FINANCIAL CONDUCT AUTHORITY

Policy Statement

PS24/14

Policy Statement for Improving transparency for bond and derivatives markets

including Discussion Paper on the Future of the SI regime

November 2024

This relates to

Consultation Paper 23/32 which is available on our website.

We are asking for comments on the discussion paper questions in Chapter 9 by **10 January 2025**.

You can send them to us via email, or in writing to:

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When we make rules, we are required to publish an account of the representations we receive and how we have responded to them. We are also required to publish a list of the names of the respondents who made the representations, where those respondents have consented to the publication of their names. In your response, please indicate whether or not you consent to the publication of your name. For further information on confidentiality of responses, see the Disclaimer at the end of this PS.

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Chapter 1

Summary

1.1 In December 2023, as part of the Wholesale Markets Review (WMR), we published the Consultation Paper (CP) 23/32 on our proposed changes to the UK bond and derivative transparency regime.

1.2 This Policy Statement (PS) summarises the feedback received and sets out our final position on the rules and guidance to be included in the FCA Handbook and the timelines for their implementation by firms.

1.3 The WMR concluded that the current bond and derivative transparency regime had not delivered meaningful transparency and had limited impact on price formation while imposing a high cost on industry. It proposed to recalibrate the regime to improve transparency and tailor requirements to reflect the specific nature of bond and derivative markets.

1.4 Overall, the academic literature shows that regulatory interventions that improve transparency deliver material benefits to markets. Specifically, this literature supports the claim that greater transparency leads to more liquidity, increased competition among dealers, and improved access to better prices by less sophisticated investors. However, the precise benefits from increased transparency (and to whom those benefits accrue) depend on the way transparency is calibrated, and on the market to which it applies.

1.5 Our expectation is that the UK's new bond and derivative transparency regime will support price formation and best execution while protecting the ability of liquidity providers to hedge the risk they take when dealing in larger sizes, which will ensure their ability to continue offering liquidity in this way. This, combined with the simplification and cost reduction that the new rules represent versus existing regime, will support the growth of these markets in the UK.

1.6 In our consultation, we proposed to change:

- **a.** the scope of the instruments for which orders and transactions are subject to transparency;
- **b.** the trading protocols for which pre-trade transparency is required according to rules set by us;
- **c.** the thresholds above which publication of the details of large in scale transactions can be deferred and the length of the deferrals;
- **d.** the types of transactions that are exempted from post-trade transparency;
- **e.** the content of post-trade reports, including the identifiers of financial instruments; and
- **f.** the definition of systematic internaliser.

1.7 Overall, respondents to our CP supported the direction of travel set out in our proposals. Much of our engagement since the CP has been on the details of the quantitative criteria that define which transactions are subject to either real-time or

delayed transparency. Having engaged extensively on this we believe the final rules set out in this PS provide an appropriate balance between enhancing transparency and protecting the ability of liquidity providers to intermediate in these markets.

1.8 In this PS we are also asking market participants about whether the systematic internaliser regime is improving market integrity and competition and supporting price formation. We are seeking views as to what changes to the systematic internaliser regime should be made to improve those outcomes.

Who this affects

1.9 This PS and final rules will primarily be of interest to:

- trading venues which offer a market in bonds and derivatives
- investment firms dealing in bonds and derivatives
- UK branches of overseas firms undertaking investment services and activities
- SIs in all types of financial instrument

1.10 Our changes will also interest firms interested in becoming a consolidated tape provider (CTP), Approved Publication Arrangements (APAs) who publish trade reports for bonds and derivatives, central counterparties (CCP), asset management firms, law firms, market data and analytics firms, consultancies, retail investors and related trade associations.

Chapter 2

The wider context

Our consultation

2.1 CP23/32 was part of the WMR (there was a consultation in July 2021 and a response statement in March 2022), the review of the UK wholesale financial markets we have been conducting with the Treasury. The WMR was set up to improve the UK's regulation of secondary markets, following the UK's withdrawal from the European Union (EU).

2.2 As part of the WMR, the Treasury committed to making legislative changes to ensure that the FCA has all the necessary tools to recalibrate the bond and derivative transparency regime in the UK and set firm-facing requirements. The Financial Services and Markets Act 2023 (FSMA 2023) gives us rulemaking powers to make our proposed changes. We have engaged extensively with market participants on these proposals, both as part of the WMR and subsequently.

2.3 In addition to making substantive changes to the transparency regime, we are also using our new powers under FSMA 2023 to bring all the relevant requirements into our Handbook. This should help firms by simplifying the new transparency regime. Our rules, standards instrument and their commencement dates have regard to the changes to UK MiFIR relating to the bond and derivatives transparency regime in FSMA 2023 and are designed to ensure there is a smooth transition from the existing transparency regime, set out in UK Markets in Financial Instruments Regulations (MiFIR) and Markets in Financial Instruments Directive Regulatory Technical Standard 2 (MiFID RTS 2) among other sources, to a new single streamlined source of regulation in MAR 11 of our Market Conduct Sourcebook. We have included transitional provisions where appropriate.

2.4 Work on the bond and derivative transparency regime also forms part of the FCA's commitment in Our Strategy 2022-2025 to strengthen the UK's position in global wholesale markets. The aim of the commitment is to ensure that the UK continues to be regarded as one of the leading global markets of choice for issuers, intermediaries, and investors. To the extent that an appropriately calibrated transparency regime increases liquidity in UK markets it consequently enhances the UK's position as a primary market destination for issuers seeking to list or quote bonds.

2.5 In conjunction with the new transparency regime for bonds, we are also establishing a bond consolidated tape to ensure that such data is not only of higher quality and available on a timelier basis, but it is also accessible in cost-effective way. Our rules in MAR 9 and 9A also form part of our trade data requirements more generally. We intend to commence the tender to appoint a bond CTP once market participants have had a reasonable opportunity to familiarise themselves with this policy statement. The bond CT will go live after the transparency regime changes have taken effect.

How it links to our objectives

Market integrity

2.6 Our recalibration of the bond and derivative transparency regime will aid price formation by improving the quality and timeliness of transparency information available to firms participating in secondary markets and to end users. We expect that our changes will support best execution.

2.7 By improving market participants' understanding of the liquidity in bond and derivative markets, we expect to strengthen their confidence in the integrity of those markets which should increase participation and liquidity, both in normal times and under stressed market conditions. This increased liquidity may also reduce systemic risks to the UK's financial system that could arise from market illiquidity in stressed conditions.

2.8 Where improvements in the transparency regime translate to greater liquidity for bonds, we expect a positive impact on the cost of capital for issuers and on the attractiveness of UK markets for issuers.

2.9 Improving market participants' understanding of the pricing and liquidity in bond and derivative markets, including during periods of high volatility, will enable them to better assess market depth and the cost of unwinding their positions. The Financial Policy Committee noted in the record of its Q1 2024 meeting that this may improve market participants ability to manage liquidity risks. In turn, this could reduce the risk of the demand for liquidity rising unduly in stress.

Consumer protection

2.10 Existing bond market transparency data does not give full coverage of addressable liquidity in the market.

2.11 Improving bond and derivative transparency will improve consumer protection by allowing investors to access all available liquidity at the best possible price. It will also allow investors to better assess the quality of execution outcomes, particularly by enhancing the consistency of reporting, thereby protecting those consumers' interests.

2.12 Greater transparency will also encourage greater participation in financial markets through a clearer understanding of liquidity.

Competition

2.13 Greater transparency will promote effective competition in the interests of consumers by improving price formation, making it clear which market participants hold addressable liquidity, thereby promoting competition between liquidity providers and lowering the costs of trading for consumers.

2.14 Ensuring that trades are reported consistently between venues will also help to make sure that data can be more easily consumed by APAs, market data vendors, forthcoming bond CTPs and ultimately, end users.

2.15 Greater transparency over the pool of addressable liquidity for bonds and derivatives will promote competition in the interests of consumers by encouraging greater competition for the buying and selling of those instruments.

Secondary International Competitiveness and Growth Objective

2.16 We have the secondary objective of facilitating the international competitiveness of the UK economy and its medium- to long-term growth, subject to advancing one of our primary objectives. Our work on the transparency regime for bonds and derivatives aligns with our secondary international competitiveness and growth objective. We consider below the impact of the new regime on competitiveness and growth.

2.17 The Wholesale Trade Data Review (WTDR) findings report noted that a well-functioning wholesale market where participants can access good quality trade data at fair and reasonable prices would make the UK, overall, more competitive in the global market.

2.18 The changes set out in this PS and in our rules will result in more transparency, more immediacy of trade reporting and better-quality data in UK financial markets (through consistent reporting of transactions in liquid instruments), while also protecting large liquidity providers. They will strengthen the trust and confidence in our markets and attract investors. This, in turn, should increase the size and liquidity of the UK financial markets, which lowers the cost of trading and increases productivity. Financial markets can also help efficient business investment in the wider economy, increasing capital formation, investment, and desire to do business in the UK, further increasing productivity and growth and making the UK more internationally competitive.

2.19 When considering the design of the framework, we had regard to other overlapping regulatory initiatives and attempted to minimise undue costs to firms – for example, allowing a period of familiarisation with changes to the bond transparency regime, aligning the implementation of the changes to transparency with when we expect the UK CT in bonds to start operating and setting the scope of the CT itself consistent with those transparency regime requirements.

2.20 Changes to bond and derivative transparency are intended to minimise unnecessary costs to firms by simplifying the regime and excluding illiquid instruments and non-price-forming trades from transparency requirements. Modification of proposals in the final rules were made in response to feedback to the CP23/32, including those that support more proportionate regulation. Ensuring that any cost or restriction imposed on firms is proportionate to the expected benefits, enhances competition and makes the UK a more attractive place for firms to enter or operate, so improving the UK's competitiveness as a financial hub.

2.21 It is complex to compare the bond and derivative transparency regime between jurisdictions. Market structures differ between the UK and those in other jurisdictions which explain certain differences of approach. However, there is a commonality in jurisdictions seeking to make sure there is timely, consistent, accessible, and comprehensive market data.

2.22 In 2002 the **United States**, the Financial Industry Regulatory Authority (FINRA) launched TRACE, the Trade Reporting and Compliance Engine, for the publication of OTC trade reports in bonds. TRACE now covers a wide range of corporate and other bonds.

- **a.** All broker-dealers who are FINRA-members are required to report trades in certain bonds in line with rules set by FINRA and approved by the Securities and Exchange Commission (SEC). These transactions are then published by FINRA through TRACE.
- **b.** TRACE does not provide pre-trade transparency. FINRA publishes in real-time individual trade-specific data for United States Dollar (USD)-denominated corporate bonds. There are exemptions for trades where the par value exceeds $5 million for investment-grade bonds and $1 million for high-yield bonds. The initial publication will indicate that the trade exceeded the relevant threshold, but the exact size of the trade will only be reported six months later. Under TRACE, there is no additional criteria that considers whether there is a liquid market in the relevant financial instruments, though it only applies to a pre-defined list of bonds issued in USD.
- **c.** A centralised trading requirement was introduced in the US for swaps in 2014 via the Dodd-Frank Act, which required that any trade in a sufficiently liquid interest rate swap (IRS) contract involving a US counterparty must take place on a swap execution facility (SEF). SEFs are multilateral trading venues, featuring open limit order book and RFQ functionalities. In addition to centralised trading, Dodd-Frank, as implemented by Commodity Futures Trading Commission (CFTC) rules, sets standards and requirements related to real-time reporting and the public availability of swap transaction and pricing data.

2.23 The framework governing the transparency regime in the **EU** is very similar to that which currently applies in the UK. But, post-Brexit, the EU review of UK Markets in Financial Instruments Directive (MiFID) has resulted in several changes in relation to the transparency regime.

- **a.** This includes the removal of pre-trade transparency requirements for RFQ and voice systems, as well as for SIs dealing in bonds and derivatives.
- **b.** The current scope of transparency for derivatives based on admission to trading (ToTV) is expected to be replaced with a new scope of OTC derivatives transparency based on predefined characteristics of the derivatives, including those derivatives which are under the scope of the clearing obligation. The review also aimed at increasing harmonisation of the post-trade transparency regime by setting simpler EU-wide deferrals.

2.24 We believe that our final rules are not substantially divergent from the approach being taken, or currently being proposed, in other jurisdictions such as the US or EU. We have been particularly alert to those areas where there are differences in requirements to ensure that they are justified in terms of advancing our market integrity objective. We have carefully tested our approach with stakeholders and FCA advisory bodies and found them broadly supportive.

Outcome we are seeking

2.25 The outcome we seek is more proportionate and better calibrated transparency for bond and derivative markets, with requirements tailored to different asset classes and market structures. We aim to deliver:

- Greater transparency, in terms of timeliness and content of the information, for those financial instruments which would benefit most from increased disclosures, which will in turn support market liquidity.
- A lower cost of complying with the transparency regime for trading venues and investment firms. We also expect that by discontinuing FCA FITRS we will make a better use of our resources.
- Adequate protection to market makers when providing liquidity to clients.
- Improved post-trade data will also support the creation of a CT for bonds in the UK.

2.26 All of which will contribute to a more resilient system that enables well-functioning markets in both normal and stressed market conditions.

Measuring success

2.27 We intend to undertake a formal post-implementation review[1] of the effect of the new regime based on the first 6 months of data after application of the new rules. This should provide enough evidence to assess the calibration of the new regime, and for participants to have developed informed views, while enabling a timely policy reaction if further refinement is needed.

2.28 We will undertake quantitative analysis (wherever possible) and surveys of market participants to measure whether we have achieved the desired outcomes. We will also consider whether the establishment of a CT for bonds has improved data users' access to transparency data under the new regime, and therefore their understanding of liquidity in bond markets.

2.29 The post-implementation review will be designed to allow us to validate, or refine, the edge case decisions we are making at this time around the calibration of the new regime, and we shall publish the conclusions of the review, including any adjustments we intend to make following consultation.

Feedback to our consultation

2.30 We received 35 responses to CP23/32 from respondents who consented to have their names published. We include the list of these respondents in Annex 2. During, and after, the consultation period we also discussed the issues raised in CP23/32 with several firms and trade associations.

1 https://www.fca.org.uk/publications/corporate-documents/our-rule-review-framework#lf-chapter-id-types-of-review-and-how-and-when-we-undertake-them-post-implementation-reviews

2.31 We have engaged with the Markets Practitioner Panel (MPP) – one of our statutory panels – and the Secondary Markets Advisory Committee (S-MAC) on a regular basis on the progress of our work on bond and derivative transparency. We also worked closely with colleagues at His Majesty's Treasury and consulted extensively with colleagues at the Bank of England.

2.32 Respondents welcomed our proposals for the recalibrated bond and derivative transparency regime and were generally supportive of our approach. The next chapters provide a summary of the main points raised in the feedback and our responses.

2.33 Our proposals in CP23/32 covered the following issues.

- **Scope.** The existing scope of the transparency regime for derivatives, which considers any instrument in scope if it is traded on a trading venue (ToTV), proved problematic in its breadth. In particular, it includes bespoke instruments, for which calibrating transparency was challenging. It also includes exchange traded derivatives (ETDs), which were already operating under high levels of transparency before MiFID II.
  We have therefore specified transparency requirements only for bonds admitted to trading on a trading venue and certain derivatives subject to the clearing obligation. For those instruments, we proposed large in scale (LIS) thresholds above which orders can benefit from pre-trade transparency waivers and trades can benefit from post-trade transparency deferrals. For all the other instruments our rules set out the criteria and outcomes that trading venues should have regard to when calibrating their transparency.
- **Transparency calculations.** The UK MiFIR requires us to perform a variety of fixed calculations to categorise a diverse set of financial instruments as either liquid or illiquid. The calculation-based regime provides exemptions from real-time transparency to illiquid instruments to protect liquidity providers. However, it results in a low level of transparency for most in-scope instruments. The calculations do not allow us to factor in a broader set of considerations and to calibrate the regime based on the specific features of each market.
  We proposed removing these calculations and rely instead on a set of features that we believe are reliable proxies for an instrument's liquidity and therefore an effective means of categorising it.
- **Operational costs.** We use the Financial Instruments Transparency System (FITRS) to perform transparency calculations. Input market data is provided daily by APAs. Firms must access and ingest our FITRS calculations to comply with their pre- and post-trade transparency requirements, which we believe creates a disproportionate cost for firms and the FCA.
  We proposed discontinuing FITRS because the new transparency regime would not depend on rigid calculations based only on fixed parameters.
- **Pre-trade transparency.** The calibration of pre-trade transparency does not adequately cater for the trading modalities prevalent in some bond and derivatives markets, where transactions are often negotiated. The evidence from the operation of MiFID II suggests that they cannot sustain public transparency.
  UK MiFIR's pre-trade waivers offer some protection for liquidity, but in an unnecessarily complicated way.
  We proposed that the trading OTC of non-specified instruments by investment firms would not be subject to public trade reporting. For trading venues, we

proposed standards and criteria they should have regard to when calibrating their transparency requirements. For Recognised Investment Exchanges (RIEs), our supervisory approach to transparency will reflect the high standards that apply to them in relation to ETDs such as futures and listed options.

- **Post-trade regime.** The regime provides for overly lengthy publication deferrals for some instruments and does so in an overly complicated way which prevents meaningful use of the data to inform trading decisions and the monitoring of best execution. It delivers too little transparency for some of the most liquid instruments.
  We proposed a simpler and more timely post-trade transparency regime based on fewer deferrals for bonds and OTC derivatives while ensuring that liquidity providers are sufficiently protected against undue risk.
- **Data reporting.** The quality and timeliness of post-trade data is variable and poor for some asset classes, especially OTC derivatives. This reduces the usability of post-trade transparency data and the effectiveness of the price discovery process. We proposed changes aimed at reducing instances where transaction that do not contribute to the price formation process are reported to the public. We also proposed changes to improve the content of post-trade reports and the correct identification of derivatives.
- **Systematic internalisers (SIs).** In FSMA 2023, the Treasury included amendments to the definition of an SI and gave the FCA the power to set out in rules whether and when an activity is 'organised, frequent, systematic and substantial'. The intention was that the current approach of requiring firms to carry out quantitative calculations on a regular basis to determine their SI status be replaced by a qualitative approach.
  The new definition we proposed is based on qualitative criteria which aim to balance clarity for investment firms with the need for the definition to flexibly apply to different markets and business models. We also proposed guidance in Perimeter Guidance Material (PERG) to help with interpretation of the new definition. In CP23/32, we also consulted on moving the requirements relating to the data publication obligations of trading venues and SIs into our Handbook. We did not propose any substantive changes to these requirements.
- Given the breadth of changes made through FSMA 2023, we decided it was appropriate to ask, in Chapter 9 of this policy statement, questions about the future of the SI regime.

2.34 Examples of changes in response to feedback include:

- We modified the framework for bonds to have three, instead of two, deferral durations. We have also altered the length of, and threshold size for an order to qualify for, those deferrals.
- We refined the grouping criteria for bonds.
- We created longer deferrals for swaps with non-benchmark tenors and lowered the threshold sizes for SONIA swaps.
- Rather than requiring trading venues to apply for a waiver from the obligation to provide pre-trade transparency for systems relying on negotiation, we removed these systems from the scope of pre-trade transparency.

- We will not require firms to report both the UPI and ISIN but instead move straight to requiring the reporting of UPI alone where one exists – that is, for OTC derivatives – and an ISIN otherwise.

Equality and diversity considerations

2.35 We have considered the equality and diversity issues that may arise from the changes in this PS.

2.36 Overall, we do not consider that the changes materially impact any of the groups with protected characteristics under the Equality Act 2020.

Next steps

2.37 The commencement dates of our rules and standards instrument have regard to the Financial Services and Markets Act 2023 (Commencement No.8) Regulations 2024 and the Financial Services and Markets Act 2023 (Consequential Amendments No. 8) Regulations 2024 (collectively the 'Commencement Regulations').

2.38 The Commencement Regulations commence provisions in FSMA 2023 which replace the current Articles 8, 9, 10, 11 and 21 of UK MiFIR (substituting them with new versions set out in paragraphs 7 and 11 of Part 1 of Schedule 2 to FSMA 2023) and commence the revocation of MiFID RTS 2 on 1 December 2024. However, the new transparency rules will not come into force until 1 December 2025. We have provided a transitional provision which preserves through our rules the effect of the current transparency regime for bonds and derivatives until that date. During this period, we will also continue to make liquidity determinations and update transparency thresholds for bonds and derivatives as we have been doing since Brexit.

2.39 We have provided a transitional provision that will enable trading venues not to apply pre-trade transparency to voice and RFQ trading from 31 March 2025. Linked to this, a transitional provision will also enable SIs in bonds and derivatives not to have to provide public quotes from the same date.

2.40 The Glossary Definition and PERG material linked to the revision of the definition of an SI will come into force on 1 December 2025 when the legislative change to the SI definition also comes into force.

What you need to do next

2.41 Trading venues, investment firms and APAs should familiarise themselves with our rules to ensure they are able to comply with the relevant requirements. They should assess their current arrangements to ensure that they will be able to provide adequate transparency once our rules take effect.

2.42 Most of our rules will take effect on 1 December 2025. However, those relating to the application of pre-trade transparency to trading venues using voice and RFQ trading and the pre-trade transparency obligations for SIs in bond and derivatives will take effect on 31 March 2025. This is to deliver as soon as possible the benefits from the simplification of the regime from those changes that don't require long implementation timelines.

2.43 Responses to the discussion paper in Chapter 9 on the future of the SI regime should reach us by 10 January 2025.

What we will we do next

2.44 We will speak to trading venues, investment firms, and approved publication arrangements to monitor the implementation of our new rules and ensure an orderly implementation of the changes. The bond CT will only go live after the changes to the transparency regime take effect.

2.45 We expect to commence the tender to appoint a UK bond CTP in December 2024. Those firms wishing to take part therefore have some time to familiarise themselves with the new rules.

2.46 Following on from the responses we receive to the discussion paper in Chapter 9 on the future of the SI regime, we intend to publish a Consultation Paper on those issues in Q2 2025. It is our intention that the changes to the substance of the SI regime should take effect alongside the new qualitative approach to determining SIs on 1 December 2025.

Chapter 3

Our response to feedback on the scope of the new regime

Introduction

3.1 In CP23/32, we provided an overview of the current MiFID II transparency regime and summarised requirements as follows:

Table 1: UK MiFIR – Overview of the transparency regime

Scope: bonds, structured finance products (SFPs), derivatives and emission allowances

	Trading Venues	Investment firms (including SIs)
Pre-trade (information about bid and offer prices)	Pre-trade transparency applies depending on the trading system operated. Exemptions in the form of waivers apply to orders that are LIS or in illiquid instruments, orders for the execution of packages, to voice and RFQ systems dealing above certain sizes.	Pre-trade transparency applies to SIs when dealing in liquid financial instruments below certain sizes. The obligation can be waived under the same conditions applicable to trading venues.
Post-trade (information about trades)	Post-trade transparency applies in the same way to trading venues, SIs, and other investment firms. The details of executed transactions (price, volume and several other fields and identifiers) must be published as close to real-time as possible. Exemptions from real-time transparency are available in the form of deferrals. Certain transactions can be deferred until 2 days after execution, others until 4 weeks after execution (in some cases the price and size of multiple transactions can be aggregated for a period or permanently).	

3.2 We stated in CP23/32 that the existing scope of the transparency regime is too broad. It covers instruments that are more bespoke and less liquid, such as certain OTC derivatives, for which calibration of transparency is challenging. It also covers standardised and liquid instruments, such as futures and listed options, for which the benefits of a regime based on a prescribed set of transparency parameters set by us are less evident because they already operated under high level of transparency before the introduction of MiFID II.

3.3 Pre-trade transparency requirements can, in some instances, result in worse execution outcomes for investors and higher compliance costs for firms. For example, when a liquidity provider is engaging in a negotiation with a counterparty and its bid or offer prices are required to be disclosed before execution, the spread between those prices

will be wider to account for the increased risk of other market participants moving their prices in anticipation of a trade. Similarly, where an order is large in size and it is disclosed before execution, liquidity providers may adjust their quotes. In both cases the result is that liquidity provision is reduced, and the cost of trading is increased to factor in the public disclosure of the transaction. The WMR proposed limiting the scope of pre-trade transparency to electronic order books and periodic auctions that currently operate under full transparency. This would allow bilaterally negotiated trades, where pre-trade transparency is difficult to achieve without harming liquidity provision, to be exempt from pre-trade transparency.

3.4 In CP23/32, we identify those classes of financial instruments in which mandated transparency will support the integrity of the market by improving liquidity and competition and for which intervention is supported by a strong public policy objective (for example, because of their systemic importance or because of the need to protect investors) which we defined as Category 1 financial instruments.

3.5 We identified Category 1 as those financial instruments that would benefit most from increased transparency and for which mandatory post-trade transparency should apply in the same way to trading venues and investment firms dealing OTC. They include bonds traded on UK trading venues and certain OTC derivatives subject to the clearing obligation. For those instruments, we set the large-in-scale (LIS) thresholds above which trading venues can waive pre-trade transparency and trading venues and investment firms can defer post-trade transparency. We also set the length and type of deferrals available.

3.6 We classified as Category 2 the remaining instruments (all SFPs, emission allowances, Exchange Traded Commodities, Exchange Traded Notes, and derivatives traded on trading venues which are not Category 1). For Category 2 instruments, trading venues will be expected to provide adequate pre- and post-trade transparency in relation to all orders and transactions executed under their systems. Venues would be expected to calibrate the appropriate level of transparency to ensure fair and orderly trading and efficient price formation.

3.7 Our finalised framework can be summarised as follows:

Table 2: Summary of the transparency regime

	Trading venues	Investment firms
Pre-trade	**Category 1 and 2** Pre-trade transparency applies depending on the characteristics of the market model. Waivers available for LIS orders and Order Management Systems. **Category 1** Minimum size of LIS orders set in our Handbook.	**Category 1 and 2** No obligation.

	Trading venues	Investment firms
Post-trade	**Category 1** Real-time reporting unless the trade is above the relevant LIS threshold. The size of LIS thresholds and the maximum length of the deferral set in our Handbook.	
	Category 2 Post-trade transparency set by the trading venue in line with criteria set out in our rules.	**Category 2** No obligation to report.

Category 1 instruments: bonds traded on UK trading venues; certain derivatives subject to the clearing obligation.

Category 2 instruments: emission allowances, Structured Finance Products, other debt securities such as exchange traded commodities and exchange traded notes, and derivatives, and derivatives that are not in Category 1.

3.8 The current scope of the transparency regime is determined by the financial instruments that are traded on UK trading venues. Once a trading venue lists or trades a new product, the instrument is brought into the transparency regime, including when it is dealt OTC by investment firms. The transparency calculations seek to make sure that public disclosure does not harm liquidity and price formation in instruments that are traded only episodically. Our transparency calculations show that only a minority of classes are deemed liquid.

Bonds

3.9 In CP23/32, we stated that there is a strong public policy interest in maintaining and, where relevant, enhancing, the transparency regime for sovereign and corporate bonds in order to reduce the cost of capital for borrowers and improve returns for investors. The evidence from the introductions of high levels of transparency in other jurisdictions such as the US, supports such an approach.

3.10 We proposed to include all ToTV bonds as Category 1 instruments. We then proposed to calibrate the LIS thresholds and deferral lengths to factor in the different liquidity profiles of bonds within the universe of ToTV.

3.11 In CP23/32 we asked:

Question 1: ***Do you agree with maintaining the current scope of the transparency regime for bonds based on whether they are ToTV? If not, what do you recommend the scope should be?***

Feedback received

3.12 Most respondents were supportive of maintaining the current scope of the transparency regime for bonds based on whether they are TOTV.

3.13 Respondents said that the scope of the transparency regime should be as wide as possible and aligned with that of the EU to the extent practicable for UK markets. They also noted the importance of alignment with the EU regulations as well as the benefit of a broad scope to maximise the benefits of the forthcoming bond CT.

3.14 Some respondents also suggested that ETCs or ETNs, where their underlying assets are bonds, should be included in the scope of the bond transparency regime as the underlying bond prices from the CT will likely be used to calculate net asset value and it gives a more accurate indication of the liquidity and leverage within the bond market.

3.15 Some respondents argued that the proposed scope was too broad, preferring less instruments being in scope of the transparency regime.

Our response

We remain convinced that bonds can sustain transparency and will benefit most from enhanced disclosure of executed transactions. Respondents largely agreed with our proposal of maintaining the current scope based on whether a bond is TOTV. We will proceed on that basis. Relative to the alternative of narrowing the scope, and despite the challenge of calibrating a framework that caters to instruments with such a broad range of liquidity, we believe – on the basis of the evidence from other markets - that this will improve liquidity in bond markets and support best execution. It will also strengthen the case for a bond CT.

Regarding the suggestion that ETCs or ETNs be included in the scope of these changes to transparency regime, we believe that as these instruments trade in a manner more akin to ETFs than bonds or derivatives, this would be more appropriate at the same time as a review of ETF transparency.

We will consider, as part of the post-implementation review, whether a change in scope would be appropriate.

Derivatives

3.16 In CP23/32, we noted that of the universe of OTC derivatives traded globally, interest rate derivatives are by far the most significant class in terms of notional amount, covering some 80% of the total across all OTC derivatives. Swaps make up 66% of the total notional amount outstanding for interest rate derivatives. We stated that the transparency regime should focus on derivatives that are cleared, given that pricing information for cleared transactions is comparable across execution venues, including those executed bilaterally OTC.

3.17 We proposed to exclude from Category 1 instruments any derivatives that are not subject to the UK clearing obligation. We also proposed to restrict the transparency regime to transactions in derivatives between counterparties that are also subject to the clearing obligation or would be subject to the clearing obligation if established in the UK.

3.18 We did not propose to include FX derivatives or single name credit default swaps (CDSs) within the list of Category 1 instruments but sought views on whether we should.

3.19 In CP23/32 we asked:

Question 2: *Do you agree that the transparency regime should focus on the classes of derivatives subject to the clearing obligation? If not, please explain why.*

Question 3: *Is the current level of transparency in FX derivatives and single-name CDS adequate? If not, should a subset of them be included as Category 1 instruments?*

Feedback received

3.20 We received broad support for the scope of the transparency regime as consulted, based on liquid derivatives subject to the clearing obligation. Those who disagreed suggested that it should instead rely on the derivatives trading obligation (DTO) or that if the clearing obligation is used, it should also include clearing-exempted trades. Others recommended to extend the scope to commodity derivatives.

3.21 Respondents to Q3 unanimously agreed with the proposal not to add FX derivative instruments or single-name CDSs at this time.

3.22 It was also suggested that:

- even though FX derivatives should not be brought within scope at this time, this could be looked at later
- if the FCA is minded to bring FX derivatives into scope, they should help coordinate, and then apply transparency in line with globally enforced standards
- single-name CDSs should not be excluded from public transparency as reporting infrastructures are already in place

Our response

Here, and throughout the responses to CP23/32, respondents generally agreed with the purpose of our changes to the transparency regime, irrespective of whether they thought the particular level of transparency that we had calibrated was appropriate. We agree that transparency of FX derivatives could be looked at in the future.

While we would welcome greater international cooperation to further improve transparency standards, that shouldn't prevent our ability to improve our transparency regime on FX derivatives. We disagree that a functioning voluntary reporting infrastructure is determinative as to whether we should intervene. We believe that setting the scope of derivative transparency according to the clearing obligation brings an appropriately broad range of instruments and we will consider as part of

the post-implementation review whether other instruments should be added to, or removed from, this scope.

The instruments subject to the DTO are certainly capable of sustaining high levels of transparency. However, there are other instruments that can be sufficiently liquid to meet high transparency standards but for which the case for mandatory on venue trading is not yet sufficiently strong. Hence, limiting the transparency regime only to DTO products would result in a scope which is too narrow.

We will, therefore, maintain the scope as consulted.

Exclusions from Category 1

3.23 In CP23/32, we noted that the increasing adoption of overnight index swaps (OISs) based on risk-free rates (RFRs) and the corresponding decline in the relevance of interbank offered rates (IBORs) have caused forward rate agreements (FRAs), typically used to hedge the fixing risk related to IBOR-based swaps products, to become progressively less liquid. Our analysis showed the following.

- OISs are now the most liquid interest rate OTC derivatives in the UK, of which GBP Sterling Overnight Index Average (SONIA), USD Secured Overnight Financing Rate (SOFR), FedFund, and euro short-term rate (€STR) are likely to represent 95% of the liquidity.
- Liquidity in fixed-to-float swaps was stable but it declined in relative terms and is mostly concentrated in euro-denominated swaps, predominantly based on Euro Interbank Offered Rate (EURIBOR).

3.24 We therefore proposed to exclude FRAs, fixed-to-floating IRSs (other than those based on EURIBOR), basis swaps and OIS based on Japanese Yen (Tokyo Average Overnight Rate (TONA) OIS) from the list of Category 1 instruments.

3.25 For CDS, we proposed to include the two indices currently under the Bank of England's clearing mandate and under our trading mandate, iTraxx Europe Main and iTraxx Europe Crossover with a tenor of 5 years, in the list of Category 1 instruments. Those two indices are amongst the most liquid available for trading globally.

3.26 Our list of Category 1 instruments would cover more than 70% of current liquidity in interest rate derivatives. Transactions in those instruments would be subject, whether executed on-venue or OTC, to real-time post-trade transparency unless a deferral applies.

3.27 Transactions in Category 2 instruments would still be subject to post-trade transparency (and pre-trade where applicable depending on the protocol) when traded under the rules of a trading venue, but the calibration of the transparency would be determined by the venue acting in accordance with its regulatory obligations.

3.28 In CP23/32 we asked:

Question 4: ***Do you agree with excluding FRAs, basis swaps and OIS and Fixed-to-Float swaps with reference index other than EURIBOR, SONIA, SOFR, €STR and FedFunds – from the list of Category 1 instruments? If not, please explain why.***

Question 5: ***Do you agree with including iTraxx Europe Main and iTraxx Europe Crossover as Category 1 instruments? If not, please explain why.***

Feedback received

3.29 Respondents unanimously agreed with our proposal to exclude FRAs, basis swaps and OIS and Fixed-to-Float swaps with reference index other than EURIBOR, SONIA, SOFR, €STR and FedFunds - from the list of Category 1 instruments.

3.30 It was suggested that the list of instruments be reviewed on a semi-annual basis.

3.31 Respondents also unanimously agreed with our proposal to include iTraxx Europe Main and iTraxx Europe Crossover with a tenor of 5 years as Category 1 instruments.

3.32 It was suggested that the FCA provide clarity on our statement in paragraph 4.39 of CP23/32 where we said that 'transactions in those instruments (ie interest rate derivatives in Category 1) would be subject, either when executed on-venue or OTC, to real-time post-trade transparency unless a deferral applies'. The feedback noted that it remains unclear what the treatment of EU trading venues would be, and whether that could be affected by mutual recognition arrangements.

Our response

We will proceed with our proposal to exclude FRAs, basis swaps and OIS and Fixed-to-Float swaps with reference index other than EURIBOR, SONIA, SOFR, €STR, and FedFunds from the list of Category 1 instruments. As part of the post-implementation review, we will consider whether the list should be updated, but do not believe that committing to a semi-annual review is necessary or practical.

We will proceed with our proposal to include iTraxx Europe Main and iTraxx Europe Crossover with a tenor of 5 years as Category 1 instruments.

We are maintaining the same position set out in our supervisory statement and will not require UK investment firms that transact on venues outside the UK to publish details of those transactions through a UK APA.

Tenors

3.33 Under the new transparency regime introduced by FSMA 2023 we are not bound to rigidly follow transparency calculations (which are only based on number of trades and volume for transactions). In CP23/32 we therefore proposed to factor in a broader number of measurements, both qualitative and quantitative.

3.34 Evidence showed that all tenors for EURIBOR, SONIA, SOFR and €STR display sufficient liquidity to warrant being brought in scope of transparency requirements as Category 1 instruments. However, for FedFunds OIS, we found limited liquidity for any tenor group other than at the shortest end, which is 7 days to 3 months. We also found that limited liquidity is available for SOFR OIS for the longest maturity group (30 to 50 years), though we expect liquidity for SOFR OIS will have increased since the cessation of USD LIBOR in July 2023.

3.35 In CP23/32, we proposed including as Category 1 the following products (subject to the clearing obligation) and tenors:

- Fixed-to-float EURIBOR (28 days to 50 years)
- OIS SONIA (7 days to 50 years)
- OIS SOFR (7 days to 50 years)
- OIS €STR (7 days to 3 years)
- OIS FedFunds (7 days to 3 months)

3.36 In CP23/32 we asked:

Question 6: ***Do you agree with our proposal to bucket swaps by tenors? If not, please explain why.***

Question 7: ***Do you agree with our proposal to include spot and forward starting swaps within the same tenor bucket? If not, please explain why.***

Question 8: ***Do you agree with our proposed scope of Category 1 instruments for OTC derivatives? If not, please explain why.***

Feedback received

3.37 Respondents generally agreed with our proposal to group swaps by tenors. However, they made the following specific recommendations:

- The tenor groups should be established around tenor points rather than bounding precisely on the benchmark dates.
- We should differentiate between different EURIBOR reference indices, noting that 1m and 12m should be allocated significantly different thresholds or be excluded

from the transparency regime altogether due to significantly lower volumes relative to the more liquid EURIBOR 3 months and 6 months
- Within the selected tenor groups, liquidity characteristics may vary, for example, benchmark tenor trades are much more liquid than bespoke broken-dated swaps.
- Fixed-to-float IRSs and OIS benchmark rates are not being treated consistently, for example the 30-to-50 year tenor group is in scope for SONIA, but not for FedFunds.
- The inclusion of the 30-to-50 year tenor group was not supported by data provided in the CP and that it currently features low levels of liquidity. Derivatives in the group should only be included only once data shows higher liquidity and frequency of trades.

3.38 There was broad support amongst respondents regarding the inclusion of forward starting swaps within the proposed groups, ie to treat a forward starting swap just like a spot starting swap with the same tenor.

3.39 However, it was suggested that forward starting swaps should be included within different tenor groups as their liquidity is lower than that in spot starting swaps.

3.40 Other respondents agreed with our proposal but requested the FCA provide clarity on the fields to distinguish between spot and forward starting swaps within the same tenor group.

3.41 Respondents to Q8 generally agreed with the scope of Category 1. However, they objected to including broken-dated swaps.

3.42 It was suggested that the scope of Category 1 should be limited to those derivatives which are subject to the UK trading obligation, as these are a more liquid subset of derivatives than those subject to the UK clearing obligation.

Our response

On the categorisation, we will maintain the grouping by tenors as consulted as it factors in differences in terms of sensitivity to interest rate risk (which is an important parameter to calibrate large in scale transactions) while being sufficiently simple to implement. Swaps will be allocated to different categories (to which different large in scale thresholds apply) only according to their tenors and according to the parameters set in our consultation, ie a 5 year and one day swap and a 10-year swap will both be allocated to the 5Y-10Y group. That is consistent with the approach taken in the US which has a similar grouping of swaps by tenors. However, as discussed below we intend to calibrate the length of the deferrals for broken-dated swaps differently compared to those applicable to benchmark swaps.

In relation to the inclusion of broken-dated swaps (ie any non-benchmark maturity swap) in the same group as benchmark swaps, we recognise that the liquidity profile may be different and lower for some broken-dated swaps. Broken-dated swaps are often traded by institutional investors such as pension funds or by non-financial investors, like corporations, to hedge their underlying risk. We note however that, as evidenced in

CP23/32, broken-dated swaps trade in similar sizes as benchmark swaps, and in some cases in larger sizes. Given that the purpose of grouping swaps by tenors is the calibration of large in scale thresholds, we intend to maintain them in scope of Category 1 and within the same group benchmark swaps belong to. However, to ensure adequate protection for liquidity providers, in this policy statement we provide further calibration to broken-dated swaps by allowing, compared to benchmark swaps, a longer deferral period.

On the exclusion of FedFunds OIS with a maturity of 30-to-50 years while including those swaps for SONIA OIS, EURIBOR and SOFR, we note that our starting point for establishing the classes of derivatives in scope of Category 1 is the Bank's clearing obligation. The clearing obligation currently excludes any OIS based on FedFunds beyond 3 years. In our analysis, we restricted the OIS in FedFunds to tenors between 7 days and 3 months given the very limited liquidity beyond 3 months.

Regarding excluding from Category 1 any swap with a tenor longer than 30 years, we concur that there is less liquidity in those tenors for SOFR and EURIBOR. While still comparatively less than in other tenors, SONIA OIS shows more liquidity in tenors above 30 years, as measured by number of trades and notional amount traded, than SOFR and EURIBOR. Given the relevance of tenors in this group for UK institutional investors, we maintain the group for SONIA OIS but recalibrated the large in scale threshold to ensure adequate protection of liquidity and price formation.

In relation to the differentiation of tenors in EURIBOR, we will only include EURIBOR IRS based on 3m and 6m in Category 1. We concur with respondents that the vast majority of liquidity in EURIBOR IRS is in those indices, as also confirmed by their inclusion in the ICE Swap Rate index and in our derivatives trading obligation.

Finally, as supported by respondents, we are maintaining forward starting swaps in the same tenor group as spot starting swaps and requiring trading venues and investment firms to provide the information about the effective and termination dates to allow users of post-trade information to separate the 2 types of swaps.

Chapter 4

Our response to feedback on the framework for waivers and deferrals

Pre-trade transparency and waivers

4.1 In CP23/32 we proposed to maintain the current requirement for trading venues to publish on a continuous basis - during normal trading hours - adequate information about current bid and offer prices, actionable indications of interest and the depth of trading interests at those prices.

4.2 We also sought to clarify in our rules that when calibrating pre-trade transparency, trading venues shall have regard to achieving efficient price formation and a fair evaluation of financial instruments.

4.3 We proposed preserving the current detailed pre-trade requirements for many-to-many or all-to-all systems, such as limit order book, periodic auctions or quote driven systems. We proposed to remove the existing detailed pre-trade requirements for voice and RFQ systems given that the UK and the international evidence show that they can't sustain pre-trade transparency as other trading protocols do.

4.4 We also proposed deleting the waivers for RFQ and voice systems operating above certain transactions sizes (the size specific to the instrument or SSTI waiver) and the waiver for instruments for which there is not a liquid market. Instead, we proposed a new waiver for negotiated orders which includes:

- orders for the execution of packages and for transactions subject to conditions other than the current market valuation
- orders that are negotiated between counterparties, including RFQs, provided they are executed within the spread reflected in the order book, the quotes of the market makers or other trading system providing transparent actionable indications of interest (where available)

4.5 We proposed maintaining the waivers for LIS orders, which will be subject to a threshold set for Category 1 instruments and be the same as the one applicable to post-trade deferrals. The waiver for large in scale orders (ie orders that result or would result in transactions that are large in scale) would, for example, continue to allow the reporting of off-book on-exchange transactions and the execution of large orders on order books.

4.6 In our rules, we proposed criteria that trading venues will have to have regard to when setting LIS thresholds for Category 2 instruments.

4.7 In CP23/32 we asked:

Question 9: Do you agree with our proposals for, and waivers of, pre-trade transparency? If not, please explain why.

Feedback received

4.8 There was broad support for the removal of pre-trade obligations from voice and RFQ systems. However, most respondents objected to the way our proposed rules provide relief. Concerns were expressed in relation to:

- the fact that exclusion from pre-trade transparency would require a waiver, which creates unnecessary administrative burdens and compliance costs
- the risk from the lack of legal certainty about the continued availability of the waiver, which might expose trading venues to business risk if such waiver is withdrawn
- the technology and monitoring costs in complying with the conditions for negotiated transactions to be executed within the order book's volume weighted spread or the quotes of the market makers (when available)
- the need to ensure that higher requirements do not apply to UK trading venues compared to international best practices

4.9 Respondents sought clarity about whether there will be no pre-trade transparency requirements for SI dealing on bonds and derivatives once the new regime is in place. However, one respondent did not agree with the proposal to completely remove pre-trade transparency for investment firms (including SIs) – proposing instead, to maintain them in the scope of pre-trade with equivalent requirements to trading venues.

4.10 Several respondents suggested that the price condition in the negotiated trade waiver should be deleted from the proposals.

4.11 We also received a request to confirm that the administrative trades resulting from post-trade risk reduction services are exempt from the OTC derivatives pre-trade transparency requirements.

4.12 Those respondents expressing a view supported the proposal that the size at which an order qualifies for the LIS waiver should be set same as the one applicable to post-trade deferrals.

4.13 Some concern was expressed that the proposed level of flexibility for individual venues to decide on pre-trade disclosures in respect of Category 2 instruments may exacerbate market fragmentation. We received an expression of concern that a trading venue dealing in futures and listed options could make the negotiated transactions waiver available for use whereby sub-LIS pre-arranged trades would be accepted subject to the rules of the venue without any form of pre-trade transparency (e.g. guaranteed cross trades).

Our response

In our consultation, we established a waiver for negotiated transactions to ensure adequate protection of better priced orders placed on transparent trading systems, such as bid and offer prices from electronic limit order books.

We don't agree that a system based on waivers introduces uncertainty from the risk of them being withdrawn by us. MiFID I and MiFID II have for many years operated on the basis of waivers and provided the necessary certainty and stability to operators of trading venues and their users about how they can be used.

We do recognise however that the additional condition for negotiated transactions to be executed within the best prices available in the systems operated by the trading venues increases compliance costs and requires trading venues to establish new technical systems. We understand from respondents that such a condition is unlikely to achieve the intended objective to protect transparent executable quotes and to improve best execution. We have also considered the potential disincentive to establish order books because of the additional compliance cost of linking bids and offers from those systems with the execution of transactions executed off-book, including through RFQs.

We are modifying our original proposal and removing pre-trade transparency for any system other than a continuous auction order book, quote-driven trading systems and periodic auction trading systems. We believe this aligns with international practices.

We agree with those respondents who consider problematic the application of pre-trade transparency to trading which is based on bilateral negotiation or on quotes provided on request, regardless of whether it is on venue or OTC. We therefore confirm that, as a consequence of removing RFQ systems from scope of pre-trade transparency, there will be no SI-specific pre-trade transparency requirements for bonds and derivatives once the new regime is in place.

As a result of removing the default presumption of pre-trade transparency from systems based on negotiation and in absence of conditions for granting it, the proposed negotiated trade waiver is redundant. We have therefore removed it from the rules. While no pre-trade transparency obligation applies, the general requirements for business to be conducted in a fair and orderly manner will continue to apply.

In relation to post-trade risk reduction services, in CP24/14 we proposed to disapply the transparency requirements to transactions that arise from risk reduction services. We will consider responses received once the CP closes and provide final confirmation in the respective policy statement for CP24/14.

We also confirm that the threshold for LIS pre-trade waiver will, as proposed in consultation paper, be the same for each instrument as the one applicable to it for post-trade deferrals.

We are adopting the proposed approach based on setting the factors to which trading venues must have regard when calibrating pre-trade disclosures for Category 2 instruments. These rules are part of trading venues' existing general obligations of maintaining fair and orderly markets.

Post-trade transparency and deferrals

4.14 In CP23/32, we stated that the current system of deferrals is unnecessarily complex and has limited the ability of market participants to make an effective use of post-trade transparency.

4.15 We proposed a simpler deferral framework where:

- post-trade information is not aggregated and must always be published on a trade-by-trade basis
- early publication of price information is prioritised, whereas larger sized trades can be deferred
- the largest trades benefit from either an extended deferral or permanent deferral where capped

4.16 We proposed that a distinct deferral framework be applied to bonds and derivatives, with deferral lengths differentiated to cater to the two markets but with the threshold sizes required to qualify for these deferrals set specifically for sub-groups of instruments. We put forward two alternative models with the common objective of prompting disclosure of the details of executed transactions – to support price formation – but with a different emphasis about the trade-off between the length of the deferral and the public dissemination of information of the size of large trades.

- In the **first model**, there are two LIS thresholds. Transactions with a notional amount below the first threshold would be reported in real-time in full (ie both price and size information). Transactions between the two thresholds would be reported close to real-time (within 15 minutes) but without information about the actual size, which would be fully disclosed at the end of a relatively short deferral. Transactions above the second threshold would benefit from an extended deferral for both price and size.
- In the **second model**, there is a single LIS threshold but also a cap relating to the size of executed transactions to protect liquidity providers from undue risk for the largest trades. Transactions below the LIS threshold would be published in real-time in full. All transactions above the LIS threshold would instead be reported with the actual price and size after the deferral period – unless the trade was also above the cap, in which case the post-trade report would only indicate that the execution size is above the cap.

4.17 We argued that, depending on the length of deferrals and levels of thresholds, the two models could deliver similar outcomes.

4.18 In CP23/32, we asked:

Question 10: Do you support our objective of enhancing price formation by prioritising the prompt dissemination of price information? If not, please explain why.

Feedback received

4.19 Respondents generally agreed with our objective of enhancing the price discovery process by prioritising the prompt dissemination of price information, provided it does not expose liquidity providers to undue risk. Also, those supporting more prompt dissemination, compared to the current regime, of both price and volume information, recognised that price information should be prioritised over volume information. Many commented here on the calibration of deferrals and those comments are considered at the appropriate questions below.

4.20 Those in favour of price and volume information being disseminated at the same time (to support the analysis and consolidation of post-trade data), cautioned that more prompt price information may still create undue risk for liquidity providers as the market may still infer that a large trade is executed.

Our response

We maintain that our objective of enhancing price formation by prioritising the prompt dissemination of price information, while also protecting the needs of those providing liquidity in larger sizes, is consistent with the objectives and outcomes of the Wholesale Markets Review, and therefore have set thresholds for deferral, and their durations, with that objective in mind.

4.21 In CP23/32, we asked:

Question 11: Do you agree with our approach based on the dissemination of trade-by-trade information as opposed to aggregation of trades? If not, please explain why.

Feedback received

4.22 A strong majority of respondents agreed with our approach based on the dissemination of trade-by-trade information as opposed to aggregation. Respondents concur that the aggregation of transactions substantially inhibits the effective analysis of post-trade market data.

Our response

We confirm that under our framework for deferrals there are no instances of reporting the aggregated or consolidated information of multiple trades.

4.23 In CP23/32, we asked:

Question 12: ***Should package trades be granted a minimum of a 15-minute reporting deferral to allow for the complexity of booking such trades?***

Feedback received

4.24 Respondents generally agreed that package trades should be granted an extended limit of 15-minutes within which to publish real-time reports. However, respondents made the following points:

- this would technically amount to an operational delay rather than a deferral
- it was not clear whether the requirement would be to report after 15 minutes, or as soon as possible and in any case no later than 15 minutes after the trade
- the individual constituents of a package should be printed as soon as possible, rather than offering a deferral to the entire package according to the constituent(s) which take the longest to process
- a 24-hour limit, if combined with best practice standards detailing acceptable reasons for delay, would better recognise the complexity of booking package trade components

Our response

We will proceed with our proposal that the operational complexity of processing package trades should be recognised by permitting a 15-minute maximum delay for real-time reporting.

To be clear, the 15-minute maximum delay can only be justified by limitations in a firm's technical capability to report in real-time the trade for public dissemination. Therefore, each leg of a package transaction should be reported as soon as booking processes permit and not delayed until all legs are ready to report. The technical systems shall not factor in any delay, and we would expect to see the reporting of each leg of a trade initiated at the same time as it is reflected in the firm's system for monitoring positions.

We have seen no evidence supporting the view that a 24hr delay is necessary. Indeed, a delay of 15 minutes is already long enough to allow firms with less effective reporting systems to meet their transparency obligation. We shall seek more clarity on the need for a 15-minute accommodation during the post-implementation review.

As concerns have been shared with us that the permissible maximum delay may be misused to reduce transparency rather than simply accommodate system limitations, examination of its impact on transparency is likely to be an area of focus during the post-implementation review of this PS.

4.25 In CP23/32, we asked:

Question 13: ***Are there types of transactions other than packages that should benefit from a deferral irrespective of their sizes?***

Feedback received

4.26 Several respondents argued that portfolio trades and certain hedge trades should also benefit from an accommodation irrespective of size, or more generically that a reporting delay should be valid for more complex transactions with multiple elements. It was suggested that corporate bond trades also require an equivalent extension to maximum permissible delay.

Our response

We recognise that certain portfolio trades raise the same reporting challenges of packages. We have changed our rules to extend the 15-minute maximum delay to portfolio trades. However, where a trade does not qualify as either a package or a portfolio trade, the maximum delay remains unchanged at 5 minutes. Booking and reporting systems of trading venues and investment firms must ensure that executed transactions which do not qualify for a deferral are reported as soon as possible, and in any case no later than 5 minutes from execution unless the transaction is either a package or a portfolio.

We believe, in common with other regulators, that corporate bond reporting processes or systems should be designed in such a way as to support real-time reporting and there is no inherent complexity in these instruments that requires an increased delay. We are therefore, not extending the treatment of packages and portfolios to corporate bonds.

4.27 In CP23/32, we asked:

Question 14: ***Which of the two models do you think can give better calibrations of deferrals for bonds and derivatives?***

Feedback received

4.28 This question was intended to elicit views on the relative merits of the two models in respect of their mix of deferral durations and use of caps to indefinitely mask the size of larger trades, agnostic to the subsequent calibration of those models. However, most respondents provided their views here with reference to the proposed calibration of size thresholds. These comments have all been noted but are addressed in the next chapter.

4.29 While we recognise the challenge in considering deferral durations in isolation as their ultimate suitability depends upon the size of trades to which they are applied, we were still able to discern some views on the optimal models. In general Model 1, or a variant

there of, was preferred for bonds with Model 2 as the preferred approach for derivatives although several general suggestions for improvement were made and are detailed here.

4.30 As regards Model 2's approach of permanently masking capped volumes, many respondents felt that volumes should always be reported in its entirety even if only after an extended period. They argued that a complete view of liquidity, while not time sensitive, is required for analysis of metrics such as liquidity and concentration risk.

4.31 Several respondents suggested that in having just two size thresholds Model 1 did not provide adequate granularity to tailor deferral durations for the wide range of sizes traded. They suggested that there should be three thresholds, resulting in four size groups.

Our response

The framework for reporting bonds is based on Model 1 and for derivatives it is based on Model 2.

Model 1's proposed reporting of price close to real-time (within 15 minutes) but without information about the actual size, which would be fully disclosed at the end of a relatively short deferral would not deliver sufficient protection to justify its adoption. We shall therefore make the shortest deferral period applicable equally to both price and size. The benefit of creating a fourth size group justifies the marginal added complexity.

Both price and size can be deferred for 3 months for trades in the largest sizes.

Model 2's approach of indefinitely capping published volumes for trades above the second threshold shall be modified to ensure that total volumes are made transparent, even if only after an extended period.

Chapter 5

Our response to feedback on real-time transparency and calibration of deferrals

Introduction

Bonds

5.1 In CP23/32, we noted two issues with the way a liquid market determination is made and with the calibration of LIS thresholds for bonds.

- Quarterly liquidity assessments are undertaken on an ISIN-by-ISIN basis, but past liquidity is a poor predictor of future liquidity (especially for sovereign bonds from countries that do not trade frequently in the UK).
- Both the liquid market calculation and the calibration of deferrals use criteria that in some cases are only weakly correlated with liquidity, leading to a heterogeneous pool of supposedly liquid bonds.

5.2 The current LIS threshold calculations compound these issues by grouping transactions in all sovereign bonds (similarly for corporate and other types of bonds) in a single group. Thresholds are calculated as an average of the distribution of trades of all bonds in the same group, but there is significant dispersion of liquidity and different distributions of transaction sizes within the same groups of bonds set out in UK MiFID RTS 2. The thresholds therefore do not reflect the actual liquidity of instruments within a group and are either too high or low, with harmful effects on liquidity and transparency.

5.3 In CP23/32, we identified bond characteristics that we believed would better allow us to distinguish between very liquid bonds – for which higher transparency requirements can apply in the form of higher large in scale thresholds – from less liquid bonds – for which lower thresholds would give the necessary protection given those instruments' episodic liquidity, often focused around credit events. These characteristics appeared to be relevant drivers of bonds' average traded sizes, and hence valuable for the calibration of the LIS thresholds. The characteristics that we proposed to identify liquid bonds were:

- type of issuer (sovereign or corporate)
- country of the issuer
- issuance size
- time to maturity
- currency of issuance
- credit rating

5.4 In CP23/32, we evidenced how these characteristics correlated with liquidity and the average size of transactions.

- Even though bonds from the UK, US, Germany, France, and Italy represent just 25% of the total number of ToTV sovereign bonds in the UK by number of instruments, these bonds also account for 70% of the total number of transactions and close to 80% of the turnover.
- About 55% of the sovereign and other public bonds in our data have an issuance size above £1bn, but they account for 97% of the liquidity. The 68% of the corporate and other bonds with an issuance size above £500 million account for 86% of the turnover.
- Bonds with a shorter maturity display larger average traded sizes because the shorter duration exposes the holders of the security to less interest rate risk. For shorter-dated bonds, LIS thresholds can be higher compared to other equivalent bonds (by issuer, currency, and issuance size) with longer maturities.
- Bonds issued in sterling, US dollar and euro represent 96% of the volume traded and 98% of the trades.
- Using the investment grade (IG) and high yield (HY) bond classifications requires a single objective definition independent of rating agency. We therefore proposed to assign credit scores used by rating agencies into a "credit quality step" (CQS) from 1 to 6. We then proposed defining a bond as IG if its issuer has a credit rating falling in CQS 3 or above. Full details of the mappings of proprietary rating schemas into CQSs are set out in the onshored version of Annex III of Commission Implementing Regulation (EU) 2016/1799. IG bonds appear to be more liquid than HY bonds, but the difference may be due to the fact that lower rated corporate bonds may experience episodic liquidity related to credit events rather than stable underlying liquidity.

5.5 We then proposed the following grouping of bonds. For sovereign and other public bonds, we used country of issuance, issuance size and maturity. For corporate and other bonds, we use currency, issuance size and rating.

Table 3: Grouping of bonds

Sovereign and Other public bonds

Issuer	Issue Size	Maturity	Instrument Count	Trade Value	Trade Count
UK, France, Germany, Italy, USA	> £1bn	<5yr	10%	18%	9%
		5-15yr	15%	42%	31%
		> 15yr	11%	32%	51%
All other instruments			64%	8%	9%
Total			**100%**	**100%**	**100%**

Corporate, Covered, Convertible & Other bonds

Currencies	Issue Size	Issuer Rating	Instrument Count	Turnover	Trade Count
USD/EUR/GBP	> £0.5bn	IG	45%	73%	61%
All other instruments			55%	27%	39%
Total			**100%**	**100%**	**100%**

Source: FINBOURNE Technology

5.6 In CP23/32 we asked:

Question 15: Do you agree with the factors used in grouping bonds?

Question 16: Do you agree with the list of issuers used to group Sovereign and Other public bonds?

Question 17: Should we consider having a separate group for certain types of sovereign bonds, e.g. inflation-linked Sovereign bonds?

Question 18: Do you agree with the list of currencies used to group Corporate, Covered, Convertible & Other bonds?

Question 19: Do you agree with the levels indicated as thresholds for issue size and setting the three maturity groups for Sovereign and Other Public Bonds?

Question 20: Do you agree with our proposed definition of IG bonds?

Feedback received

5.7 On the grouping of bonds, most respondents supported the factors used in the proposals although some did not believe the currency breakdown was necessary. We received a request that we make it explicit that our definition of covered bonds includes EU covered bonds.

5.8 Regarding the list of issuers used to group "Sovereign and Other public bonds", respondents supported the inclusion of the proposed countries. Several suggested that sovereign debt issued by Spain shows liquidity and trading patterns closer in similarity to the issuers on the list than to those in "All other instruments" and should therefore be added to that list. Some suggested that including sovereign debt issued by Belgium and Netherlands should be considered at a later date.

5.9 On differential grouping for certain types of sovereign bonds, several respondents suggested that we add an extra factor and use a sub-classification of bond type to allow differential grouping of inflation linked bonds, off-the-run US treasuries, STRIPS, Forward Rate Notes (FRNs) and Bills.

5.10 On the list of currencies used to group "Corporate, Covered, Convertible & Other bonds", respondents that supported currency as a factor to be used agreed with our proposed list. As mentioned above, some respondents did not believe the currency breakdown is necessary.

5.11 For the levels indicated as thresholds for issue size and the three maturity groups for "Sovereign and Other Public Bonds", several respondents suggested increasing

the issuance size, but all agreed that the maturity grouping was appropriate. Some respondents requested clarity on the point in time at which issuance size should be measured noting that the size of an issue at initial issuance can be varied by subsequent tap issuance or buybacks. One respondent suggested that, as our objective is to increase transparency, the test of an issue size against the threshold sizes should be "greater-than-or-equal-to" rather than "greater-than" as many bonds are issued in a size equal to the one proposed in our consultation.

5.12 On the proposed definition of IG bonds, respondents were concerned by the complexity and resultant cost of adopting the proposed definition. Additionally, some respondents suggested that high yield bonds in the list of currencies can support more transparency that the rest of the bonds in the "All other instruments" group.

Our response

We examined the trading patterns of sovereign debt issued by Spain, Belgium, and Netherlands. We found evidence that supports the views of those respondents who suggested that the liquidity profile of Spanish sovereign debt is more similar to those of sovereign debt of the countries identified on the list than with the instruments in "All other instruments". The evidence supporting the inclusion of sovereign debt of Belgium and Netherlands was less conclusive. Given the available evidence and views of respondents, we have decided to include Spain and to review other countries inclusion as part of the post-implementation review.

Similarly, on considering the suggestion that we should add "Inflation Linked" and "STRIP" to the grouping factors for sovereign bonds we were persuaded, having further analysed their trading patterns, to do so and will place all instruments that are Inflation Linked or have been split into STRIPs into the "All other instruments" group. We also re-considered the market in "Other Public Bonds" and have decided that, given the lesser liquidity in these instruments when compared to the sovereign debt of the country in which they are issued, these instruments would also be more appropriately placed in the "All Other Bonds" group instead of being included with Sovereign bonds.

However, we were neither offered, nor found, any compelling evidence that off-the-run US treasuries, FRNs, or Bills trade in the UK in a manner so distinct, or to such an extent, that the added complexity of adding these characteristics to the factors used for grouping would deliver benefits sufficient to justify the added complication of such a refinement.

We shall welcome any new data that evidences whether we have made the correct grouping decisions in this response to feedback and shall seek views on this during the post-implementation review.

These changes result in Sovereign debt being grouped as represented in Table 4 below

Table 4: Sovereign and Other Public bonds

Groupings and Countries	Issuance	Instr	Trades	Notional
Designated Countries > = 2bn	**81%**	**50%**	**96%**	**71%**
0-5 Years	43%	24%	25%	28%
5-15 Years	21%	13%	29%	21%
>15 Years	17%	12%	43%	21%
All Others < 2bn	**2%**	**29%**	**2%**	**20%**
All Others > = 2bn	**18%**	**21%**	**2%**	**9%**
Grand Total	**100%**	**100%**	**100%**	**100%**

In making our proposal, we were aware that the use of the CQS approach would still result in some differences in how firms classify bonds from a credit rating perspective and ultimately in designating a bond as HY or IG. Given the concerns that have been expressed in the consultation in regard to the costs of operationalising the CQS approach in this new context, we now believe that adopting it would challenge the cost benefit analysis of this approach.

We have therefore decided to adopt an approach that is still grounded on the use of credit ratings but more in line with current market practices. Those practices define a bond as investment grade if it's rated at or above BBB/Baa (or equivalent) by the credit rating agency, or agencies, that reporting firms use for this purpose. Conversely, a high yield bond is one with at least one rating below BBB/Baa (or equivalent), or that is not rated, by the credit rating agency, or agencies, that reporting firms use for this purpose. We believe this approach strikes the right balance between having clear rules and ensuring operational simplicity for firms who need to distinguish bonds depending on their rating.

In relation to the point in time at which a bond's issuance size should be measured to establish in which grouping the instrument belongs, we clarify, as requested, that the outstanding issuance on the day of the trade is the appropriate measure. We recognise that there can be lags before this piece of reference data is updated. It therefore appears inevitable that in the absence of an exhaustive golden source, there will be cases where the resultant grouping for an instrument is incorrect. This will only be the case for those instruments where issuance varies and, even then, only for the small subset where the variation moves the issuance size across the threshold of £2bn for Sovereign and Other Public bonds or £500m for corporate bonds. We do not believe this to be a material concern.

We agree with the view that the marginal gain in transparency achieved by adopting a "greater-than-or-equal-to" test is an appropriate refinement that moves the binary assignment of an instrument to one group or another in the direction that produces, at the margin, more transparency.

The table below reflects these changes, and those arising from use of more recent data[2], in the same format as Table 3 from the consultation paper.

Table 5: Grouping of bonds

Sovereign and Other public bonds

Issuer	Issue Size	Maturity	Instrument Count	Trade Value	Trade Count
Sovereign bonds issued by UK, France, Germany, Italy, USA, Spain (exc. Inflation-linked and STRIPS)	≥ £2bn	≤ 5yr	14%	32%	22%
		> 5-≤ 15yr	7%	37%	22%
		> 15yr	6%	19%	29%
All other instruments	≥ £2bn	All	23%	10%	23%
	< £2bn	All	50%	2%	4%
Total			**100%**	**100%**	**100%**

Corporate, Covered, Convertible & Other bonds

Currencies	Issue Size	Issuer Rating	Instrument Count	Trade Value	Trade Count
USD/EUR/GBP	≥ £0.5bn	IG	43%	69%	59%
		HY	7%	5%	8%
All other instruments			50%	26%	33%
Total			**100%**	**100%**	**100%**

Source: FINBOURNE Technology

Calibration of large in scale (LIS) thresholds and deferrals

5.13 We considered the proposed thresholds and deferrals compatible with increased transparency given the liquidity available in markets, which should give adequate protection to liquidity providers. In setting our thresholds and deferral lengths, we had regard to addressable liquidity, the distribution of transactions in relevant asset classes (and resultant level of transparency from our proposals), and feedback from market participants on the likely effect of our proposals on price formation and liquidity.

5.14 **Model 1** contained two LIS thresholds for each instrument group, resulting in three classes of transparency: real-time price and size transparency for smaller trades, volume masking for medium-sized trades, and full deferral of price and size for the largest trades. For trades between the two LIS thresholds, a 15-minute deferral would apply after which the price would be reported but not the size. Information on the size would be deferred until the end of the third day after the transaction date (T+3). For trades above the higher threshold, we proposed a 4-week deferral for both price and

2 Trade data in the CP 23/32 covered period Q3 2021 to Q2 2023, while this PS uses data from Q3 2021 to Q2 2024

size. We set the longer deferral to give sufficient time, given the threshold sizes, to allow firms to manage their risk during the deferral period.

5.15 Under **Model 2**, we proposed that all trades below a single LIS threshold be published in real-time, while all those above the threshold be published by the end of the day. In the latter case, this would include both price and size information, although the trade size would only be disclosed up to the applicable cap. Publication for trades which exceed the applicable cap size would only indicate that the trade is above the cap.

5.16 We proposed the following size thresholds and deferrals for both models.

Table 6: Model 1: Proposed size thresholds and deferrals

Sovereign and Other public bonds

Issuer	Issue Size	Maturity	Price and size in real-time	Price: 15 mins Size: T+3	Price and size 4 weeks
UK, France, Germany, Italy, and USA	>£1bn	<5yr	<£15m	£15m ≤●< £50m	≥£50m
		5-15yr	<£10m	£10m ≤●< £25m	≥£25m
		> 15yr	<£5m	£5m ≤●< £10m	≥£10m
All other instruments			**<£2m**	**£2m ≤●< £4m**	**≥£4m**

Corporate, Covered, Convertible & Other bonds

Currency	Issuer Rating	Issue Size	Price and size in real-time	Price: 15 mins Size: T+3	Price and size: 4 weeks
GBP, EUR & USD	IG	>£500m	<£1m	£1m≤●<£10m	≥£10m
All other instruments			<£500k	£500k≤●<£5m	≥£5m

Table 7: Model 2: Proposed size thresholds and deferrals

Sovereign and Other public bonds

Issuer	Issue Size	Maturity	Price and size in real-time	Price: EOD Size: EOD
UK, France, Germany, Italy, and USA	>£1bn	<5yr	<£15m	≥£15m (cap at £50m)
		5-15yr	<£10m	≥£10m (cap at £25m)
		>15yr	<£5m	≥£5m (cap at £10m)
All other instruments			< £2m	≥ £2m (cap at £4m)

Corporate, Covered, Convertible & Other bonds

Currency	Issuer Rating	Issue Size	Price and size in real-time	Price: EOD Size: EOD
GBP, EUR & USD	IG	> £500m	< £1m	≥ £1m (cap at £10m)
All other instruments			< £500k	≥ £500k (cap at £5m)

5.17 We found that our proposed regime would deliver a high level of real-time transparency, especially for the most liquid instruments.

5.18 In CP23/32 we asked:

Question 21: *Do you agree with our proposed thresholds for bonds transparency in Option 1?*

Question 22: *Do you prefer the Option 2 approach, wherein for trades between the thresholds both price and size are published at EOD rather than after 15 minutes and 3 days respectively?*

Question 23: *Do you prefer the Option 2 approach, wherein for trades above the upper threshold prices only are published at EOD rather than our proposal to publish both price and size after four weeks?*

Question 24: *If all prices are to be published by EOD then when, if at all, do you think the size of trades larger than the upper threshold should be published?*

Feedback received

5.19 In respect of Q21 there was a wide variance of opinions amongst respondents. Considering the thresholds proposed, some respondents argued that the deferral periods were generally too long and others that they were too short. Respondents' preferred maximum durations ranged from five minutes to four weeks. Many respondents took the view that providing medium sized trades a 15-minute deferral for price, with volume printed after three days, would not provide meaningful protection. Expressions as to how much longer was required varied between respondents.

5.20 The view expressed by most respondents was that if the deferral durations were adjusted, then most of the proposed thresholds were at appropriate levels.

5.21 Those respondents that favoured higher thresholds suggested that the increase in real-time transparency would improve price formation so that any reduction in participants' willingness to put capital at risk by facilitating larger trades would be more than offset by increased confidence in pricing. This would result in existing firms providing more liquidity and new entrants wishing to invest or provide liquidity in smaller sizes. They suggested that while the percentage of trades published in real-time will be significant, the relatively larger share of total nominal value that would be delayed would deny market participants access to valuable information and thus impede price formation and assessment of the quality of execution. They were also concerned that the changes may result in an alteration of execution strategies such that the predicted levels of real-time publication will fall below those suggested by historic data.

5.22 Conversely, those who favoured lower thresholds suggested that the proposed thresholds would expose liquidity providers to undue risk from real-time transparency. They suggested that this would result in both wider spreads and a reduction in commitment of capital to liquidity provision.

5.23 One respondent suggested that trades equal to the threshold size should be placed in the lower size group rather than the larger one. They argued that as trades sizes can be drawn to round numbers this approach would be consistent with the stated objective of increasing transparency and that such decisions at the margins are important for taking meaningful steps towards meeting that objective.

5.24 In respect of the publication of price and size at end of the day (EOD) rather than after 15 minutes and 3 days respectively for trades between the two proposed thresholds, respondents' views were split. While most respondents favoured price and size being printed at the same time, their views on the point at which this simultaneous publication should occur varied significantly. Similarly, amongst those who supported a longer deferral for size than price, there was a wide range in views as to the time between these two publications. Respondents suggested arguments in support of their favoured approach that echoed those provided for views expressed in response to Q21.

5.25 In respect of the publication of price only at EOD rather than both price and size after four weeks, respondents' views aligned with their response to Q22 with the majority preferring Model 1 and its publication of both price and size at the same time. Although, as mentioned above, views in relation to the point at which the simultaneous publication should occur varied.

5.26 In respect of Q24 and when, if at all, the size of trades should be published if all prices were published by EOD, respondents' views varied widely again. The degree of disagreement on the optimal approach to balancing the benefits and costs of publication is made clear by just how widely these views varied. Preferred publication times included: EOD, two days, two weeks, six months and never. Those supporting the shorter durations suggested that prompt publication is necessary to provide more meaningful information to the market for the purposes of making trading decisions, assessing best execution, reducing information asymmetries, and enhancing competition. Those supportive of later publication suggested it is needed in order to avoid information leakage, which would have a negative impact on pricing offered to buyside firms.

Our response

On weighing the arguments to increase or decrease the thresholds proposed, we have decided to largely maintain the thresholds as consulted, with certain modifications as set out below, and focus modification on the applicable durations of deferrals.

We believe that by moving inflation linked sovereign bonds and "Other public bonds" out of the first group we have addressed much of the concern expressed around the proposed thresholds for the designated list of countries in "Sovereign and Other public bonds" which we are adopting unchanged.

Direct comparisons between the thresholds we are adopting and those we proposed are difficult as the contents of groups have changed in line with the alterations to grouping detailed below paragraph 5.12. However, we would note that for the "All other instruments" group for Sovereign and Other public bonds we have been persuaded that our proposal of

a threshold of £2m for real-time publication raised a sufficient liquidity risk, so we have reduced it to £1m. We believe that the proposed £4m second threshold would have been appropriate but, having split the group into two by reference to issuance size, we have an increased granularity available for calibration so we will increase it to £5m for the more liquid group with above £2bn in issuance, while reducing to £2.5m for the group of instruments with issuance below £2bn.

For Corporate, Covered, Convertible & Other bonds we believe that the proposed thresholds posed too great a risk to a market where the instruments are less homogeneous than in the market for sovereign debt and have reduced the thresholds.

We agree that marginal gains in transparency are worthwhile and have thus, decided to reverse the treatment of trades that are equal to the size of a threshold. For example, the test for whether a trade must be reported in real-time is that it must be "less than or equal to" the first threshold size rather than "less than" as was initially proposed.

As explained, we are introducing a fourth size group and so we require a third threshold size. In setting this threshold and the length of the deferral for trades of size above it, we had regard to three factors:

- the liquidity available in the market for the specific class of instruments and the ability of market participants to access that liquidity to hedge their positions during the deferral time
- how our proposed thresholds compare to the distribution of transactions executed in the market in the relevant class and the level of transparency that our thresholds and deferrals would achieve
- feedback from market participants on the likely effect of our proposals on price formation and liquidity

We believe that in selecting the sizes of the fourth threshold for each group of instruments we have restricted its application to an appropriately small percentage of trades in the most liquid of groups while recognising the increased challenges of managing risk in instruments in the less liquid groupings.

We explained in the previous chapter that instead of publishing price after 15 minutes and size after 3 days, both will be published simultaneously. To balance the benefits of early price dissemination with the needs for liquidity protection, we have set this first short deferral to 1 day, that is at the end of the trading day following the day of execution.

By creating a third threshold, very large trades have been removed from the third group and thus the extended protection they required is applied directly and given the lower average size of trades remaining in the third group, a deferral of 2 weeks for both price and size is more appropriate.

In setting the long duration of three months for the deferral of this fourth group of sizes, we considered requiring the publication of prices after four weeks and volumes after three months. We have chosen to publish

both after three months because we believe that the earlier publication of price would provide little to no benefits in terms of price formation and could carry residual risk of increasing the costs of unwinding the positions resulting from the trades, because the existence (if not the precise volume) of a very large trade would be known. This approach also simplifies the production and use of trade reporting data.

We decided that the three thresholds will be set at the levels which result in the four size groups shown below.

Table 8: Size thresholds and deferrals

Sovereign and Other public bonds

Issuer	Issue Size	Maturity	Real-time	Deferral		
				1 day	2 weeks	3 months
Sovereigns from UK, France, Germany, Italy, USA, Spain (Note 1)	≥£2bn	<5yr	≤£15m	£15m <●≤ £50m	£50m <●≤ £500m	>£500m
		5-15yr	≤£10m	£10m <●≤ £25m	£25m <●≤ £250m	>£250m
		>15yr	≤£5m	£5m <●≤ £10m	£10m <●≤ £100m	>£100m
All other instruments	≥£2bn	All	≤£1m	£1m <●≤ £5m	£5m <●≤ £25m	>£25m
	<£2bn		≤£1m	£1m <●≤ £2.5m	£2.5m <●≤ £10m	>£10m

Corporate

Currency	Issue Size	IG/ HY	Real-time	Deferral		
				1 day	2 weeks	3 months
GBP, EUR & USD	≥£500m	IG	≤£1m	£1m<●≤£5m	£5m <●≤ £25m	>£25m
		HY	≤£1m	£1m<●≤£2.5m	£2.5m<●≤£10m	>£10m
All other instruments			≤£0.5m	£0.5m<●≤£2.5m	£2.5m<●≤£10m	>£10m

Note 1: This excludes bonds with an inflation linked coupon and STRIPs, both of which are in the "All other instruments" group.

Table 9: Impact on transparency

Sovereign and Other public bonds

Issuer	Issue Size	Maturity	Real-time		Deferral					
					1 day		2 weeks		3 months	
			Trades	Volume	Trades	Volume	Trades	Volume	Trades	Volume
Sovereigns from UK, France, Germany, Italy, USA & Spain (Note 1)	≥£2bn	≤5yr	84%	12%	93%	40%	99%	99%	1%	1%
		5- ≤15yr	72%	12%	85%	31%	14%	99%	1%	1%
		>15yr	81%	18%	88%	29%	99%	94%	1%	6%
All other instruments	≥£2bn	All	61%	6%	87%	29%	98%	71%	2%	29%
	<£2bn		74%	7%	82%	12%	93%	32%	7%	68%
Total			**75%**	**13%**	**88%**	**33%**	**99%**	**94%**	**1%**	**6%**

Corporate

Currency	Issue Size	IG/HY	Real-time		Deferral					
					1 day		2 weeks		3 months	
			Trades	Volume	Trades	Volume	Trades	Volume	Trades	Volume
GBP, EUR & USD	≥£500m	IG	88%	27%	97%	50%	99%	71%	1%	29%
		HY	90%	55%	98%	82%	99%	99%	1%	1%
All other instruments			76%	24%	97%	60%	99%	81%	1%	19%
Total			**84%**	**28%**	**97%**	**54%**	**99%**	**75%**	**1%**	**25%**

Note 1: This excludes bonds with an inflation linked coupon and STRIPs, both of which are in the "All other instruments" group.

In relation to the level of our thresholds against the current profile of the transactions in the market and the impact on transparency, our proposed regime for real-time and deferred publications would provide a high level of transparency. However, our final calibration also takes into account the average daily liquidity in the market as an indicator of its ability to accommodate hedging activity during the deferral period.

Our new regime delivers real-time price transparency for between 72% and 90% of the trades, depending on the group, and between 6% and 55% of the volume. Given the long tail of transactions with very large notional amount, this is a smaller portion of the market compared to the number of trades but is still significant for supporting price formation.

We note the concerns of those who suggest that execution strategies may evolve in such a way that predicted transparency outcomes are not achieved. While we consider a wholesale reversal of the trend towards smaller clip sizes unlikely, we will pay particular attention to, and seek views on, this dynamic when performing the post-implementation review.

OTC derivatives

5.27 Similarly to bonds, our calibration of the LIS thresholds and deferral lengths for OTC derivatives prioritises the prompt disclosure of price information. We aimed to deliver as much real-time transparency in relation to the price of the executed transactions as can be sustained by the market without harming liquidity.

5.28 We considered three components when setting LIS thresholds and deferral lengths for OTC derivatives: the grouping of tenors, the levels of the thresholds and the types and lengths of deferrals. Each of them is discussed below.

5.29 **Grouping of tenors.** For each product, we proposed to set and apply the same LIS threshold to any swaps within the maturity groups we used for determining which tenors are sufficiently liquid. We proposed to apply the same large in scale thresholds and deferrals to benchmark or broken-dated tenors, in line with the framework under MiFID RTS 2. We proposed to set a maximum of 9 groups, with the number of groups for each product depending on the range of tenors set out in the clearing obligation. These were set to strike an appropriate balance between simplicity in the application of deferrals and ensuring the appropriate calibration of the LIS thresholds for swaps with different sensitivity to interest rate risk. Our proposed grouping of swaps by tenors is similar to the one that currently applies in the US under CFTC rules, with small differences at the very short end and long end of the tenors.

5.30 **Deferral model.** We proposed two models similar to those for bonds, with the same objective of increasing the prompt dissemination of transactions, but with different calibrations for larger trades.

5.31 **Level of LIS thresholds and associated deferrals.** Our proposed LIS thresholds took into account the various dimensions and metrics of liquidity in the market. We

considered the average daily notional amount traded and the average daily number of trades as relevant metrics for assessing the ability of liquidity providers to hedge without undue risk. We didn't factor in liquidity available in closely correlated markets, like futures based on SONIA, SOFR and EURIBOR (all traded in the UK). We also considered the availability of pre-trade information from order books or quote driven system where liquidity providers are willing to post actionable indications of interest in minimum sizes. In calibrating the thresholds, the main metric we used is the size distribution of trades. We checked how different percentiles of executed trades compared to the liquidity of the market and to the standard market sizes executed in wholesale markets. We also considered the amount of transparency different thresholds would deliver to achieve real-time reporting for a significant majority of trades.

Table 10: Model 1: LIS thresholds and length of deferrals for SONIA OIS

Maturity group (greater than – less than or equal to)	Price and size: real-time	Price: within 15min Size: EOD	Price: T+3 Size: T+3
(7 days – 3 months)	<£2,500m	£2,500m≤●<£3,000m	≥£3,000m
(3 months – 6 months)	<£350m	£350m≤●<£500m	≥£500m
(6 months – 1 year)	<£250m	£250m≤●<£400m	≥£400m
(1 year – 2 years)	<£150m	£ 150m≤●<£200m	≥£200m
(2 years – 5 years)	<£100m	£ 100m≤●<£150m	≥£150m
(5 years – 10 years)	<£75m	£ 75m≤●<£100m	≥£100m
(10 years – 20 years)	<£50m	£ 50m≤●<£75m	≥£75m
(20 years – 30 years)	<£25m	£ 25m≤●<£50m	≥£50m
(30 years – 50 years)	<£15m	£ 15m≤●<£25m	≥£25m

Table 11: Model 2: LIS thresholds and length of deferrals for SONIA OIS

Maturity group (greater than – less than or equal to)	Price and size: real-time	Price: EOD Size: EOD
(7 days – 3 months)	<£2,500m	≥£2,500ml (cap at £3,000m)
(3 months – 6 months)	<£350m	≥£350m (cap at £500m)
(6 months – 1 year)	<£250m	≥£250m (cap at £400m)
(1 year – 2 years)	<£150m	≥£150m (cap at £200m)
(2 years – 3 years)	<£100m	≥£ 100m (cap at £150m)
(5 years – 10 years)	<£75m	≥£ 75m (cap at £100m)
(10 years – 20 years)	<£50m	≥£ 50m (cap at £75m)
(20 years – 30 years)	<£25m	≥£ 25m (cap at £50m)
(30 years – 50 years)	<£15m	≥£ 15m (cap at £25m)

5.32 We showed that both models deliver high levels of real-time transparency about the price and size of transactions. We also found that for most tenors, the size of the LIS thresholds is just a small fraction of the liquidity available in the market.

5.33 In CP23/32 we asked:

Question 25: ***Do you agree with the approach and methodology used to set the thresholds and the length of deferrals?***

Question 26: ***Do you agree with the proposed deferrals and associated thresholds in the 2 models?***

Question 27: ***Do you agree with the approach and methodology used to set the thresholds and the length of deferrals?***

Question 28: ***Do you agree with the proposed deferrals and associated thresholds?***

Question 29: ***Do you agree that the same thresholds shall apply to benchmark tenors and broken dates?***

Feedback received

5.34 We group the feedback received in the three topics discussed above: the grouping of the tenors, the model for calibration and the levels of thresholds and the length of the associated deferrals.

5.35 On the **grouping of the tenors**, respondents to the consultation generally supported the granularity proposed. However, many argued that, on the basis of our own liquidity assessment, swaps with very long tenors like 40 and 50 years are not sufficiently liquid to sustain real-time transparency.

Our response

In CP23/32, we recognised that the market in the 30Y-50Y tenor group is less active in terms of average daily number of trades and volume executed. This is also as a consequence of the longer duration. The evidence against the liquidity of that group is stronger for SOFR OIS and, to an extent, for EURIBOR swaps. As a consequence, we are removing any swap in the 30Y to 50Y group for EURIBOR and SOFR from the scope of Category 1.

Instead, SONIA OIS with tenors between 30Y and 50Y appears to be more liquid compared to EURIBOR and SOFR, especially in terms of average number of daily transactions. Given the stronger liquidity of SONIA OIS and the fact that it is particularly relevant for some institutional investors like pension funds, we retain longer dated swaps but with a lower block threshold (as described below). This should ensure that end users have

access to timely information about the liquidity available in the market and the pricing of SONIA OIS (which should support the delivering of best execution) without harming liquidity provision.

Feedback received

5.36 In relation to the **model used for the calibration**, the vast majority of respondents supported Model 2 based on large in scale thresholds and the masking of the executed volume above a certain cap. It is considered as providing better protection for very large trades while delivering high level of price and volume information. Some respondents however, were concerned about the lack of full visibility of the liquidity in the markets

Our response

Given the feedback received in favour of Model 2, we intend to adopt it with one modification. Following the consultation period, we explored with market participants ways to address one of the deficiencies of the Model 2, which is that it provides significant protection to large trades but at the cost of limiting public information about the overall size of the market because of the system of caps.

We will change the deferral model by requiring all trades concluded during a quarter to disclose the full size of the transaction by the end of the following quarter. While the information is unlikely to be useful for price formation purposes - given the quick decay of the information content - it would still be useful for transaction cost analysis and have better information about the size of the market. The length of time between the execution of the trade and the full disclosure of its size (minimum 3 months for the transactions executed at the end of the quarter, close to 6 months for those executed earlier in the quarter) should preserve the benefits from the masking of the size above the cap in terms of protection of liquidity providers.

Feedback received

5.37 On the **level of the thresholds and the length of deferrals** we received the following comments.

- Respondents generally agreed with our proposed approach and methodology used to set the thresholds and the length of deferrals for OTC derivatives but noted that it may be too simplistic to only look at average daily notional traded as a measure of liquidity as it may not factor in a variety of other metrics. For example, that liquidity varies significantly not just over time but also within the day and that the calibration of the thresholds should factor in such intra-day variability.
- If maintained in scope, broken-dated swaps should benefit from an ad-hoc calibration to protect liquidity providers and preserve anonymity.

- That an approach which treats some OTC derivatives as Category 1 and all other derivatives, including exchange traded derivatives, as Category 2 is not appropriate and they should all be treated in the same way
- While the thresholds for EURIBOR, SOFR, ESTR and FedFunds are by and large calibrated appropriately, they are too high across the whole tenor curve for SONIA OIS.

Our response

On the methodology for the calibration of the thresholds, as described above we tried to factor in the various dimensions of liquidity, including qualitative information on the availability of pre-trade transparency available in the market. Our calibrations were set prudently by excluding alternative sources of liquidity for hedging purposes, such as that available from futures markets. Conversations with market participants, including those operating in the interdealer market, confirm that the proposed thresholds strike, with the exception of SONIA OIS, the right balance between transparency and the protection of liquidity. We also compared our transparency regime to those applicable to the same classes of derivatives in other jurisdictions and we concluded that our regime would not be an outlier in terms of outcomes.

On broken-dated swaps, in CP23/32 we recognised that broken-dated swaps have a different liquidity profile than benchmark tenors and that they are often used to hedge specific positions by institutional investors or corporates. We provided evidence about the relevance of broken-dated swaps, which for SOFR OIS was 33% of the volume and 15% of the trades in the 5Y to 10Y tenor group. We also showed that broken-dated swaps trade in similar sizes to benchmark swaps, which suggests that similar threshold shall apply to both types of swaps. We understand that firms providing liquidity to institutional and corporate clients do not hedge their risk by entering in equivalent broken-dated swaps but rather use a combination of transactions in benchmark swaps and other risk management tools to manage their exposure at portfolio level. We also note that the US has included broken-dated swaps since the beginning of their post-trade transparency regime in 2013. Similarly, our current rules include any swap executed in a non-benchmark tenor.

We intend to allow transactions in broken-dated swaps – with the exclusion of any swap with a tenor shorter than 12 months – that are above the large in scale threshold to benefit for a longer deferral until T+1 (compared to end of day for any benchmark trade). The reason for the 12-month minimum being that most broken-dated swaps with a tenor less than 12 months relate to monetary policy dates (e.g. MPC), and they are generally considered not proper broken-dates and are deemed very liquid (and traded in large sizes). Therefore, such swaps shouldn't need any additional deferral and in dialogue with stakeholders we believe they can be proxied as broken dated swaps of less than 12 months. Like any swap transaction above the cap sizes, the full volume of a transaction in a broken-dated swap would not be disclosed at the end of the deferral period but only on a quarterly basis.

We consider a benchmark swap any swap with a tenor of 3, 6, 9 months, or one whole year and annual increments thereafter. The calculation should follow the current market convention where the tenor is calculated as the difference between the effective date after execution and the expiry date (or termination date). The effective date should be adjusted so that it always falls on a business day at the time of execution, while the expiry date is not (ie it applies regardless of whether it is on a business day or not).

On the separation of derivatives instruments between Category 1 and Category 2, we explained in CP23/32 that we would ensure that adequate transparency applies where the market requires greater disclosure of information on executed transactions not already provided by the market. We included in Category 1 derivatives that are subject to the clearing obligation and that are sufficiently liquid to sustain real-time transparency. Some of those derivatives are also subject to the trading obligation. Given their size and the fact that trading is fragmented across many trading venues and OTC, there is a strong case to establish minimum standards that apply to all transactions. Exchange traded derivatives like interest rate futures are essential hedging/risk management instruments for financial markets participants but the level of transparency historically provided by market operators shows that the case for intervening by setting harmonised parameters such as large in scale thresholds and the length of deferrals is less compelling. Our approach will remain under review.

On the levels of the thresholds and the length of deferrals, we updated our analysis using data from a longer period (April 2023 to December 2023) and tested our proposed thresholds against the new data.

Following further conversations with market participants, we made some adjustments to ensure that the transparency regime for derivatives achieves the intended outcomes and so that it is also not an outlier compared to other jurisdictions, in particular the US for SONIA, SOFR, Fed Funds, EURIBOR, and ESTR and the EU for ESTR and EURIBOR.

As recommended by market participants, we conducted a more comprehensive review of the thresholds for SONIA OIS. The results are shown in the table below. On average, we reduced the thresholds for each tenor group between 20% and 33% compared to the ones proposed in CP23/32.

Overall, our calibration of the thresholds using the new data will result in 70-80% real-time transparency for SONIA. Similarly, for EURIBOR 60-85% of transactions will be reported in real-time.

For ESTR, SOFR and Fed Funds, similar results are achieved with 60-80% of transactions being reported in real-time.

The table below highlights the final thresholds we will implement for SONIA. Annex 1 outlines all final thresholds for EURIBOR, ESTR, SOFR and Fed Funds.

Table 12: LIS thresholds – SONIA

Maturity group (greater than – less than or equal to)	Block (€)	Cap (€)
(7 days – 3 months)	>1,800m	2,500m
(3 months – 6 months)	>250m	400m
(6 months – 1 year)	>200m	300m
(1 year – 2 years)	>120m	150m
(2 year – 5 years)	>75m	120m
(5 years – 10 years)	>50m	80m
(10 years – 20 years)	>40m	60m
(20 years – 30 years)	>20m	30m
(30 years – 50 years)	>10m	20m

Table 13: Impact on transparency – SONIA

Maturity group (greater than – less than or equal to)	Trades reported in real-time		Trades reported by EOD, or 1 day for broken tenors, and visible volume	
	Trades	Volume	Trades	Volume
(7 days – 3 months)	75%	41%	100%	56%
(3 months – 6 months)	80%	31%		46%
(6 months – 1 year)	75%	23%		34%
(1 year – 2 years)	80%	34%		40%
(2 year – 5 years)	75%	34%		59%
(5 years – 10 years)	80%	44%		59%
(10 years – 20 years)	75%	32%		32%
(20 years – 30 years)	75%	40%		52%
(30 years – 50 years)	50%	11%		31%

We have maintained the same lengths of deferrals, with transactions reported with a cap for the largest trades. We have included a requirement for all trades concluded in a quarter that benefitted from a cap, to be reported with full volume disclosure by the end of the following quarter. The information should support market participants' understanding of the liquidity available and aid in transaction cost analysis and review of best execution.

Credit default swaps

5.38 The two CDS indices in scope of the clearing obligation are the iTraxx Europe Main and the iTraxx Europe Crossover. They are also in scope of the DTO, for the on-the-run and first off-the-run series (currently series 40 and 39 respectively).

5.39 iTraxx Europe Main and the iTraxx Europe Crossover are among the most liquid credit default indices alongside CDX.NA.IG and CDX.NA.HY in terms of number of transactions and volume traded. Given the inclusion in the DTO, we considered them sufficiently liquid for the purposes of transparency.

5.40 In CP23/32 we proposed the following LIS thresholds and deferral lengths for index CDSs.

Table 14: Model 1: LIS thresholds and length of deferrals for index CDS

Product	Price and size: real-time	Price: within 15 minutes Size: EOD	Price and size: T+3
iTraxx Europe Main	<£50m	£50m≤●<£70ml	≥£70m
iTraxx Europe Crossover	<£15m	£15m≤●<£20m	≥£20m

Table 15: Model 2: LIS thresholds and length of deferrals for index CDS

Product	Price and size: real-time	Price and volume: EOD
iTraxx Europe Main	<£50m	≥£50m (cap at £70m)
iTraxx Europe Crossover	<£15m	≥£15m (cap at £20m)

5.41 We found that the two models deliver a substantial amount of transparency over IRSs. Our analysis also suggested that there are very large trades at the far end of the size distribution of trades for the relevant index CDSs.

5.42 In CP23/32 we asked:

Question 30: ***Which model do you think better calibrates transparency and the protection of liquidity for large trades? Please explain.***

Question 31: ***Do you agree with our proposed LIS thresholds and length of deferrals for index CDS? If not, please explain why.***

Feedback received

5.43 Respondents had varying views regarding which model better calibrates transparency and the protection of liquidity for large trades, although general agreement was in line with Model 2. Those who preferred Model 1 stated it delivers the most useful transparency while providing appropriate protection for the LIS trades. Those who preferred Model 2 noted their preference was mainly due to the use of the volume cap.

5.44 Most respondents agreed with the proposed LIS thresholds and lengths of deferrals for index CDSs. We received the comment that Model 1 was overly complex.

Our response

In light of the responses received, we will proceed with Model 2 (Tables 22 and 23 in CP23/32). However, like for interest rate swaps, we are amending Model 2 to require that all trades executed in a quarter are reported in full (ie, with full disclosure of the traded volume for those that benefitted from a cap) by the end of the following quarter.

Review of the new transparency regime

5.45 In CP23/32, we stated our intent to seek feedback from market participants to supply any evidence on the impacts of the revised regime. We also committed to review and interrogate any such evidence as well as perform our own analysis of the outcomes. Within a year of the commencement date of the new regime, we shall complete a post-implementation review and decide whether to propose a revision to the parameters of the transparency regime.

5.46 In CP23/32 we asked:

Question 32: ***Do you agree with our proposed approach of implementation followed by review and potential revision?***

Feedback received

5.47 Respondents generally agreed with our proposed approach of implementation followed by review and potential revision of the bond and derivatives transparency framework.

5.48 It was suggested that we conduct a review within one year of changes being applied.

Our response

We will proceed with our proposed approach of implementation followed by review, based on the first 6 months of trading data, and potential revision.

Transition to the new transparency regime

5.49 We stated our intended supervisory approach to allow firms to report transactions executed before the implementation date that are reportable after that date to be reported under the requirements of the current transparency regime with regard to fields or flags and the length of deferral.

5.50 In CP23/32 we asked:

Question 33: Do you agree with how we intend to supervise the change from the current regime to the new one? If not, please explain why.

Question 34: Are there other issues that we should have regard to in relation to the change to the new transparency regime?

Feedback received

5.51 Most respondents to Q33 agreed with our proposed approach to supervising the change from the current regime to the new one.

5.52 Q34 was deliberately open ended and respondents raised a large number of disparate points. However, many responses included materially the same suggestions as had already been raised in response to previous questions. This was particularly the case in respect of concerns around the calibration of deferrals for Category 2 derivatives which are considered above. What follows is a distillation of issues that are not discussed elsewhere.

5.53 One respondent requested clarification on how to calculate the duration of deferred publication of a package transaction containing a Category 2 instrument.

5.54 Respondents requested clarification on reporting rules, both in terms of data content and deferral treatment, as regards trades executed before the new rules go live but deferred and due to be reported after they have.

Our Response

We will proceed with our proposed supervision of the change from the current regime to the new one.

We recognise that all the rules regarding the content and calculation of deferrals will come into force on the same day. This means there will still be a degree of overlap resulting from trades deferred under the current regime but published once this new one is in force. We shall engage further with the relevant stakeholders to agree on the treatment of trades executed before the new regime goes live but reported after.

For clarification on the point raised by one respondent – where a package trade that is executed OTC contains a Category 2 derivative then calculation of the duration of the deferral to apply to all legs of the package shall treat the trade in that derivative as if it was eligible for a deferral until the end of the day. This does not imply that the Category 2 derivative needs itself to be reported just as a result of being part of a package. Where such a package is executed on a trading venue the venue's deferral calibration of that instrument shall be applied.

Chapter 6

Our response to feedback on exemptions from post-trade reporting

Introduction

6.1 In CP23/32, we stated that timely post-trade transparency must be accurate, complete, and standardised. It must reflect addressable liquidity and support the monitoring of execution quality between venues. We therefore consulted on proposals to exempt from post-trade transparency those transactions that are non-price forming, add noise to post-trade reporting and increase the cost of reporting for firms.

Exemptions from post-trade transparency

6.2 In CP23/32, we proposed to:

- Maintain the exemption under Article 2(5) of MiFID RTS 22 of technical transactions from transparency, which cross-refers to transactions that are not subject to the transactions reporting regime for the purposes of monitoring against market abuse.
- Amend the exemption, to deal with the deficiencies in our current rules about its scope, for transactions executed by investment management companies that transfer financial instruments from one collective investment to another managed by the same company (inter-funds transfers). To ensure that the transfer in question is non-price forming, we proposed to add a condition that no other investment firm is party to the transaction. The existing exemption does not work as intended because investment management companies like Undertakings for the Collective Investment in Transferable Securities (UCITS) and Alternative Investment Fund managers (AIFMs) are not subject to trade reporting under UK MiFIR. Instead, investment firms carrying out portfolio management have reporting obligations when dealing in financial instruments. We proposed to maintain the intended purpose of the exemption but to make sure that it gives relief to firms that are subject to transparency obligations under UK MiFIR. We proposed the following new definition for inter-funds transfers:

"b) transactions executed by a management company as defined in section 237(2) of FSMA, a UK AIFM as defined in the AIFM Regulations an investment firm when providing the investment service of portfolio management, or a third country AIFM as defined in the AIFM Regulations, **an investment firm when providing the investment service of portfolio management** which transfers the beneficial ownership of financial instruments from one collective investment undertaking **fund** to another and where no investment firm is a party to the transaction **other than for the sole purpose of providing arrangements for the execution of such non price-forming transactions**;"

- Expand the definition of give-up/give-in transactions, which are exempt from post-trade transparency, to include give-ups in the context of request for market data (RFMD) where the trade that is passed is used to hedge the prime broker's derivative position with the client. We believe that give-ups and give-ins in the context of a RFMD should not be reported as they do not give any additional information to that already given by the reporting of the market leg of trades executed by an executing broker, and therefore do not support price formation. We also took the view that it is not appropriate to treat these transactions in the same way as other benchmark trades. We proposed the following definition of a give-up/give-in transaction:

"'c) ''give-up transaction' or 'give-in transaction' which is a transaction where an investment firm passes a client trade to, or receives a client trade from, another investment firm for the purpose of post-trade processing, or where an investment firm executing a trade passes it to, **or receives it from, another investment firm for the purpose of hedging the position that it has committed to enter into with a client**;"

- Consider developing, where deemed useful, guidance to further clarify the types of give-ups/give-ins that can be included in the list of trades exempted from post-trade transparency.
- Delete the exemption that currently covers transactions that arise in the context of margin or collateral requirements for the purposes of clearing because they are already included under Article 2(5)(b) of MiFID RTS 22. The proposed deletion was intended to remove a duplication and not to restrict the current use of the exemption.
- Introduce a new exemption for inter-affiliate transactions. The centralisation of transactions in an entity within the group allows for effective risk hedging and limits the fragmentation of exposures across entities. There can also be benefits from consolidating expertise, systems, and controls in the same place. This is particularly relevant in the UK as London is used by many investment firms as their hub for booking transactions from overseas subsidiaries. These trades do not represent liquidity anyone can interact with nor are they price-forming. These transactions mirror trades that are already reported when the market leg is executed. We proposed the following definition for inter-affiliate transactions:

> "e) 'inter-affiliate transaction' which is a transaction between entities within the same group carried out exclusively for intra-group risk management purposes."

- We also noted that guidance clarifying the types of inter-affiliate transactions that can benefit from the exemption could help firms in discharging their reporting obligations.

6.3 The exemptions we consulted on are consistent with the ones we established following similar consultation in PS23/4 on equities.

6.4 In CP23/32 we asked:

Question 35: ***Do you agree with maintaining the exemption for inter-funds transfers in Article 12?***

Question 36: ***Do you agree with the new definition of inter-funds transfers?***

Feedback received

6.5 Respondents unanimously agreed with maintaining the exemption for inter-funds transfers in Article 12.

6.6 All respondents agreed, and most without reservation, with the new definition of inter-funds transfers.

6.7 It was suggested that:

- the new definition should make reference to a benchmark price to show whether an inter-fund transfer was executed below or above that price
- we implement provisions for collective investment schemes (CISs) to make clear to underlying investors where such inter-funds transfers occur

Our response

Given inter-funds transfers do not contribute to the price formation process, and that respondents agreed with our proposal, we will maintain the exemption in Article 12.

Regarding the suggestion of referring to a benchmark price, we believe that this would add unnecessary complexity to the reporting of inter-funds transfers and of unclear value in relation to public transparency. Portfolio managers owe a best execution obligation to their clients and as such, are likely to have used a benchmark price as a measure of fair valuation of financial instruments when undertaking inter-fund transfers. Fund managers are required to act in the best interests of both the buying and selling funds when engaging in inter-fund transactions. We would expect fund managers to keep records that explain the price at which an inter-fund transaction takes place. However, we do not consider

that public reporting of such transactions would be additive for market participants. The purpose of having a definition for inter-funds transfers was to allow exemptions from trade reporting for those transfers, and it therefore does not seem useful to require additional information for a hypothetical inter-funds transfer report that will not ultimately be published. We therefore will not require, for inter-funds transfers, that the information to be reported includes a reference to a benchmark price.

Noting the suggestion regarding transparency between CIS operators and underlying investors on the details of inter-funds transfers, we do not believe this is within the scope of our consultation on changes to the bond and derivatives transparency regime. We will proceed with our proposed new definition of inter-funds transfers.

6.8 In CP23/32 we asked:

Question 37: ***Do you agree with our proposed amendment of the exemption from post-trade reporting for give-ups and give-ins?***

Question 38: ***Do you think guidance to clarify further the types of give-ups and give-ins that can benefit from the exemption from post-trade transparency is required, and, if so, what issues do you think it should cover?***

Feedback received

6.9 Respondents unanimously agreed with our proposed amendment of the exemption from post-trade reporting for give-ups and give-ins.

6.10 Most respondents did not think that further guidance was required on give-ups and give-ins that would benefit from exemption from post-trade transparency. It was suggested that the FCA provide guidance with generic wording to classify a transaction as a give-up/give-in where its purpose is simply to replace an existing trade, rather than to create a wholly new transaction.

Our response

Since respondents agreed that give-up and give-in transactions do not contribute to the price formation process, we will proceed with amending, as proposed, the definition of give-ups and give-ins that will be exempt from post-trade reporting.

We believe that consistent with feedback from respondents, the existing definition for give-up and give-in transactions is sufficient to determine the scope of exempted trades (including those contemplated by the respondent who suggested guidance), and therefore that no additional guidance is currently required.

6.11 In CP23/32 we asked:

Question 39: Do you agree with the deletion of point d) from Article 12 of MiFID RTS 2? If not, please explain why.

Feedback received

6.12 Respondents generally agreed with the deletion of point d) from Article 12 of MiFID RTS 2, on the basis that it avoids duplication of the provision which already exists in Article 2(5)(b) of RTS 22, which provides for an exemption for a 'contract arising exclusively for clearing or settlement purposes'. They agreed with not restricting the use of the exemption.

6.13 Some respondents sought clarification on whether transactions entered into as part of the default management process of a CCP would fit the description of taking place 'exclusively for clearing or settlement purposes' and would therefore benefit from an exemption.

Our response

Since respondents generally agreed with the deletion of point d) from Article 12 of MiFID RTS 2, we will proceed with our proposal.

We did not intend, through our consultation proposal to delete Article 12(d) of RTS 2, to restrict the use of the exemption in Article 2(5)(b) of RTS 22. We will proceed with the deletion. The default management process of a CCP, insofar as it constitutes a contract arising exclusively for clearing or settlement, remains exempt from the need to trade report.

6.14 In CP23/32 we asked:

Question 40: Do you agree with introducing an exemption for inter-affiliate trades?

Question 41: Do you agree with our proposed definition of inter-affiliate trades?

Feedback received

6.15 Respondents unanimously agreed with introducing an exemption for inter-affiliate trades. They also agreed with our proposed definition of inter-affiliate trades. One respondent welcomed consistency with the definition introduced in UK RTS 1 via PS23/4.

Our response

Given that inter-affiliate trades do not contribute to the price formation process, we will proceed with introducing the proposed exemption and maintain the definition as consulted.

Chapter 7

Our response to feedback on content of post-trade information: fields and flags

Introduction

7.1 Table 2 of Annex II of RTS 2 gives the details and the format used by trading venues and investment firms when publishing post-trade transparency reports. In CP23/32, we set out the fields and flags that we intended to add, modify, or delete, and explained why. We also proposed guidance to explain how firms must report different fields.

7.2 Our intent was to ensure that only information that is relevant for price formation is included in post-trade reports and remove redundant information that introduces unnecessary costs on reporting firms. We also sought to harmonise fields within the published data feed.

'Instrument identification code type' field

7.3 In CP23/32, we proposed to:

- remove the 'Instrument identification code type' field
- reaffirm the need to report International Securities Identification Numbers (ISINs) in the field 'Instrument identification code'

7.4 As an alternative, we suggested that we could maintain the current requirement, whilst introducing the new field for the reporting of Unique Product Identifiers (UPIs). Subsequently, if UPIs do supersede ISINs, the 'Instrument identification code type' field could be adjusted to allow firms to report the type of identifier (ISIN or UPI), depending on the instrument the transaction refers to.

7.5 In CP23/32 we asked:

Question 42: ***Do you prefer to remove the trade reporting field 'Instrument identification code type' and to include a requirement for trade reports to report on the field 'Instrument identification code' using only an ISIN code format, or retain the reporting on this field? Please explain your preferred approach.***

Feedback received

7.6 Respondents were generally supportive of simplifying the approach to reporting instrument identifier codes, provided the requirements are clear. Most respondents preferred to remove the 'Instrument identification code type' field, though some argued that it should be retained.

7.7 The main argument for retaining the 'Instrument identification code type' field was that it allowed for flexibility and future-proofing in the event that alternative identifiers are deployed. Respondents also sought clarity on whether we expected that, for different asset classes, those submitting trade reports would report ISIN, UPI, or both. It was suggested that the existing instrument identification code field could be used to report ISIN, UPI, or both.

Our response

Please see below for our response to Q42. This response is best considered in the context of our approach to UPIs.

'Unique product identifier' (UPI) field

7.8 In CP23/32, we stated that for OTC derivatives, new ISINs must be generated every day, since the reference data fields required against the ISIN change on a daily basis, for example an instrument's expiry date. A single type or class of OTC derivative instrument may therefore have multiple ISINs (for example, a 5-year SONIA OIS would have a new ISIN generated every day as its time to expiry changes). It is also possible that the same ISIN is used for different OTC derivative instruments.

7.9 UPIs are the result of an international effort to establish common, cross-jurisdictional standards for product identification. We therefore proposed that the reporting of UPIs for OTC derivative post-trade transparency could potentially remedy these issues and give a more effective method of identifying certain instruments. We also noted that UPIs are already starting to be adopted by reporting firms and so should be at least somewhat familiar. We stated our intent to maintain consistency in our approach in the use of UPIs across the regulatory landscape where OTC derivatives are being reported.

7.10 Given certain limitations with UPIs, in CP23/32, we proposed to improve the identification of derivatives through the UPI code by adding data fields to the content of post-trade reports:

- the concept of tenor and effective date (equivalently, effective start date and expiry date)
- spread on the floating leg of IRSs
- upfront payments forming part of CDS transactions
- identification of the clearing house in which the instrument is cleared

7.11 We proposed that the reporting of these additional fields be done outside of the UPI framework, instead requiring them to be reported under our standard form of trade reporting requirements. This would not require the modification of the existing UPIs but maintain their integrity and international consistency.

7.12 We proposed that, while we are introducing the concept of UPIs, ISINs should stay in place as an instrument identifier for trade reports, including for OTC derivatives. We

stated that ISINs continue to be used and stay relevant for other instruments such as bonds and listed derivatives, and that their retention will allow backwards compatibility. We noted that we are open to the possibility of phasing out ISINs over time.

7.13 In CP23/32, we said that ANNA DSB (the Association of National Numbering Agencies – Derivatives Service Bureau, responsible for the allocation of ISINs and UPIs) intended to launch the UPI service from 24 January 2024. As a correction, we have since been made aware that the service launched on 16 October 2023.

7.14 In CP23/32 we asked:

Question 43: ***Do you agree with our proposal to introduce the new field "Unique product identifier"? If not, please explain why and set out your preferred approach to the identification of derivative instruments.***

Question 44: ***Do you agree with our proposal to set the scope of the use of UPI to OTC derivatives? If not, please describe the scope of instruments to which you would prefer for it to apply.***

Question 45: ***Do you agree with our proposal to introduce the additional data fields enhancing the UPI to identify an instrument? If so, please detail what data fields additional to the UPI should be included under the trade reporting requirement.***

Question 46: ***Would the introduction of UPI have an impact upon the costs incurred by your firm? If so, please explain how and try to estimate the impact.***

Feedback received

7.15 Respondents generally agreed with our proposal to introduce the new UPI field, stressing the importance of cross-jurisdiction and cross-reporting (e.g., between MIFIR's trade reporting and EMIR's transaction reporting rules) consistency. Some however disagreed.

7.16 Those who agreed made the following points:

- the UPI was specifically designed to identify various classes of OTC derivatives
- enriching the existing FIRDS register with a UPI field would allow market participants to map an OTC ISIN against a UPI for transparency reporting purposes, which would make it easier to transition away from OTC ISIN towards UPI for OTC derivatives
- the UPI introduces international consistency
- the UPI is already supported as a separate field within the FIX Protocol

7.17 Those who disagreed said that UPI, ISIN and CFI codes that form the ISO framework for OTC derivatives identifiers are complementary with different levels of granularity

tailored to the different purposes for which they have been created – namely, the UPI was developed to identify the build-up of systemic risks at a global level (identifying the OTC derivative at underlying product level), whereas the OTC ISIN was developed for market abuse detection and transparency purposes.

7.18 It was pointed out to us that existing ISIN codes contain all the data points which would be offered by UPI plus additional information. The ISIN could therefore have elements removed to functionally offer the same level of information as the UPI and in particular, for benchmark interest rate swaps, the 'Expiry Date' attribute could be removed to avoid the situation where different ISINs are issued on a daily basis for the same instrument, making it impossible to compare prices across a time series and negatively impacting reference data quality. The OTC ISIN could therefore be updated to include forward starting tenor for benchmark swaps.

7.19 We also received an expression of concern as to whether it would be possible to set up UPIs in time to meet reporting requirements for immediate or 15-minute delayed data transparency. That respondent sought further guidance as to the procedures being put in place to ensure this can be achieved.

7.20 Respondents generally agreed with our proposal to set the scope of the use of UPI to OTC derivatives, though appeared apprehensive about the identifier's broader use.

7.21 One respondent strongly disagreed with our proposal. They argued that UPIs should apply to all financial instruments including ETDs. They noted the inherent definitional complications with 'OTC', but maintained that UPI assignment should occur for all derivatives whether traded on an exchange, MiFIR trading venues or an SI.

7.22 It was suggested that any financial instrument listed on a trading venue should have an ISIN and that only this identifier should be used in trade reporting of such instruments. It was also suggested that financial instruments not listed on a trading venue should be allowed to use UPIs or ISINs and that these should be reported to FIRDS by the user.

7.23 Respondents generally supported the use of ISINs for bonds as the accepted and established identifier.

7.24 Respondents generally agreed with our proposals to introduce additional fields enhancing the UPI to identify an instrument. One respondent disagreed.

7.25 Respondents who agreed with our proposals made two main points.

- It is preferable to use separate additional fields, as opposed to modifying the UPI itself, so as to preserve the ISO 4914 standard for UPI and therefore enable greater consistency in reporting across jurisdictions.
- It avoids 'code inflation' whereby the inclusion of rolling dates (for example in ISIN codes) results in new codes being created on a daily basis for the same instrument, increasing costs for market participants and reducing data quality. However, some respondents did suggest that, similar to the approach proposed in the EU, the ISIN could be modified to remove the 'Expiry Date' field, rather than adding fields to be reported alongside the UPI.

7.26 Some respondents argued that, rather than reporting the tenor of the instrument, it was preferable to report effective date and termination date from which tenor could be derived. It was suggested that APAs could calculate instrument tenors, making it less likely that tenor would be misreported and improving data quality. It would be important for reporting parties to understand that reported expiry dates must be unadjusted dates, in line with the existing market practice for swap bookings, to ensure that tenor can be accurately derived.

7.27 It was suggested that there are other non-standard features of swaps similar to spreads on floating legs (for example, variable fixed rates and notionals, legs switching from fixed to floating midway through the swap) which cannot be represented using the proposed instrument identifiers but could be fully represented with a full FpML template. We received a recommendation to undertake a cost benefit analysis to understand the trade-offs between including these structures as opposed to filtering them out.

7.28 Most respondents said that the introduction of UPI would impact their costs, noting in particular that simultaneously maintaining ISIN and UPI reporting capability would have significant cost implications. Some respondents cited the need to pay the DSB's power user fees to generate ISIN and UPI codes as a significant cost for their business. Respondents were therefore eager to hear from the FCA on the likely timings for the introduction of UPI and, if deemed appropriate, phasing out of ISIN.

7.29 Some noted that they are already being required to implement UPI in other jurisdictions (for example, under EMIR Refit reporting rules), and so its implementation in the UK would not materially increase that existing cost other than through the inclusion of additional fields alongside UPI.

7.30 Some respondents argued that it would be cheaper to deploy a modified ISIN than to implement 'UPI+'. It was suggested that, as part of the post-implementation review, the FCA should evaluate whether ISIN or UPI+ provides higher reporting consistency and data quality.

Our response

We are amending our original proposals and moving directly to the use of UPIs for OTC derivatives trade reports (as opposed to requiring that both ISINs and UPIs be reported for these trades) given the following points.

- In our conversations with industry since the publication of CP23/32, it has become clear that the vast majority of market participants prefer this approach. This represents a cost saving relative to maintaining both identifier codes for trade reporting.
- In many cases, these same market participants have already deployed the infrastructure to support reporting of UPIs elsewhere. Indeed, the UPI has already been adopted by seven jurisdictions globally, whereas the OTC ISIN is only currently mandated in the EU and UK.
- UPIs resolve the existing issue with ISINs whereby a derivative is given a new ISIN code every day to reflect changes in the combination of its effective date, expiry date and tenor.

- Adopting UPI will promote consistency with international standards.
- We had heard from market participants since publishing PS23/2 that the transition to using UPI within the EU EMIR context was relatively smooth. We are continuing to monitor progress with implementation of UK EMIR Refit, which went live on 30 September 2024.

Given this change to our proposals, we believe that rather than introduce a new field for UPI codes, it would be most appropriate to add 'UPI' as a valid entry in the existing 'Instrument identification code type' field and then allow the appropriate instrument identification code to be reported in the 'Instrument identification code' field (this field will not require any changes to make this possible as the alphanumeric format for ISINs and UPIs is similar). Those submitting the report would then be required to report a UPI code where one exists – that is, for OTC derivatives – and an ISIN otherwise.

We will give further consideration to how trade and transaction reporting requirements can be aligned to reduce the compliance burden for firms. The FCA will shortly publish a separate discussion paper seeking views on UK transaction reporting requirements. This will include seeking views on identifying OTC derivatives in transaction reports.

We will proceed with introducing the additional fields enhancing the UPI to identify an instrument.

Regarding our proposed changes to Table 2 of Annex II of MiFID RTS 2 in CP23/32, we indicated that the 'Effective date of the contract' field should report the 'Length of the financial instrument's contract'. This is a typo, and the 'Effective date of the contract' field should instead be used to report the contract's start date which, in conjunction with the maturity date of the contract, should allow market participants to calculate the tenor of an instrument. We have updated the draft text in the table to correct this typo.

We understand that effective and termination dates are already essential components of trade confirmations, and therefore it does not represent a material uplift by requiring firms to report these. We will therefore proceed with requiring that, for derivatives trades, market participants report (unadjusted) 'Effective date of the contract' and 'Maturity date of the contract', but not tenor of an instrument.

Given our revised approach to implementation of the UPI and simultaneous removal of ISIN reporting requirements for OTC derivatives, we believe that the main concern relating to costs of identifiers – namely, the cost implication of maintaining both UPI and ISIN simultaneously for a single instrument – has been resolved.

We expect that firms will have transitioned from ISIN to UPI for OTC derivatives trade reports from the end of our 13-month implementation period. Given that firms will not be required to report ISIN and UPI codes for a single instrument, and that this effectively resolves the daily ISIN issue with respect to OTC derivatives, we believe this addresses concern as to whether it would be possible to set up UPIs in time to meet reporting requirements for immediate or 15-minute delayed data transparency.

'Price' and related fields

7.31 In CP23/32 we proposed to set out further instructions for the reporting of details of executed trades, focused on the reporting of price. Our stated aim was to improve consistency and standardisation of the reporting, so increasing the data's useability.

7.32 We proposed to allow only numerical values to be used to populate the 'price' field. This would be done in conjunction with the introduction of a new 'price conditions' field, which could be populated with either of the following pre-defined terms:

- 'PDNG' when price is currently not available but pending
- 'NOAP' where price is not applicable

7.33 To give more clarity on how to populate the 'price currency' and 'notional currency' fields, we proposed to include reference to major currency in the description of the fields.

7.34 For bonds, we proposed the following approach to filling out the 'price' field.

- In the first instance, the 'price' field should be populated with a price expressed as a percentage (likely with a figure out of 100). The 'price notation' field shall be populated with the percentage format 'PERC'. We would also set out this expectation within the description of this field.
- There will be some exceptions to this rule. This is because of long-established market conventions. Where this is the situation, the market convention may be used. Currently, these exceptions include:
  - corporate bonds with a spread with future benchmark (that is, where price is reported in basis points with respect to the spread between the corporate bond in question and a future benchmark)
  - a subset of convertible bonds, where the monetary value 'MONE' price notation has historically been used and may continue to be used
- The 'notional amount' field shall be the only field to express quantity.
- We expect that, for bonds, the 'quantity' field shall not be populated. We shall also set out this expectation within the description of this field.

7.35 Apart from the overarching principle of expressing price as a percentage, we did not propose to set out in our Handbook any further prescriptive requirements about the reporting of the 'price' field. Instead, we stated our intention to speak with industry towards developing guidance on the reporting of prices under post-trade transparency. This is to ensure that the reporting regime stays relevant to data users' needs while also giving confidence that the data would be of a consistent and useable format.

7.36 In relation to the 'notional amount' field, we proposed to clarify the description of this field and the details to be published. For the various instrument types, we proposed to set these to be populated as follows.

- For bonds (excluding ETCs and ETNs), the nominal value per unit multiplied by the number of instruments at the time of the transaction.

- For ETCs, ETNs and securitised derivatives, the number of instruments exchanged between the buyers and sellers multiplied by the price of the instrument exchanged for that specific transaction. Equivalently, the price field multiplied by the quantity field.
- For SFPs, the nominal value per unit multiplied by the number of instruments at the time of the transaction.
- For CDSs, the notional amount for which the protection is acquired or disposed of.
- For options, swaptions, swaps other than those in the previous point, futures and forwards, the notional amount of the contract.
- For emission allowances, the quantity multiplied by the relevant price set in the contract at the time of the transaction. Equivalently, the price field multiplied by the quantity field.
- For spread bets, the monetary value wagered per point movement in the underlying financial instrument at the time of the transaction.
- For contracts for difference, number of instruments exchanged between the buyers and sellers multiplied by the price of the instrument exchanged for that specific transaction. Equivalently, the price field multiplied by the quantity field.

7.37 In CP23/32 we asked:

Question 47: ***Do you agree with the proposed changes to the 'price' field and related reporting fields? If not, please explain why.***

Question 48: ***What are your views about the introduction of a 'price conditions' field?***

Question 49: ***Do you agree with our proposal that we should work with industry to develop guidance on the reporting of prices under post-trade transparency? If not, please explain why.***

Feedback received

7.38 Respondents generally agreed with our proposed changes to the 'price' and related reporting fields. Some respondents sought clarity and consistency on instances where market convention should predominate price being reported as a percentage. Some suggested that price should be reported as a percentage value wherever the percentage is calculable, and that market convention should be used otherwise.

7.39 Most respondents agreed that the 'notional amount' field should be the only field used to express quantity for bonds.

7.40 Respondents generally agreed with the introduction of a 'price conditions' field. They said that:

- this would help reduce errors and improve data quality by ensuring that text and numeric values are separated from one another, making validation rules and data parsers easier to implement

- the 'price conditions' field would be useful where price is not immediately available, but requirements should be implemented to ensure final price is reported in a timely fashion

7.41 Respondents unanimously agreed that we should work with industry to develop guidance on the reporting of prices under post-trade transparency. It was suggested that we implement the agreed standards in FIRDS. It was also suggested that we develop a broader approach to developing guidance on data quality, not just prices.

Our response

We will proceed with our proposed changes to the 'price' and related reporting fields. We will engage with market participants, including as part of the post-implementation review, to better understand where market convention should take precedent over reporting a percentage for a bond's price.

We will proceed with our proposed introduction of a 'price conditions' field. Regarding timeliness for reporting of actual price, this should be handled consistently with the deferral thresholds and that price should be published as soon as possible once a deferral has expired.

We will proceed with our proposal to work with industry to develop guidance on the reporting of prices under post-trade transparency. We will also consider, as part of the post-implementation review, whether there are any other areas of focus where further guidance in collaboration with industry would support the transparency regime.

Measure of volume

7.42 Table 4 of Annex II of RTS sets out the conventions for the measures of volume for instruments covered within the scope of the RTS. The conventions are used as part of Article 13(8) determining, for post-trade transparency, transactions that are LIS compared to the market size and so may benefit from the application of publication deferral.

7.43 In CP23/32 we proposed minor amendments to give further clarity on the values to be reported. We thought it desirable to cross-reference the conventions for the measures of volume with the field where the measure of volume is reported on, namely the 'notional amount' of the traded contract, or 'quantity in measurement unit' for instruments related to emissions allowances.

7.44 We proposed to refer to the measure of volume of instruments subject to the scope of MiFID RTS 2 as the 'notional amount' of the traded contract or 'quantity in measurement unit' as per their respective fields, in the list of details for post-trade transparency (Table 2 of Annex II of RTS 2).

7.45 The description and details to be published within this table sets out the details in which this field shall be populated.

Table 16: Measure of volume

Type of instrument	Volume
All bonds except ETCs and ETNs and structured finance products	~~Total nominal value of debt instruments traded~~ Nominal value per unit multiplied by the number of instruments at the time of the transaction
ETCs and ETNs bond types and securitised derivatives	Number of ~~units traded~~ instruments exchanged between the buyers and sellers multiplied by the price of the instrument exchanged for that specific transaction (or the price field multiplied by the quantity field)
~~Securitised derivatives~~	~~Number of units traded~~
Structured finance products	Nominal value per unit multiplied by the number of instruments at the time of the transaction
Interest rate derivatives	Notional amount of traded contracts
Foreign Exchange Derivatives	Notional amount of traded contracts
Equity derivatives	Notional amount of traded contracts
Commodity derivatives	Notional amount of traded contracts
Credit derivatives	Notional amount ~~of traded contracts~~ for which the protection is acquired or disposed of
Contract for differences	Notional amount of traded contracts
C10 derivatives	~~Notional~~ Resulting amount of ~~traded contracts~~ the quantity at the relevant price set in the contract at the time of the transaction (or the price field multiplied by the quantity field)
Emission allowance derivatives	~~Tons of Carbon Dioxide equivalent~~ Resulting amount of the quantity at the relevant price set in the contract at the time of the transaction (or the price field multiplied by the quantity field)
Emission allowances	Tons of Carbon Dioxide equivalent

7.46 In CP23/32 we asked:

Question 50: ***Do you agree with our proposal to amend Table 4 of Annex II of RTS 2? If not, please explain why and set out your preferred approach to refer to the measure of volume.***

Feedback received

7.47 Respondents generally agreed with our proposal to amend Table 4 of Annex II of RTS 2. Respondents suggested that:

- securitised derivatives (many of which are OTC structured notes, resembling bonds in terms of percentage rather than monetary pricing values) should be treated separately from ETCs and ETNs when measuring the volume of transactions
- for ETCs and ETNs, they should be categorised as bonds although the measure of volume suggested by the FCA is most appropriate for that class
- for SFPs such as RMBS, CMBS and ABS, these are generally issued as bonds
- the reporting of notional risk (DV01) should be considered in some cases, for example interest rate derivatives
- a golden source is required to determine the nominal value of bond units when concluding transactions
- notional (par) amount should be used for bonds, rather than nominal

Our response

We will proceed with our proposed amendments of Table 4 of Annex II of RTS 2.

Regarding the suggestion that securitised derivatives should be treated separately from ETCs and ETNs when measuring the volume of transactions, our understanding is that the majority of securitised derivative trade reports are currently processed with a monetary price and number of contracts or units, which can be multiplied to give a notional amount. For the remaining minority of trade reports that currently report in percentage price notation, these should continue to be reported as such.

Regarding the suggestion that ETCs and ETNs should be categorised as bonds, the measure of volume remains as defined and therefore we did not see the value in recategorization. Similarly, for SFPs such as RMBS, CMBS and ABS, we have defined how to measure volume for structured finance products and do not believe, therefore, that recategorization is additive.

Regarding the suggestion of reporting notional risk for certain instruments, we believe that market participants should have sufficient information at their disposal to calculate DV01 and therefore that an additional reporting requirement is not necessary.

Regarding whether notional or par amount should be reported instead of nominal for bond trades, market participants should have the requisite information in a trade report to multiply the reported price of a bond (percentage) by the nominal amount and arrive at the total value of the instrument held. RTS 23 data on total issued nominal amount for a bond is publicly available in FCA FIRDS.

'Legal entity identifier (LEI) of clearing house' field

7.48 In CP23/32, we proposed to introduce a new field with the LEI of the CCP used to clear the transaction, 'LEI of clearing house'. Information about the CCP where the transaction is cleared would help to support price formation and best execution.

7.49 The 'LEI of clearing house' field would contain the code used to identify the clearing house clearing the transaction, in the format of {LEI}, in line with ISO 17442 with data type of '20 alphanumerical characters'.

7.50 Given that this new field would make the 'Transaction to be cleared' field redundant, we proposed to delete 'Transaction to be cleared'.

7.51 In CP23/32 we asked:

Question 51: ***Do you agree with our proposal to introduce the new field "LEI of clearing house"? If not, please explain why and set out your preferred approach to reporting the clearing status of trades.***

Question 52: ***Do you agree with our proposal to delete the field 'Transaction to be cleared'? If not, please explain why.***

Feedback received

7.52 Most respondents agreed with our proposal to introduce the new field "LEI of clearing house".

7.53 It was suggested that regulated markets and other types of trading venues should not bear the burden of reporting additional clearing information, that trading and clearing systems should remain separate, and that therefore, exchanges should not provide clearing information.

7.54 Respondents unanimously agreed with our proposal to delete the field 'Transaction to be cleared'.

Our response

Given respondents generally agreed with our proposal, we will proceed with introducing the new field "LEI of clearing house". For the sake of consistency, we think it is best that this information be included in all trade reports, as opposed to a situation where data users must infer the clearing house for a given trading venue.

We will proceed with our proposal to delete the field 'Transaction to be cleared'. In instances where a transaction has not been cleared, this will be indicated by the fact that the 'LEI of clearing house' field is left blank.

Below is a summary of the changes proposed to Table 2, Annex II of MiFID RTS 2.

Table 17: Table 2 of Annex II, list of details for post-trade transparency

Details	Financial instruments	Description / details to be published	Venue type	Format to be populated
Trading date and time	For all financial instruments	Date and time when the transaction was executed. …	RM, MTF, OTF APA, CTP	{DATE_TIME_FORMAT}
Instrument identification code type	For all financial instruments	Code type used to identify the financial instrument	RM, MTF, OTF APA, CTP	*'UPI' = UPI-code, where UPI is available; or where it is not* 'ISIN' = ISIN-code~~, where ISIN is available~~ ~~'OTHR' = other identifier~~
Instrument identification code	For all financial instruments	Code used to identify the financial instrument	RM, MTF, OTF APA, CTP	{UPI}; or {ISIN} ~~Where Instrument identification code is not an ISIN, an identifier that identifies the derivative instrument based on the fields 3 to 5, 7 and 8 and 12 to 42 as specified in Annex IV and fields 13 and 24 to 48 as specified in the Annex of Delegated Regulation (EU) 2017/585 and the grouping of derivative instruments as set out in Annex III.~~
Effective date of the contract	For derivatives	Start date of the contract	RM, MTF, OTF APA, CTP	{DATEFORMAT}
Maturity date of the contract	For derivatives	Termination date of the financial instrument's contract	RM, MTF, OTF APA, CTP	{DATEFORMAT}

Details	Financial instruments	Description / details to be published	Venue type	Format to be populated
Price	For all financial instruments	Traded price of the transaction excluding, where applicable, commission and accrued interest. …	RM, MTF, OTF APA, CTP	{DECIMAL-18/13} in case the price is expressed as monetary value {DECIMAL-11/10} in case the price is expressed as percentage or yield ~~'PNDG' in case the price is not available~~ {DECIMAL-18/17} in case the price is expressed as basis points
Price conditions	For all financial instruments	Where price is currently not available but pending, the value should be "PNDG".	RM, MTF, OTF APA, CTP	'PDNG' when price is currently not available but pending 'NOAP' where price is not applicable
Venue of execution	For all financial instruments	Identification of the venue where the transaction was executed. …	RM, MTF, OTF APA, CTP	{MIC} –trading venues 'SINT' — systematic internaliser
Price notation	For all financial instruments	Indication as to whether the price is expressed in monetary value, in percentage or in yield …	RM, MTF, OTF APA, CTP	'MONE' — Monetary value 'PERC' — Percentage 'YIEL' — Yield 'BAPO' — Basis points
Price currency	For all financial instruments	Currency in which the price is expressed (applicable if the price is expressed as monetary value)	RM, MTF, OTF APA, CTP	{CURRENCYCODE_3}

Details	Financial instruments	Description / details to be published	Venue type	Format to be populated
Notation of the quantity in measurement unit	For commodity derivatives, emission allowance derivatives and emission allowances except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases.	Indication of measurement units in which the quantity in measurement unit is expressed	RM, MTF, OTF APA, CTP	'TOCD' — tons of carbon dioxide equivalent Or {ALPHANUM-25} otherwise
Quantity in measurement unit	For commodity derivatives, emission allowance derivatives and emission allowances except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases.	The equivalent amount of commodity or emission allowance traded expressed in measurement unit	RM, MTF, OTF APA, CTP	{DECIMAL-18/17}
Quantity	For all financial instruments except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases	The number of units of the financial instrument, or the number of derivative contracts in the transaction. Not to be populated for bonds.	RM, MTF, OTF APA, CTP	{DECIMAL-18/17}

Details	Financial instruments	Description / details to be published	Venue type	Format to be populated
Notional amount	For all financial instruments except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases.	Nominal amount multiplied by volume for (i) all bonds except ETCs and ETNs and (ii) structured finance products ~~or notional amount~~ Price multiplied by the quantity field for ETCs and ETNs bond types, emission allowance derivatives and contracts for differences. Notional amount, as applicable For spread bets, the notional amount shall be the monetary value wagered per point movement in the underlying financial instrument. For credit default swaps, it shall be the notional amount for which the protection is acquired or disposed of.	RM, MTF, OTF APA, CTP	{DECIMAL-18/5}

Details	Financial instruments	Description / details to be published	Venue type	Format to be populated
		The information reported in this field shall be consistent with the value provided in field Price		
Notional currency	For all financial instruments except in certain cases.	Currency in which the notional is denominated This field should use an ISO 4217 currency code for a major currency.	RM, MTF, OTF APA, CTP	{CURRENCYCODE_3}
Type	For emission allowances and emission allowance derivatives only	This field is only applicable for emission allowances and emission allowance derivatives.	RM, MTF, OTF APA, CTP	'EUAE' — EUA 'CERE' — CER 'ERUE' — ERU 'EUAA' — EUAA 'UKAA' — UKAA 'OTHR' — Other (for derivatives only)
Publication date and time	For all financial instruments	Date and time when the transaction was published by a trading venue or APA. …	RM, MTF, OTF APA, CTP	{DATE_TIME_FORMAT}
Venue of publication	For all financial instruments	Code used to identify the trading venue and APA publishing the transaction.	CTP	Trading venue: {MIC} APA: {MIC} where available. Otherwise, 4 character code as published in the list of data reporting services providers on the FCA's website.

Details	Financial instruments	Description / details to be published	Venue type	Format to be populated
Transaction Identification Code	For all financial instruments	Alphanumerical code assigned by trading venues and APAs and used in any subsequent reference to the specific trade. …	RM, MTF, OTF APA, CTP	{ALPHANUMERICAL-52}
~~Transaction to be cleared~~	~~For derivatives~~	~~Code to identify whether the transaction will be cleared.~~	~~RM, MTF, OTF~~ ~~APA, CTP~~	~~'true' — transaction to be cleared~~ ~~'false' — transaction not to be cleared~~
Spread	For derivatives	The spread on the floating leg.	RM, MTF, OTF APA, CTP	{DECIMAL-11/10}
Upfront payment	For derivatives	The upfront payment exchanged as part of CDS transactions.	RM, MTF, OTF APA, CTP	{DECIMAL-18/13}
LEI of clearing house	For derivatives	Clearing house which the transaction will be cleared through.	RM, MTF, OTF APA, CTP	{LEI} if cleared

Note: for presentation purposes, not all 'description / details to be published' fields are comprehensive. Please refer to the Handbook text for the comprehensive version.

Flags

7.55 Table 3 of Annex II of MiFID RTS 2 sets out the nomenclature for flags regime. Flags are intended to, among other things, support market participants in identifying which trades represent addressable liquidity.

7.56 Having conducted a review of the existing flags, we made proposals to allow market participants to report trades in an appropriate manner, thereby providing a clearer picture of addressable liquidity and reducing operational costs for reporting firms. We also sought to delete any flags that were no longer necessary following the simplification of the transparency regime in our proposals.

7.57 We proposed the following.

- To deal with the issue relating to trades of a portfolio of bonds, we considered introducing a 'PORT' flag for those trades. This would flag transactions in five or more different financial instruments where those transactions are traded at the same time by the same client and as a single lot against a specific reference price. Where a transaction qualifies as both a package and portfolio transaction, the package transaction flag 'TPAC' should be used.
- Deletion of the following flags: agency cross 'ACTX', non-price forming transaction 'NPFT', illiquid instrument transaction 'ILQD' and post-trade SSTI transaction 'SIZE'. Under our proposed rules, SSTI will cease to be a meaningful size threshold. We do not see the use of the 'ACTX' flag as part of the price formation process, while for the 'NPFT' flag no such trades would be within scope to be reported. We believe that each of these flags can be safely removed without undermining the ability of market participants to perform analysis.
- Deletion of almost all the supplementary deferral flags for post-trade transparency since they will become redundant under our proposed amendment of the transparency regime. The only flags we proposed to retain were those which relate to permitted publication deferral and the publication of limited details omitting size details of an individual transaction under proposed new MAR 11.5.1R(3). Under our proposed transparency regime we would retain this deferral. The related flags are the volume omission flag 'VOLO' and the full details flag 'FULV'.

7.58 In CP23/32 we asked:

Question 53: ***What are your views about the introduction of a portfolio trade transactions flag 'PORT'?***

Question 54: ***Do you agree with our proposal to delete the agency cross 'ACTX', non-price forming transaction flag 'NPFT', illiquid instrument transaction 'ILQD' and post-trade SSTI transaction 'SIZE' flags? If not, please explain why and the uses of each flag.***

Question 55: ***Do you agree with our proposal to delete all of the supplementary deferral flags for post-trade transparency with the exception of the volume omission 'VOLO' and full details 'FULV' flags? If not, please explain why and describe your preferred approach.***

Question 56: ***Are there any other flags that we should consider introducing, removing, or amending?***

Feedback received

7.59 Most respondents agreed with our proposal to introduce a portfolio transactions flag 'PORT'.

7.60 The main refrain from respondents was that the price of a bond in a portfolio trade may not reflect the market price for the individual bond. It would be useful to understand whether PORT and TPAC flags are mutually exclusive – if so, respondents generally prefer that TPAC be reported over PORT (as reflected in paragraph 8.62 of CP23/32), and argue that this approach be formalised in guidance. Respondents also sought clarity on the distinction between a package and portfolio transaction.

7.61 Respondents also said that adding the flag would ensure consistency with the EU and US.

7.62 Respondents unanimously agreed with our proposal to delete the agency cross 'ACTX', non-price forming transaction 'NPFT', illiquid instrument transaction 'ILQD' and post-trade size specific to the instrument transaction 'SIZE' flags.

7.63 It was suggested that it may become helpful to distinguish between Category 1 and Category 2 transactions. For example, buy-in transactions potentially benefit from a new flag, given these are often executed at off-market prices, and should not be considered as price-forming.

7.64 All respondents agreed with our proposal to delete all of the supplementary deferral flags for post-trade transparency with the exception of the volume omission 'VOLO' and full details 'FULV' flags.

7.65 One respondent noted that their support was conditional on price and volume deferrals being unaffected.

7.66 Respondents suggested the following additions, amendments, and removals to and from the existing set of flags.

- 'TPAC' and 'PORT' flags could see increased use to effectively mask reporting.
- A flag should be added to reflect whether the dealer is buyer or seller. They believe that, given potential differences between dealer buy and sell prices, this information is important for price formation and best execution assessments. They highlighted that such data is available in FINRA's TRACE feed in the US.
- A flag will need to indicate if a deferral size cap has been reached.
- A flag could be added to reflect that the intended settlement period is non-standard for that instrument. This could be used to help with calculating yield or spread, and to measure the impact of the widely expected shortening of settlement cycles in the UK and EU.

Our response

We will proceed with our proposal to introduce a portfolio transactions flag 'PORT'.

Regarding the assertion that the price of a bond in a portfolio trade may not reflect the market price for the individual bond, we believe that this is precisely why a 'PORT' flag is useful.

Regarding the reporting priority between 'TPAC' and 'PORT', if a transaction qualifies as meeting the definition of both flags, 'TPAC' should be used.

We will proceed with our proposal to delete the agency cross 'ACTX', non-price forming transaction 'NPFT', illiquid instrument transaction 'ILQD' and post-trade size specific to the instrument transaction 'SIZE' flags.

We will consider as part of the post-implementation review whether there is a case to be made for adding, modifying, or deleting flags.

We will proceed with our proposal to delete all of the supplementary deferral flags for post-trade transparency with the exception of the volume omission 'VOLO' and full details 'FULV' flags.

Regarding whether 'TPAC' and 'PORT' could see increased use to effectively mask reporting, it is not possible to report both flags simultaneously. We shall consider this issue as part of the post-implementation review.

Regarding a flag to indicate whether the dealer undertaking a trade is the buyer or seller of an instrument, as we did not consult on this point, we propose to consider it and will invite views as part of the Post-implementation Review.

Regarding the suggestion that a flag will be needed to indicate if a deferral size cap has been reached, those submitting trade reports should use the 'VOLO' flag and leave the 'Quantity' field blank for that report.

As regards non-standard settlement periods we believe this is best considered through the industry-led Technical Group currently working on T+1 settlement. We do not currently see sufficient value in flagging this information in a trade report to warrant creating a requirement to that effect.

Below is a summary of the changes to Table 3, Annex II of MiFID RTS 2.

Table 18: Table 3 of Annex II, list of flags for post-trade transparency

Flag	Name of flag	Venue type	Description
BENC	Benchmark transaction flag	RM, MTF, OTF APA, CTP	All kinds of volume weighted average price transactions and all other trades where the price is calculated over multiple time instances according to a given benchmark.
~~ACTX~~	~~Agency cross transaction flag~~	~~APA, CTP~~	~~Transactions where an investment firm has brought together two clients' orders with the purchase and the sale conducted as one transaction and involving the same volume and price.~~
~~NPFT~~	~~Non-price forming transaction flag~~	~~RM, MTF, OTF CTP~~	~~All types of transactions listed under Article 12 of this Regulation and which do not contribute to the price formation.~~

Flag	Name of flag	Venue type	Description
LRGS	Post-trade large in scale transaction flag	RM, MTF, OTF APA, CTP	Transactions executed under the post-trade large in scale deferral.
~~ILQD~~	~~Illiquid instrument transaction flag~~	~~RM, MTF, OTF APA, CTP~~	~~Transactions executed under the deferral for instruments for which there is not a liquid market.~~
~~SIZE~~	~~Post-trade SSTI transaction flag~~	~~RM, MTF, OTF APA, CTP~~	~~Transactions executed under the post-trade size specific to the instrument deferral.~~
PORT	Portfolio transaction flag	RM, MTF, OTF, APA, CTP	Portfolio transactions.
TPAC	Package transaction flag	RM, MTF, OTF APA, CTP	Package transactions which are not exchange for physicals ~~as defined in Article 1~~.
XFPH	Exchange for physicals transaction flag	RM, MTF, OTF APA, CTP	Exchange for physicals ~~as defined in Article 1~~.
CANC	Cancellation flag	RM, MTF, OTF APA, CTP	When a previously published transaction is cancelled.
AMND	Amendment flag	RM, MTF, OTF APA, CTP	When a previously published transaction is amended.

Table 19: Table 3 of Annex II, list of supplementary deferral flags for post-trade transparency

Flag	Name of flag	Venue type	Description
LMTF	Limited details flag	RM, MTF, OTF APA, CTP	First report with publication of limited details
FULF	Full details flag	RM, MTF, OTF APA, CTP	Transaction for which limited details have been previously published
DATF	Daily aggregated transaction flag	RM, MTF, OTF APA, CTP	Publication of daily aggregated transaction
FULA	Full details flag	RM, MTF, OTF APA, CTP	Individual transactions for which aggregated details have been previously published
VOLO	Volume omission flag	RM, MTF, OTF APA, CTP	Transaction for which limited details are published.
FULV	Full details flag	RM, MTF, OTF APA, CTP	Transaction for which limited details have been previously published.

Flag	Name of flag	Venue type	Description
FWAF	Four weeks aggregation flag	RM, MTF, OTF APA, CTP	Publication of aggregated transactions
FULJ	Full details flag	RM, MTF, OTF APA, CTP	Individual transactions which have previously benefited from aggregated publication
IDAF	Indefinite aggregation flag	RM, MTF, OTF APA, CTP	Transactions for which the publication of several transactions in aggregated form for an indefinite period of time has been allowed
VOLW	Volume omission flag	RM, MTF, OTF APA, CTP	Transaction for which limited are published and for which the publication of several transactions in aggregated form for an indefinite period of time will be consecutively allowed
COAF	Consecutive aggregation flag (post volume omission for sovereign debt instruments)	RM, MTF, OTF APA, CTP	Transactions for which limited details have been previously published and for which the publication of several transactions in aggregated form for an indefinite period of time has consecutively been allowed

Symbols

7.67 Table 1 of Annex II of RTS 2 sets out the formats for which each field shall be reported under for post-trade transparency trade reporting.

7.68 For those fields that continue to be reported and that we did not propose to amend in CP23/32, we concluded that the symbols and formats that we need for them to be reported under stay relevant and appropriate as format conventions.

7.69 Regarding new or amended fields proposed in CP23/32.

- To reflect and start the use of 'UPI' and 'LEI of clearing house' as reporting fields, we need to refer to UPI and LEI respectively as symbols and also refer to their ISO standards.
- We proposed to amend Table 1 of Annex II of RTS 2 to insert:
  - {UPI} as a symbol, being defined as a 'UPI code as defined in ISO 4914' with data type '12 alphanumerical characters'.
  - {LEI} as a symbol, being defined as a 'Legal entity identifier as defined in ISO 17442' with data type of '20 alphanumerical characters'.

7.70 In CP23/32 we asked:

Question 57: Do you agree with our proposal to amend Table 1 of Annex II of RTS 2? If not, please explain why and set out your preferred approach to the symbol table for the format to be populated for post-trade transparency trade reporting.

7.71 Below is a summary of the changes to Table 1, Annex II of MiFID RTS 2.

Table 20: Table 1 of Annex II, symbol table

SYMBOL	DATA TYPE	DEFINITION
{UPI}	12 alphanumerical characters	This field should use an ISO 4914 code
{LEI}	20 alphanumerical characters	This field should use an ISO 17442 code

Feedback received

7.72 Please see below for feedback on Q57.

Our response

Please see below for our response to Q57.

Reference data to be provided for transparency calculations

7.73 Annex IV of RTS 2 sets out the data that trading venues shall submit to us whenever an instrument is admitted to trading, first traded on that trading venue, or has its existing details changed. These reference data include data on details and characteristics of the instruments. These also include several of the reporting fields that are already included in Table 2 of Annex II of RTS 2.

7.74 In CP23/32 we proposed changes to the transparency regime that will not need us to perform calculations on bonds and derivatives based on a pre-set number of parameters. Therefore, the requirement for trading venues to give the information to us under Annex IV will cease to be meaningful.

7.75 In CP23/32, we proposed to delete Annex IV of RTS 2 in its entirety.

7.76 While we would not have a requirement for the provision of reference data under our proposed regime, we stated our intent to retain powers to request information in line with MiFID RTS 3 for the purposes of the transparency regime.

7.77 In CP23/32 we asked:

Question 58: Do you agree with our proposal to delete Annex IV of RTS 2 in its entirety? If not, please explain why.

Feedback received

7.78 Respondents unanimously agreed with our proposal to amend Table 1 of Annex II of RTS 2.

7.79 We were asked to consider the implementation timeframe for this proposal, noting that firms will need sufficient time to update internal reporting systems.

7.80 Most respondents agreed with our proposal to delete Annex IV of RTS 2 in its entirety.

7.81 Those who disagreed said that deletion is not justified, and it would be beneficial for the FCA to continue providing certain data points for the financial instruments in scope of transparency requirements. This would ensure that all market participants are classifying them consistently, in accordance with the table provided in Annex 1 of the amended MAR 11. This would require that the FCA collect certain transparency reference data fields currently provided for in table 2 to Annex IV and are not currently provided in FIRDS (for example, MiFIR identifier, bond or derivative type, contract type). These data fields could be used to complement existing FIRDS data fields for the instruments in scope of transparency requirements, to reduce the burden on market participants and increase standardisation across the market.

Our response

We will proceed with our proposal to amend Table 1 of Annex II of RTS 2. We believe that the proposed 13-month implementation period for changes to the bond and derivatives transparency regime should be more than sufficient for firms to update internal reporting systems in line with this change.

Our revised approach to the scope of the bond and derivatives transparency regime removes the requirement for the FCA to undertake transparency calculations, and therefore for firms to report to us the information contained in Annex IV of RTS 2.

Regarding the suggestion that Annex IV, RTS 2 data be used to complement existing FIRDS data fields for instruments in scope of transparency requirements, we do not believe that FITRS supplies any information required to calculate deferrals that is not already available in FIRDS and in our rules. We will therefore proceed with deleting Annex IV of RTS 2 in its entirety.

Chapter 8

Our response to feedback on the definition of a systematic internaliser (SI)

Introduction

8.1 The systematic internaliser (SI) regime was first introduced in November 2007 for equities before being extended to bonds and derivatives in January 2018 by MiFID II.

8.2 The changes to the SI regime introduced in 2018 were also part of efforts to more clearly set the perimeter of those activities that, by operating multilateral systems, required a trading venue permission as opposed to those that could be conducted without such a permission. An SI cannot be operated as a multilateral system.

8.3 The objective of the original MiFID SI regime was to enable the benefits of competition between execution venues to be realised by ensuring widespread availability of information about opportunities to trade and recently completed trades. It also sought to create a level playing field between investment firms dealing OTC and regulated venues when competing for order flow.

8.4 The definition of SI in our Handbook is an investment firm which:

- on an organised, frequent, systematic, and substantial basis, deals on own account when executing client orders outside a regulated market, UK MTF or OTF without operating a multilateral system; and
- either satisfies the criteria set out in articles 12-16 of the MiFID Org Regulation assessed in line with Article 17 or has chosen to opt-in to the SI regime.

8.5 MiFID II introduced quantitative thresholds, calibrated at different levels for each asset class, to determine SI status. To find out whether they exceed the thresholds, investment firms are expected to perform, on a quarterly basis, calculations covering the previous six-month period for each financial instrument they deal in. When a firm exceeds the relevant thresholds, it must notify the FCA and be registered as an SI. Alternatively, firms may opt to be an SI regardless of the levels of their trading.

8.6 The WMR found strong support to move from a quantitative to a qualitative definition of SI. The government therefore committed to clarify and simplify the definition to reduce the burden on firms and the cost of compliance. To that end, in CP23/32 we proposed including some guidance in PERG to help with interpretation of the definition to clarify the new definition of a SI. The definition, as amended by FSMA 2023, is as follows:

> *(12) "systematic internaliser" means an investment firm which deals on own account when executing client orders outside a UK regulated market, UK MTF or UK OTF without operating a multilateral system and which*
>
> *(a) does so on an organised, frequent, systematic and substantial basis, or*
>
> *(b) has chosen to opt in to the systematic internaliser regime;*
>
> *(12A) for the purposes of point (12), whether dealing is taking place on a basis that is organised, frequent, systematic and substantial is to be determined in accordance with rules made by the FCA*

8.7 We also proposed to define in the FCA Glossary what is meant by 'organised, frequent, systematic and substantial' and to liaise with the Treasury in relation to revoking the quantitative calculations for SI determination in the MiFID Org Regulation.

8.8 In our proposed glossary definition, we defined dealing as organised, frequent, systematic, and substantial when the following are true.

- It is carried on in line with rules and procedures in an automated technical system, such as an electronic execution system, which is assigned to that purpose.
- It is available to counterparties on a regular or continuous basis.
- It is held out as being carried on by way of business, in a manner consistent with Article 3 of the Business Order in respect of the
- relevant financial instrument. On this point, firms may refer to our new proposed guidance in PERG 13.2 Q10a for guidance on meaning.

8.9 In our consultation we made clear that firms will not be carrying on SI activity purely because of some degree of automation in the execution of orders, for example, where such activity is only ancillary to the principal nature of the commercial relationship between the parties, in respect of the relevant financial instrument.

8.10 We also clarified in the proposed guidance that where the firm does not advertise such activity to clients, including by broadcasting offers to deal in the relevant financial instrument, they would not be 'holding themselves out' to be carrying on activity as an SI.

8.11 The aim of our proposals was to create guidance about the definition of an SI that can be flexibly applied across asset classes and across different arrangements and business models.

8.12 Our proposals did not affect provisions setting the requirements that an SI is subject to, nor that firms may opt-in to the regime. Existing SIs would not need to notify us again of their SI status under the new definition.

8.13 FSMA 2023 did not include amendments to the pre-trade transparency regime for equity SIs in Articles 14 and 15. It did, however, include a provision substituting Article 18 which sets the pre-trade transparency obligations with a power for us to write rules setting such a regime. In CP23/32 we did not propose any such rules consistent with our approach to no longer requiring trading venues to offer pre-trade transparency when using voice or RFQ trading protocols.

8.14 In CP23/32 we asked:

Question 59: Do you agree with our proposed glossary definition and PERG guidance? If not, please explain why.

Feedback received

8.15 Regarding the proposed glossary definition of an SI and accompanying PERG guidance, respondents sought assurance that withdrawing themselves from the SI register would not subsequently cause them to be classified as a trading venue. Respondents' main concern was that under our proposals, many firms that trade as principal would be deemed SIs and the total number of SIs would therefore increase.

8.16 Partly linked to the perceived wider scope of the definition of an SI, the same respondents recommended a long implementation period before firms are required to assess their status against the new definition and the rules set in our Handbook.

8.17 It was suggested that, in addition to our proposed definition, we include the following provisions:

- that SI activity needn't be limited to an automated or electronic execution system but can be any system or facility
- that the definition of an SI is aligned with that of the Glossary definition of a market-maker used in COBS albeit an SI only operates OTC

8.18 It was suggested that it was important to foster a uniform understanding of the differentiation of multilateral and bilateral system. To that end, it was suggested that we introduce an authorisation procedure for SIs. Given that SIs provide bilateral trading but provide less transparency than on-venue trading, it was suggested that the distinction between bilateral and multilateral systems could become blurred.

8.19 Respondents expressed concern that a qualitative definition of SIs, and allowing SIs to execute at the midpoint for all trades, were too broad for clarifying the regulatory perimeter for trading venues.

8.20 Some respondents recommended that the new definition should make clear that SI status should be determined by how a firm's relevant off-venue trading compares to the overall size of the market, rather than on the individual firm's own off-venue trading relative to its total on- and off-venue trading in the relevant asset class.

8.21 Some respondents also queried whether activity carried out overseas, for example trading as principal on non-UK venues, could be characterised as within scope of the SI definition.

Our response

We intend to implement the proposals we made in CP23/32 for a new Glossary definition of an SI and Guidance in PERG on the definition of an SI.

While we appreciate that the application of a new definition introduces uncertainty, we disagree that the outcome of the changes set out in FSMA 2023 and in our proposed rules result in the broadening of the definition.

However, to ensure an orderly implementation, the application of the new definition will occur when the rest of the main changes delivered in the policy statement come into force on 1 December 2025. To achieve this, not only is 1 December 2025 set as the date when our Handbook changes linked to the SI definition come into force, it is also when The Financial Services and Markets Act 2023 (Commencement No.8) Regulations 2024 bring into force the new legislative definition of an SI. This will also impact the date on which Articles 12 to 17 of the MiFID Org Regulation which deal with the calculations to determine a firm's SI status are revoked. We continue to discuss the timing of the revocation of those articles with the Treasury.

The Handbook Glossary definition of an SI proposed in CP23/32 referred to the use of an automated technical systems and included the wording "electronic systems" such as those allowing digital communication and execution, as an example of those systems. We agree that the definition of SI is not limited to electronic systems and that other arrangements can be used. However, our use of automated technical systems intends to describe arrangements that are sufficiently stable to support activity that is systematic.

On aligning the SI definition with that of a market maker, we agree that an SI operates according to modalities similar to that of a market maker. The Glossary definition of market maker used in COBS is based on an activity that is carried out on a continuous basis by mean of prices for buying and selling financial instruments that are defined by the market maker. The element of holding out in the definition is also relevant as it describes an activity where a firm advertises to clients that it is prepared to offer liquidity.

In our proposed Glossary definition and PERG guidance we described SI activity along similar lines by referring to activity that is carried out on a continuous or regular basis, including by broadcasting offers to deal in the relevant financial instruments. We do not think further changes to our definition are therefore necessary.

If a firm withdraws from the SI register this does not mean that it needs to seek authorisation as a trading venue. Withdrawal should be based on an assessment of whether the bilateral OTC principal trading of the firm satisfies the new SI definition. The key elements of the distinction between bilateral and multilateral trading remain unchanged. Those are the UK MiFIR definition of a multilateral system, Article 23(2) of UK MiFIR on internal matching systems and the guidance on the trading venue perimeter that we finalised in PS23/11. We think the existing notification regime for SIs works well and that a more onerous process is unlikely to generate benefits that exceed the costs for firms and ourselves.

We disagree with the introduction of a market-wide test, where activity of the investment firm is compared against that of the whole market in

the relevant financial instrument. On the one hand, to be workable, such addition must be based on quantitative thresholds and supported by the publication and use of market-wise data in the relevant instrument. The approach would go against the changes made through FSMA 2023 which aimed at simplifying the regime while reducing the dependency on arbitrary thresholds. On the other hand, a market-wide test in absence of quantitative thresholds would introduce excessive uncertainty about the definition.

The definition of an SI in FSMA 2023 includes reference to activity taking place 'outside a UK trading venue'. However, we do not view systematic internalisation as including transactions carried out on third country trading venues. This is consistent with the view we took in paragraph 48 of the Supervisory Statement on the Operation of the MiFID Markets Regime after the end of the EU withdrawal transition period ('MiFID Supervisory Statement'), where we said such transactions should not be made public through a UK APA.

Finally, in line with paragraph 46 of the MiFID Supervisory Statement, we have not been publishing data on the overall size of the market to enable firms to determine whether they are an SI. At the end of 2024 the transitional regime in Article 16ZA of the MiFID Org Regulation will expire. We do not propose to publish data on the overall size of the market, in the meantime, before the new definition of an SI comes into force on 1 December 2025. In this period, we will not expect firms to undertake calculations to determine their SI status. Firms can continue to opt into the SI regime.

Further comments from the CP

8.22 In CP23/32 we asked:

*Question 60: **Are there any further comments you wish us to consider while finalising these proposals? If so, please include here.***

Feedback received

8.23 Q60 was deliberately open ended, and respondents raised a large number of different points in their responses. However, most responses included materially the same suggestions as had already been raised in response to previous questions.

8.24 One respondent suggested that the proposed changes would improve the markets in bonds and derivatives but that they believe the market hopes to see greater transparency, not separate data sets for the same instruments depending on the location of execution. They urged the FCA to seek to build a common approach with other authorities.

Our response

We recognise the importance of consistent standards in data and of minimizing divergence between regulatory regimes that cover trading in the same instruments. As elaborated above, the rules we are now introducing have been designed with this in mind and we believe we have found an appropriate balance which pursues the FCA's objectives whilst also recognising the importance of aligning, where possible, with other jurisdictions.

Chapter 9

The Future of the SI Regime

9.1 In Chapter 8 we considered the issue of the definition of an SI and provided conclusions on the Handbook changes we will make. In this Chapter we want to consider the future of the SI regime, in particular for bonds and derivatives. We are not putting forward proposals for consultation but are instead asking questions for discussion. However, with the implementation of the new definition of an SI on 1 December 2025 it would be good to try and implement substantive changes to the obligations applying to SIs by that date.

9.2 Several changes to the UK's wholesale markets regime in recent years have had implications for the SI regime. These have included:

- Changes introduced in PS23/4 to trade reporting rules that mean SI status no longer plays a role in determining who reports OTC trades in instruments that are traded on a trading venue.
- A new transparency regime for bonds and derivatives set out in this PS which means that SIs in bonds and derivatives are no longer subject to pre-trade transparency.
- An amendment to tick size regime in UK MiFIR in FSMA 2023 that allows SIs trading equities to execute at midpoint for all transactions.
- An amendment to UK MiFIR in FSMA 2023 deleting the share trading obligation that required most trades in shares to be executed on a trading venue or an SI.
- Revisions to the definition of an SI in FSMA 2023 and this PS that mean the definition is entirely qualitative and firms do not have to perform calculations to determine whether they are an SI.
- Guidance on the boundary between multilateral and bilateral trading activity finalised in PS23/11.

9.3 The changes set out above must be considered in the context of how they interact with our decision not to have pre-trade transparency obligations for SIs in bonds and derivatives from 31 March 2025. We consider below what the future of the SI regime might look like.

9.4 The EU has enacted some but not all (for example, the abolition of the share trading obligation) of the changes set out above but has also revised its definition of an SI so that it now only refers to firms trading equities. This means there will be no SI regime in the EU covering bonds and derivatives.

Pre-trade transparency

9.5 In respect of bonds and derivatives, the removal of the pre-trade transparency obligations applicable to SIs raises the question of whether, without that regime, it makes sense to continue to require firms to identify themselves as SIs in bonds and derivatives. The provisions that apply outside of pre-trade transparency are mainly technical in nature and, taken together, do not appear to make a significant contribution

to facilitating competition between execution venues or to helping to maintain the boundary between bilateral and multilateral trading. We explore below some of the technical issues in relation to our rules that could arise if firms are no longer required to be identified as SIs in bonds and derivatives.

9.6 The issues in respect of equities are, however, different. We have not consulted on changes to the calibration of the transparency regime for equities including waivers. Even when we do, we do not intend to propose changes to the pre-trade transparency regime for trading venues that could present a case for removing pre-trade transparency obligations for SIs, in the way that we have done for bonds and derivatives.

9.7 However, even if the broad contours of the equity pre-trade transparency regime for trading venues remains unchanged, there is still a question about the functioning of the current transparency requirements for SIs. It was argued during the MiFID II review process in the EU, that the market fragmentation caused by the SI regime in equities is having a negative effect on that market. However, many market participants have argued in the UK that the SI regime is an important part of the diversity of the UK market for the trading of shares, helping end investors to achieve a better quality of execution than would otherwise be the case.

9.8 The current pre-trade transparency regime for equity SIs applies in respect of transactions up to Standard Market Size (SMS – the average size of transactions for trades that are below Large in Scale). SIs must make public quotes on a continuous basis during normal trading hours with a volume that is at least 10% of SMS. Trades can be executed at prices better than those advertised, in justified cases provided that the price falls within a public range close to market conditions.

9.9 There were respondents to the WMR who argued for changes to the transparency regime for SIs to try and make it more meaningful. In particular, they wanted the minimum quote size to be set at SMS so that advertised quotes were closer to the level of trades being undertaken on SIs. The EU is revising its transparency regime for equity SIs. Level 1 amendments require the threshold at which the regime applies to be set at least double SMS and the threshold at which the quoting obligation applies to be set at least at SMS. ESMA has proposed that the minimum level for each of these thresholds (respectively twice SMS and SMS) required by the Level 1 amendments should be where the thresholds are set

Question 1: Do you think the current transparency regime for SIs is effectively contributing to the price formation process for equities? Please explain your answer.

Question 2: Are there specific changes that you think should be made to the threshold under which the pre-trade transparency regime applies to SIs and the minimum quote size for SIs? Please explain your answer.

Post-trade transparency

9.10 Investment firms are required to publish trades conducted OTC in instruments that are within the scope of the trade reporting regime through an Approved Publication Arrangement (APA). Historically SI status played a role in the rules that determined who was responsible for publishing a trade where two investment firms transacted. However, that reliance on SI status was ended earlier this year with the introduction, for all financial instruments, of the Designated Reporter (DR) regime. Whilst many DRs are also SIs there is no requirement for an SI to be a DR.

9.11 In trade reports, trades executed by a SI are required to be identified with the label 'SINT' in the trading venue field. To avoid deterring the provision of liquidity this identifier is generic and does not make public the specific SI that executed a trade. Where a trade is executed by an OTC liquidity provider that is not an SI then the execution venue is identified with the generic label 'XOFF'. This is the label SI trades would default to if firms were no longer identifies as SIs.

9.12 In PS23/4 and this PS we have sought to improve the quality of trade reporting through revising technical aspects of the regime, in particular the identification of technical trades. The aim of this has been to facilitate a better analysis of levels of liquidity for individual instruments and across the market. The flags we have introduced for equities, and will be introducing for bonds and derivatives, will continue to remain relevant in identifying addressable liquidity if firms are no longer identified as SIs.

9.13 However, the loss of 'SINT' would potentially mean that there was some diminution in the utility of the information provided by trade reports. It would no longer be possible to analyse the trades undertaken by consistent providers of liquidity separately from those providing liquidity on an occasional basis.

Question 3: **Does the SI flag on post-trade transparency reports 'SINT' provide useful information? Please explain your answer.**

Question 4: **If firms trading bonds and derivatives OTC no longer had to identify themselves as SIs do you think there is a case for adding any new trade flags to post-trade reports to help identify addressable liquidity? If so, please explain your proposal for an additional flag.**

Trading venue perimeter

9.14 MiFID II clearly distinguished between multilateral and bilateral trading activity. Multilateral trading activity involves the interaction of multiple third-party trading interests in financial instruments, even where the finalisation of the transactions between the counterparties occurs bilaterally. Multilateral trading activity must take place of a trading venue. This differs from bilateral trading activity, where contracts are traded OTC between firms. We provide further guidance on the trading venue perimeter in PS23/11.

9.15 Any changes made to the SI regime would not impact the distinction between bilateral and multilateral trading activity. A key premise of the SI regime is that firms shall, by dealing on own account, be undertaking risk facing activity that impacts their profit and loss. Such trading activity is therefore bilateral and would remain so if the requirement for firms to identify themselves as SIs ceased or the obligations applying to SIs were altered.

9.16 As noted in PS23/11, arrangements that do not involve the assumption of trading risk, such as matched principal trading on a systematic basis, are not compatible with SI activity. As such, it is difficult to see how such arrangements could be considered bilateral trading activity. Instead, dependent on the specific circumstances, such activity is multilateral.

9.17 The WMR response said that we would take forward as part of the Smarter Regulatory Frameworks initiative, removing the restriction MiFID II placed on operators of MTFs from undertaking matched principal trades on their own venue. We have not yet had an opportunity to make proposals to achieve this. However, when we do move forward with such proposals it will open the possibility for investment firms who wish to offer matched principal trading to multiple buyers and sellers to seek permission to operate an MTF.

Other issues

9.18 There are four main other areas where rules derived from MiFID II apply in respect of SIs. These are:

- OTFs and SIs
- Transaction reporting
- Reporting to clients
- Best execution

OTFs and SIs

9.19 In MAR 5.3.1A (3) there are two aspects of the rules relating to OTFs that reference SIs. These are that:

- It is not permissible to operate an SI and an OTF in the same legal entity
- An OTF is not permitted to connect to an SI in a way that enables orders in the OTF and SI to interact

9.20 These restrictions were included in MiFID II to try and ensure that operators of OTFs did not have an interest in trades conducted on their venue that created a conflict with the interests of their clients.

9.21 If firms are no longer required to identify themselves as SIs in bonds and derivatives these two restrictions would no longer apply. It is unclear whether this would make a practical difference to markets structure.

9.22 We do not know how many firms would seek to operate an SI in the same legal entity as an OTF. Someone operating a trading venue must be running a multilateral system, whilst someone trading on a bilateral basis cannot be running a multilateral system. This of itself will limit the extent to which an OTF and someone executing client orders against their proprietary capital can interact.

Question 5: **What do you think might be the consequences if the restrictions in MAR 5.3.1A (3) no longer applied? Please explain your answer.**

Question 6: **If the restrictions in MAR 5.3.1A (3) no longer applied, would it be necessary to apply new limitations?**

Transaction Reporting

9.23 There are two main interactions between transaction reporting and the SI regime. The first is that in certain circumstances SIs are required to provide reference data for the instruments they trade. The second is that, as with trade reports, transaction reports record the venue of execution. However, in the case of transaction reports the information collected is specific to the individual SI as rather than 'SINT' SIs are identified based on segment or operating MIC. 'XOFF' is used for execution with liquidity providers who are not SIs. We will be covering issues relating to transaction reporting more widely in a separate discussion paper.

Reporting to Clients

9.24 In certain circumstances, Article 59 of the MiFID Org Regulation requires investment firms carrying out client orders to send a notice (a post-execution 'contract note' specifying details such as price, volume, costs, and execution venue) to clients once the transaction occurs with the essential details of the transaction. Again, contract notes for retail clients have a field for the execution venue which is expected to be filled in on the same basis as for transaction reports. There would be a loss of information for retail clients using a broker to access an SI if an operating or segment MIC were replaced by 'XOFF'. However, it seems unlikely that most retail clients receiving a contract note will use it to seek to identify the exact venue where their order was executed and to use the information to hold their broker to account.

Question 7: **Do you think that the inclusion of 'SINT' in contract notes provides any meaningful information for retail clients? Please explain your answer.**

Best Execution

9.25 Best execution references SIs as part of the definition of 'execution venues', the entities firms must choose between when deciding where to execute client orders. The use of the term 'SI' is not integral to the definition of execution venue in that it also includes 'other liquidity providers' which is what SIs would become if they are no longer required to identify themselves as SIs. The fundamental obligation to assess execution quality in deciding on the venues to rely on as part of best execution arrangements would remain.

9.26 An important part of the best execution framework is a letter from the European Commission to the Committee of European Securities Regulations, the predecessor of the European Securities and Markets Authority. The letter sets out how best execution

applies when an investment firm is executing client orders that are received in response to a quote the investment firm has provided to the client. The letter says that in certain circumstances the client will not be relying on the investment firm that has provided the quote in respect of the price quoted. This limited the application of best execution requirements to SIs.

9.27 The letter did not distinguish between where an investment firm provides a quote under the SI regime and where it provides a quote on its own initiative. Therefore, if firms are no longer required to identify themselves as SIs in respect of trading in bonds and derivatives that should not affect an assessment of whether a client is relying on the firm in respect of a quote it provides.

9.28 SIs used to have to produce reports on the quality of execution that they provided under 9.29 SIs used to have to produce reports on the quality of execution that they provided under RTS 27. We abolished this requirement as part of the MiFID 'quick fix' because it was clear that the reports being produced were not being used by clients. We promised to strive to improve the availability of market data through work on a CT. However, even as we progress work on the CT, there remains a question of whether users of SIs have access to adequate information to assess the quality of execution SIs provide.

Question 8: **Do you think that there will be any implications for best execution if in respect of bonds and derivatives firms are no longer identified as SIs?**

Question 9: **Do you think that SI users have access to adequate information to assess the role that SIs play in helping the clients to meet their best execution obligations? If not, how best do you think the information gap should be addressed?**

Chapter 10

Cost benefit analysis

10.1 In CP23/32, the FCA presented CBAs of the expected costs and benefits associated with the policy proposals set out in the consultation. The benefits are efficiency gains, improved liquidity, and lower trading costs. These could also lead to further benefits from increased returns for investors and lower costs of issuing bonds. We also noted that as well as compliance costs, indirect costs arise as transparency lowers profits for liquidity providers and exposes them to the costs from other parties driving down prices before a position can be wound down.

10.2 Respondents did not make any specific comments on the cost and benefit estimates set out in the CBAs or give us any additional evidence on their costs that would change our analyses.

10.3 We did receive a number of comments on the policy that are potentially relevant for the CBA because we have made a number of changes to the calibration of our proposed transparency regime.

10.4 The changes we are making to the regime don't materially affect the compliance costs, rather they seek to limit the indirect costs and maximise the benefits of the proposed regime. This is because we don't think firms' systems costs will be much different between our initial proposals and the final rules.

10.5 It was not reasonably practicable to quantify all the costs and benefits of the alterations to our proposals or the indirect costs, we therefore cannot say how our improvements to the regime would increase the benefits and reduce these costs. We do, however, believe that the calibration, in light of industry responses, will mean a more proportionate intervention with higher net-benefits. Consequently, our qualitative assessment of these impacts continue to be valid and therefore we do not believe that any updates to our CBA in CP23/32 are required.

Annex 1

Large in scale thresholds and their impact on transparency

Table 1: LIS thresholds – EURIBOR IRS

Maturity group (greater than – less than or equal to)	Block (€)	Cap (€)
(28 days – 3 months)	>1,250m	1,750m
(3 months – 6 months)	>750m	1,500m
(6 months –1 year)	>500m	1,000m
(1 year – 2 years)	>250m	500m
(2 year – 5 years)	>150m	350m
(5 years – 10 years)	>125m	200m
(10 years – 20 years)	>75m	150m
(20 years – 30 years)	>50m	75m

Table 2: Impact on transparency – EURIBOR IRS

<table>
<tr><th rowspan="2">Maturity group (greater than – less than or equal to)</th><th colspan="2">Trades reported in real-time</th><th colspan="2">Trades reported by EOD, or 1 day for broken tenors, and visible volume</th></tr>
<tr><th>Trades</th><th>Volume</th><th>Trades</th><th>Volume</th></tr>
<tr><td>(28 days – 3 months)</td><td>60%</td><td>16%</td><td rowspan="8">100%</td><td>24%</td></tr>
<tr><td>(3 months – 6 months)</td><td>67%</td><td>17%</td><td>42%</td></tr>
<tr><td>(6 months – 1 year)</td><td>80%</td><td>24%</td><td>37%</td></tr>
<tr><td>(1 year – 2 years)</td><td>80%</td><td>33%</td><td>59%</td></tr>
<tr><td>(2 year – 5 years)</td><td>80%</td><td>27%</td><td>55%</td></tr>
<tr><td>(5 years – 10 years)</td><td>85%</td><td>33%</td><td>54%</td></tr>
<tr><td>(10 years – 20 years)</td><td>80%</td><td>20%</td><td>32%</td></tr>
<tr><td>(20 years – 30 years)</td><td>90%</td><td>36%</td><td>45%</td></tr>
</table>

Table 3: LIS thresholds – FedFunds

Maturity group (greater than – less than or equal to)	Block ($)	Cap ($)
7D-3M	>2500m	3000m

Table 4: Impact on transparency – FedFunds

Maturity group (greater than – less than or equal to)	Trades reported in real-time		Trades reported by EOD and visible volume	
	Trades	Volume	Trades	Volume
(7 days – 3 months)	60%	25%	100%	31%

Table 5: LIS thresholds – €STR OIS

Maturity group (greater than – less than or equal to)	Block (€)	Cap (€)
(7 days – 3 months)	>1,500m	2,000m
(3 months – 6 months)	>300m	500m
(6 months – 1 year)	>250m	350m
(1 year – 2 years)	>175m	250m
(2 year – 3 years)	>100m	150m

Table 6: Impact on transparency – €STR OIS

Maturity group (greater than – less than or equal to)	Trades reported in real-time		Trades reported by EOD, or 1 day for broken tenors, and visible volume	
	Trades	Volume	Trades	Volume
(7 days – 3 months)	60%	23%		34%
(3 months – 6 months)	80%	35%		53%
(6 months – 1 year)	80%	26%	100%	32%
(1 year – 2 years)	75%	27%		33%
(2 year – 3 years)	75%	25%		31%

Table 7: LIS thresholds – SOFR

Maturity group (greater than – less than or equal to)	Block ($)	Cap ($)
(7 days – 3 months)	>500m	1,000m
(3 months – 6 months)	>250m	500m
(6 months – 1 year)	>200m	350m
(1 year – 2 years)	>150m	250m
(2 year – 5 years)	>100m	200m

Maturity group (greater than – less than or equal to)	Block ($)	Cap ($)
(5 years – 10 years)	>50m	100m
(10 years – 20 years)	>30m	75m
(20 years – 30 years)	>25m	50m

Table 8: Impact on transparency – SOFR

Maturity group (greater than – less than or equal to)	Trades reported in real-time		Trades reported by EOD, or 1 day for broken tenors, and visible volume	
	Trades	Volume	Trades	Volume
(7 days – 3 months)	80%	27%	100%	42%
(3 months – 6 months)	75%	33%		54%
(6 months – 1 year)	80%	36%		53%
(1 year – 2 years)	80%	30%		47%
(2 year – 5 years)	80%	18%		33%
(5 years-10 years)	75%	17%		47%
(10 years –20 years)	75%	14%		30%
(20 years – 30 years)	75%	22%		54%

Annex 2

List of non-confidential respondents

Association for Financial Markets in Europe (AFME)

The Alternative Investment Management Association (AIMA)

Association of National Numbering Agencies (ANNA)

Derivatives Service Bureau (DSB)

The APA & ARM Association (APARMA)

BlackRock Investment Management (UK) Limited

Bloomberg

Data Boiler Technologies LLC

Dimensional Fund Advisors Ltd

Ediphy Markets Ltd

Electronic Debt Markets Association (EDMA)

European Leveraged Finance Association (ELFA)

Etrading Software Ltd

European Venues and Intermediaries Association (EVIA/LEBA)

Federation of European Stock Exchanges (FESE)

FIA

European Principal Traders Association (FIA EPTA)

Finbourne Technology

FIX Trading Community

GFMA's Global FX Division

Global Legal Entity Identifier Foundation (GLEIF)

The Investment Association (The IA)

ICE Futures Europe

ICMA (International Capital Market Association)

The International Swaps and Derivatives Association, Inc (ISDA)

London Metal Exchange

London Stock Exchange Group (LSEG)

MarketAxess

Managed Funds Association (MFA)

Norges Bank Investment Management

OSTTRA Group Ltd

Schroders Investment Management Ltd

The Toronto-Dominion Bank

TP ICAP

UK Finance

Annex 3

Abbreviations used in this paper

Abbreviation	Description
APA	Approved publication arrangement
CBA	Cost benefit analysis
CCP	Central counterparty
CDS	Credit default swap
CFTC	Commodity Futures Trading Commission
CP	Consultation paper
CT	Consolidated tape
CTP	Consolidated tape provider
CQS	Credit quality step
DTO	Derivatives Trading Obligation
EOD	End of day
€STR	Euro short-term rate
ETC	Exchange traded commodity
ETD	Exchange traded derivatives
ETN	Exchange traded note
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
FCA	Financial Conduct Authority
FedFunds	Federal Funds Effective Rate

Abbreviation	Description
FINRA	Financial Industry Regulatory Authority
FIRDS	Financial Instruments Reference Data System
FITRS	Financial Instruments Transparency System
FRA	Forward rate agreement
FRF	Future Regulatory Framework
FSMA	Financial Services and Markets Act
FX	Foreign exchange
G20	Group of 20
GBP	Pound sterling
Gilt	Gilt-edged security
Handbook	FCA Handbook
HMT	His Majesty's Treasury
HY	High yield
ICE	Intercontinental Exchange
IG	Investment grade
IRS	Interest rate swap
ISDA	International Swaps and Derivatives Association
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
LEI	Legal entity identifier
LIBOR	London Inter-Bank Offered Rate
LIS	Large in scale
MAR	Market Conduct Sourcebook
MBS	Mortgage-backed security

Abbreviation	Description
MiFID II	The second Markets in Financial Instruments Directive
MiFID RTS 2	UK version of Commission Delegated Regulation (EU) No 2017/583
MiFID RTS 3	UK version of Commission Delegated Regulation No 2017/577
MiFID RTS 22	UK version of Commission Delegated Regulation (EU) 2017/590
MiFIR	Markets in Financial Instruments Regulations
MTF	Multilateral trading facility
OIS	Overnight index swap
OTC	Over-the-counter
OTF	Organised trading facility
PERG	Perimeter Guidance Manual
PS23/4	Policy Statement on Improving Equity Secondary Markets
RFMD	Request for market data
RFQ	Request for quote
RFR	Risk-free rate
RIE	Recognised investment exchange
SCM	Standardised cost model
SEC	Securities and Exchange Commission
SEF	Swap execution facility
SFP	Structured Finance Product
SI	Systematic internaliser
S-MAC	Secondary Markets Advisory Committee
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SSTI	Size specific to the instrument

Abbreviation	Description
TONA	Tokyo Overnight Average Rate
ToTV	Traded on a trading venue
TRACE	Trade Reporting and Compliance Engine
UK EMIR	UK European Market Infrastructure Regulation
UK MiFID	UK Markets in Financial Instruments Directive
UPI	Unique Product Identifier
USD	United States Dollar
WIBOR	Warsaw Interbank Offered Rate
WMR	Wholesale Markets Review
WTDR	Wholesale Trade Data Review

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Appendix 1

Made rules (Handbook and standards instrument)

MARKETS IN FINANCIAL INSTRUMENTS (NON-EQUITY TRANSPARENCY RULES) INSTRUMENT 2024

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) articles 8, 9, 10, 11 and 21 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012;

(2) the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 137T (General supplementary powers);
(c) section 139A (Power of the FCA to give guidance); and
(d) section 300H (Rules relating to investment exchanges and data reporting service providers);

(3) regulation 11 of the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (SI 2001/995); and

(4) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 December 2025 for all purposes except Part 1 of Annex A, Part 2 of Annex B and Part 4 of Annex B which, where indicated, come into force on 1 December 2024.

Interpretation

D. In this instrument, any reference to any provision of assimilated direct legislation is a reference to it as it forms part of assimilated law.

Amendments to the Handbook

E. The Glossary of definitions is amended in accordance with Annex A to this instrument.

F. The Market Conduct sourcebook (MAR) is amended in accordance with Annex B to this instrument.

Amendments to material outside the Handbook

G. The Perimeter Guidance manual (PERG) is amended in accordance with Annex C to this instrument.

Notes

H. In the Annexes to this instrument, the notes (indicated by "**Note**:" or "*Editor's note*:") are included for the convenience of readers, but do not form part of the legislative text.

Citation

I. This instrument may be cited as the Markets in Financial Instruments (Non-Equity Transparency Rules) Instrument 2024.

By order of the Board
31 October 2024

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

Part 1: Comes into force on 1 December 2024

trading venue operator	(1) a *UK* operator of a *trading venue*; or (2) an *overseas firm* which operates a *trading venue* from an establishment in the *UK*.
transparency investment firm	a *person* who is either: (1) a *MiFID investment firm*, except a *collective portfolio management investment firm*; or (2) a *third country investment firm* subject to *GEN* 2.2.22AR, who *deals on own account* or executes orders on behalf of *clients*.

Part 2: Comes into force on 1 December 2025

actionable indication of interests	messages from one member or participant to another within a trading system in relation to available trading interest that contains all necessary information to agree on a trade.
aggressive order	an order that has been released in the order book and which initiates trades.
category 1 instrument	a *financial instrument* of a type specified in column A of the table in *MAR* 11 Annex 1R which fulfils the conditions set out in columns B to D (as applicable) of that table.
category 2 instrument	a *debt security*, *derivative*, *structured finance product* or *emission allowance* which is not a *category 1 instrument*.
designated reporter	a *transparency investment firm* that appears on the *FCA's register of designated reporters*.
package transaction	either:

(1) a transaction in a *transparency instrument* contingent on the simultaneous execution of a transaction in an equivalent quantity of an underlying physical asset (also known as an 'exchange for physical' (EFP) transaction); or

(2) a transaction which involves the execution of 2 or more component transactions in a *transparency instrument*:

(a) which is executed by 2 or more counterparties;

(b) where each component of the transaction bears meaningful economic or financial risk related to all the other components; and

(c) where the execution of each component is simultaneous and contingent upon the execution of all the other components.

per user basis	the charging by *trading venue operators* and *systematic internalisers* for the use of market data according to the use made by the individual end-users of the market data.
portfolio trade	transactions in 5 or more different bond instruments where those transactions are traded at the same time by the same client and as a single lot against a specific reference price.
post-trade transparency information	information about a transaction as set out in *MAR* 11 Annex 2 Tables 1, 2 and 4, using the applicable flags listed in *MAR* 11 Annex 2 Table 3.
pre-trade transparency information	the information set out in the table in *MAR* 11.2.2R by reference to the *relevant trading system* used.
request for quote system	a trading system where the following conditions are met:

(1) a quote by a member or participant is provided in response to a request for a quote submitted by 1 or more other members or participants;

(2) the quote is executable exclusively by the requesting member or participant; and

(3) the requesting member or participant may conclude a transaction by accepting the quote provided to it on request.

register of designated reporters	the register maintained by the *FCA* in accordance with article 12(8) of *MiFID RTS 1*.

relevant organisation	HM Treasury, the Bank of England or the central banks of the following countries: Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, India, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, Norway, People's Republic of China, Poland, Portugal, Republic of Korea, Romania, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United States of America.
relevant trading system	a trading system described in the table in *MAR* 11.2.2R.
reserve order	a *limit order* consisting of a disclosed order relating to a portion of the quantity and a non-disclosed order relating to a remainder of the quantity, where the non-disclosed quantity is capable of execution only after its release to the order book as a new order.
transparency firm	a *person* who is either:
	(1) a *trading venue operator*; or
	(2) a *transparency investment firm*.
transparency instrument	a *category 1 instrument* or a *category 2 instrument*.

Amend the following definitions as shown.

derivative	(1) …
	(2) (in *REC*, *MAR* 5, ~~and~~ *MAR* 5A and *MAR* 11) those financial instruments defined in article 2(1)(24)(c) of *MiFIR* or referred to in paragraphs 4 to 10 of Part 1 of Schedule 2 to the *Regulated Activities Order*.
	…
emission allowance	…
	(3) (in *MAR* 10 (Commodity derivative position limits and controls and position reporting) and *MAR* 11 (Transparency rules for transparency instruments)) in addition to (1), any derivative of such an allowance, whether falling under paragraph (4) or (10) of ~~Section C of Annex I of *MiFID* Part 1 of~~ Schedule 2 to the *Regulated Activities Order*.
market maker	…

(2) (in *COBS* <u>and *MAR* 11</u>) a *person* who holds ~~himself or herself~~ <u>themselves</u> out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling *financial instruments* against that *person's* proprietary capital at prices defined by that *person*.

…

systematic internaliser — an *investment firm* which:

(a) ~~on an organised, frequent, systemic and substantial basis, deals on own account~~ <u>is *dealing on own account*</u> when executing client orders outside a ~~*regulated market*~~ <u>*UK RIE*</u>, *UK MTF* or *UK OTF* without operating a *multilateral system*; and

(b) either:

(i) ~~satisfies the criteria set out in Article 12, 13, 14, 15 or 16 of the *MiFID Org Regulation* assessed, in accordance with Article 17 of that Regulation~~ <u>does so on an organised, frequent, systematic and substantial basis</u>; or

(ii) has chosen to opt-in to the systemic internaliser regime.

For these purposes:

(A) ~~the frequent and systemic basis is to be measured either by the number of OTC trades in the *financial instrument* carried out by the *investment firm* on own account when executing client orders; and~~ <u>dealing takes place on an 'organised, frequent, systematic and substantial' basis where it is:</u>

<u>(i)</u> <u>carried on in accordance with rules and procedures in an automated technical system, such as an electronic execution system, which is assigned to that purpose;</u>

<u>(ii)</u> <u>available to counterparties on a continuous or regular basis; and</u>

<u>(iii)</u> <u>held out as being carried on by way of business, in a manner consistent with article 3(2)(a) of the *Business Order* in respect of the relevant *financial instrument*.</u>

(B) ~~the substantial basis is to be measured either by the size of the OTC trading carried out by the *investment firm* in relation to the total trading of the *investment firm* in a specific financial instrument or by the size of the OTC trading carried out by the *investment firm* in relation to the total trading in the relevant area (within the meaning of article 14(5A) of *MiFIR*) in a specific *financial instrument*).~~ <u>[deleted]</u>

[Note: article 2(1)(12) and (12A) of *MiFIR*]

Annex B

Amendments to the Market Conduct sourcebook (MAR)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force on 1 December 2025

5 Multilateral trading facilities (MTFs)

…

5.7 Pre- and post-trade transparency requirements for equity ~~and non- equity~~ instruments: form of waiver and deferral

5.7.1A D A *firm* that makes an application to the *FCA* for a waiver in accordance with ~~articles~~ article 4 ~~or 9~~ of *MiFIR* (in relation to pre-trade transparency for equity ~~or non-equity~~ instruments) must make it in the form set out in *MAR* 5 Annex 1D.

[**Note:** ~~articles~~ article 4 ~~and 9~~ of *MiFIR*~~,~~ and *MiFID RTS 1* ~~and *MiFID RTS 2*~~]

5.7.1C D A *firm* intending to apply to the *FCA* for deferral in accordance with articles 7 ~~or 11~~ of *MiFIR* in relation to post-trade transparency for equity ~~or non-equity~~ instruments must apply in writing to the *FCA*.

[**Note:** articles 7 ~~and 11~~ of *MiFIR*~~,~~ and *MiFID RTS 1* ~~and *MiFID RTS 2*~~]

…

MAR 5A.10, MAR 5A.11, MAR 6.1, MAR 6.2 and MAR 6.4A are deleted in their entirety. The deleted text is not shown but the sections are marked [deleted] as shown below.

5A.10 Pre-trade transparency requirements for non-equity instruments: form of waiver [deleted]

5A.11 Post-trade transparency requirements for non-equity instruments: form of deferral [deleted]

6.1 Application [deleted]

6.2 Purpose [deleted]

6.4A Quotes in respect of non-equity instruments [deleted]

Amend the following as shown.

9.2B Operating requirements

…

Details to be published by the APA

9.2B.19 R (1) An *APA* must make public:

(a) for transactions executed in respect of shares, depositary receipts, *exchange-traded funds* (*ETFs*), *certificates* and other similar *financial instruments*, the details of a transaction specified in Table ~~2~~ 3 of Annex I to *MiFID RTS 1* and use the appropriate flags listed in Table ~~3~~ 4 of Annex I to *MiFID RTS 1*; and

(b) for transactions executed in respect of bonds, *structured finance products*, *emission allowances* and derivatives, the details of a transaction specified in Table ~~1~~ 2 of Annex II to ~~*MiFID RTS 2*~~ *MAR* 11 Annex 2R and use the appropriate flags listed in Table ~~2~~ 3 of ~~Annex II to *MiFID RTS 2*~~ *MAR* 11 Annex 2R.

…

…

Scope of the consolidated tape for bonds and publication of information

9.2B.34 R …

(3) The information referred to in (1) must include the details of a transaction specified in Table ~~1~~ 2 of ~~Annex II to *MiFID RTS 2*~~ *MAR* 11 Annex 2R and use the appropriate flags listed in Table ~~2~~ 3 of ~~Annex II to *MiFID RTS 2*~~ *MAR* 11 Annex 2R.

…

…

Part 2: Comes into force on 1 December 2024

Insert the following new chapter, MAR 9A, after MAR 9 (Data reporting service). The text is all new and is not underlined.

9A Trade data

9A.1 Application

9A.1.1 R This chapter applies to:

(1) a *trading venue operator*; and

(2) a *systematic internaliser*.

9A.2 Trade data requirements

Making trade data available on a reasonable commercial basis

9A.2.1 R (1) A *trading venue operator* must make the information published in accordance with articles 3, 4 and 6 to 11 of *UK MiFIR* available to the public on a reasonable commercial basis and ensure non-discriminatory access to the information.

(2) A *trading venue operator* must make available the information in (1) free of charge 15 minutes after publication.

(3) Paragraph (2) does not apply to a *trading venue operator* when making market data available to the public free of charge.

9A.2.2 R (1) A *systematic internaliser* must ensure that the quotes published in accordance with article 15(1) of *UK MiFIR* are accessible to other market participants on a reasonable commercial basis.

(2) A *systematic internaliser* must ensure that the quotes published in accordance with article 18 of *UK MiFIR* are made public in a manner which is easily accessible to other market participants on a reasonable commercial basis.

(3) Paragraph (2) does not apply to a *trading venue operator* when making market data available to the public free of charge.

Providing market data on the basis of cost

9A.2.3 R (1) The price of market data must be based on the cost of producing and disseminating such data and may include a reasonable margin.

(2) The cost of producing and disseminating market data may include an appropriate share of joint costs for other services provided by a *trading venue operator* or a *systematic internaliser*.

Providing market data on a non-discriminatory basis

9A.2.4 R (1) A *trading venue operator* or *systematic internaliser* must make market data available at the same price and on the same terms and conditions to all customers falling within the same category in accordance with published objective criteria.

(2) Any differentials in prices charged to different categories of customers must be proportionate to the value which the market data represents to those customers, taking into account:

(a) the scope and scale of the market data, including the number of *financial instruments* covered and their trading volume; and

(b) the use made by the customer of the market data, including whether it is used for the customer's own trading activities, for resale or for data aggregation.

(3) For the purposes of (1), a *trading venue operator* or *systematic internaliser* must have scalable capacities in place to ensure that customers obtain timely access to market data at all times on a non-discriminatory basis.

9A.2.5 R (1) A *trading venue operator* or a *systematic internaliser* must:

(a) charge for the use of market data according to the use made by the individual end-users of the market data; and

(b) put arrangements in place to ensure that each individual use of market data is charged only once.

(2) A *trading venue operator* or a *systematic internaliser* may decide not to make market data available on a *per user basis* where to charge on a per user basis is disproportionate to the cost of making that data available, having regard to the scale and scope of the data.

(3) A *trading venue operator* or a *systematic internaliser* must provide grounds for the refusal to make market data available on a *per user basis* and publish those grounds on their webpage.

Unbundling and disaggregating market data

9A.2.6 R A *trading venue operator* or a *systematic internaliser* must:

(1) make market data available without being bundled with other services; and

(2) offer pre-trade and post-trade transparency data separately.

Transparency

9A.2.7 R (1) A *trading venue operator* or a *systematic internaliser* must disclose the price and other terms and conditions for the provision of the market data in a manner which is easily accessible to the public.

(2) The disclosure for the purposes of (1) must include:

(a) current price lists, including:

(i) fees per display user;

(ii) non-display fees;

(iii) discount policies;

(iv) fees associated with licence conditions;

(v) fees for pre-trade and for post-trade market data;

(vi) fees for other subsets of information, including those required in accordance with *MiFID RTS 14*; and

(vii) other contractual terms and conditions regarding the current price list;

(b) advance disclosure with a minimum of 90 *days'* notice of future price changes;

(c) information on the content of the market data, including:

(i) the number of instruments covered;

(ii) the total turnover of instruments covered;

(iii) pre-trade and post-trade market data ratio;

(iv) information on any data provided in addition to market data; and

(v) the date of the last licence fee adaption for market data provided;

(d) revenue obtained from making market data available and the proportion of that revenue compared with the total revenue of the *trading venue operator* or *systematic internaliser*; and

(e) information on how the price was set, including the cost accounting methodologies used and the specific principles according to which direct and variable joint costs are allocated and fixed joint costs are apportioned, between the production and dissemination of market data and other services provided by the *trading venue operator* or *systematic internaliser*.

Part 3: Comes into force on 1 December 2025

Insert the following new chapter, MAR 11, after MAR 10 (Commodity derivative position limits and controls, and position reporting). The text is all new and is not underlined.

11 Transparency rules for transparency instruments

11.1 Purpose and application

Purpose

11.1.1 G The purpose of this chapter is to set out the pre-trade and post-trade transparency *rules* applying to *transparency instruments* made by the *FCA* under articles 8, 9, 10, 11 and 21 of *MiFIR*. The *transparency instruments* to which this chapter applies are categorised as *category 1 instruments* or *category 2 instruments*.

Application

11.1.2 G (1) This chapter applies to *trading venue operators* and *transparency investment firms* in respect of orders and transactions in *transparency instruments*.

(2) *MAR* 11.2 contains pre-trade transparency requirements. These only apply to *trading venue operators*, in respect of all *transparency instruments*.

(3) *MAR* 11.3 sets out the waivers from the pre-trade transparency requirements. *MAR* 11.3.1R sets out the waivers applying to all *transparency instruments*, and *MAR* 11.3.2R and *MAR* 11.3.3R contain the *rules* for the size waivers applying to *category 1 instruments* and *category 2 instruments*, respectively.

(4) *MAR* 11.4 contains post-trade transparency requirements. These apply to *trading venue operators* in respect of all *transparency instruments* and to *transparency investment firms* in respect of *category 1 instruments* only.

(5) *MAR* 11.5.1R sets out the deferrals applicable to *category 1 instruments* (relevant for all *transparency firms*). *MAR* 11.5.2R sets out the *rules* regarding deferrals for *category 2 instruments* (relevant for *trading venue operators* only).

Exceptions

11.1.3 R This chapter does not apply in respect of the following transactions:

(1) transactions listed in article 2(5) of *MiFID RTS 22*; or

(2) transactions where the counterparty is a *relevant organisation*, and where:

(a) the transaction is entered into in the performance of monetary, foreign exchange and financial stability policy which the *relevant organisation* is legally empowered to pursue;

(b) the *relevant organisation* has given prior notification to the *transparency firm* that the transaction is exempt; and

(c) the transaction is not entered into by the *relevant organisation* for the performance of an investment operation connected with:

(i) the management of its own funds;

(ii) administrative purposes or for the staff of the member of the *relevant organisation*, including in the capacity of administrator of a pension scheme for its staff; or

(iii) its investment portfolio pursuant to obligations under national law.

Suspension of transparency requirements

11.1.4 G (1) The *FCA* has the power, under article 9(4) of *MiFIR*, to suspend the pre-trade transparency requirements in *MAR* 11.2, and under articles 11(3) and 21(8) of *MiFIR*, to suspend post-trade transparency requirements in *MAR* 11.4, either for a particular instrument or class of instruments. The *FCA* may only do this if it considers that it is necessary to do so to advance the *FCA's* integrity objective (as defined in section 1D of the *Act*) and having regard to its consumer protection and competition objectives (under sections 1C and 1D of the *Act*, respectively).

(2) Where the *FCA* decides to use this power, it must publish a notice identifying the relevant *transparency instruments* and specifying the period for which the suspension will have effect. The notice must be published in a manner best calculated to bring it to the attention of *persons* likely to be affected by it.

11.2 Pre-trade transparency (trading venue operators only)

Pre-trade transparency requirement

11.2.1 R A *trading venue operator* must publish the pre-trade transparency information in *MAR* 11.2.2R:

(1) on a continuous basis during normal trading hours; and

(2) in respect of *transparency instruments* traded on a *trading venue* it operates,

when operating a continuous order book, quote-driven or periodic auction trading system.

11.2.2 R Table: Pre-trade transparency information to be published, by reference to type of system

Type of system	Description of system	Information to be published
Continuous auction order book trading system	A system that by means of an order book and a trading algorithm operated without human intervention matches sell orders with buy orders on the basis of the best available price on a continuous basis.	For each *financial instrument*, the aggregate number of orders and the volume they represent at each price level, for at least the 5 best bid and offer price levels.
Quote-driven trading system	A system where transactions are concluded on the basis of firm quotes, including *actionable indications of interest* that are continuously made available to participants, which requires the *market makers* to maintain quotes in a size that balances: • the needs of members and participants to deal in a commercial size; and • the risk to which the *market maker* exposes itself.	For each *financial instrument*, the best bid and offer by price of each *market maker* in that instrument, together with the volumes attaching to those prices. The quotes made public should be those that represent binding commitments to buy and sell the *financial instruments* and that indicate the price and volume of *financial instruments* in which the registered *market makers* are prepared to buy or sell. In exceptional market conditions, however, indicative or one-way prices may be allowed for a limited time.
Periodic auction trading system	A system that matches orders on the basis of a periodic auction and a trading algorithm	For each *financial instrument*, the price at which the auction trading system would best satisfy its trading

	operated without human intervention.	algorithm and the volume that would potentially be executable at that price by participants in that system.

11.3 Waivers from pre-trade transparency requirements

Waivers for all transparency instruments

11.3.1 R *MAR* 11.2.2R does not apply in respect of orders relating to a *transparency instrument* held in an order management facility of the *trading venue operator* which:

(1) are intended to be disclosed to the order book operated by the *trading venue operator* and are contingent on objective conditions that are predefined by the system's protocol;

(2) cannot interact with other trading interests prior to disclosure to the order book operated by the *trading venue operator*, except that where a portion of a quantity of an *aggressive order* has executed against the disclosed quantity of a *reserve order* and other disclosed orders in the order book, the non-disclosed quantity of the *reserve order* held in the order management facility is a type of order for which pre-trade disclosure is waived and which can be executed against the remainder of the quantity of the *aggressive order*; and

(3) once disclosed to the order book, interacts with other orders in accordance with the rules applicable to orders of that kind at the time of disclosure.

Size waivers for category 1 instruments

11.3.2 R *MAR* 11.2.2R does not apply to orders relating to a *category 1 instrument* which is larger than the size specified in the column G in the row corresponding to the particular instrument in *MAR* 11 Annex 1R.

Size waivers for category 2 instruments

11.3.3 R (1) *MAR* 11.2.2R does not apply to orders or *actionable indication of interest* relating to a *category 2 instrument* which is larger than the size specified by the *trading venue operator* in accordance with *MAR* 11.3.4R.

(2) A *trading venue operator* must establish, implement and maintain an internal process or rules for determining the size thresholds applicable to those orders or *actionable indications of interest* in

category 2 instruments under (1) for which it will not publish *pre-trade transparency information*.

(3) A *trading venue operator* must publish in its rulebook the rules or processes it adopts to fulfil (2) before it implements them.

(4) A *trading venue operator* must promptly inform the *FCA* of any significant breaches of the process or rules in (3) which give rise to a material risk of price distortions in, or unfair valuations of, *category 2 instruments*.

11.3.4 R In determining the appropriate size thresholds and any other characteristics applicable to those orders or *actionable indications of interest* in *category 2 instruments* for which it will not publish *pre-trade transparency information* under *MAR* 11.3.3R(2), in compliance with the pre-trade transparency requirement in *MAR* 11.2.1R, the *trading venue operator* must have regard to at least the following factors:

(1) the level of liquidity in the *category 2 instrument*, including whether there are ready and willing buyers and sellers on a continuous basis and the number, type and ratio of market participants active in the particular *category 2 instrument*;

(2) any other characteristics of the *category 2 instrument*, including the extent to which it is traded in a standardised or frequent way and the average size of spreads, where available;

(3) any disincentivising effect on those who wish to provide capital or otherwise to facilitate larger trades in the *category 2 instrument*;

(4) any negative effect on the fair and orderly trading of the *category 2 instrument* on the *trading venue* operated by the *trading venue operator*; and

(5) the nature and extent of public information that would assist *firms* to fulfil their best execution obligations in *COBS* 11.2 to *COBS* 11.2B, including the *MiFID Org Regulation*.

11.3.5 G The waivers in *MAR* 11.3.1R apply in respect of all *transparency instruments* regardless of size. *MAR* 11.3.2R contains the *rules* regarding size waivers for *category 1 instruments* and *MAR* 11.3.3R and 11.3.4R contain the *rules* regarding size waivers for *category 2 instruments*.

11.3.6 R A *trading venue operator* that is planning to use a waiver set out in *MAR* 11.3 must notify the *FCA* of this in advance.

Withdrawal of waivers

11.3.7 G If the *FCA* considers that any of the waivers in *MAR* 11.3 are being used in a way that deviates from its original purpose or to avoid the pre-trade transparency requirements in *MAR* 11.2, the *FCA* has the power under

article 9(3) of *MiFIR* to withdraw the waiver by giving notice to the relevant *person* who the *FCA* considers to be misusing the waiver.

11.4 Post-trade transparency (all transparency firms)

Application

11.4.1 R (1) The *rules* in *MAR* 11.4 apply in respect of:

(a) transactions in *transparency instruments* executed by a *trading venue operator* on a *trading venue* that it operates; or

(b) transactions in *category 1 instruments* concluded by a *transparency investment firm* acting in that capacity.

(2) The *rules* in *MAR* 11.4 do not apply in respect of the following types of transactions:

(a) a transaction executed by a *transparency investment firm* when providing the investment service of *portfolio management*, which transfers the beneficial ownership of *financial instruments* from one fund to another and where no other *investment firm* is a party to the transaction other than for the sole purpose of providing arrangements for the execution of such non price-forming transactions;

(b) a ‘give-up transaction’ or ‘give-in transaction’, which means:

(i) a transaction where a *transparency investment firm* passes a client trade to, or receives a client trade from, another *investment firm* for the purpose of post-trade processing; or

(ii) where a *transparency investment firm* executing a trade passes it to, or receives it from, another *investment firm* for the purpose of hedging the position that it has committed to enter into with a client; or

(c) inter-affiliate transactions, which means transactions between entities within the same *group* carried out exclusively for intra-group risk management purposes.

Post-trade transparency requirements

11.4.2 R Where *MAR* 11.4.1R applies, a *transparency firm* must publish *post-trade transparency information* about the transaction, as close to real time as is technically possible:

(1) in respect of a *package transaction* or a *portfolio trade*, having regard to the need to allocate prices to the relevant instruments and

in any case within 15 minutes of execution of the relevant transaction; and

(2) in respect of any other transactions, and in any case within 5 minutes of the execution of the relevant transaction.

11.4.3 G *Post-trade transparency information* should only be published close to the prescribed maximum time limit in exceptional cases where it is not technically possible or the systems available do not allow for publication in a shorter period. *Transparency firms* should take reasonable steps to ensure their systems can support their *MAR* 11.4.2R obligation to publish as close to real time as possible.

11.4.4 R A *transparency investment firm* must:

(1) where there are 2 matching trades entered at the same time and for the same price with a single party interposed, treat the 2 trades as a single transaction and take all reasonable steps to ensure that the *post-trade transparency information* relating to such trades is published as if they relate to a single transaction; and

(2) publish *post-trade transparency information* once for each transaction, through a single *APA*.

11.4.5 R Where a *transparency firm*:

(1) cancels a previously published trade report containing the *post-trade transparency information*, it must publish a new trade report containing all the details of the original trade report and the cancellation flag specified in *MAR* 11 Annex 2 Table 3;

(2) amends a previously published trade report containing *post-trade transparency information*, it must publish:

(a) a new trade report containing all the details of the original trade report and the cancellation flag specified in *MAR* 11 Annex 2 Table 3; and

(b) a new trade report that contains the correct *post-trade transparency information* and the amendment flag as specified in *MAR* 11 Annex 2 Table 3.

11.4.6 R A *transparency firm* must give access, on reasonable commercial terms and on a non-discriminatory basis, to the arrangements they put in place for the publication of *post-trade transparency information*.

11.4.7 G *Trading venue operators* and *transparency investment firms* which are *systematic internalisers* should refer to *MAR* 9A for the *FCA rules* regarding access to trade data.

Which investment firm reports?

11.4.8 R (1) Where 2 *transparency investment firms* conclude a transaction outside the rules of a *trading venue*, only the *transparency investment firm* that is registered as a *designated reporter* must publish details of the transaction in accordance with *MAR* 11.4.2R.

(2) Where neither *transparency investment firm* party to the transaction is a *designated reporter*, only the *transparency investment firm* acting as the selling firm must publish details of the transaction in accordance with *MAR* 11.4.2R.

(3) Where each *transparency investment firm* party to the transaction is registered as a *designated reporter*, only the *transparency investment firm* acting as the selling firm must publish details of the transaction in accordance with *MAR* 11.4.2R.

11.4.9 R The *transparency investment firm* that acts as the selling firm and is required by *MAR* 11.4.8R(3) to publish the *MAR* 11.4.2R information can fulfil this requirement by arranging for the buyer to publish the relevant details instead.

11.5 Post-trade transparency deferrals

Category 1 instruments – all transparency firms

11.5.1 R (1) A *transparency firm* subject to *MAR* 11.4.2R may defer publication of *post-trade transparency information* for *category 1 instruments*, for the applicable maximum deferral duration periods, when the transaction is of a size larger than the one set out in the row corresponding to the particular instrument in *MAR* 11 Annex 1R.

(2) Where a transaction fulfils the conditions for an applicable volume deferral in accordance with *MAR* 11.5.1R(1), the *transparency firm* must use the VOLO flag for the first trade report, omitting the relevant details, and use the FULV flag for the full trade report once it is published.

(3) Where one or more of the components of a *package transaction* fulfils the conditions for an applicable deferral in accordance with *MAR* 11.5.1R(1) and (2), publication of the *post-trade transparency information* about all the components of the *package transaction* may be deferred until the applicable maximum deferral period has lapsed.

(4) For the purposes of *MAR* 11.5.1R(3), where one or more of the components of a *package transaction* comprises a *category 2 instrument*, publication of *post-trade transparency information* about a *category 1 instrument* may be deferred until the end of the next day following execution.

Category 2 instruments – trading venue operators only

11.5.2 R (1) A *trading venue operator* may defer the publication of *post-trade transparency information* relating to transactions in *category 2 instruments* where it considers such deferral to be necessary for the purposes of achieving efficient price formation and fair evaluation of such *category 2 instruments*.

(2) A *trading venue operator* must have regard at least to the factors set out in *MAR* 11.3.4R(1) to (5) in considering whether it would be necessary for the purposes of achieving efficient price formation and the fair evaluation of *category 2 instruments* to:

(a) defer the publication of *post-trade transparency information* and, if so, the duration of such deferral; or

(b) apply size thresholds to such transactions and, if so, what the thresholds should be.

(3) A *trading venue operator* must establish, implement and maintain an internal process or rules for determining the applicable deferral size thresholds, durations and type of *post-trade transparency information*, the publication of which it will defer, under (1), in respect of *category 2 instruments*.

(4) A *trading venue operator* must publish in its rulebook the rules or processes it adopts to fulfil (3) before it implements them.

(5) A *trading venue operator* must promptly inform the *FCA* of any significant breaches of the process or rules in (3) which give rise to a material risk of price distortions in, or unfair valuations of, *category 2 instruments*.

11 Annex 1 **Category 1 instruments**

R This is the table of *category 1 instruments*.

Note: The deferral periods shown in columns F, H and J end at 6pm on the day of publication.

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J
Grouping				**LiS Threshold 1**	**Deferral 1**	**LiS Threshold 2**	**Deferral 2**	**LiS Threshold 3**	**Deferral 3**
Asset classes	**Factor1**	**Factor 2**	**Factor 3**						
Bond Type	**Issuer**	**Issue Size**	**Maturity**						
Sovereign bonds (other than inflation linked or STRIPS)	UK, France, Germany, Italy, Spain or USA	≥ £2bn	≤ 5yr	£15m	1 day	£50m	2 weeks	£500m	3 months
			5 - ≤15yr	£10m		£25m		£250m	
			> 15yr	£5m		£10m		£100m	
Sovereign and Municipal bonds	All	≥ £2bn	All	£1m		£5m		£25m	
		< £2bn	All	£1m		£2.5m		£10m	
Bond Type	**Currency**	**Issuer Rating**	**Issue Size**						
Corporate, Covered, Convertible & Other bonds	GBP, EUR & USD	IG	≥ £500m	£1m	1 day	£5m	2 weeks	£25m	3 months
		HY	≥ £500m	£1m		£2.5m		£10m	
	All other instrument			£500k		£2.5m		£10m	
Derivative Type (Having the	**Settlement currency**	**Reference index**	**Maturity (greater than -**						

common attributes set out in note 1)			**less than or equal to)**					
Fixed-to-Float	EUR	EURIBOR 3M, EURIBOR 6M	27D–3M	€1,250m	End of day (1 day for non-benchmark tenors with maturity longer than 12 months - **see note 3**)	€1,750m	Price: end of day (1 day for non-benchmark tenors with maturity longer than 12 months - **see note 3**) Volume: end of the following quarter	
			3M–6M	€750m		€1,500m		
			6M–1Y	€500m		€1,000m		
			1Y–2Y	€250m		€500m		
			2Y–5Y	€150m		€350m		
			5Y–10Y	€125m		€200m		
			10Y–20Y	€75m		€150m		
			20Y–30Y	€50m		€75m		
OIS	USD	FEDFUNDS	6D–3M	$2,500m		$3,000m		
		SOFR	6D–3M	$500m		$1,000m		
			3M–6M	$250m		$500m		
			6M–1Y	$200m		$350m		
			1Y–2Y	$150m		$250m		
			2Y–5Y	$100m		$200m		
			5Y–10Y	$50m		$100m		

			10Y–20Y	$30m		$75m		
			20Y–30Y	$25m		$50m		
	GBP	SONIA	6D–3M	£1,800m		£2,500m		
			3M–6M	£250m		£400m		
			6M–1Y	£200m		£300m		
			1Y–2Y	£120m		£150m		
			2Y–5Y	£75m		£120m		
			5Y–10Y	£50m		£80m		
			10Y–20Y	£40m		£60m		
			20Y–30Y	£20m		£30m		
			30Y–50Y	£10m		£20m		
	EUR	ESTR	6D–3M	€1,500m		€2,000m		
			3M–6M	€300m		€500m		
			6M–1Y	€250m		€350m		
			1Y–2Y	€175m		€250m		
			2Y–3Y	€100m		€150m		

Derivative Type / Underlying Type (Having the common attributes set out in note 2)	Settlement currency	Reference index						
SWAP / Index CDS	EUR	iTraxx Europe Main	£50m	End of day	£70m	Price: end of day Volume: end of the following quarter		
		iTraxx Europe Crossover	£15m		£20m			

Note 1: Common Attributes	
Settlement currency type	Single currency
Optionality	No
Notional type	Constant or variable
CFI code	SRC(C/D/I/Y)S(C/P)
Asset class of the underlying	Interest rate

Contract type	SWAP

Note 2: Common Attributes	
CFI code	SCIC(C/S/L)(C/P/A)
Sub-type	Untranched index
Geographical zone	Europe
Maturity	5Y
Asset class of the underlying	Credit
Contract type	Swaps
Series	On -the-run and first off-the-run

Note 3: Benchmark tenors are those that have standard maturities including, 3, 6 and 9 months, as well as 1 year and annual increments thereafter. The calculation should follow the current market convention where the tenor is calculated as the difference between the effective date after execution and the expiry date (or termination date). The effective date should be adjusted so that it always falls on a business day at the time of execution, while the expiry date is not (ie it applies regardless of whether it is on a business day or not).

Definition of terms

Term	Definition	
CDE	carbon dioxide equivalent.	
convertible bond	an instrument consisting of a bond or a securitised debt instrument with an embedded derivative, such as an option to buy the underlying equity.	
corporate bond	a bond that is issued by:	
	(a)	a Societas Europaea established before *IP completion day* in accordance with Council Regulation (EC) No 2157/2001; or
	(b)	a company incorporated in the *UK* with limited liability or equivalent in third countries.
covered bond	a bond issued by a *credit institution* which is subject by law to special public supervision designed to protect bondholders and, in particular, protection under which:	
	(a)	sums deriving from the issue of the bond must be invested in conformity with the law in assets;
	(b)	during the whole period of validity of the bond, those sums are capable of covering claims attaching to the bond; and
	(c)	in the event of failure of the issuer, those sums would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.
EOD	by the end of the daily trading hours of the relevant trading venue.	
fixed to float	a derivative of the type which is required to be cleared by a *CCP* in accordance with article 4(1) and (2) of *EMIR* (as listed in Table 2 of the Bank of England Public Register for the Clearing Obligation as at 24 April 2023).	

	For these purposes, a reference to a 'financial counterparty' also includes a *third country investment firm* when it carries on *MiFID or equivalent third country business* from an establishment in the *United Kingdom*.	
HY	(a)	a bond rated below BBB/Baa or equivalent by any one credit rating agency chosen by a *transparency firm* for this purpose; or
	(b)	a bond which is not rated by the credit rating agency, or agencies, chosen by a *transparency firm* for this purpose.
IG	a corporate bond that is not HY.	
municipal bond	a bond issued by any of the following:	
	(a)	in the case of a federal state, a member of that federation;
	(b)	a special purpose vehicle for several states;
	(c)	an international financial institution established by 2 or more states that has the purpose of mobilising funding and providing financial assistance to the benefits of its members where they are experiencing or are threatened by severe financial problems;
	(d)	the European Investment Bank;
	(e)	the International Finance Corporation;
	(f)	the International Monetary Fund; or
	(g)	a public entity which is not an issuer of a sovereign bond as described below.
OIS	a derivative of the type which is required to be cleared by a *CCP* in accordance with article 4(1) and (2) of *EMIR* (as listed in Table 4 of the	

	Bank of England Public Register for the Clearing Obligation as at 24 April 2023. For these purposes, a reference to a 'financial counterparty' also includes a *third country investment firm* when it carries on *MiFID or equivalent third country business* from an establishment in the *United Kingdom*.
other bond	a bond that is not within the descriptions of any of the bond types described in this table.
sovereign bond	a bond issued by: (a) the *EU*; (b) the *UK*, including a government department, agency or special purpose vehicle of the *UK*; (c) a state other than the *UK*, including a government department, agency or special purpose vehicle of the state; or (d) any other sovereign entity not listed in (a) to (c) above.
swap/index CDS	a *derivative* of the type which is required to be cleared by a *CCP* in accordance with article 4(1) and (2) of *EMIR* (as listed in Table 5 of the Bank of England Public Register for the Clearing Obligation as at 24 April 2023). For these purposes, a reference to a 'financial counterparty' also includes a *third country investment firm* when it carries on *MiFID* or *equivalent third country business* from an establishment in the *United Kingdom*.

[*Editor's note*: This annex will consist of the 4 tables previously located at Annex II of the UK version of Commission Delegated Regulation (EU) 2017/583 of 14 July 2016 supplementing MiFIR with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of bonds, structured finance products, emission allowances and derivatives, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Where amendments are to be made to the content of the tables, underlining indicates new text and striking through indicates deleted text.]

11 Annex 2R **Details of transactions to be made available to the public**

Table 1: Symbol table for Table 2		
SYMBOL	**DATA TYPE**	**DEFINITION**
…		
{MIC}	…	…
{UPI}	UPI code	This field should use an ISO 4914 code
{LEI}	20 alphanumerical characters	This field should use an ISO 17442 code

Table 2: List of details for the purpose of post-trade transparency				
Details	**Financial instruments**	**Description/ Details to be published**	**Type of execution/ publication venue**	**Format to be populated as defined in Table 1**
Trading date and time	…	…	…	…
Instrument identification code type	For all financial instruments	Code type used to identify the financial instrument	RM, MTF, OTF APA, CTP	'UPI' = UPI-code, where UPI is available; or where it is not 'ISIN' = ISIN-code~~, where ISIN is available~~

				~~'OTHR' = other identifier~~
Instrument identification code	…	…	…	{UPI}; or {ISIN} ~~Where Instrument identification code is not an ISIN, an identifier that identifies the derivative instrument based on the fields 3 to 5, 7 and 8 and 12 to 42 as specified in Annex IV and fields 13 and 24 to 48 as specified in the Annex of Delegated Regulation (EU) 2017/585 and the grouping of derivative instruments as set out in Annex III.~~
Effective date of the contract	For derivatives	Start date of the contract	RM, MTF, OTF APA, CTP	{DATEFORMAT}
Maturity date of the contract	For derivatives	Termination date of the financial instrument's contract	RM, MTF, OTF APA, CTP	{DATEFORMAT}
Price	…	…	…	{DECIMAL-18/13} in case the price is expressed

				as monetary value {DECIMAL-11/10} in case the price is expressed as percentage or yield ~~“PNDG” in case the price is not available~~ {DECIMAL-18/17} in case the price is expressed as basis points
Price conditions	For all financial instruments	Where price is currently not available but pending, the value should be ‘PNDG’.	RM, MTF, OTF APA, CTP	‘PDNG’ when price is currently not available but pending ‘NOAP’ where price is not applicable
…				
Notation of the quantity in measurement unit	For commodity derivatives, emission allowance derivatives and emission allowances except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases.	…	…	…

Quantity in measurement unit	For commodity derivatives, emission allowance derivatives and emission allowances except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases.	…	…	…
Quantity	For all financial instruments except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases	The number of units of the financial instrument, or the number of derivative contracts in the transaction. Not to be populated for bonds.	RM, MTF, OTF APA CTP	{DECIMAL-18/17}
Notional amount	For all financial instruments except in ~~the cases described under Article 11(1) letters (a) and (b) of this Regulation~~ certain cases.	Nominal amount multiplied by volume for (i) all bonds except ETCs and ETNs and (ii) structured finance products ~~or notional amount~~ Price multiplied by the quantity field for	…	…

		ETCs and ETNs bond types, emission allowance derivatives and contracts for differences. Notional amount, as applicable For spread bets, the notional amount shall be the monetary value wagered per point movement in the underlying financial instrument. For credit default swaps, it shall be the notional amount for which the protection is acquired or disposed of. The information reported in this field shall be consistent with the value provided in field Price		

Notional currency	For all financial instruments except in ~~the cases described under Article 11(1) letters (a) and (b) of the Regulation~~ certain cases.	Currency in which the notional is denominated. This field should use an ISO 4217 currency code for a major currency.	RM, MTF, OTF APA CTP	{CURRENCYCODE_3}
…				
Transaction Identification Code	…	…	…	…
~~Transaction to be cleared~~	~~For derivatives~~	~~Code to identify whether the transaction will be cleared.~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~'true' — transaction to be cleared~~ ~~'false' — transaction not to be cleared~~
Spread	For derivatives	The spread on the floating leg.	RM, MTF, OTF APA, CTP	{DECIMAL-11/10}
Upfront payment	For derivatives	The upfront payment exchanged as part of CDS transactions.	RM, MTF, OTF APA, CTP	{DECIMAL-18/13}
LEI of clearing house	For derivatives	Clearing house through which the transaction will be cleared.	RM, MTF, OTF APA, CTP	{LEI} if cleared

Table 3: List of flags for the purpose of post-trade transparency

	Flag	Name of Flag	Type of execution/ publication venue	Description
…				
	~~“ACTX”~~	~~Agency cross transaction flag~~	~~APA~~ ~~CTP~~	~~Transactions where an investment firm has brought together two clients’ orders with the purchase and the sale conducted as one transaction and involving the same volume and price.~~
	~~“NPFT”~~	~~Non-price forming transaction flag~~	~~RM, MTF, OTF~~ ~~CTP~~	~~All types of transactions listed under Article 12 of this Regulation and which do not contribute to the price formation.~~
…				
	~~“ILQD”~~	~~Illiquid instrument transaction flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Transactions executed under the deferral for instruments for which there is not a liquid market.~~
	~~“SIZE”~~	~~Post-trade SSTI transaction flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Transactions executed under the post-trade size specific to the instrument deferral.~~
	“PORT”	Portfolio transaction flag	RM, MTF, OTF, APA, CTP	Portfolio transactions.
	“TPAC”	…	…	Package transactions which are not exchange for physicals ~~as defined in Article 1~~.

	"XFPH"	…	…	Exchange for physicals ~~as defined in Article 1~~.
…				
SUPPLEMENTARY DEFERRAL FLAGS				
~~Article 11(1)(a)(i).~~	~~"LMTF"~~	~~Limited details flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~First report with publication of limited details in accordance with Article 11(1)(a)(i).~~
	~~"FULF"~~	~~Full details flag~~		~~Transaction for which limited details have been previously published in accordance with Article 11(1)(a)(i).~~
~~Article 11(1)(a)(ii).~~	~~"DATF"~~	~~Daily aggregated transaction flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Publication of daily aggregated transaction in accordance with Article 11(1)(a)(ii).~~
	~~"FULA"~~	~~Full details flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Individual transactions for which aggregated details have been previously published in accordance with Article 11(1)(a)(ii).~~
~~Article 11(1)(b)~~ *MAR* 11.5.1R(2)	"VOLO"	Volume omission flag	RM, MTF, OTF APA CTP	Transaction for which limited details are published ~~in accordance with Article 11(1)(b)~~.
	"FULV"	Full details flag	RM, MTF, OTF APA CTP	Transaction for which limited details have been previously published ~~in accordance with Article 11(1)(b)~~.
~~Article 11(1)(c)~~	~~"FWAF"~~	~~Four weeks aggregation flag~~	~~RM, MTF, OTF~~	~~Publication of aggregated transactions in~~

			~~APA~~ ~~CTP~~	~~accordance with Article 11(1)(c).~~
	~~“FULJ”~~	~~Full details flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Individual transactions which have previously benefited from aggregated publication in accordance with Article 11(1)(c).~~
~~Article 11(1)(d)~~	~~“IDAF”~~	~~Indefinite aggregation flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Transactions for which the publication of several transactions in aggregated form for an indefinite period of time has been allowed in accordance with Article 11(1)(d).~~
~~Consecutive use of Article 11(1)(b) and Article 11(2)(c) for sovereign debt instruments~~	~~“VOLW”~~	~~Volume omission flag~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Transaction for which limited are published in accordance with Article 11(1)(b) and for which the publication of several transactions in aggregated form for an indefinite period of time will be consecutively allowed in accordance with Article 11(2)(c).~~
	~~“COAF”~~	~~Consecutive aggregation flag (post volume omission for sovereign debt instruments)~~	~~RM, MTF, OTF~~ ~~APA~~ ~~CTP~~	~~Transactions for which limited details have been previously published in accordance with Article 11(1)(b) and for which the publication of several transactions in aggregated form for an indefinite period of time has consecutively been allowed in accordance with Article 11(2)(c).~~

Table 4: Measure of volume	
Type of instrument	**Volume**
All bonds except ETCs and ETNs and structured finance products	~~Total nominal value of debt instruments traded~~ Nominal value per unit multiplied by the number of instruments at the time of the transaction
ETCs and ETNs bond types and securitised derivatives	Number of ~~units traded~~ instruments exchanged between the buyers and sellers multiplied by the price of the instrument exchanged for that specific transaction (or the price field multiplied by the quantity field)
~~Securitised derivatives~~	~~Number of units traded~~
Structured finance products	Nominal value per unit multiplied by the number of instruments at the time of the transaction
…	
Credit derivatives	Notional amount ~~of traded contracts~~ for which the protection is acquired or disposed of
…	
C10 derivatives	~~Notional~~ Resulting amount of ~~traded contracts~~ the quantity at the relevant price set in the contract at the time of the transaction (or the price field multiplied by the quantity field)
Emission allowance derivatives	~~Tons of Carbon Dioxide equivalent~~ Resulting amount of the quantity at the relevant price set in the contract at the time of the transaction (or the price field multiplied by the quantity field)
…	

Amend the following as shown.

Sch 5 Rights of action for damages

…

Sch 5.2 G

Chapter / Appendix	Section / Annex	Paragraph	For Private Person?	Removed	For other person?
…					
~~All rules in *MAR* 3 except *MAR* 3.5.7E~~			~~Yes~~	~~Yes *MAR* 3.1.5R~~	~~No~~
MAR 4 (all *rules*)			Yes	No	No
MAR 9A (all *rules*)			No		No
MAR 11 (all *rules*)			No		No

Part 4: Comes into force on 1 December 2024

Insert the following new chapter, MAR TP 2, after MAR TP 1 (Transitional provisions). The text is all new and is not underlined.

TP2 Transitional provisions relating to trading venue operators and transparency investment firms

TP 2.1

	Application			
1.1	R	(1)	The *rules* in *MAR* TP 2 apply in respect of:	
			(a)	*trading venue operators*; and
			(b)	*transparency investment firms*.

		(2)	The *rules* apply in respect of the period 1 December 2024 to 30 November 2025, except where indicated otherwise.
	Trading venue operators		
1.2	R	A *trading venue operator* is subject to the transparency requirements previously arising under *UK MiFIR*, including *MiFID RTS 2*, as it had effect immediately before 1 December 2024 and applied to it, except where *MAR* TP 2 1.4R applies.	
1.3	G	*MAR* TP 2 1.2R provides for continuity of transparency requirements for *trading venue operators*.	
1.4	R	For the period between 31 March 2025 and 30 November 2025, a *trading venue operator* is not subject to a transparency requirement under Title II, Chapter 2 of *UK MiFIR* in respect of a *request for quote system* or voice trading system when operated by the *trading venue operator*.	
	Systematic internalisers		
1.5	R	A *systematic internaliser* is subject to the transparency requirements previously arising under *UK MiFIR*, including *MiFID RTS 2,* as it had effect immediately before 1 December 2024 and applied to it, except where *MAR* TP 2 1.7R applies.	
1.6	G	*MAR* TP 2 1.5R provides for continuity of transparency requirements for *systematic internalisers*.	
1.7	R	For the period between 1 December 2024 and 30 March 2025 only, a *systematic internaliser* is subject to the pre-trade transparency requirements previously arising under article 18 of *UK MiFIR*, including *MiFID RTS 2,* as it had effect immediately before 1 December 2024 and applied to it.	

Part 5: Comes into force on 1 December 2025

	Pre-1 December 2025 transactions	
1.8	G	In respect of a trade concluded before 1 December 2025, the *FCA* will treat anything done by a *transparency firm* for the purposes of complying with *MAR* TP 2 1.2R and *MAR* TP 2 1.5R as if it were done for the purposes of any equivalent new transparency provision in *MAR* 11 in force after 1 December 2025.
1.9	R	Where a *transparency firm* publishes (via an *APA* or otherwise) a trade report before 1 December 2025 in accordance with *MAR* TP 2 1.2R or *MAR* TP 2 1.5R and amends the report after 1 December 2025, it may make the new trade report required by *MAR* 11.4.5R(2)(b) either in accordance with *MAR* 11 Annex 2 or in accordance with *MAR* TP 2 1.2R or *MAR* TP 2 1.5R, as they previously applied .

Annex C

Amendments to the Perimeter Guidance manual (PERG)

In this Annex, underlining indicates new text and striking through indicates deleted text.

13 Guidance on the scope of the UK provisions which implemented MiFID

…

13.2 General

…

Q10. Is there any change to the "by way of business" test in domestic legislation?

…

Q10a. The Glossary definition of 'systematic internaliser' (SI) says that SI activity must be 'held out as being carried on by way of business, in a manner consistent with article 3(2)(a) of the Business Order'. What does this mean?

The SI activity must be carried out in a manner consistent with the 'by way of business' test applicable to the regulated activity of 'dealing in investments as principal' in article 14 of the *RAO*. For these purposes, this means that the activity must form a part of the services the *MiFID investment firm* typically or ordinarily offers to clients in the relevant *financial instrument* to be considered SI activity.

A *MiFID investment firm* will not be considered to be carrying on SI activity purely as a result of some degree of automation in the execution of orders – for example, where:

- such activity is only ancillary to the principal nature of the commercial relationship between the parties, in respect of the relevant *financial instrument*; or
- the firm does not advertise such activity to clients, including by broadcasting offers to deal in the relevant *financial instrument*.

In such circumstances, the *MiFID investment firm* would not be 'holding itself out' to be carrying on activity as an SI.

Whether or not activity is a part of the services the *MiFID investment firm* typically or ordinarily offers to clients such that it constitutes SI activity is ultimately a question of judgement that takes account of several factors. These include:

- the extent to which the activity is conducted or organised separately;

- the monetary value of the activity; and
- its comparative significance in terms of revenue by reference to the *firm's* overall activity in the market for the relevant *financial instrument*.

The meaning of 'dealing on own account when executing client orders' for the purposes of the definition of SI remains unchanged and can be found in article 16a of the *MiFID Org Reg*.

…

13.3 Investment Services and Activities

…

Characteristics of a system or facility

A *multilateral system* has the characteristics of a trading system or facility. Recital 7 UK MiFIR clarifies that a trading system or facility includes markets composed of a set of rules and a trading platform, as well as those only functioning on the basis of a set of rules. The rules relate to how multiple third-party trading interests in *financial instruments* are able to interact in the system (see below). The rules could be reflected in contracts and/or operating procedures. As such, a system is technology neutral for these purposes, as shown by the different types of trading systems referred to in Annex I to *MiFID RTS 1*, and ~~Annex I to *MiFID RTS 2*~~ the table in *MAR* 11.2.2R. For guidance on voice broking, please refer to Q24D below.

…

Trading venue perimeter – specific cases

Q24D. Does voice broking involve the operation of a multilateral system?

Voice broking may but need not comprise the operation of a *multilateral system*.

Merely arranging or executing client orders over the telephone does not constitute a *multilateral system*, although it may amount to other investment services such as reception and transmission or execution of orders on behalf of clients.

A trading system or facility could, however, take the form of a voice trading system ~~(as referred to in Annex I *MiFID RTS 2*)~~ or a hybrid system (as referred to in Annex I *MiFID RTS 1* ~~and Annex I *MiFID RTS 2*~~). For example, a firm that operates a platform where trading interests of clients are broadcast to other users and then engages in voice broking to enable negotiation between these parties would operate a trading system or facility, unless Q24F applies. Voice broking may also be part of a *multilateral system* when operating in conjunction with other modes of execution such as electronic order books operated by that broker.

…

MARKETS IN FINANCIAL INSTRUMENTS (NON-EQUITY TRANSPARENCY TECHNICAL STANDARDS) INSTRUMENT 2024

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) article 22 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012; and

(2) the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137T (General supplementary powers);
(b) section 138P (Technical standards);
(c) section 138Q (Standards instruments); and
(d) section 138S (Application of Chapters 1 and 2).

B. The rule-making powers listed above are specified for the purposes of section 138Q(2) (Standards instruments) of the Act.

Pre-conditions to making

C. The FCA has consulted the Prudential Regulation Authority and the Bank of England as appropriate in accordance with section 138P of the Act.

D. A draft of this instrument has been approved by the Treasury in accordance with section 138R of the Act.

Interpretation

E. In this instrument, any reference to any provision of assimilated direct legislation is a reference to it as it forms part of assimilated law.

Modifications

F. The following technical standard is revoked:

Commission Delegated Regulation (EU) 2017/2194 of 14 August 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to package orders

G. The following technical standards are amended in accordance with the Annexes to this instrument:

Commission Delegated Regulation (EU) 2017/577 of 13 June 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on the volume cap mechanism and the provision of information for the purposes of transparency and other calculations	Annex A

Commencement

H. Paragraph F of this instrument comes into force on 1 December 2024.

I. Part 1 of Annex A comes into force on 1 December 2024.

J. Part 2 of Annex A comes into force on 31 March 2025.

K. Part 3 of Annex A of this instrument comes into force on 1 December 2025.

Citation

L. This instrument may be cited as the Markets in Financial Instruments (Non-Equity Transparency Technical Standards) Instrument 2024.

By order of the Board
31 October 2024

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Annex A

Commission Delegated Regulation (EU) 2017/577 of 13 June 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on the volume cap mechanism and the provision of information for the purposes of transparency and other calculations

Part 1: Comes into force on 1 December 2024

…

Article 1

Subject matter and scope

(1) This Regulation sets out~~,~~ the details of the data requests to be sent by the FCA and the details of the reply to those requests to be sent by trading venues, approved publication arrangements (APAs) and consolidated tape providers (CTPs), for the purposes of calculating and adjusting the pre-trade and post-trade transparency and trading obligation ~~regimes~~ regime and in particular for the purposes of determining the following factors:

…

(g) ~~for equity and equity-like instruments, the total volume of trading for the previous 12 months and of the percentages of trading carried out under both the negotiated trade and reference price waivers across the UK and on each trading venue in the previous 12 months;~~ [deleted]

…

Article 2

Content of the data requests and information to be reported

(1) For the purpose of carrying out calculations that occur at pre-set dates or in pre-defined frequencies, trading venues, APAs and CTPs shall provide the FCA with all the data required to perform the calculations set out in the following Regulations:

(a) Delegated Regulation (EU) 2017/587;

(b) ~~Delegated Regulation (EU) 2017/583;~~ [deleted]

(c) Delegated Regulation (EU) 2017/567; and

(d) Delegated Regulation (EU) 2017/565.

…

Article 3

Frequency of data requests and response times for trading venues, APAs and CTPs

(1) Trading venues, APAs and CTPs shall submit the data referred to in Article 2(1) each day.

(2) Trading venues, APAs and CTPs shall submit the data in response to an ad hoc request as referred to in Article 2(2) within four weeks of receipt of that request unless exceptional circumstances require a response within a shorter time period as specified in the request.

(3) ~~By way of derogation from paragraphs 1 and 2, trading venues and CTPs shall submit data to be used for the purpose of the volume cap mechanism as set out in paragraphs 6 to 9 of Article 6.~~ [deleted]

…

The Annex is deleted in its entirety. The deleted text is not shown but the Annex is marked [deleted] as shown below.

ANNEX

Table 1 Symbol table for Table 2 Table 2 Formats of the report for the purpose of the volume cap mechanism [deleted]

…

Part 2: Comes into force on 31 March 2025

…

Article 1

Subject matter and scope

(1) This Regulation sets out the details of the data requests to be sent by the FCA and the details of the reply to those requests to be sent by trading venues, approved publication arrangements (APAs) and consolidated tape providers (CTPs), for the purposes of calculating and adjusting the pre-trade and post-trade transparency and trading obligation regime and in particular for the purposes of determining the following factors:

…

(e) ~~whether an investment firm is a systematic internaliser;~~ [deleted]

(f) the standard market size applicable to systematic internalisers dealing in equity and equity-like instruments~~, and the size specific to the instrument applicable to systematic internalisers dealing in non-equity instruments~~; and

...

(h) whether derivatives are sufficiently liquid for the purposes of implementing the trading obligation for derivatives.

…

Part 3: Comes into force on 1 December 2025

…

Article 1

Subject matter and scope

(1) This Regulation sets out the details of the data requests to be sent by the FCA and the details of the reply to those requests to be sent by trading venues, approved publication arrangements (APAs) and consolidated tape providers (CTPs), for the purposes of calculating and adjusting the pre-trade and post-trade transparency and trading obligation regime and in particular for the purposes of determining the following factors:

(a) whether equity~~,~~ and equity-like ~~and non-equity~~ financial instruments have a liquid market;

(b) the thresholds for pre-trade transparency waivers for equity~~,~~ and equity-like ~~and non-equity~~ financial instruments;

(c) the thresholds for post-trade transparency deferrals for equity~~,~~ and equity-like ~~and non-equity~~ financial instruments;

…

…

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