

Finalised guidance

FG15/6: Multilateral Trading Facilities (MTFs) – Dear CEO Letter and FCA Good Practice Observations on MTF Rulebooks

April 2015

1 Background

Multilateral Trading Facility (MTF) Rulebooks - Thematic Review and Guidance Consultation

- 1.1 In 2014 the FCA undertook a thematic review of MTF operators' rulebooks in which a sample of UK MTFs responded to a questionnaire seeking to assess compliance with those areas of the FCA Handbook (MAR 5) relating to MTF rules.
- 1.2 In December 2014, following the thematic review, FCA published Guidance Consultation 14/9 (GC14/9). GC14/9 consisted of a Dear CEO Letter and FCA Good Practice Observations providing guidance on MAR 5 requirements on MTF rules.
- 1.3 The consultation period for GC14/9 ended on 16 January 2015 and we have set out below:
 - A summary of feedback received and our response;
 - Changes to our guidance; and
 - Finalised guidance.

2 Summary of feedback received and our response

- 2.1 We received 16 responses to our guidance consultation from MTF operators and a trade association. We would like to thank all respondents for taking the time to review and respond to GC14/9 with their feedback. We have considered all responses and have set out below a summary of the key comments we received.
- 2.2 Overall, respondents were supportive of the guidance, welcomed the FCA's work to develop industry understanding of good practice in this area and agreed that an MTF operator should have a clearly labelled rulebook in place.
- 2.3 Whilst some respondents agreed with all elements of the proposed guidance, other respondents requested further clarification on, or disagreed with, some aspects. The key comments set out below therefore necessarily focus on those aspects of the guidance where respondents requested further clarification or disagreed.

Key comments received

MTF Rulebook - Transparency

GC14/9 cited MAR 5.3.1(1) which requires that *"a firm operating an MTF must have transparent and non-discretionary rules and procedures for fair and orderly trading."*

GC14/9 guidance stated *"An MTF operator should have a rulebook in place. The rulebook should be clearly labelled as such and be publicly available on the MTF operator's website i.e. transparent beyond a closed participant user group."*

Most respondents agreed that a rulebook should be publicly available on a firm's website i.e. transparent beyond a closed participant user group.

Some respondents noted however that a rulebook should only be available to current or potential participants, for example, via a password protected area of the website. These respondents cited concerns that rulebooks may contain commercially sensitive data e.g. technical specifications or intellectual property.

Our Response

The guidance under MAR 5.3.1(1) provides non-exhaustive bullet-point examples of the key contents of MTF rulebooks that the FCA has observed e.g. participant obligations, fair and orderly trading rules etc. The key contents of an MTF rulebook will typically contain

regulatory provisions giving effect to the requirements of MAR 5. There is scope for commercial provisions which are not part of the rules to sit within supporting information documents which are available to a closed user group but are not available publicly (see “Document Library of Supporting Information” below).

The FCA’s supervisory approach will therefore continue to be based on its view that it is good practice for MTF operators to make their rulebooks publicly available and transparent beyond a closed participant user group.

The guidance on this aspect remains unchanged.

Document Library of Supporting Information - Transparency

The proposed guidance under MAR 5.3.1(1) noted a range of supporting documents (e.g. technical specifications, terms of business, user agreements) which underpin the MTF’s rules and procedures. GC14/9 stated *“It is good practice that supporting documents such as these should also be publicly available and transparent e.g. some MTF operators have a document library of relevant supporting information available online with the MTF rulebook.”*

Some respondents were concerned that such supporting documents may contain commercially sensitive data or intellectual property and that full publication may stifle innovation.

Our Response

Whilst the FCA encourages MTF operators to adopt full public transparency in relation to supporting documents, we note some respondents’ concerns in this area.

We have amended guidance to enable publication of these documents to a closed participant user group only.

Fees and Incentive Schemes

GC14/9 stated the following in relation to fees and incentive schemes: *“As part of an MTF operator’s responsibility to allow for fair and orderly trading, we consider it good practice for an MTF to ensure that its fees and incentive schemes relating to access to and execution on the MTF should be transparent and based on objective criteria. Fees and incentive schemes should not encourage trading for improper purposes and should not distort or reduce the effectiveness of the price formation process. An MTF operator should provide a publicly available MTF fee schedule, for example as part of a document library of relevant supporting information available online with the MTF rulebook. Where this is not currently the case, MTF operators should seek to provide a publicly available MTF fee schedule within three months of the publication date of the Dear CEO letter and annex.”*

With reference to publication of MTF fee schedules, whilst some respondents agreed with the proposed guidance, a number of respondents expressed concerns with the proposal

to provide a publicly available MTF fee schedule. These respondents cited a variety of concerns including: (i) access to and execution on the MTF was only one component of a wider package of services provided to participants - it was therefore complex to disaggregate an MTF fee element from a wider fee framework; (ii) a three month timeframe for production of an MTF fee schedule was too short; and (iii) guidance in relation to MTF fee schedules should not occur ahead of implementation of related provisions within MiFID II.

Our Response

FCA continues to consider it good practice for an MTF to ensure that its fees and incentive schemes are consistent with fair and orderly trading and based on objective criteria.

However, we note some respondents' concerns in relation to the timing of a transition to transparent MTF fee schedules.

We have therefore amended the guidance to remove references to publication of MTF fee schedules at this stage.

From 3 January 2017, MiFID II will require that market operators' fee structures including execution fees, ancillary fees and any rebates are transparent, fair and non-discriminatory and that they do not create incentives to place, modify or cancel orders or to execute transactions in a way which contributes to disorderly trading conditions or market abuse.¹ Draft Regulatory Technical Standard 17² states that a trading venue shall publish its fee structures on its website, including execution fees, ancillary fees and any rebates in one comprehensive document or section. RTS 17 also notes that a trading venue offering packages of services shall ensure that there is sufficient granularity in the fees charged for the different services and that a trading venue shall charge the same price and provide the same conditions to the different types of users who are in the same position in accordance with its published and objective criteria. We will continue to work with MTFs to ensure preparedness for MiFID II requirements in this area.

MTF Rulebook - Participant Acknowledgement

The guidance under MAR 5.3.1(1) stated *"An MTF should require explicit written acknowledgement during the on-boarding process (e.g. via a user agreement or equivalent) that participants have read, understood and will abide by the MTF rulebook."*

Some respondents understood this to mean that separate written acknowledgement of the rulebook (e.g. via correspondence) was required outside of the MTF participant on-boarding process. These respondents noted that this could be unnecessarily burdensome and may lead some participants to seek to re-negotiate the rules with the MTF operator.

¹ Articles 18(5) and 48(9) of Directive 2014/65/EU of the European Parliament And Of The Council of 15 May 2014

² Regulatory Technical Standard 17: Draft regulatory technical standards on co-location and fee structures (Article 3 - Fair and non-discriminatory fee structures). ESMA Consultation Paper - 19 December 2014.

Our Response

It is not our intention that MTFs require separate written acknowledgement of the rulebook outside of the on-boarding process. Similarly, we would not expect an MTF operator to enter into bi-lateral negotiations with participants in relation to its MTF rules.

Rather, this aspect of the guidance seeks to ensure that an MTF operator's on-boarding process incorporates and records active acknowledgement by MTF participants that they have read, understood and will abide by the MTF rules. This could occur via explicit reference to the MTF's rulebook in on-boarding documentation e.g. a user agreement. The MTF rulebook reference and acknowledgement should be sufficiently explicit and active such that the MTF operator creates a contractual relationship on which it can rely e.g. in circumstances where an MTF operator seeks to terminate access to the MTF due to a participant's persistent rule breach.

We have made a minor amendment to the guidance to clarify this section of the guidance.

Instrument Eligibility Criteria - Instrument List

MAR 5.3.1(3) requires that *"a firm operating an MTF must have transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems."*

GC14/9 noted that an MTF's rulebook should contain transparent instrument eligibility criteria. GC14/9 guidance went on to state that *"good practice is also to provide a full list of instruments that are admitted to trading"*.

Whilst some respondents agreed with this proposal, other respondents noted that a requirement to provide a full instrument list could be operationally impractical because of the large number of instruments traded on some MTFs.

Our Response

We note respondents' concerns in relation to the operational aspects of providing a full instrument list.

We have amended the guidance to provide flexibility, and reflect the intended outcome in this area, which is to ensure provision of sufficient information to participants in order that they are able to determine whether a particular instrument is traded on the MTF e.g. via an instrument list or other means such as a system search facility.

Settlement of Transactions

GC14/9 noted the *"Finalisation of Transactions"* requirements of MAR 5.4.1 which requires that *"a firm operating an MTF must: (1) clearly inform its users of their respective responsibilities for the settlement of transactions executed in that MTF; and*

(2) have in place the arrangements necessary to facilitate the efficient settlement of the transactions concluded under its systems."

GC14/9 guidance stated: *"Although an MTF operator will not typically be counterparty to transactions executed on the MTF, as a market operator it has a responsibility under MAR 5.4.1 to facilitate efficient settlement of transactions executed on the MTF.*

An MTF operator should therefore ensure that its rulebook gives effect to MAR 5.4.1(1) and (2) i.e. requiring that transactions concluded on the MTF should be settled; clarifying the respective settlement responsibilities of participants and the MTF; and detailing the appropriate arrangements to facilitate settlement e.g. post-trade confirmations, and established links to post-trade infrastructure providers.

Good practice is for the MTF pro-actively to monitor settlement performance of transactions executed on the MTF".

Whilst some respondents agreed with the proposed guidance, a number of respondents expressed concerns in relation to: an MTF operator's ability to monitor for efficient settlement in circumstances where settlement occurred on a bi-lateral basis between counterparties (and the MTF may have limited visibility of settlement status); and operational challenges in relation to pro-active settlement monitoring arrangements. Some respondents viewed an MTF operator's settlement responsibility as being secondary to that of third party clearing and settlement providers. Some respondents noted that granular settlement information should not be required to be in a rulebook but rather in technical specification documents.

Our Response

As a market operator, an MTF has a responsibility under MAR 5.4.1 to *"have in place the arrangements necessary to facilitate the efficient settlement of the transactions concluded under its systems."* This responsibility applies to all MTF operators irrespective of market model or prevailing settlement convention e.g. bi-lateral settlement or central clearing and settlement arrangements.

The FCA is not prescriptive in relation to the settlement arrangements an MTF operator should adopt however the MTF operator should assess the appropriateness of the arrangements it has in place to meet MAR 5.4.1.

A range of settlement provisions to meet MAR 5.4.1 that FCA has observed include: rules requiring participants to duly settle, provision of timely trade confirmations, established links to third party clearing and settlement providers and rules enabling MTFs to request settlement status data from members to assess non-settling bi-lateral counterparties.

Within the guidance on this topic we have amended the reference to settlement performance monitoring to clarify that the MTF operator should be able to assess whether members are adhering to the MTF's rules requiring settlement of transactions concluded on its systems and this assessment can be conducted proportionately on a routine, exception or re-active basis.

Monitoring Compliance with MTF Rules - Sanctions

GC14/9 provided guidance in relation to an MTF operator's arrangements for monitoring compliance with its rules. GC14/9 stated *"In our review, we noted good practice where some MTFs had appropriate sanctions in place to ensure compliance with its rules. These sanctions were clearly outlined in the MTF's rulebook. We observed a range of sanctions in place including written warnings, suspension or termination of participant access and public or private censure. Operators should consider the appropriate range of sanctions to ensure participant's compliance with the MTF's rules."*

Some respondents noted that a sanctions regime, particularly incorporating monetary penalties, may not be appropriate to all MTFs. Respondents noted that sanction regimes should be based on a principle of escalation of sanctions should participant non-compliance persist.

Our Response

The FCA is not prescriptive in relation to the sanctions MTF operators adopt - the guidance seeks merely to articulate examples of the range of sanctions the FCA has observed.

All MTF operators, irrespective of asset class traded, should ensure a proportionate and effective sanctions regime is in place to ensure compliance by its users with its rules.

We have not amended the guidance in this instance as we believe the proportionality approach is sufficiently clear e.g. *"Operators should consider the appropriate range of sanctions to ensure participants' compliance with the MTF's rules."*

Applicability of FCA Handbook - MAR 5

By way of general feedback to GC14/9, some respondents sought to distinguish certain types of MTF operator from a general application of the FCA's Handbook relating to MTF operators i.e. MAR 5.

Some respondents noted that elements of MAR 5 should not apply (or apply to a lesser extent) to some MTF operators e.g. on the basis of asset class traded, lack of retail participation on the MTF or the MTF's market model.

Our Response

FCA is aware that the UK population of MTF operators incorporates a diverse range of entities trading a wide variety of asset classes across a range of different market models.

Notwithstanding this diversity, with the exception of the current pre and post trade transparency rules, the regulatory provisions within MAR 5 necessarily apply to all authorised firms carrying a permission to operate a Multilateral Trading Facility.

FCA will continue to engage with all UK MTF operators in a constructive and proportionate manner in order to develop MTF operator understanding of good practice in relation to MAR 5 compliance.

3 Changes to our guidance

- 3.1 As described above in our “Summary of Feedback and Our Response” section, we have therefore amended the guidance in relation to the following aspects:
- Document Library of Supporting Information - Transparency;
 - Fees and Incentive Schemes;
 - MTF Rulebook - Participant Acknowledgement;
 - Instrument Eligibility Criteria - Instrument List;
 - Settlement / Finalisation of Transactions.
- 3.2 We have also amended the Dear CEO Letter to reflect the FCA internal re-organisation which came into effect on 5 January 2015.
- 3.3 Should you have any queries on the guidance please contact the MTF Supervision team at MTFsupervision@fca.org.uk.

4 Finalised guidance

Multilateral Trading Facilities (MTFs) - Dear CEO Letter and FCA Good Practice Observations on MTF Rulebook

From:

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Edwin Schooling Latter
Head of Department / Markets Policy / Markets Policy & International Division

To:

CEOs of all UK authorised firms operating Multilateral Trading Facilities (MTFs)
Cc: Head of Compliance (CF10)

Dear CEO

MULTILATERAL TRADING FACILITIES (MTFs) - THEMATIC REVIEW OF MTF RULEBOOKS

The FCA has undertaken a thematic review of MTF operators' rulebooks. A sample of UK MTFs provided responses to a questionnaire which sought to assess compliance with those areas of the FCA Handbook relating to an MTF operator's rules. In particular MAR 5.3.1 (Trading Process Requirements) requires that *"a firm operating an MTF must have transparent and non-discretionary rules and procedures for fair and orderly trading."*

The attached annex sets out some of the good practice we observed at MTFs during the review, in the context of the requirements for MTFs set out in the Handbook.

We expect all MTF operators to be able to demonstrate that they have considered the good practice observations when determining their approach to compliance with

Handbook requirements.

Should you require any further information in relation to the good practice observations please liaise with your usual MTF supervisor or contact the MTF Supervision team at MTFsupervision@fca.org.uk.

Yours sincerely

 

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ANNEX

MULTILATERAL TRADING FACILITIES (MTFs) RULEBOOKS

FCA HANDBOOK MARKET CONDUCT REQUIREMENTS (MAR 5) AND FCA GOOD PRACTICE OBSERVATIONS

Background

MAR 5 in the FCA Handbook (<http://fshandbook.info/FS/html/FCA/MAR/5>) sets out the regulatory requirements for MTF operators.

Some key MAR 5 requirements and the FCA's good practice observations relating to MTF operator rulebooks are described below.

MTF Rulebook

MAR 5.3.1(1) requires that "a firm operating an MTF must have transparent and non-discretionary rules and procedures for fair and orderly trading."

An MTF operator should have a rulebook in place. The rulebook should be clearly labelled as such and be publicly available on the MTF operator's website i.e. transparent beyond a closed participant user group.

Supporting documents such as participation agreements, terms of business, product lists, user guides and technical specifications are a key part of the operation of an MTF, and will in many cases be linked to the MTF's rules and procedures. The existence of such documents does not, however, suffice to meet the requirement for transparent rules and procedures.

It is good practice that supporting documents such as these are available and

transparent to at least a closed participant user group e.g. via a document library of relevant supporting information available online alongside the published MTF rulebook.

The contents of an MTF operator's rulebook should enable them to demonstrate how they are complying with MAR 5 and their procedures are clear and seek to ensure that participant behaviour is consistent with fair and orderly trading requirements. Non-exhaustive examples of key sections of MTF rulebooks that we have observed include:

- participant eligibility criteria;
- participant obligations;
- instrument eligibility criteria;
- fair and orderly trading rules;
- market abuse prohibition rules;
- post-trade obligations;
- compliance, monitoring & sanctions;
- definitions / glossary of terms; and
- co-operation with regulators.

An MTF should require explicit acknowledgement during the on-boarding process (e.g. via a user agreement or equivalent) that participants have read, understood and will abide by the MTF rulebook. In circumstances where the MTF operator also offers non-MTF transactional services the firm should ensure its user agreements demonstrate clear delineations between MTF and non-MTF business so that participants have clarity as to when a transaction is conducted on the MTF and therefore that the MTF's rules apply.

MTF operators should ensure transparency to participants of changes to the MTF rulebook that are proposed or implemented. The rulebook should describe procedures for consultation, communication and implementation of rule changes.

MTFs should seek to ensure that the rulebook governance and change process is well understood by stakeholders. Whilst there will be a range of stakeholders within the MTF (e.g. legal & compliance, and business development personnel) and among the MTF participants, it is good practice for the MTF's compliance function always to be consulted, to confirm whether or not it is content with the proposed changes, for its view to be recorded, and for records of that view to be retained.

It is also good practice to undertake at least an annual review of the MTF rulebook to ensure it is consistent with relevant regulatory and legislative requirements.

As part of an MTF operator's responsibility to allow for fair and orderly trading, we consider it is good practice for an MTF to ensure that its fees and incentive schemes relating to access to and execution on the MTF should be based on objective criteria. Fees and incentive schemes should not encourage trading for improper purposes and should not distort or reduce the effectiveness of the price formation process.

Instrument Eligibility Criteria

MAR 5.3.1(3) requires that "a firm operating an MTF must have transparent rules regarding the criteria for determining the financial instruments that can

be traded under its systems.”

An MTF's rulebook should contain transparent instrument eligibility criteria. Such criteria should offer clarity to participants as to the type and nature of financial instruments capable of admission to trading on the MTF.

In considering those instruments capable of admission to trading on the MTF, operators must also comply with MAR 5.3.1(5) which requires that an MTF operator *“must provide, or be satisfied that there is access to, sufficiently publicly available information to enable its users to form an investment judgement, taking into account both the nature of the users and the types of instruments traded.”*

In addition to instrument eligibility criteria, good practice is also to provide a full list of instruments or to otherwise ensure provision of sufficient information to enable participants to determine whether a particular instrument can be traded on the MTF e.g. via a system search facility.

Participant Eligibility & Access Criteria

MAR 5.3.1(4) requires that a firm operating an MTF must have *“transparent rules, based on objective criteria, governing access to its facility, which rules must provide that its members or participants are investment firms, CRD credit institutions or other persons who: (a) are fit and proper; (b) have a sufficient level of trading ability and competence; (c) where applicable have adequate organisational arrangements; (d) have sufficient resources for the role they are to perform, taking into account the different financial arrangements that the firm operating the MTF may have established in order to guarantee the adequate settlement of transactions.”*

An MTF operator should ensure that its rulebook has transparent participant eligibility criteria in place that give effect to all elements of MAR 5.3.1(4) including the provisions of MAR 5.3.1(4) (a)-(d).

When enabling access to trading on the MTF, operators should be able to demonstrate that their on-boarding process incorporates an assessment of participant compliance with the MTF access requirements of MAR 5.3.1(4).

Post on-boarding, MTFs should be able to demonstrate on-going pro-active monitoring of continued participant compliance with eligibility criteria. We have previously published related guidance on expectations in this area via the “Market Operators’ Oversight of Member Firm Compliance with Rules” document.

<http://www.fca.org.uk/static/documents/finalised-guidance/fg13-06.pdf>.

We expect that an MTF operator's compliance function (CF10³ or appropriate compliance team delegate(s)) will have active oversight of participant on-boarding and on-going monitoring arrangements to ensure both initial and continued compliance with MTF participant eligibility criteria.

³ The compliance oversight function as described in SUP10A.7.8R of the FCA Handbook.

Finalisation of Transactions

MAR 5.4.1 requires that “a firm operating an MTF must: (1) clearly inform its users of their respective responsibilities for the settlement of transactions executed in that MTF; and (2) have in place the arrangements necessary to facilitate the efficient settlement of the transactions concluded under its systems.”

Although an MTF operator will not typically be counterparty to transactions executed on the MTF, as a market operator it has a responsibility under MAR 5.4.1 to facilitate efficient settlement of transactions executed on the MTF.

An MTF operator should therefore ensure that its rulebook gives effect to MAR 5.4.1(1) and (2) i.e. requiring that participants should duly settle transactions concluded on the MTF and clarifying the respective settlement responsibilities of participants and the MTF.

The MTF should also provide details of the arrangements it has in place to facilitate efficient settlement e.g. post-trade confirmations, established links to post-trade infrastructure providers. Granular settlement information such as this could be provided in supporting documentation to the MTF rulebook.

Good practice is for the MTF operator to be able to assess whether members are adhering to its rules requiring settlement of transactions concluded on its systems and this assessment can be conducted proportionately on a routine, exception or re-active basis.

Monitoring Compliance with MTF Rules

MAR 5.5.1(1) and (2) require that “a firm operating an MTF must: (1) have effective arrangements and procedures, relevant to the MTF, for the regular monitoring of the compliance by its users with its rules; and (2) monitor the transactions undertaken by its users under its systems in order to identify breaches of those rules, disorderly trading conditions or conduct that may involve market abuse.”

MAR 5.5.1(1) requires that an MTF operator regularly monitors compliance with all its rules. This requirement is wider in scope than monitoring only for potential market abuse or disorderly trading conditions as required by MAR 5.5.1(2).

An MTF operator must therefore ensure it is able to monitor for and ensure compliance with all aspects of its rulebook e.g. participant eligibility criteria, trading and settlement rules and anti-market abuse rules.

An MTF compliance function should be able to demonstrate how, and by whom, these rules are monitored.

In determining who at the MTF will monitor for specific rules compliance, it is good practice for the MTF to give consideration to the experience and background of the relevant personnel and the extent to which those personnel may have conflicts between their compliance objectives and commercial objectives, for example, as a result of a wider client-servicing role.

In our review, we noted good practice where some MTFs had appropriate sanctions in place to ensure compliance with its rules. These sanctions were clearly outlined in the MTF's rulebook. We observed a range of sanctions in place including written warnings, suspension or termination of participant access and public or private censure. Operators should consider the appropriate range of sanctions to ensure participants' compliance with the MTF's rules.

MAR 5.3.1 requires an MTF to have transparent rules and procedures for "fair and orderly trading." MAR 5.5.1(2) above requires that the MTF "monitor the transactions undertaken by its users under its systems in order to identify breaches of those rules, disorderly trading conditions or conduct that may involve market abuse."

An MTF operator should have rules and market control arrangements which enable it to provide for and maintain fair and orderly trading. As part of this, an MTF operator should identify the range of potential disorderly market conditions that could occur on the MTF e.g. stale market data, system outages or other business interruption events, erroneous orders or trades etc.

An MTF's rules and market control arrangements should seek to address the identified potential disorderly conditions through both preventative provisions, such as system security or erroneous order entry rejection, and re-active market control provisions, such as suspension of trading (e.g. at instrument or participant level) or trade cancellation, where appropriate.

An MTF operator's rulebook should contain a clear reference to the prohibition on market abuse.

An MTF operator should undertake regular assessments as to the types of market abuse that could occur on the MTF. An MTF should ensure it has appropriate monitoring and surveillance arrangements in place (systems, procedures and personnel) to monitor transactions undertaken by participants on the MTF and report to the FCA the activity of the types set out in MAR 5.6.1 in accordance with MAR 5.6.1 reporting requirements (see below).

Reporting Requirements

MAR 5.6.1 requires that "an MTF must:(1) report to the FCA: (a) significant breaches of the firm's rules; (b) disorderly trading conditions; and (c) conduct that may involve market abuse; (2) supply the information required under this rule without delay to the FCA and any other authority competent for the investigation and prosecution of market abuse; and (3) provide full assistance to the FCA, and any other authority competent for the investigation and prosecution of market abuse, in its investigation and prosecution of market abuse occurring on or through the firm's systems."

MTF operators will note that the reporting requirements of MAR 5.6.1(1) are threefold i.e. significant rule breaches, disorderly trading conditions and potential market abuse.

Reports made under MAR 5.6.1(1) (a) and (b) should be made to the MTF Supervision team in the first instance via MTFsupervision@fca.org.uk. MTF operators reporting

conduct which may involve market abuse (MAR 5.6.1(1) (c)) should report via market.abuse@fca.org.uk.

We expect the internal identification, escalation and reporting process to be well understood by MTF staff. Consideration should be given to the extent to which personnel involved in the reporting process, for example management team members with client-servicing and business development responsibilities, may face conflicts between their reporting obligations and commercial objectives. The MTF should ensure that its policies and procedures do not dis-incentivise fulfilment of reporting obligations where they may conflict with commercial objectives.