compared with competing TDM services. Firms should check whether a TDM has a policy to provide information to clients regarding any proposed changes to those charges.

### Conflict of interest

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- 2.20** Firms should satisfy themselves that a TDM has appropriate arrangements for managing conflicts of interest.

### Outsourcing

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- 2.21** In the event that a TDM makes arrangements for certain functions to be performed on its behalf by third persons, the firm should require the TDM to demonstrate to its satisfaction that a person who performs a function on the TDM's behalf is fit, able and willing to perform that function.

### Continuing monitoring

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- 2.22** Firms should consider requesting that the TDM prepares on a yearly basis a statement confirming the extent to which it has continued to meet these guidelines over the preceding period. This statement should comment on the appropriateness and effectiveness of its service and the monitoring of its systems and controls.

### 3. List of Trade Data Monitors (TDMs)

- 3.1** The list below provides contact details for the post-trade reporting arrangements which have been confirmed, either by the FCA or by an external auditor, as enabling firms to meet the 'Guidelines for investment firms using TDMs'.
- 3.2** This list has been provided to help firms locate publication arrangements in order to fulfil their obligations under the Markets in Financial Instruments Directive (MiFID). The list is only intended for use by firms intending to publish trade data to the market. It is not intended to recommend or endorse these arrangements in relation to users of the published data, and the FCA accepts no liability in relation to such users.
- 3.3** Firms should be aware that the TDM scheme is voluntary, and that they may publish their post-trade data through other non-TDM arrangements, provided these comply with MiFID requirements. The decision to use a trade publication arrangement, whether listed below or not, rests with the firm concerned.

<b>BOAT Services Limited</b>	Email: <a href="mailto:markitboatsales@markit.com">markitboatsales@markit.com</a>
<b>Deutsche Boerse AG</b>	Contact: Paula O'Donnell Email: <a href="mailto:mda.mifid@deutsche-boerse.com">mda.mifid@deutsche-boerse.com</a> Tel: + 44 (0)20 7862 7223 Contact: Christiane Baumgarten Email: <a href="mailto:christiane.baumgarten@deutsche-boerse.com">christiane.baumgarten@deutsche-boerse.com</a> Tel: + 49 (0)69 211 1 85 69
<b>London Stock Exchange plc (a Recognised Investment Exchange)</b>	Contact: Katherine Lachelin Email: <a href="mailto:klachelin@londonstockexchange.com">klachelin@londonstockexchange.com</a> Tel: + 44 (0) 20 7797 4135
<b>ICAP Securities &amp; Derivatives Exchange (a Recognised Investment Exchange)</b>	Contact: James Godwin Email: <a href="mailto:james.godwin@icap.com">james.godwin@icap.com</a> Tel: + 44 (0) 20 7050 7647
<b>BATS Trading Limited</b>	Contact: Enzo Stingone Email: <a href="mailto:SalesEurope@bats.com">SalesEurope@bats.com</a> Tel: + 44 (0) 20 7012 8906

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