

FG15/3: Changes made since text consulted on

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 within the FCA Handbook ~~It is not intended to be a replacement for 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 ~~bear in mind~~ 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 ~~therefore~~ encouraged to review all Market Watch newsletters. You can download issues from our website.¹

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

For further information, please see the transaction reporting section of our website.²

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~~ NYSE-Liffe London Market (*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~~ must inform the FCA of whether or not they wish to rely on the direct ~~ICE Futures Europe~~ NYSE-Liffe reporting by emailing TMU at tmu@fca.org.uk.

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

¹ <http://www.fca.org.uk/firms/systems-reporting/transaction-reporting/transaction-reporting-library>

² <http://www.fca.org.uk/firms/systems-reporting/transaction-reporting>

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

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

Since the ICE Futures Europe~~NYSE Liffe~~ reporting feed includes only transactions directly executed on ICE Futures Europe~~NYSE Liffe~~ 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*.

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 ~~should~~ be populated according to the rules in *SUP 17*. Firms should also have regard to existing ~~and the~~ guidance in other sections of TRUP.

Trading Capacity	Counterparty (also known as counterparty one)	Customer/Client Identification (also known as counterparty two)
Principal (P)	<ul style="list-style-type: none"> The <i>BIC</i>, <i>FRN</i> or internal code (where a <i>BIC/FRN</i> has not been assigned to that entity) of the market counterparty/executing or clearing broker³/client; or the <i>BIC</i> of the central counterparty (<i>CCP</i>)⁴, or 'INTERNAL'⁵ 	Blank
Principal cross (C)	<ul style="list-style-type: none"> The <i>BIC</i>, <i>FRN</i> or internal code (where a <i>BIC/FRN</i> has not been assigned to that entity) of the market counterparty/executing or clearing broker/client; or the <i>BIC</i> of the <i>CCP</i>; or 'INTERNAL'. 	<ul style="list-style-type: none"> The <i>BIC</i>, <i>FRN</i> or internal code (where a <i>BIC/FRN</i> has not been assigned to that entity) of the counterparty or client; or 'INTERNAL'.

³ 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.

⁴ 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

⁵ Please refer to section 7.18.2. (Use of 'INTERNAL') for further details.

Agency (A)	<ul style="list-style-type: none"> The <i>BIC</i>, <i>FRN</i> or internal code (where a <i>BIC/FRN</i> has not been assigned to that entity) of the market counterparty/executing or clearing broker; or the <i>BIC</i> of the <i>CCP</i>; or 'INTERNAL'. 	<ul style="list-style-type: none"> The <i>BIC</i>, <i>FRN</i> or internal code (where a <i>BIC/FRN</i> has not been assigned) of the client; or 'INTERNAL'.
Agency cross (X)	<ul style="list-style-type: none"> The <i>BIC</i>, <i>FRN</i> or internal code (where a <i>BIC/FRN</i> has not been assigned) of Client 1. 	<ul style="list-style-type: none"> The <i>BIC</i>, <i>FRN</i> or internal code (where a <i>BIC/FRN</i> 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 ~~would~~ 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	<i>BIC</i> of <i>CCP</i>	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	<i>BIC</i> of <i>CCP</i>	

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~~ must ensure that the trading capacity field is populated in transaction reports ~~so as~~ 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~~ must 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 firm⁶
- in all cases where 'INTERNAL' is used, ~~the FCA expects to see there must be a~~ movement into 'INTERNAL' and out of 'INTERNAL' (see section 7.18.2.).

⁶ The financial instrument is passed across to the client without going through or from the reporting firm's own books

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.

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 either from the market or from 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 ~~cannot~~ 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 by reporting 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 ~~would~~ be the same as above, except ~~but~~ 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:

<u>Reporting firm</u>	<u>B/S</u>			<u>Trading cap</u>	<u>CP1</u>	<u>CP2</u>
	B	500	<u>Execution price</u>	A	Market	INTERNAL
	B	500	<u>Execution price</u>	P	Market	
	S	500	<u>Execution price</u>	P	INTERNAL	
	B	150	<u>Av price</u>	A	INTERNAL	Client 1
	B	650	<u>Av price</u>	A	INTERNAL	Client 2
	B	200	<u>Av price</u>	A	INTERNAL	Client 3

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

<u>Reporting firm</u>	<u>B/S</u>			<u>Trading cap</u>	<u>CP1</u>	<u>CP2</u>
	B	500	<u>Execution price</u>	A	Market	INTERNAL
	S	500	<u>Execution price</u>	P	INTERNAL	
	B	150	<u>Av price</u>	A	INTERNAL	Client 1
	B	650	<u>Av price</u>	A	INTERNAL	Client 2
	B	200	<u>Av price</u>	A	INTERNAL	Client 3

Please note that the above guidance in 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.

7.14. 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.

In the case of 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 future or option on an index⁷, 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.

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 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.

7.15.3. Credit Default Swaps (CDS)

Please refer to section 8.3.5.

⁷ Note that OTC derivatives on indices are not reportable as set out in section 3.2(a)

7.15.4. 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.

7.15.5. 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 point⁸, 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~~ two transactions.

Reporting Firm	Instrument Description ⁹	Unit price	Quantity	Derivative Type ¹⁰	Price Multiplier ¹¹
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

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~~ 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

⁸ 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).*

⁹ 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.

¹⁰ 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.

¹¹ 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 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

7.17. 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 × 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.

7.18.2. 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, ~~there must be 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 9.2. and 9.3. 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).

'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. ~~in respect of~~ for on-market transactions, off-market transactions and listed derivatives only applies where the instrument is not an *OTC derivative*.¹² 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 1 G field 21, ~~where~~ where the transaction was executed on any trading venue and the transaction is not in an *OTC derivative*¹³, 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.).

¹² 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.

¹³ 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 must be~~ 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*¹⁴), 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*¹⁵) 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'.

7.19.4. Transactions in listed derivatives

Transactions in listed derivatives which are not *OTC derivatives*¹⁶, 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.).

¹⁴ Reporting of the venue for *OTC derivatives* is covered in section 7.19.5.

¹⁵ Reporting of the venue for *OTC derivatives* is covered in section 7.19.5.

¹⁶ Reporting of the venue for *OTC derivatives* is covered in section 7.19.5.

7.19.5. Transactions in OTC derivatives

Where the transaction is in an *OTC derivative*¹⁷, the venue field should be reported as XXXX, regardless of whether the transaction took place on a trading venue or off market.

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, ~~BClear~~ 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 ~~Dec 2011 160~~ Mar 2015 220 Calls through ~~BClear~~ ICE Block (~~NYSE Liffe~~ 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 ~~1.602~~ 2.20, Expiry Date ~~16 Dec 2011~~ 20 Mar 2015, Derivative Type 'O', Put/Call Indicator 'C', Venue Identification ~~'XLF'~~ 'IFLO'.

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

- Buy 10 Vodafone ~~Nov 2011 166~~ Mar 2015 180 Calls expiring on 13 Mar through ~~BClear~~ ICE Block (~~NYSE Liffe~~ ICE Futures Europe).

¹⁷ 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.'

- 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'¹⁸ (Exchange Product Code for this particular contract), Strike Price 1.6680, Expiry Date ~~18 Nov 2011~~ 13 Mar 2015, Derivative Type: 'O', Put/Call Indicator 'C', Venue Identification ~~XLF~~ '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>

9.1. Internal transactions

Intra-company transactions are transactions within the same legal entity, which are purely internal and not executed on a trading venue¹⁹, 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-authorized firm are not reportable unless this is required in order to correctly reflect the change in a firm's or its client(s) position (see section 7.5.). SUP 17.1.7G sets out~~requires~~ that 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 ~~these transactions are not classed as intra- or inter-company and are required to be reported~~ 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.

9.3. Aggregated transactions

A firm may aggregate two or more orders for different clients and execute them in a single transaction. For example, ~~where~~ 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.

¹⁸ In this example, an American option, cash settled.

¹⁹ *Regulated market, prescribed market* or MTF.

On this approach tThe transaction reports would be as follows:

Reporting Firm Identification	Firm	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	Firm	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	Firm	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	Firm	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 ~~must~~ show the time of the last fill.

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

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.

9.8. Strategy trades

This guidance applies to exchange traded strategy trades whereby two or more legs that are dependent on each other are executed simultaneously. ~~This guidance applies to transaction reports submitted to the FCA. Other competent authorities may have different requirements.~~

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 ~~Alternative Instrument Identifier (Aii)~~ exchanges²⁰ where both legs are executed on the 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 ~~NYSE Liffe ICE Futures Europe (London market)~~ feed to ~~FSA~~ 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, therefore, be reported as follows.²¹

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'.

²⁰ 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

²⁰ All other relevant fields should will need to be reported in accordance with the guidance set out in the *TRUP*.

²¹ All other relevant fields should will need to be reported in accordance with the guidance set out in the *TRUP*.

Example 2

A strategy trade on ~~ICE Futures Europe NYSE Liffe (London market)~~ that combines a transaction in an equity option on BP plc and a transaction in BP plc cash equities. ~~ICE Futures Europe NYSE Liffe (London market)~~ is an *Aii* exchange, but the BP cash equity is an ISIN-based instrument. The two legs should therefore be reported as follows.²²

- (i) The BP plc equity option leg is reported using:
 - instrument code: ~~ICE Futures Europe NYSE Liffe (London market)~~ Exchange Product Code for the relevant BP plc option, and
 - venue: '~~XLIF~~-IFLO'
- (ii) The BP plc cash equity leg is reported using:
 - instrument code: ISIN for the BP plc cash equity, and
 - venue: 'XOFF'.

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)²³ and Principle 3 (Management and Control)²⁴, must have appropriate systems and controls in place to enable them to comply with their regulatory obligations.

Firms' obligations under *SUP 17.3.6G* are to make sure that they have successfully provided their transaction reports to us.²⁵ The successful submission of reports to an *ARM* may be a step in this process; however, firms ~~should also need to~~ 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, therefore, 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. It is not the FCA's intention to prescribe how these reconciliations should be carried out. But as a minimum, the effect of the reconciliations must achieve the same result as a straight through end-to-end reconciliation.~~

~~We consider an~~ To ensure clarity, 'end-to-end reconciliation' to means the reconciliation of a firm's front-office trading records and data²⁶ against the reports it submits to its *ARM*(s) and against data samples extracted ~~back~~ from the FCA transaction report database (see section 10.1.1.).

²³ <http://fshandbook.info/FS/html/FCA/SYSC>

²⁴ <http://fshandbook.info/FS/html/FCA/SYSC/3>

²⁵ <http://fshandbook.info/FS/html/FCA/SUP/17/3>

²⁶ Where data feeds are received into a front office system these also need to be included in the reconciliation

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~~~~should require~~, among other things:

- a clear allocation of responsibility for transaction reporting within the ~~an~~ organisation and clearly defined escalation procedures
- appropriate information produced on a regular basis to enable proper oversight of the transaction reporting process
- end-to-end testing for ALL reporting mechanisms in place~~used~~;
- change management processes that are designed to ensure IT changes does 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
- ~~making sure the nature and scale of the~~ reviews and testing that are tailored to the nature and scale of the activities of the organisation and its transaction reporting arrangements
- regular validation of static data ~~validation, performed on a regular basis 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 ~~that is~~ 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. ~~;~~ ~~and~~

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, aAs 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~~training should also encompass~~ elements such as:

- the reasons why transaction reports are collected by the ~~Regulator~~ 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 ~~ARMs and FCA~~ exception reports from ARM(s) and the FCA as checks for the completeness and accuracy of transaction reports²⁷
- an understanding of the firms' policy for communicating with us
- ~~how and when to interact with the FCA Transaction Monitoring Unit~~
- 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 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.

²⁷ 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.

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)*.

Glossary of Terms: definition of prescribed market

A market that has been prescribed by the Treasury under section 130A FSMA as a market prescribed for the purposes of the market abuse regime contained in Part VIII of FSMA.²⁸ These are markets established under the rules of a UK-recognised investment exchange.

²⁸ FSMA Prescribed Markets and Qualifying Investments Order (SI 2001/996)