167 Fleet Street, London EC4A 2EA, UK
+44 (0)20 7822 8380
info@aima.org
aima.org

Markets Reporting Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

By email: dp24-2@fca.org.uk

14 February 2025

RE: DP24/2 – Improving the UK Transaction Reporting Regime

Dear Sir or Madam,

The Alternative Investment Management Association (AIMA)[1] appreciates the opportunity to submit comments to the Financial Conduct Authority (FCA) in response to its discussion paper on improving the UK transaction reporting regime (the "discussion paper")[2].

The UK is the second largest asset management centre in the world and the largest in Europe. The alternative investment management sector contributes significantly to the UK economy, with more than 500 hedge fund managers[3] supporting over 50,000 jobs[4] across the UK. By investing in a variety of asset classes, including underperforming assets, hedge funds bring liquidity to markets that might otherwise be illiquid, helping to stabilise prices and reduce volatility. Alternative investment managers currently lend over £100bn to more than 2,000 UK businesses[5], many of

[1] AIMA is the world's largest membership association for alternative investments managers. Its membership has more firms, managing more assets than any other industry body and, through our 10 offices located around the world, we serve over 2,000 members in 60 different countries. AIMA's mission, which includes that of its private credit affiliate, the Alternative Credit Council (ACC) is to ensure that our industry of hedge funds, private market funds and digital asset funds is always best positioned for success. Success in our industry is defined by its contribution to capital formation, economic growth and positive outcomes for investors, while being able to operate efficiently within appropriate and proportionate regulatory frameworks. AIMA's many peer groups, events, educational sessions and publications, available exclusively to members, enable firms to actively refine their business practices, policies and processes to secure their place in that success.

[2] Available at: www.fca.org.uk/publication/discussion/dp24-2.pdf.

[3] Source: Preqin data

[4] See https://www.aima.org/article/global-hedge-fund-industry-employs-nearly-400-000-people-up-a-third-since-2010.html.

[5] Source: Preqin data and Alternative Credit Council research.

which are high-growth, innovative small and medium-sized enterprises and mid-market businesses.

For this world-leading industry to flourish, it is vital to ensure that it is subject to effective and proportionate regulation. HM Treasury's Financial Services Future Regulatory Framework Review represents an important step towards this goal and we fully support the outcome of ensuring that the UK maintains a coherent, agile and internationally respected approach to financial services regulation that delivers appropriate protections and promotes financial stability.

We believe that there is more to do in terms of ensuring that the regulatory environment is appropriately designed to foster growth and innovation. AIMA welcomes the FCA's work to overhaul its transaction reporting framework under the UK Markets in Financial Instruments Regulation (UK MiFIR) to ensure requirements are proportionate for market participants, while providing the FCA with the information that it needs.

In our view, transaction reporting as it operates today places a cost and burden on UK Markets in Financial Instruments Directive (MiFID) investment firms that is not justified. Our calculations, which we explain in the Annex to this letter, suggest that the collective cost to UK firms associated with transaction reporting could exceed £500,000,000 annually. Our member firms routinely single out transaction reporting as being one of the most significant compliance burdens associated with the MiFID regime, noting that compliance with the reporting requirements both creates major one-off systems build costs and generates significant on-going costs associated with making reports and validating reporting processes.

We therefore believe that amendments to the UK transaction reporting regime should focus on reducing the reporting burden on all parties involved, improving the quality of data reported to the FCA and ensuring that the rules are designed in a way that reflects the differing operational capacities of counterparties to a trade.

Specifically, we strongly advocate for the removal of 'buy-side' investment firms from the scope of transaction reporting requirements under Article 26 of UK MiFIR, on the basis that sell-side firms with whom those firms execute transactions in most cases also report those transactions. We see no inherent need for transaction reporting to be 'dual-sided' and believe that removing the obligation on buy-side firms to submit transaction reports would neither reduce the quality of information available to the FCA nor decrease the FCA's monitoring and oversight capabilities. Transaction reports submitted by sell-side firms provide the FCA with the necessary information for it to monitor market activities and detect potential market abuse, just as MiFIR recordkeeping requirements ensure that the FCA will still be able to obtain detailed information on buy-side firms' trading activities – as it does today in respect of buy-side firms that are outside the scope of transaction reporting by virtue of operating under an Alternative Investment Fund Managers Directive (AIFMD) or Undertaking for Collective Investment in Transferable Securities (UCITS) licence. This would bring the UK regime in line with that of other key global jursdictions, as we explain in this submission.

In a similar vein, we do not support any extension of the reporting requirements to AIFMs or UCITS Management Companies (ManCos) for their MiFID activities, as raised by the FCA in the discussion paper.

We note that when advancing its primary objectives of consumer protection, market stability and effective competition in the interest of consumers, the FCA must consider a secondary objective to facilitate the international competitiveness of the UK economy, including the financial services sector in particular, and its growth in the medium to long term, subject to aligning with relevant international standards.[6] The FCA believes "proportionate regulation" – which seeks to ensure that regulatory costs or restrictions on firms are proportionate to the expected wider regulatory benefits and also make the UK financial services industry a more attractive place to participate in – is a key driver that contributes to growth and competitiveness.[7]

Amending the scope of the reporting obligation would significantly reduce the regulatory burden on buy-side firms – particularly those that do not have the same operational and reporting capacity as larger sell-side institutions – and enable them to redirect valuable resources to their core activities, including investor protection and market abuse oversight, and to further enhancing their contributions to the UK economy.

We provide further detail on the burden of transaction reporting on buy-side firms in the Annex and Appendices I – III. AIMA is keen to engage with the FCA as it works to create its consultative position on the development of a new transaction reporting regime and help deliver necessary growth in financial services.

If you would like to discuss any aspect of our submission further, please contact Aniqah Rao (arao@aima.org) and Adam Jacobs-Dean (ajacobs-dean@aima.org).

Yours faithfully,

/s/

Adam Jacobs-Dean
Managing Director and Global Head of Markets, Governance and Innovation
AIMA

[6] See the Financial Services and Markets Act 2023, available at: www.legislation.gov.uk/ukpga/2023/29/contents.
[7] See www.fca.org.uk/publication/corporate/secondary-international-competitiveness-growth-objective-statement.pdf.

ANNEX

1. **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.**

We acknowledge that transaction reporting is central to the FCA's monitoring of market abuse and supervision of firms and the market. However, the framework as it operates today is neither proportionate nor effective and is potentially acting as a disincentive for firms to operate in the UK rather than other jurisdictions that do not require buy-side firms to report transactions. AIMA believes the UK should align its approach to the scope of entities subject to UK MiFIR transaction reporting requirements with the approach followed by other key global jurisdictions, such as the US, where the obligation to report transactions is imposed only on 'sell-side' counterparties and trading venues.

Below we examine:

- The cost and burden of transaction reporting
- A more effective, 'single-sided' transaction reporting regime;
- Limitations of Article 4 of RTS 22 "Transmission of Orders";
- The disparity between requirements for MiFID investment firms and other buy-side firms; and
- How the UK compares with key global jurisdictions.

The cost and burden of transaction reporting

Transaction reporting places significant operational costs and resource burdens on buy-side firms, a burden considerably larger than other operational and regulatory tasks. Firms may choose to handle the process internally or outsource transaction reporting to third-party service providers, both of which are complex and resource intensive. Smaller firms are more likely to outsource transaction reporting as they typically have fewer resources to build and maintain in-house capabilities. However, larger firms may also choose to outsource the function where it is cost-effective and enables them to concentrate on their core business activities, such as trading and investment, while delegating the regulatory complexities to specialised experts.

For firms that handle transaction reporting internally, significant investment is required to set up and maintain necessary systems infrastructure, data management tools and personnel. Transaction reporting involves more than submission of a report to the FCA or an Approved Reporting Mechanism (ARM). Firms must ensure that the data they report is accurate, complete and consistent across different sources. This entails considerable resources to collect, validate and reconcile the data. Costs can be broadly categorised as those relating to (i) human resources; (ii) technology and infrastructure; and (iii) operational and reconciliation. Transaction reporting requires dedicated staff to ensure reports are accurate and timely, from compliance and legal personnel to technology and operations staff. This entails continuous training to ensure staff stay updated on evolving rules and guidance. The complexity of the current regime is underscored by the length and complexity of the onshored MiFID II transaction reporting guidelines which are 290 pages in length and contain a significant number of fine, technical distinctions between reporting requirements in different factual scenarios.[8] Transaction reporting also requires specialised software for data aggregation, validation and submission, with the costs of reporting tools and systems variable based on the size and complexity of the firm. Integrating systems with trading platforms, internal databases and external reporting mechanisms incurs development and implementation costs as well as ongoing maintenance and support costs. In addition, trade reconciliation is a resource-intensive process as firms periodically check and maintain systems to validate individual transactions, manage the potential for reporting inaccuracies or data breaches and correct errors and omissions. The tight T+1 reporting deadline also means that even for firms with limited volumes of reportable transactions, a significant degree of investment in automation may still be required to ensure timely retrieval of relevant data and population of the necessary reports.

Firms that outsource reporting typically delegate the responsibility of generating and submitting reports a to third-party provider. While outsourcing can reduce the day-to-day operational burden of managing the reporting process, it also comes with costs. In addition to provider fees – potentially multiple if firms require separate providers for each asset class traded - firms must integrate internal systems with the provider's platform, ensure that necessary data is captured and transmitted accurately and monitor the provider's performance to ensure compliance with regulatory requirements. As a contingency, firms may also maintain in-house reporting capabilities. While the provider manages the reporting process, the firm remains ultimately responsible for compliance and must consistently audit the provider's services to ensure the accuracy and timeliness of report submissions.

From anecdotal evidence, it is clear that transaction reporting represents a major cost burden for AIMA's UK member firms. It is routinely cited as being much more challenging than other core compliance obligations and it is apparent that the costs associated with transaction reporting do influence firms' decisions about what instruments they might trade and how they structure their businesses. It is also very evident that the costs associated with transaction reporting are not evenly spread. Firms that undertake very similar activities – managing investments on behalf of external investors – fall either within scope or outside the scope of the transaction reporting obligation depending on the regulatory licence (MiFID, AIFMD, UCITS) under which they operate, which ignores the underlying commonality in terms of their activities. It therefore has a meaningful impact on competition within financial services and on the competitiveness of the UK more broadly.

There are challenges in moving beyond an anecdotal assessment of these costs to one that is grounded in empirical data. These challenges include:

- Firms' reluctance to share sensitive data on costs with their industry bodies; and

[8] See *Guidelines on transaction reporting, order record keeping and clock synchronization under MiFID II* (ESMA/2016/1452), as applied in accordance with the FCA's stated approach in *Brexit: our approach to EU non-legislative materials*.

- The difficulty in generalising a sample of firms' costs across the wider industry, given that costs will depend on various factors, such as the volume of a firm's trading, the nature of the instruments it trades and the service providers that it uses.

However, despite these challenges, we set out below an approach to seeking to understand the aggregate costs to industry associated with transaction reporting that we hope will be useful to the FCA's assessment of the costs and benefits associated with the existing regime.

General cost observations

AIMA has collated data from a sample of UK manager member firms of varying sizes to highlight the operational and financial burdens imposed by the UK MiFIR transaction reporting regime. The data, summarised below, illustrates the significant resources required, particularly for firms trading in high-complexity asset classes.

	Mid-Sized Firm	**Large Firm**
Global AUM range	USD1bn – USD10bn	USD10bn+
Number of daily transactions and complexity of asset classes traded	1,000 to 10,000 transactions daily in highly complex asset classes (e.g., CDOs, CLOs, CDS, TRS, distressed debt, emerging market instruments, commodities, REITs). Up to 100,000 transactions daily in moderately complex assets classes (e.g., options, futures, structured products, swaps, FX forwards, futures) and low complexity asset classes (e.g., equities, cash equities, ETFs, bonds).	100,000+ transactions daily in highly complex asset classes (e.g., CDOs, CLOs, CDS, TRS, distressed debt, emerging market instruments, commodities, REITs).
Number of Full-Time Equivalents (FTEs) devoted to transaction reporting	3 - 5	6 - 9
Initial implementation cost (e.g. technology set up, consultancy fees, staff training and onboarding)	£50,000 - £200,000+	£200,000+

Annual costs for using an ARM	Up to £500,000	Up to £500,000
Annual costs for using reference data	£25,000 - £100,000+	£100,000+
Annual system maintenance costs (e.g., software updates and integration with trading systems)	£15,000 - £100,000+	£100,000+
Other annual service provider costs (e.g., legal and compliance advice and regulatory audits)	Up to £15,000, but potentially exceeding £100,000	Up to or exceeding £100,000
Time spent per month on transaction reporting tasks (e.g., submitting reports and correcting errors and omissions)	30 – 100+ hours	100+ hours

Defining a 'per transaction' cost

The analysis above provides a breakdown of the various costs associated with transaction reporting. Combining these costs (covering vendor costs, external fees and staff salaries) to give an 'all-in' cost to firm allows for an analysis of the costs of reporting relative to number of in-scope transactions. This is helpful in the context of seeking to determine the industry-level costs associated with transaction reporting.

Firms with very low numbers of in-scope transactions (fewer than 120 transactions in a year) have suggested to us that the annual costs of outsourcing the reporting of those transactions to a service provider totals about £50,000.

The resulting reporting cost per trade is therefore:

£50,000 ÷ 120 = £417

Reporting costs per trade are not linear. Firms with larger volumes of transactions will incur considerably higher absolute costs – as noted above – but will also enjoy economies of scale that lead to lower reporting costs when viewed on a trade-by-trade basis. A firm with 75,000,000 transactions a year suggested that its total reporting costs were approaching £5,000,000 annually after allowing for vendor costs and staffing.

The resulting reporting cost per trade is therefore:

$$£5,000,000 \div 75,000,000 = £0.07$$

Given the FCA currently receives 7 billion transaction reports annually, this implies that – assuming the lower reporting cost per trade – financial services firms collectively spend in excess of £450,000,000 per year on transaction reporting. We believe that this is inherently a very conservative estimate, given that low volumes of reporting are associated with higher per trade reporting costs and that a collective cost estimate of £500,000,000 per year is therefore reasonable.

For a more sophisticated analysis, the FCA could bucket firms according to number of reports submitted annually and seek to identify more representative costs of reporting by activity bucket.

A further challenge to consider is that certain types of transactions will generate disproportionate reporting costs because the complexity of reporting them requires additional human intervention. For example, for a firm trading in standardised highly liquid assets such as cash equities, the data required for transaction reporting is relatively simple and consistent across transactions. In contrast, a hedge fund manager trading more complex instruments – such as many of AIMA's members - may incur higher reporting costs even if the trade volumes are lower, due to, for example, greater data gathering and reconciliation costs. The FCA might seek to understand which particular trade types are relatively more costly to report and how this compares with the benefit of information it receives on those trades.

The FCA could also seek to identify how the cost is distributed among different types of financial services firms by using specific permissions held by firms as a basis for sorting them broadly into sell-side and buy-side firms. Here it will be important to take into account that the maintenance of reporting capabilities is commercially important for sell-side institutions, as it maximises the services that they can provide to clients. This consideration is not the case for buy-side institutions, who are effectively seeking to sell their investment expertise to investors more than providing operational capabilities as a service.

External vs. internal costs

In terms of the make-up of the costs associated with transaction reporting, as referenced earlier, some of our larger members with high trading volumes have indicated that they spend between £450,000 and £750,000 annually on external vendors' services, including connectivity to an ARM, costs for reference data and advisory costs.

These costs are obviously material, but in relative terms are smaller than staffing costs associated with day-to-day management of transaction reporting. As indicated, staffing levels can vary but firms typically require between 1 – 10 FTEs (noting that absolute staffing levels at a typical AIMA UK member firm are generally well below 100 members of staff).

Removing buy-side firms from the transaction reporting obligation would almost certainly eliminate a significant portion of the external costs that firms face. Internal staffing costs might show greater inelasticity as firms might seek to reallocate compliance and operations resource to more productive uses which are more likely to benefit firms, their clients and the soundness of the sector overall. This excludes transaction reporting specialists who are less likely to be repurposed for other compliance functions, thus leading to a reduction in staffing costs. The FCA should consider in its analysis the extent to which involvement of staff in transaction reporting is at times a distraction from more valuable work that would better support productivity and overall risk management.

On the other side of the cost benefit analysis equation is ultimately the value that the FCA derives from transaction reports submitted by buy-side firms. It will be for the FCA to assess these benefits, but we encourage it to be conscious of the following:

- The FCA's market monitoring capabilities already operate without direct reporting from buy-side firms that operate under an AIFMD or UCITS licence.

- The FCA can and does request data from buy-side firms regardless of whether they provide transaction reports; the FCA can take comfort that recordkeeping obligations will ensure that relevant data is available to it upon request. These direct requests may also be more targeted and efficient, allowing the FCA to collect additional relevant information from the firm alongside the transaction data to understand the surrounding context.

- Transaction reporting – and specifically a dual-sided model of transaction reporting – is not necessarily the best policy tool to deal with inaccurate reporting by certain entities, which can be better addressed by better specification of reporting fields.

A more effective, 'single-sided' transaction reporting regime

The current transaction reporting framework places disproportionate burdens on buy-side firms, particularly in the case of reporting equity swaps (see AIMA's response to Question 3 of the discussion paper), without providing meaningful insights for the FCA's market abuse monitoring. Placing responsibility on the sell-side to report transactions to the FCA would make for a simpler, less costly, and yet equally effective reporting architecture. Please see Appendix III for our suggested technical wording for the FCA Handbook that would achieve this result – essentially, we would recommend that the FCA only apply the transaction reporting requirements to firms whose regulatory permissions include 'dealing in investments as principal'.[9]

---

[9] We suggest using the 'dealing in investments as principal' (Article 14 RAO) as the relevant trigger for a firm becoming subject to the transaction reporting obligation because this is straightforward to determine from a firm's permission profile

Sell-side firms have the infrastructure and systems in place to handle transaction reporting, given that reporting capabilities are central to their ability to provide execution services to their clients. For buy-side firms, such as investment managers, transaction reporting obligations detract from their core investment activities and impose an unnecessary regulatory burden. Freeing buy-side firms from the burden of reporting would allow them to focus on their primary business – investing on behalf of their clients – and to devote additional compliance resource to more productive monitoring and oversight tasks.

Removing the obligation on buy-side firms to submit transaction reports would neither reduce the quality of information available to the FCA nor decrease the FCA's monitoring and oversight capabilities. Transaction reports submitted by sell-side firms and trading venues provide the FCA with necessary information to monitor market activities and detect potential market abuse – something that is readily apparent from the fact that buy-side firms operating under an AIFMD or UCITS licence rightly do not need to report their transactions to the FCA (examined in detail below).

The majority of the fields in the corresponding transaction reports for buy-side and sell-side firms are identical, with the same key transaction details duplicated (See Appendix I for a comparison of buy-side and sell-side transaction report fields). As shown in Appendix I, the differences broadly relate to fields indicating the investment decision maker and the execution decision maker, information which the FCA can access through requesting records from buy-side firms who are obliged to keep records of orders that result in transactions as well as any orders that are rejected, modified or cancelled (see Appendix II for a comparison of data reported under RTS 22 and kept under UK MiFIR recordkeeping obligations). As such, the FCA is able to form a complete picture of firms' activities and the market without relying on duplicative buy-side transaction reports.

Limitations of Article 4 of RTS 22 "Transmission of Orders"

It is worth noting that the UK MiFIR framework recognises the efficiency of sell-side reporting – and that buy-side firms do not need to report transactions directly for the purposes of market surveillance and market abuse monitoring. RTS 22 Article 4 "Transmission of Orders" provides buy-side firms an option of sending order information to a sell-side firm to report the transaction to the FCA. The responsibility to report then lies ultimately with the sell-side firm. As the FCA is aware, however, take-up of this option by buy-side firms is low. There are several reasons for this, all of which point to a single umbrella reason: the concept of order transmission, while well-intentioned, does not reduce the burden of transaction reporting or improve the efficiency of transaction reporting. Specifically, the order transmission framework places insurmountable burdens on both buy-side and sell-side firms, which we outline below.

on the Financial Services Register and would be easier for firms to apply and for the FCA to supervise in practice. This test would also have the effect of carving out agency-only brokers from transaction reporting. Although, to the extent that they are interposed between a trading venue or another firm dealing as principal, the venue or other firm would still ultimately report the transaction. A possible variation on this would be to specify the trigger as the MiFID activity of 'dealing on own account' however this activity is not directly reflected on a firm's permissions profile, having substantial overlap with – but not being identical to – dealing as principal.

Firstly, it requires a buy-side firm to establish sophisticated systems for transmitting accurate data to the receiving firm, while assuming liability for potential failures to transmit orders correctly or on time. In practice, the information that must be supplied by the buy-side firm to the receiving sell-side firm under Article 4(2) of RTS 22 is not substantially less than the information that would be required for the buy-side firm to populate its own direct transaction report. The firm must continuously monitor what is transmitted to the receiving firm, but at the same accept that it has no visibility over the ultimate reporting procedures of the receiving firm. Orders transmitted to sell-side counterparties may include sensitive data such as the identity of decision makers or client details and inadvertent disclosure of clients' strategies or market intentions, which could be misused. In these circumstances, buy-side firms are likely to conclude that it would be preferable to simply connect to an ARM directly.

When connecting to an ARM, the risks associated with data flow and privacy differ to those related to the transmission of orders to a sell-side firm. ARMs, as a third-party intermediary, do not execute trades - their role is more limited than that of sell-side firms which have broader access to client trading activity and are involved in multiple transactions across different clients. Anonymising and pseudonymising data, for example, before transmitting an order does not eliminate risks of reidentification.

The limitation of the order transmission framework is further emphasised through the impracticality of relying on written agreements, as mandated under Article 4 of RTS 22. Order transmission carries clear disincentives for receiving sell-side firms, given that they become liable for reporting correctly. Sell-side firms do not typically offer transmission of order services as part of their standard terms of business and they are reluctant to put in place written order transmission agreements, which have prescriptive content requirements, including time limits for the transmitting firm to provide order details and requirements on receiving firms to verify the accuracy of transmitted orders. The absence of standardised terms exacerbates this issue, as each agreement must be individually negotiated with brokers. Even where sell-side firms are willing to enter into transmission agreements, there is no industry standard template, which means each agreement must be negotiated bilaterally between the parties. This is inevitably a time-consuming process and prevents firms wishing to make use of the transmission model from acting quickly if they wish to on-board with a new broker or sell-side counterparty. In this regard, buy-side firms would much prefer a single-sided regime that clearly apportions responsibility for reporting (as in the UK MiFIR trade reporting regime, for example) – this would prevent delays from the parties needing to negotiate on this point, as described above.

In addition to the operational barriers to uptake, there are also technical challenges that prevent buy-side firms from being able to utilise the Article 4 exemption. This exemption does not apply in situations where a buy-side firm actively participates in a trade and assumes responsibility for executing trades themselves, often through bilateral negotiations or direct engagements with counterparties. For example, when a firm acts as a principal trader or when trades involve multiple quotes and the firm executes the trade directly with a counterparty. The exemption is also challenging to apply in complex or illiquid asset classes, where buy-side firms are more likely to execute trades independently that require bespoke negotiation or specialised knowledge, such as in structured products or non-listed securities. The exemption was designed for cases where a buy-side firm simply transmits an order to the sell-side, but this does not reflect the reality for buy-side firms that actively execute trades. As such, the order transmission framework fails to provide the intended flexibility for buy-side firms and does not alleviate the cost and burden of transaction reporting.

We would also point out that the transmission model set out under Article 4 of RTS 22 differs from delegated reporting under the UK European Market Infrastructure Regulation (UK EMIR), which firms commonly use. Under UK EMIR, the responsibility for ensuring that the OTC derivative transactions are reported accurately remains with the buy-side firm. The type of data reported under UK EMIR also differs.

AIMA notes the FCA's interest in improving the transmission requirements under Article 4 of RTS 22. We welcome the FCA's recognition of the high cost of transaction reporting on buy-side firms, particularly smaller firms, and willingness to put forward solutions. However, AIMA does not believe that the FCA's proposals to (i) maintain and publish an opt-in register of UK investment firms that are willing to act as a receiving firm; (ii) allow UK investment firms to act as a transmitting firm when dealing on their own account or acting in matched principal trading capacity; and (iii) permitting UK MiFID investment firms (including UK branches of third country investment firms) to act as a receiving firm for non-MiFID investment firms meaningfully address the costs and burden of transaction reporting. We would also note sell-side opposition to the FCA's proposals. AIMA does not believe any other options such as mandating delegated reporting provide a suitable solution. At its core, order transmission requires buy-side firms to transmit data to sell-side firms in a manner almost identical to submitting data to the FCA via an ARM. As such, there is little incentive for buy-side firms to undertake the effort of transmitting an order in place of reporting a transaction, given the additional considerations set out above. The problems associated with the limited use of Article 4 of RTS 22 can be directly alleviated through addressing the scope of the transaction reporting obligations.

The disparity between requirements for MiFID investment firms and other buy-side firms

AIMA understands that the primary role of transaction reporting is to support the FCA's market abuse monitoring and market monitoring capabilities. However, transaction reporting requirements are imposed only on MiFID investment firms. AIFMs, UCITS ManCos and AIFMs and UCITS ManCos with MiFID 'top up' permissions are – quite rightly – not subject to transaction reporting requirements. Both MiFID investment firms and CPMI firms conduct the activity of portfolio management, however only one subset of firms is subject to reporting. As shown in Figure 1 below, around 32% of AIMA's UK investment manager members are authorised as MiFID investment firms and subject to transaction reporting requirements. [10] At least 68% of our member firms are not authorised as MiFID investment firms and therefore not in scope of the requirements. The exclusion of reporting requirements for firms which make up most of the buy-side implicitly demonstrates that buy-side transaction reporting is

[10] AIMA's membership data is based on 173 UK manager firms with current FCA permissions. Global assets under management range from less than USD 25m to more than USD 20bn, correct as of November 2024. Based on a review of the activities that firms have permissions for under the FCA's Financial Services Register[10], member firms have been categorised as (i) pure MiFID authorised firms; (ii) pure AIFMs; and (iii) AIFMs with MiFID top-ups.

not required to support effective market abuse and market monitoring by regulators. In reflecting on CPMI firms, the FCA itself states in the discussion paper, “we are unclear whether the additional cost of reporting imposed on these firms would be justified by the benefit of the data we would receive”.

The reporting obligation places firms conducting MiFID portfolio management at a competitive disadvantage to firms managing AIFs and UCITS funds. As shown in Figure 2, MiFID investment firms are the largest category of AIMA member firms by global assets under management (AUM). Thus, the burden of transaction reporting falls more on the firms that have the greatest potential to allocate more capital to UK markets if the regulatory burden were reduced. Removing the transaction reporting requirements for buy-side MiFID investment firms would increase the competitiveness of MiFID portfolio management firms and the UK.

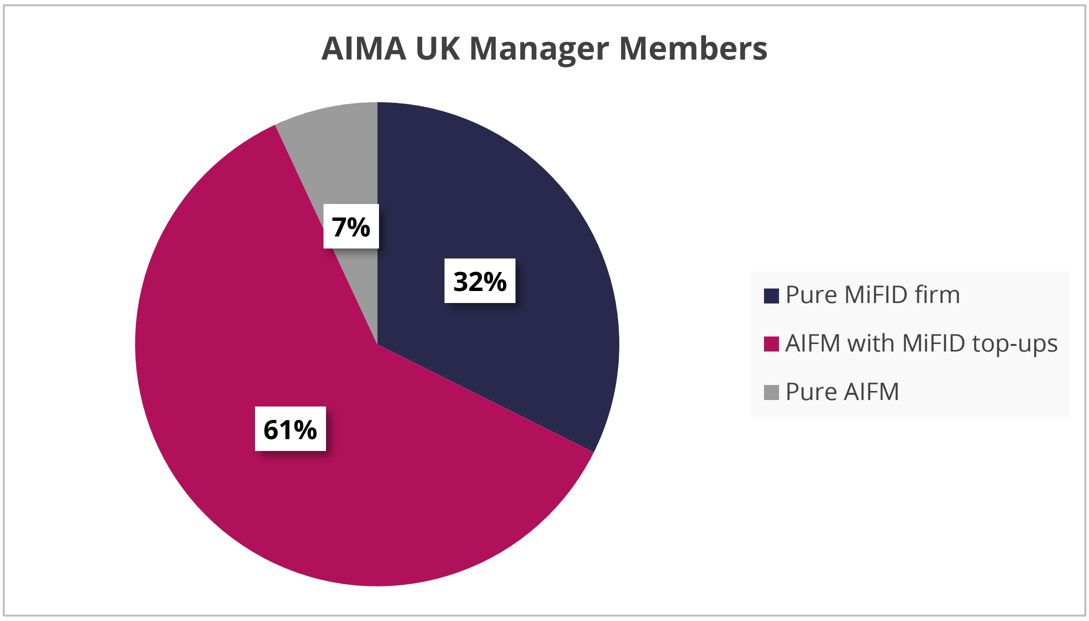

Figure 1

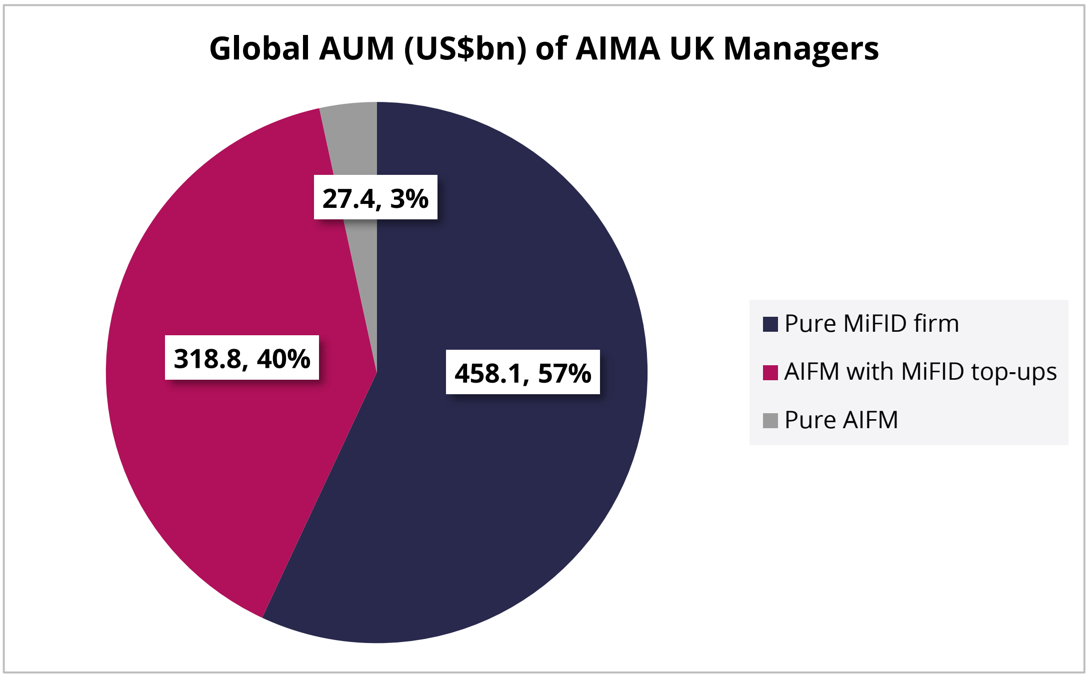

Figure 2

How the UK compares with key global jurisdictions

The UK (and EU) MiFIR transaction reporting regime is notably more burdensome compared to the regulatory frameworks in other major and emerging financial centres, such as those in North America, the APAC region and the Middle East. Outside of Europe, jurisdictions have developed frameworks that limit regulatory burdens on buy-side firms while still enabling effective market surveillance and monitoring of market abuse. De-scoping buy-side firms from the UK MiFIR transaction reporting requirements would align the UK with global regulatory norms and strengthen its competitiveness as a financial hub for international investors.

In the US, buy-side firms are not required to submit transaction reports to regulators. Instead, the responsibility for transaction-level reporting rests with sell-side firms, such as broker-dealers and execution venues. There is a clear distinction between the responsibilities of buy-side and sell-side firms in maintaining market regulatory efficiency. It is understood that risk is best measured and monitored when trading activity is closest to the trading nexus of a transaction, which is why sell-side firms, who execute and settle transactions on behalf of their buy-side clients, are seen as the more appropriate entities to submit transaction reports. Broker-dealers and execution venues are responsible for reporting transaction and order-level data to the Consolidated Audit Trail (CAT), which captures detailed trade data, including transactions conducted by buy-side firms via their broker-dealers. CAT data provides the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC) with a comprehensive audit trail of all securities transactions, which is used for market abuse detection, enabling regulators to trace the full life cycle of trades in US markets. The US model demonstrates that market surveillance and market abuse monitoring can be effectively managed without requiring buy-side firms to report transactions.

In Hong Kong, the regulatory framework similarly places the responsibility of reporting on relevant regulated intermediaries (RRIs)[11] which engage in bookbuilding or placing activities in equity capital market and debt capital market transactions. RRIs are required to report securities transactions placed (or proposed to be placed) by their clients, such as those by fund managers or discretionary accounts. The Hong Kong Investor Identification Regime (HKIDR) ensures that each direct client is tagged with a Broker-Client Assigned Number, which is then linked to their securities orders. This system allows for effective monitoring without requiring the direct reporting of transactions by buy-side clients. RRIs must also report over-the-counter (OTC) securities transactions in ordinary shares and real estate investment trusts listed on the Stock Exchange of Hong Kong and deposits and withdrawals of physical share certificates to the Securities and Futures Commission (SFC), further ensuring market integrity.

Likewise, in the Dubai International Finance Centre and Abu Dhabi Global Market - emerging asset management hubs - there are no equivalent transaction reporting requirements analogous to those under UK MiFIR for buy-side firms. In the Abu Dhabi Global Market, the Financial Services Regulatory Authority requires recognised investment exchanges,

[11] Persons licensed by or registered with the Securities and Futures Commission of Hong Kong which, in connection with the carrying out of (i) proprietary trading and (ii) the provision of securities brokerage services for a person in respect of orders placed through an account opened and maintained for that person, (a) submit (or arrange to submit) for execution of an on-exchange order; (b) carry out an off-exchange order; or (c) conduct off- exchange trade reporting).
Defined in 5.6(b)(xiv) of the SFC Code of Conduct. Available at:
https://apps.sfc.hk/edistributionWeb/api/circular/openAppendix?lang=EN&refNo=21EC37&appendix=0.

multilateral trading facilities and organised trading facilities to report details of orders and transactions in financial instruments traded on their platforms which are inputted, executed or reported through their systems.[12] The Dubai Financial Services Authority and the Financial Services Regulatory Authority rely on regulated exchanges and trading venues to conduct market surveillance, monitor for market manipulation and report suspicious trading behaviour to them as necessary. All firms are required to submit suspicious transaction and order reports where there are reasonable grounds to suspect market abuse across their transactions and maintain adequate systems and controls to monitor for potential market abusive transactions.

In jurisdictions like Singapore, regulators have adopted regulatory reporting frameworks that focus on short and long position reporting and OTC derivatives reporting rather than transaction-level reporting for market abuse monitoring, which typically operates at the level of trading venues instead. In Singapore, the Singapore Exchange plays a key role in market surveillance, working alongside the Monetary Authority of Singapore to ensure that market abuse is detected. This approach demonstrates that effective market monitoring and market abuse detection can be achieved without transaction-level reporting and by leveraging other available data.

It is also important to note that any divergence from EU MiFIR by establishing a single-sided transaction reporting regime in the UK would not lead to a pronounced difference between the UK and EU in terms of the extent to which reports are made by buy-side firms. Most EU asset management firms operate under either a UCITS or AIFM licence, occasionally with a MiFID top-up permission. Over the last few years, this trend has been growing as MiFID-licenced asset managers have moved toward adopting UCITS/AIFM licences instead. Therefore, de-scoping buy-side firms in the UK would bring the UK in line with the broader EU asset management landscape, where most firms are exempt from transaction reporting obligations, and promote a more competitive environment.

2. 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?

As set out in our response to Question 1 of the discussion paper, we believe that duplication under the transaction reporting regime can be removed through removing buy-side firms from the scope of transaction reporting requirements. As detailed in our response, the data provided in sell-side transaction reports is mostly the same as that included in buy-side reports and the FCA can leverage other data sources such as market data and firm records to support its market abuse monitoring and market monitoring activities.

A single-sided approach to UK MiFIR transaction reporting would align well with the existing UK MiFIR trade reporting regime. As outlined in Articles 14 – 23 of UK MiFIR and in RTS 1 and 2, post-trade reporting obligations are placed on either a trading venue, systematic internaliser or a qualifying investment firm. Under the framework, only one counterparty is required to

[12] See the Financial Services and Markets Regulations 2015, Chapter 4 'Transaction Reporting', Section 149 'Obligation to report orders and transactions'.
Available at: https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_12483_VER15081523.pdf.

disclose the details of the trade - the sell-side counterparty takes on the reporting responsibility, in line with a clear disclosure hierarchy. The regime does not permit duplicative reporting of a trade as both counterparties are not required to report the same trade. This avoids unnecessary burdens and ensures that the disclosure regime remains streamlined and efficient. Removing the obligation on buy-side firms to submit transaction reports would create greater coherence within the regulatory system and enhance overall market efficiency.

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

As set out in our responses to Questions 1 and 6 of the discussion paper, the requirement for buy-side firms to submit transaction reports is the most challenging and burdensome aspect of the regime. The reporting framework places disproportionate burdens on buy-side firms without providing meaningful insights for the FCA's market abuse monitoring. AIMA believes that buy-side firms should be de-scoped from the reporting requirements, given that sell-side counterparties report the transactions.

An example of where the cost of reporting on buy-side firms outweighs the potential benefits to the FCA is in the context of equity swaps. The FCA's 2023 Suspicious Transaction and Order Reports (STOR) metrics reveal that 91% of STORs were related to equities[13]. Many equity transactions are executed via swaps thus the utility of buy-side transaction reports for the FCA's market abuse monitoring is unclear. Reporting equity swaps does not offer meaningful insight into market activity. These swaps are often structured as portfolio swaps, which aggregate data, making it challenging to break down individual equity line items. Moreover, the timestamp on these trades typically reflects the time the swap was written, which is normally at the end of the trading day and does not align with the original equity reference market data. This further diminishes the effectiveness of the reports given that timestamp is a key market abuse surveillance data point. Automating the consumption of end-of-day prime-broker swap files is both time-consuming and costly for firms. Firms rely on prime-broker data to supplement their reporting, but the added complexity of this process often causes delays in trading with certain brokers, as firms cannot execute trades until the swap file process is fully operational.

AIMA would highlight some additional examples of technical challenges associated with transaction reporting:

- Use of FCA Financial Instruments Reference Data System (FIRDS)

Firms expect FCA FIRDS to be a golden source for instruments traded on a trading venue (TOTV), at the point when the reporting obligation arises. Challenges arise where firms are unable to validate details due to delays in FIRDS updates by trading venues, which increases operational risk and reduces efficiency as firms are forced to delay reporting and manually adjust reports, leading to non-compliance with FCA timelines.

- Correcting Errors and Omissions

[13] See www.fca.org.uk/markets/how-report-suspected-market-abuse-firm-or-trading-venue/number-stors-received-2023.

Firms note a lack of guidance around the point at which an error and omission firm is to be submitted and the complexity of the forms, which ask for a significant amount of detail in every case and are not well-calibrated for relatively minor corrections. The lack of a materiality threshold and responsiveness from the FCA when firms seek advice on escalations also contribute to the challenges of reporting errors and omissions.

- Complex Trades

Firms note a lack of guidance on the reporting of different types of complex trades, which should include examples of different reporting scenarios, particularly where multiple asset classes are involved in one complex trade. Guidance is also required on how package trades and complex trades can be similar and different under certain aspects of the requirements.

- Venue MIC

Buy-side firms depend on sell-side firms to retrieve accurate Venue MIC information in fix messages, but data quality is not always in line with requirements. For example, firms receive operating MIC codes instead of segment MIC codes from some UK/EU brokers. In the case of non-UK/non-EU venues, firms do not always receive Venue MIC information in fix messages. This requires firms to implement complicated logic internally to report the appropriate Venue MIC and the associated fields.

- Maintenance of Reference Data Required for Populating Fields 42 – 56

Retrieving reference data from ANNA-DSB to populate reference data fields is not always straight forward. Reference Rate Term Unit is ambiguous for inflation swaps resulting in multiple ISINs being generated by different counterparties. Different counterparties generate different ISINs for inflation swaps, depending on how the Reference Rate Term Unit is defined when generating the ISIN from ANNA-DSB. This results in rejections from the FCA as an ISIN generated by the buy-side firm is not in FCA FIRDS – a venue generates a different ISIN and submits this to FCA FIRDS. On reviewing approximately 200,000 ISINs with CFI code SRGCSP and UK-RPI as a reference rate in ANNA-DSB, a firm noted that there is no consensus on inflation-linked reference rate term. The firm found 357 different combinations of term value unit, with the below being the top five combinations:

Row Labels	Count of isin
DAYS1	50,479
MNTH2	39,928
MNTH1	25,562
YEAR1	15,851
YEAR999	11,901

While addressing technical challenges associated with transaction reporting may help improve the efficiency of the regime, it does not solve the broader issue of the cost and burden that transaction reporting imposes on buy-side firms. Technical amendments or guidance to improve compliance with the transaction reporting regime does not change AIMA's position that buy-side firms should be de-scoped from transaction reporting obligations. The core issue remains that the costs and complexities associated with transaction reporting should not fall on buy-side firms, particularly when the relevant data can already be captured through sell-side reporting and other data sources.

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

   AIMA members do not see a need to change messaging standards and move to JSON. Firms prefer to send data in CSV files to their ARMs who report to the FCA in XML format. As set out in our response to Question 1 of the discussion paper, we support improvements to data quality and believe a fundamental way that this can be achieved is through de-scoping buy-side firms from the transaction reporting requirements.

5. **Do you use FCA FIRDS? If so, do you access via the GUI or through file download and what is your predominant reason for using FCA FIRDS?**

   AIMA members use FCA FIRDS to determine whether financial instruments or respective underliers are in scope of transaction reporting and/or post-trade transparency reporting under UK MiFIR. Firms use both available modes of access (the GUI and file download).

   Further to our response to Question 3 of the discussion paper, firms highlight challenges with the use of FCA FIRDS. Despite being a central resource, FCA FIRDS creates additional costs and complexities for firms seeking to validate data due to the lack of timely updates by trading venues and the presence of duplicated or incorrect data. Firms should not be required to re-check FCA FIRDS after T+1 to identify instances where trading venues have delayed adding new issuers to the database. We note a lack of clarity around when reports should be submitted/ re-submitted where reference data is missing.

   While addressing challenges with the use of FCA FIRDS may help improve the efficiency of transaction reporting, it does not solve the broader issue of the cost and burden that transaction reporting imposes on buy-side firms. Technical amendments or guidance to improve compliance with the transaction reporting regime does not change AIMA's position that buy-side firms should be de-scoped from transaction reporting obligations. The core issue remains that the costs and complexities associated with transaction reporting should not fall on buy-side firms, particularly when the relevant data can already be captured through sell-side reporting and other data sources.

6. **Should CPMI firms be subject to UK MiFIR transaction reporting requirements for MiFID activity they conduct? Please explain why.**

   As set out in our response to Question 1 of the discussion paper, AIMA does not believe that CPMI firms should be subject to UK MiFIR transaction reporting requirements for the MiFID activity they conduct. We believe that buy-side firms should be de-scoped from transaction reporting requirements, on the basis that sell-side counterparties report transactions. AIMA does not believe that the costs to the industry associated with providing transaction reports are warranted by their modest potential supervisory value, particularly when this would place UK firms at a further competitive disadvantage relative to non-UK firms.

Imposing the transaction reporting requirement on CPMI firms would only further create unnecessary duplication and reduce the quality of current information available to the FCA. Transactions in MiFID financial instruments executed by CPMI firms are already reported by trading venues and sell-side counterparties. Under Article 26(5) MiFIR, trading venues are required to report details of transactions in financial instruments conducted by non-MiFID investment firms. Sell-side investment firms are also required to report transactions that are executed with their buy-side clients, including transactions that are executed off-venue. Alongside reports provided under, for example, UK EMIR, UK Securities Financing Transactions Regulation (UK SFTR) and UK Market Abuse Regulation, the FCA already has extensive information on ongoing transactions and the activities of AIFMs and UCITS ManCos.

Subjecting CPMI firms to transaction reporting requirements for the MiFID activity they conduct would create significant and complex challenges for both firms and the FCA. CPMI firms have not built up any technical capabilities to manage and report transactions to the FCA. AIFMs and UCITS ManCos are already subject to a separate set of reporting requirements under the AIFMD and UCITS Directive. Extending the scope of Article 26 of UK MiFIR would unjustifiably burden these firms with unnecessary high reporting costs. AIMA has gathered estimates from several large AIFMs with MiFID top-up permissions, primarily trading moderately complex asset classes, to highlight the potential costs of transaction reporting should the scope of the requirements be expanded to CPMI firms. Initial implementation costs for firms with transaction volumes ranging from at least 50 per day to over 100,000 per day are expected to exceed £200,000, with at least two FTEs required to manage reporting obligations. Annual ARM, reference data and maintenance costs are expected to reach a minimum of £75,000 for firms with fewer than 50 daily transactions and look to exceed £800,000 per year for firms with higher transaction volumes.

In addition to the reporting burden, there are also operational challenges associated with delineating trading activities by regulatory permission. It will be difficult for AIFMs and UCITS ManCos to limit the reporting to trading related to individual portfolio accounts only (which constitute the MiFID business). This becomes more complex where AIFMs and UCITS ManCos trade the same strategies for both the AIF and UCITS funds and the individual portfolio accounts and aggregate orders to reduce costs, as permitted under FCA rules. In this case, the 'fills' for the AIF and UCITS funds would not be reportable while those for the individual portfolio accounts would be. Ambiguities in the FCA's rule drafting could further complicate matters, creating additional uncertainty around which parts of a firm's business fall within the scope of the reporting requirements. Extending transaction reporting requirements to CPMI firms would encourage large AIFMs and UCITS ManCos to transfer their MiFID individual portfolio accounts overseas to avoid the burdensome reporting obligations.

Transaction reporting requirements on MiFID portfolio managers act as a barrier to entry for firms seeking to establish in the UK and enable non-UK firms to offer their services to third-country clients at a lower cost, driving investment away from the UK. For example, the key EU jurisdictions for financial services decided (along with the UK) not to gold-plate the MiFIR transaction reporting requirements and apply them to CPMI firms. Extending the reporting requirements to CPMI firms would create a significant competitive disadvantage for UK firms, undermining their ability to compete on a level playing field with their EU counterparts. As noted earlier, it would encourage AIFMs and UCITS ManCos, including larger firms, to restructure their business and move MiFID managed accounts elsewhere. It would also materially disincentivise AIFMs and UCITS ManCos from expanding their business to offer MiFID portfolio management alongside management of AIFs/ UCITS funds.

7. **What difficulties do you have in determining whether a financial instrument is TOTV, if any? Please make your response asset class specific, if applicable.**

   AIMA members experience difficulties in determining whether a financial instrument is TOTV. Firms note particular difficulties in the context of OTC derivatives and commodity derivatives where trades do not have an ISIN.

8. **Does the daily rolling ISIN issue impact your firm? If so, please explain for which asset classes and sub-asset classes. We would welcome any data you can provide on associated costs.**

9. **Would reporting the UPI for instruments in scope under UK MiFIR Article 26(2)(b) and (c) require firms who would not otherwise have to obtain UPIs to do so?**

   Yes, AIMA believes that this will be a significant uplift for firms that delegate reporting under UK EMIR. From an EMIR Refit perspective, UPI is derived from ANNA-DSB only if the ISIN and underlying ISIN are not available.

10. **What would be your preferred identifier for OTC derivatives in the transaction reporting regime? Please indicate why and explain which types of OTC derivative it should be applied to.**

    Further to our response to Question 7 of the discussion paper, clarity is required on the concept of TOTV.
    From a PF Swap reporting perspective, further guidance is required on the ISINs to be reported for these trades. Firms should not be required to report ISINs submitted to FCA FIRDS only by systematic internalisers as they do not meet the TOTV requirements (per FCA Market Watch 70) and do not make the trade reportable. These trades should be reportable without the SI MIC and ISIN (i.e., Venue = XXXX and populating fields 42-56).

    As noted, technical amendments or guidance to improve the efficiency of and compliance with the transaction reporting regime does not change AIMA's position that buy-side firms should be de-scoped from transaction reporting obligations. The costs and complexities associated with transaction reporting should not fall on buy-side firms.

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

    AIMA does not support a change to the scope of reportable instruments to align with UK EMIR. This would result in further duplication of data, increase the complexity of the TOTV determination (with all derivatives brought into scope of transaction reporting) and increase the cost of transaction reporting.

12. **Trading venues: is further guidance required on when instrument reference data should be submitted?**

13. **Trading venues: Would you support making all instrument reference data reportable only the first time there is a reportable event and for any subsequent changes? Please explain why.**

14. **Trading venues: Do you anticipate any issues with applying the concept of admission to trading across all trading venue types? Please explain why.**

15. **Trading venues: Do you agree that the obligation to submit instrument reference data should apply from the date on which a request for admission is made? Please explain why.**

16. **Trading venues: How do you currently determine and source the request for admission date?**

17. **Trading venues: Would defining "request for admission to trading" help determine what date should be applied for this field? If so, please suggest how this could be defined?**

18. **Do you support removing the obligation for SIs to report instrument reference data? Please explain why.**

    AIMA supports removing the obligation for SIs to report instrument reference data. As per Market Watch 70, SIs do not meet the TOTV requirements – only instruments submitted by trading venues should be considered TOTV. Removing the SI data from FCA FIRDS would improve the quality and useability of the database. The FCA should also provide clarity on the application of transaction reporting to the new Designated Reporter regime. Counterparties have indicated that they are less likely to be within the scope of the regime, which could significantly increase the burden on buy-side firms and introduce additional complexities.

19. **Would you support the introduction of an opt-in register of UK investment firms willing to act as a receiving firm? Are there any other challenges associated with the transmission mechanism that limit the potential effectiveness of this solution?**

    As set out in our response to Question 1 of the discussion paper, AIMA does not believe that amendments to the transmission mechanism will encourage meaningful uptake of the mechanism by buy-side and sell-side firms. We believe that problems associated with the limited use of Article 4 of RTS 22 can be directly alleviated through addressing the scope of transaction reporting obligations.

20. **Do you have any other suggestions that could help reduce the reporting cost for smaller firms?**

    As set out in our response to Questions 1 and 6 of the discussion paper, we believe that buy-side firms should be removed from the transaction reporting requirements. This would significantly reduce the reporting cost for all firms.

21. **Would you support UK MiFID investment firms (including a UK branch of a third country investment firm) being able to act as a receiving firm for non-MiFID investment firms (which are not subject to transaction reporting obligations)?**

22. **Trading venues: are there fields or trading scenarios that are particularly challenging to report accurately under Article 26(5)? If so, please provide details.**

23. **Trading venues: do you currently report negotiated transactions under Article 26(5)? If so, do you face any difficulties reporting these transactions? If not, would you anticipate any difficulties reporting these transactions?**

24. **Would you support reporting under Article 26(5) for all UK branches of third country firms? Please explain why.**

25. **Do you have a preferred option for improving the usefulness of the TVTIC? Are there other options we should consider?**

    AIMA believes that the usefulness of TVTIC could be improved by minimising the duplication of data and removing the field for firms that do not operate as a trading venue. Firms maintain complicated logic to derive TVTIC from different venues.

26. **Do you think changing the name and content of RTS 22 Field 5 would improve data quality?**

    AIMA believes that the name of RTS 22 Field 5 should be simplified and that the FCA should define requirements specific to different types of reporting entities (i.e., investment firms covered under Article 26(1) of UK MiFIR and trading venues). As set out in our response to Question 1 of the discussion paper, we support improvements to data quality and believe a fundamental way that this can be achieved is through de-scoping buy-side firms from the transaction reporting requirements.

27. **Do you agree that an investment firm should be able to report the underlying client instead of a trust LEI in all instances where the identity of the client(s) is known? Should we allow the use of the appropriate national identifier for the client(s) in this scenario?**

28. **Would you support simplification of the requirements for the buyer and seller field when trading on a trading venue where the counterparties are not known at the point of execution?**

    AIMA believes the requirements for the buyer and seller field should be simplified in all on-venue scenarios. Trading on Regulated Market, MTF, OTF should all be reported with buyer/seller = MIC. If an investment firm reports the venue field incorrectly, the FCA would be able to identify if it is a venue trade using the buyer/seller field.

29. **Do you have any suggestions for how data quality could be improved for transactions involving transmission?**

The FCA states in the discussion paper that the language in the transmission of order indicator (RTS 22 Field 25), where the same term 'transmission' is used to refer to two different scenarios, contributes to the inconsistent reporting of this field. AIMA believes that the term 'transmission' should only be used to refer to a scenario where a client order or order generated for a client is passed from one firm to another firm to execute and the conditions specified in Article 4 of RTS 22 are met. As set out in our response to Question 1 of the discussion paper, AIMA believes that the concept of order transmission, while well-intentioned, does not reduce the burden of transaction reporting or improve the efficiency or quality of transaction reporting. We note the FCA's interest in improving the order transmission framework and believe that problems associated with Article 4 of RTS 22 can be directly alleviated through addressing the scope of transaction reporting obligations.

30. What challenges do you have reporting the quantity type and price type tags for particular asset classes, if any? What further guidance could we issue to help firms?

AIMA members note that guidance on complex derivatives products not covered in the original ESMA guidelines would be useful. However, while guidance to enhance the operation of the transaction reporting regime is welcome, it does not alter AIMA's position that buy-side firms should be excluded from transaction reporting obligations. The core issue remains that the costs and complexities associated with transaction reporting should not be borne by buy-side firms, particularly when the relevant data can already be captured through sell-side reporting and other data sources.

31. Do you anticipate any challenges with aligning the reporting of the price for single name equity swaps with the reporting of forwards with a CFD payout trigger? Could this be applied to swaps with multiple underlying instruments?

AIMA supports aligning the reporting of the price for single name equity swaps with the reporting of forwards with a CFD payout trigger, which would harmonise the requirements with other regulations, such as UK EMIR. Members note potential challenges with calculating price, as each single underlying equity instrument will have an associated price, and challenges with reporting each relevant price per ISIN in line. Firms share that providing a single price would be a challenge as it would require use of a formula and, for example, a weighted average price might not be meaningful.

As discussed, technical amendments to improve the operation of transaction reporting regime does not change AIMA's position that buy-side firms should be de-scoped from transaction reporting obligations.

32. Would you support removal of the indicator fields from the transaction reporting regime? Please explain why.

AIMA supports the removal of fields that are unnecessary and provide duplicative data, such as the indicator fields. The Waiver Indicator is reported by venues – buy-side firms are dependent on venues to provide this. Firms depend on Approved Publication Arrangements and brokers to provide data on the OTC Post Trade Indicator and do not always receive the required information. The Short Sell Indicator is covered by other regulations such as the UK

Short Selling Regulation. The Securities Financing Transaction Indicator has become redundant following reporting under the UK SFTR regime.

As discussed, technical amendments to improve the operation of transaction reporting regime does not change AIMA's position that buy-side firms should be de-scoped from transaction reporting obligations.

33. What difficulties, if any, would you anticipate in being able to provide a linking code for aggregated transactions? Which of the options outlined would you prefer and why? Do you have alternate suggestions to improve data quality for transactions which use INTC?

AIMA members note that providing a linking code creates difficulties from an implementation perspective and guidance would be required on the handling of amendments and cancellations when a link code is involved. For example, a new field would potentially be required in trade booking systems as existing link fields may not work due to the complexity of trading flows. Firms prefer the simplicity of Option 2 – replacing the INTC with a new linking code generated by the executing entity (or the trading venue reporting the transaction under Article 26(5) on behalf of the executing entity) and not introducing a new reporting field.

34. Do you anticipate any difficulties in reporting DTIs for an instrument or underlying? Are there other solutions that could allow us to identify when trading is in a tokenised security or has a tokenised security as an underlying?

35. Do you support the inclusion of a new client category field? Please explain why.

AIMA does not support the inclusion of a new client category field. The field would add further complexity and costs to transaction reporting without any clear benefits.

36. Would you support either of the above options to enhance our oversight of DEA activity? If so, do you have a preference?

AIMA supports Option 2 – the addition of a new reporting value in RTS 22 Field 59 (execution within firm) which would indicate that the execution decision maker was not within the firm and the transaction is a DEA transaction. We support that this additional value would apply only to the DEA provider's transaction report, and not to a DEA user.

37. Would you support the inclusion of two price fields? Please explain why.

38. 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.

AIMA has concerns with providing the full names and dates of birth for the individuals within the firm responsible for the investment decision or execution decision. We believe this would place a disproportionate cost and burden on firms to supply this data, which is particularly sensitive in nature. As set out in our response to Question 1 of the discussion paper, the FCA can request this data – and any buy-side transaction data – from firms directly. The FCA can simplify its requirements by (i) requesting passport information for all non-UK investment and execution decision makers and (ii) continuing to request national insurance numbers for UK investment and execution decision makers. This would reduce burdens on firms and mitigate ambiguities raised by different understandings of nationality and citizenship. It would also eliminate the need to perform concatenation of data for certain countries where no National IDs are available.

As discussed, amending the types of data required in transaction reports does not solve the broader issue of the cost and burden that transaction reporting imposes on buy-side firms. The core issue remains that the costs and complexities associated with transaction reporting should not fall on buy-side firms, particularly when the relevant data can already be captured through sell-side reporting and other data sources.

39. 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.

FX Swaps are booked with two different legs (FX Forward/Spot combination) with different ISINs and linked together. AIMA members note a need for guidance on FX Swap booking and trading to avoid different treatment of instruments by market participants. For example, certain MTFs do not submit FX Swap ISINs to FCA FIRDS. Where firms then seek to book them as FX Swap, they are unable to report it with the FX Swap ISIN.

40. For all parties involved in chains with intermediary brokers, please can you provide further information on the trade flows and your understanding of reporting obligations.

41. What guidance on reporting of chains with intermediary brokers can we provide to improve data quality?

APPENDIX I: COMPARISON OF BUY-SIDE AND SELL-SIDE TRANSACTION REPORT FIELDS

In the table below, we compare transaction reports of buy-side and sell-side, using dummy trade data. Differences are highlighted in blue. As shown, the main differences relate to Investment Decision ID and Firm Execution ID and their related fields. The FCA can access this information through alternative means, such as requesting books and records from buy-side firms.

	INSTRUMENT TYPE: EQUITY		
	TRADE FLOW: BILATERAL WITH BROKER		
	FIELD	**BUY-SIDE**	**SELL-SIDE**
1	**Report status**	NEWT	NEWT
2	**Transaction Reference Number**	17310C1349F44XXXXXX	173108312A95XXXXXX
3	**Venue Transaction ID**	NULL	NULL
4	**Executing Entity ID**	5493003FS3JD4XXXXXXX	549300J11TNGTXXXXXXX
5	**Investment Firm**	TRUE	TRUE
6	**Submitting Entity ID**	5493003FS3JD4XXXXXXX	549300J11TNGTXXXXXXX
7	**Buyer ID**	549300J11TNGTXXXXXXX	549300J11TNGTXXXXXXX
8	**Buyer Country of Branch**	NULL	XX
9	**Buyer - first name(s)**	NULL	NULL
10	**Buyer - surname(s)**	NULL	NULL
11	**Buyer - date of birth**	NULL	NULL
12	**Buyer Decision Maker ID**	NULL	NULL
13	**Buy decision maker - First Name(s)**	NULL	NULL
14	**Buy decision maker – Surname(s)**	NULL	NULL

15	**Buy decision maker - Date of birth**	NULL	NULL
16	**Seller ID**	549300SHIXXXXXXXXXXX	549300SHIXXXXXXXXXXX
17	**Seller Country of Branch**	XX	NULL
18	**Seller - first name(s)**	NULL	NULL
19	**Seller - surname(s)**	NULL	NULL
20	**Seller - date of birth**	NULL	NULL
21	**Seller Decision Maker ID**	5493003FS3JD4XXXXXXX	NULL
22	**Sell decision maker - First Name(s)**	NULL	NULL
23	**Sell decision maker – Surname(s)**	NULL	NULL
24	**Sell decision maker - Date of birth**	NULL	NULL
25	**Transmission Of Order Indicator**	FALSE	FALSE
26	**Transmitting firm identification code for the buyer**	NULL	NULL
27	**Transmitting identification code for the seller**	NULL	NULL
28	**Trading date time**	XXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXX
29	**Trading Capacity**	XXXX	XXXX
30	**Quantity**	XXXX	XXXX
31	**Quantity Currency**	NULL	NULL

32	**Derivative notional increase/decrease**	NULL	NULL
33	**Price**	XXXX	XXXX
34	**Price Currency**	XXXX	XXXX
35	**Net Amount**	NULL	NULL
36	**Venue**	XXXX	XXXX
37	**Country of Branch**	NULL	NULL
38	**Up-front payment**	NULL	NULL
39	**Up-front payment currency**	NULL	NULL
40	**Complex Trade Component ID**	NULL	NULL
41	**Instrument ID**	LU2592XXXXXX	LU2592XXXXXX
42	**Instrument full name**	NULL	NULL
43	**Instrument classification**	NULL	NULL
44	**Notional currency 1**	NULL	NULL
45	**Notional currency 2**	NULL	NULL
46	**Price multiplier**	NULL	NULL
47	**Underlying Instrument ID**	NULL	NULL
48	**Underlying index name**	NULL	NULL
49	**Term of the underlying index**	NULL	NULL
50	**Option Type**	NULL	NULL
51	**Strike Price**	NULL	NULL
52	**Strike price currency**	NULL	NULL
53	**Option Style**	NULL	NULL

54	**Maturity date**	NULL	NULL
55	**Expiry date**	NULL	NULL
56	**Delivery type**	NULL	NULL
57	**Investment Decision ID**	GBJT4XXXXXX	FR199XXXXXX
58	**Investment Decision Country of Branch**	XXXX	XXXX
59	**Firm Execution ID**	GBJT4XXXXX	FR199XXXXX
60	**Firm Execution Country of Branch**	XXXX	XXXX
61	**Waiver Indicator**	NULL	NULL
62	**Short selling indicator**	NULL	NULL
63	**OTC Post Trade Indicator**	NULL	NULL
64	**Commodity derivative indicator**	NULL	NULL
65	**Securities financing transaction indicator**	FALSE	FALSE

APPENDIX II: COMPARISON OF DATA REPORTED UNDER RTS 22 AND KEPT UNDER UK MIFIR RECORDKEEPING OBLIGATIONS

In the table below, we compare the fields under RTS 22 with the recordkeeping obligations outlined in Annex IV[14]. As set out in our response to Question 1 of the discussion paper, data contained in transaction reports are maintained by firms under UK MiFIR recordkeeping obligations and available to the FCA on request. We would note that most of this data is also reported to the FCA through sell-side reports.

	FIELD	IS DATA ALREADY RETAINED AS PER MIFID RECORD KEEPING OF TRANSACTIONS AND ORDER PROCESSING REQUIREMENTS OR IS IT RETAINED TO MEET OTHER RULES OR CAN BE IT DERIVED? (Y/N)	IF YES, WHICH RECORD(S)?
1	**Report status**	Y	Each transaction has a unique identifier internally in our systems.
2	**Transaction Reference Number**	Y	5. Transaction reference number
3	**Trading venue transaction identification code**	Y	7.The identification code of the order assigned by the trading venue upon receipt of the order;
4	**Executing entity identification code**	Y	13. A designation to identify the Trader (Trader ID) responsible for the execution 14. A designation to identify the Algo (Algo ID) responsible for the execution
5	**Investment Firm covered by Directive 2014/65/EU**	Y	This information is available on FCA register.

[14] Available at: https://www.legislation.gov.uk/eur/2017/565/annex/IV.

6	**Submitting entity identification code**	Y	This is an operational field only and doesn't provide any data that FCA could use in order to further its objective of market stability.
7	**Buyer identification code**	Y	11. designation to identify the Seller & the Buyer 2. name and designation of any relevant person acting on behalf of the client;
8	**Country of the branch for the buyer**	N/A	This field is defaulted for firms without branches and not applicable to most buy side firms.
9	**Buyer - first name(s)**	Y	2. name and designation of any relevant person acting on behalf of the client; 11. designation to identify the Seller & the Buyer
10	**Buyer - surname(s)**	Y	2. name and designation of any relevant person acting on behalf of the client; 11. designation to identify the Seller & the Buyer
11	**Buyer - date of birth**	Y	This information is available in our HR systems and is required for FCA certification and other HR related processes.
12	**Buyer decision maker code**	Y	2. name and designation of any relevant person acting on behalf of the client; 11. designation to identify the Seller & the Buyer

13	**Buy decision maker - First Name(s)**	Y	2. name and designation of any relevant person acting on behalf of the client; 11. designation to identify the Seller & the Buyer
14	**Buy decision maker – Surname(s)**	Y	This information is required for FCA certification and other HR related processes.
15	**Buy decision maker - Date of birth**	Y	This information is required for FCA certification and other HR related processes.
16	**Seller identification code** **(Field 17-24 mirror 8-15)**	Y	2. name and designation of any relevant person acting on behalf of the client; 11. designation to identify the Seller & the Buyer
25	**Transmission of order indicator**	Y	How we routed and traded an order is already maintained for order record keeping processes.
26	**Transmitting firm identification code for the buyer**	Y	10. the name and other designation of the person to whom the order was transmitted
27	**Transmitting firm identification code for the seller**	Y	We retain data on our counterparties for KYC/AML purposes.
28	**Trading date time**	Y	34. the date and exact time any message that is transmitted to and received from another investment firm in relation to any events affecting an order

29	**Trading capacity**	Y	12.the trading capacity
30	**Quantity**	Y	12. Initial quantity and quantity notation;
31	**Quantity currency**	Y	27. Currency 1; 28. Currency 2
32	**Derivative notional increase/decrease**	Y	This information can be easily derived from our transaction history.
33	**Price**	Y	25. Price
34	**Price Currency**	Y	27. Currency 1; 28. Currency 2
35	**Net amount**	Y	This is retained as part of our trade and settlement processes.
36	**Venue**	Y	9.the segment MIC code of the trading venue to which the order has been submitted.
37	**Country of the branch membership**	N/A	This field is defaulted for firms without branches and not applicable to most buy side firms.
38	**Up-front payment**	Y	20. Up-front payment
39	**Up-front payment currency**	Y	27. Currency 1; 28. Currency 2
40	**Complex trade component id**	Y	This can be derived from order and execution data.
41	**Instrument identification code**	Y	16.instrument identification
42	**Instrument full name**	Y	17.ultimate underlying
43	**Instrument classification**	Y	This is available in the instrument data set up.

44	**Notional currency 1**	Y	27. Currency 1
45	**Notional currency 2**	Y	28.Currency 2
46	**Price multiplier**	Y	26.price multiplier
47	**Underlying instrument code**	Y	17.ultimate underlying
48	**Underlying index name**	Y	17.ultimate underlying
49	**Term of the underlying index**	Y	This is available in the instrument data set up.
50	**Option type**	Y	22.Option style
51	**Strike price**	Y	19.Strike price
52	**Strike price currency**	Y	27. Currency 1; 28. Currency 2
53	**Option exercise style**	Y	22.Option style
54	**Maturity date**	Y	23.Maturity date
55	**Expiry date**	Y	This is available in the instrument data set up.
56	**Delivery type**	Y	21.Delivery type
57	**Investment decision within firm**	Y	3.a designation to identify the trader (Trader ID) responsible within the investment firm for the investment decision; 4.a designation to identify the Algo (Ago ID) responsible within the investment firm for the investment decision
58	**Country of the branch responsible for the person making the investment decision**	N/A	This field is defaulted for firms without branches and not applicable to most buy side firms.

59	**Execution within firm**	Y	13.a designation to identify the Trader (Trader ID) responsible for the execution 14.a designation to identify the Algo (Algo ID) responsible for the execution
60	**Country of the branch supervising the person responsible for the execution**	N/A	This field is defaulted for firms without branches and not applicable to most buy side firms.
61	**Waiver indicator**	Y	40.Waiver flag
62	**Short selling indicator**	Y	38.Short selling flag
63	**OTC post-trade indicator**	N/A	FCA are decommissioning this field. This information will be retained by Sell Side firms.
64	**Commodity derivative indicator**	N/A	FCA are decommissioning this field. This information can be retrieved from trading activity.
65	**Securities financing transaction indicator**	N/A	FCA are decommissioning this field. This information can be retrieved from trading activity.

APPENDIX III: DRAFT RULE CHANGES TO DE-SCOPE BUY-SIDE FIRMS

Under the former (MiFID I) SUP 17.2.2[15], discretionary managers were exempted from transaction reporting if their counterparty was subject to a reporting requirement. The exemption applied where a firm enters into a transaction with another person in the course of providing a service of portfolio management on behalf of one of more clients (see below). AIMA believes that there are limitations with re-instating this exemption as previously formulated. The drafting does not include firms that execute an order received from an overseas affiliate that makes the investment decision. It also assumes that CPMI firms remain fully exempt from transaction reporting.

SUP 17.2 Making transaction reports

SUP 17.2.1R
A firm may rely on a third party acting on the firm's behalf to make a transaction report to the FCA.

SUP 17.2.2G
The FCA will treat a firm as acting in accordance with SUP 17.2.1 R in circumstances where the firm enters into a transaction with another person in the course of providing a service of portfolio management on behalf of one or more clients, provided it:

(1) enters into the transaction in the exercise of a discretion conferred on it by an investment mandate or does so having specifically recommended the transaction to its client;

(2) has reasonable grounds to be satisfied that the other person will, in respect of the transaction, make a transaction report to the FCA (or to another competent authority) which, as to content, will include all such information as would have been contained in a transaction report by the firm (other than as to the identity of the firm's client).

AIMA believes that SUP 17A 'Transaction reporting and supply of reference data' could be amended to de-scope buy-side firms from UK MiFIR transaction reporting requirements by only applying the transaction reporting requirements to firms whose regulatory permissions include 'dealing in investments as principal' (see below).[16]

[15] See https://www.handbook.fca.org.uk/handbook/SUP/17/2.html?date=2018-01-02&timeline=True.
[16] AIMA's suggested rule changes assume that the MiFIR transaction reporting requirements will have been transposed into the FCA Rules at SUP 17A; if not, similar changes would need to be made directly in UK MiFIR. The wording in SUP 17A.1.1R(1)(b) will also depend upon whether the substantive triggers for transaction reporting are brought within SUP 17A or remain in UK MiFIR.

SUP 17A Transaction reporting and supply of reference data

SUP 17A.1 Application

SUP 17A.1.1 R

This chapter applies to:

(1) *a MiFID investment firm (excluding a collective portfolio management investment firm) which:*

(a) *executes transactions in a reportable financial instrument;* ~~***and***~~

(b) *is required* ***[****under article 26(1) of MiFIR* ***/ under the rules in this chapter****] to report its transactions to the FCA;* ***and***

(c) ***has permission to deal in investments as principal;***

(2) *an operator of a trading venue:*

(a) *through whose systems and platforms a transaction in a reportable financial instrument is executed by a person not subject to MiFIR; and*

(b) *which is required under article 26(5) of MiFIR to report such transactions to the FCA;*

(3) *a third country investment firm which executes transactions in a reportable financial instrument; and*

(4) *a systematic internaliser or an operator of a trading venue which is required under article 27 of MiFIR to supply identifying reference data relating to financial instruments traded on its system or trading venue to the FCA.*

The FCA might consider excluding from the transaction reporting requirements any firm which has permission for managing investments and/or advising on investments, but which does not have permission to deal in investments as principal (see below). However, there are limitations with this approach. It would limit the exclusion to portfolio managers only and not include buy-side firms which only have permissions to receive and transmit orders or execute orders on behalf of clients (‘dealing in investments as agent’).

SUP 17A Transaction reporting and supply of reference data

SUP 17A.1 Application

SUP 17A.1.1 R

This chapter applies to:

(1) a *MiFID investment firm* (excluding a *collective portfolio management investment firm*) which:

(a) *executes transactions* in a reportable financial instrument; ~~and~~

(b) is required **[**under article 26(1) of *MiFIR* **/ under the *rules* in this chapter]** to report its *transactions* to the *FCA*; **and**

(c) is not a *firm* that is excluded from reporting under SUP 17A.1.1AR.

(2) an operator of a *trading venue*:

(a) through whose systems and platforms a *transaction* in a reportable financial instrument is *executed* by a *person* not subject to *MiFIR*; and

(b) which is required under article 26(5) of *MiFIR* to report such transactions to the *FCA*;

(3) a *third country investment firm* which *executes transactions* in a reportable financial instrument; and

(4) a *systematic internaliser* or an operator of a *trading venue* which is required under article 27 of *MiFIR* to supply identifying reference data relating to *financial instruments* traded on its system or *trading venue* to the *FCA*.

SUP 17A.1.1A R

A *firm* is not required to report transactions under this chapter if it meets both of the following conditions:

(1) it has permission to carry on either or both of the following activities:

(a) *managing investments*; and/or

(b) *advising on investments*; and

(2) it does not have permission to carry on the activity of dealing in investments as principal.