BlackRock

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Markets Reporting Team
Financial Conduct Authority
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Submitted via email to: dp24-2@fca.org.uk

RE: DP24/2: Improving the UK transaction reporting regime

BlackRock[1] is pleased to have the opportunity to respond to DP24/2 Improving the UK transaction reporting regime.

BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, we help millions of people build savings that serve them throughout their lives by making investing easier and more affordable.

This discussion paper raises important issues, and we will continue to contribute to the thinking of the Financial Conduct Authority (FCA) on any matters that may assist in the final outcome.

Yours faithfully,

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[1] BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

Executive summary

BlackRock welcomes the FCA's work to progress the evolution of the UK Markets in Financial Regulation (MiFIR) transaction reporting regime. We are supportive of the FCA's ambition for a more proportionate regime that will further strengthen the UK's position in global wholesale markets. To that end, we would encourage the FCA to positively reshape the UK regime with targeted reforms that are aimed at maximising the usefulness of the data collected instead of fundamentally changing the scope of the regime. This will also help to ensure that the reforms can be delivered at pace.

We welcome the consideration given to the UK regime's interoperability with the EU's Markets in Financial Instruments Directive (MiFID). Embedding a fragmented and divergent regulatory approach would result in inconsistent requirements for firms, on a cross-border basis, creating outsized operational costs. Additionally, the evolution of conflicting or inconsistent regimes can significantly increase operating complexity, which could lead to the undesired and unintended effect of increasing, rather than reducing, the attractiveness of capital markets.

We would encourage a continued focus on developing harmonised reporting requirements and common expectations, built in collaboration across regulatory jurisdictions. To that end, we would encourage the FCA to align with equivalent regimes including the EU's where practicable. Harmonisation and consistency across regimes are amongst the most important contributions regulators can make towards reducing friction, improving data quality and support the competitiveness of capital markets. We would also strongly encourage the FCA to consider harmonisation and the removal of duplicative requirements with other UK wholesale market reporting regimes including UK European Market Infrastructure Regulation (EMIR), and MiFIR pre- and post-trade transparency requirements.

Responses to questions

This response is intended to highlight those areas where we believe that particular attention by the regulators is warranted. We welcome the opportunity to comment on the issues raised by this discussion paper and will continue to work with the industry and the regulators on this matter and other topics.

Q1. How should we balance alignment between international transaction reporting regimes with the benefits from a more streamlined UK regime? Are there particular areas where divergence would result in more significant operational challenges or costs? These could be specific to field content, trading scenarios, reporting arrangements, or any other area.
Q2. What changes could we make to the UK's transaction reporting regime now to remove duplication or provide synergies with requirements in other UK wholesale market reporting regimes?

We welcome the FCA prioritising improvements to the usefulness of transaction reporting data and supporting the competitiveness of UK markets. These objectives reinforce one another and pursuing them will lead to the development of a more proportionate UK regime. To that end, we would encourage the FCA to be more ambitious in its proposals by maximising practicable alignment with the EU while simultaneously harmonising across UK wholesale market reporting regimes, in particular UK EMIR. This will help to ensure that duplicative reporting requirements are removed, the cost of reporting is reduced and valuable insights from more proportionate buy-side reporting is maintained instead of rescoping the regime.

We would strongly encourage the FCA to allow for Article 4 Transmission of an order between the UK and EU, and vice versa, reducing friction and improving market efficiency in doing so. We would also encourage the regulators to consolidate the number and complexity of identifiers where appropriate given the recent introduction of new identifiers and report tracking numbers. Several of these provide similar functions including Report Tracking Numbers (RTN) and Trading Venue Transaction Identification Code (TVTIC).

Q3. Which areas of the transaction reporting regime do you find most challenging? Please explain why.

We would encourage the FCA to reevaluate current fill reporting requirements, which are disproportionate and inefficient. Reporting each individual fill to the FCA does not guarantee higher quality or valuable data and poses challenges for brokers and investment managers alike. A single consolidated report based on average price would provide cleaner and more accurate order data while removing a considerable amount of duplication. Brokers already report their market fills so the FCA would still receive individual fills from the sell side.

Simplifying fill reporting would also ease firms reporting of internal client account – aggregated client accounts (INTCs). The simplification of reporting would reduce the volume of transmissions while still providing the FCA with important and insightful information relating to trades. The implementation of new INTC linking identifiers could also become easier as a consequence.

The introduction of new identifiers or codes including a Unique Product Identifier (UPI) to transaction reporting will create additional complexity. It is already difficult to source the correct International Securities Identification Numbers (ISIN) for Over the Counter (OTC) derivatives and determine their eligibility. This is in large part due to the lack of consistency and the length of time taken by systematic internalisers (SI) to submit reference data to the Financial Instrument Reference Data System (FIRDS). These gaps also pose challenges in identifying whether an instrument is Traded on a Trading Venue (ToTV) and/or whether the underlying instrument is Traded on a Trading Venue (UToTV). The identification of uTOTV for OTC and exchange-traded derivatives provides operational challenges and we believe the removal of the uTOTV for the purposes of scoping derivatives would lessen the operational burden.

We would welcome the FCA providing greater clarity on how to address these data gaps and how long must firms look back to resubmit transaction reports for in-scope instruments, which in turn will help to reduce "CON-412" errors. Alongside the challenges in sourcing data, there are issues with cross-referencing data across the database. This places limits on FIRDS capacity to support data reconciliation. It would be considerably more user-friendly were the FCA to introduce the ability to make an application programming interface (API) call against the database and produce bespoke results.

Q4. Could data quality be improved through new technologies or messaging standards? If so, how, and what can the FCA do to support this?

We would emphasise that moving to JavaScript Object Notation (JSON) would incur outsized cost and operational implications for firms. Given that UK XML schemas under UK EMIR have only been applicable since September 2024 and in keeping with promoting harmonisation across reporting regimes, there is not a strong use case for transitioning to a new messaging standard.

The Market Data Processor (MDP) portal however offers an opportunity to better leverage technology and create a more efficient user experience. At present, the process for accessing data is manual and time consuming. We would strongly suggest that the FCA offers an API connection to allow firms to automate the extraction MDP data. This also provides the ancillary benefit of firms being better equipped to reconcile trades and end to end controls of entities.

Q11. Would you support a change to the scope of reportable instruments to align with UK EMIR?

We do not support a change to the scope of reportable instruments to align with UK EMIR. This includes OTC derivatives as it will generate a disproportionate amount of transaction reports and additional cost, with the operational burden outweighing any possible benefits.

Q38: Would you have concerns with providing full names and dates of birth for the individuals within the firm responsible for investment decision or execution decision? Please explain why.

It is not clear how this would be a proportionate ask given that sufficient information on these individuals is already available on the FCA Register. This additional collection of personal data poses outsized information security and General Data Protection Regulation (GDPR) compliance risks given the transmission of individual data outside of the firm.

Q39. What difficulties, if any, do you encounter when submitting transaction reports for transactions in FX derivatives? Please provide details on how data quality could be improved in this area.

For RTS 23 reporting, the currency codes for FX swaps and forwards are reported alphabetically by the International Organization for Standardization (ISO) 4217 standard for currency codes. We would advocate that the FCA promotes consistency in market practice where firms diverge in using market convention or alphabetised reporting. FX alphabetical reporting is preferable given its wider scope and capacity to cover currencies that are traded more infrequently and therefore are not covered by market convention.

<u>Conclusion</u>

We welcome the opportunity to comment on the topics raised by this discussion paper and will continue to contribute to the thinking of the industry and the regulator. We would encourage the FCA to maximise the opportunity to develop a more proportionate regime that will further strengthen the UK's position in global wholesale markets and prioritise targeted reforms instead of fundamentally changing the scope of the regime.