

An overview of the speech the Economic Secretary to Treasury, John Glen, delivered at the [AFME Wholesale Market Review](#) conference today was aligned with the WMR feedback publication. Proposed [MIFID](#) reforms, developed by [HMTreasury](#) alongside the UK regulators include

- Giving firms greater choice about where they can trade and allowing them to get the best price for investors.
- Removing a number of burdens for [Systematic Internalisers](#)- a group of businesses that play a key role in financial markets.
- Delegating the fixed income and derivatives, and part of the pre-trade, transparency regimes to the Financial Conduct Authority, who are well equipped to ensure rules are applied proportionately
- Giving the FCA the tools it needs to help the industry develop a [Consolidated Tape](#). This will combine market data from multiple areas, giving investors a clear source of information, while cutting costs and complexity for firms.
- Reducing the scope of the [commodities](#) position limits regime and delegating it to trading venues to ensure that market activity is not unnecessarily restricted, while ensuring that markets function efficiently.
- FWIW Changes to the prospectus regime include
 - Facilitating wider participation in the ownership of public companies, including for retail investors. This will allow a broader cross-section of society to benefit from companies' growth as well as increase market liquidity.
 - Simplifying the regulation of prospectuses and removing unnecessary red tape.
 - Improving the quality of information that investors receive.
 - Ensuring that the regulation of prospectuses will be better able to respond to innovation and change.

Ambitious reforms to capital markets regulation and listings rules announced; Post Brexit reforms to regulation of wholesale capital markets and prospectus regime announced today (Tuesday 1 March). From: [HM Treasury](#)

- Changes will cut red tape and help make the City of London an even more attractive place to invest and to do business
- Commitment to upholding the highest regulatory standards will remain a top priority

The UK will seize its newfound freedoms since leaving the EU to reform the rules for listing companies in the UK and the regulation of wholesale capital markets, the Economic Secretary to the Treasury & City Minister announced today.

Speaking to the Association of Financial Markets in Europe today (Tuesday 1 March), John Glen outlined plans to amend unnecessary rules in a move which will make the City of London an even more attractive place to invest and to do business, supporting jobs and generating investment in the UK.

Reforms outlined today to wholesale capital markets will give firms greater choice about where they can trade, while a new, simpler and more agile regime for companies listing and

raising capital will encourage more innovative firms to list in the UK, and facilitate wider participation in the ownership of public companies.

The Economic Secretary to the Treasury John Glen said:

- *We are using our post-Brexit freedoms to create the right legislation to support an even stronger financial services sector - one that is open, green, competitive and technologically advanced.*
- *Our plans to improve our wholesale markets regulation will liberate businesses from unwieldy and stifling rules that hold back their ability to grow and innovate, while our reforms to the prospectus rules will replace the current system with a new, simpler, and more agile regime.*
- *Last year over 120 companies went public in the UK – raising £17bn, the most raised in any year since 2007. Under these reforms, it is expected that even more innovative and exciting companies will choose to list and raise capital in the UK.*

UK wholesale capital markets have been subject to the EU's MIFID rules since 2018, after they were introduced to harmonise wholesale markets regulation across EU member states. Similarly, the ability to float companies and raise capital in the UK has been governed by EU prospectus regulation since 2017.

Consultations on the wholesale markets rules and prospectus regime were launched last summer alongside the Chancellor's Mansion House speech. The consultation responses, published today set out the changes being taken forward.

Further information

- The Economic Secretary's speech is available [here](#)
- MIFIDII is a legislative framework instituted by the European Union to harmonise capital markets regulation across the bloc. It covers regulation of virtually all aspects of financial investment and trading and came into force in 2018.
- Consultation responses on reforms to MIFIDII and the EU Prospectus Regulation can be found below
- [UK Prospectus Regime](#)
- [UK Wholesale Markets Review](#)

[Wholesale Markets Review Feedback](#)

Based on four key objectives and principles:

- *Maintaining high regulatory standards* to ensure that firms can operate in confidence and that the UK sets an international example.
- *Promoting openness and competitiveness* to allow domestic and international investors to access the most liquid markets so that they can achieve the best prices

for their investments, and to enhance the UK's position as a global hub for wholesale markets.

- *Delivering fair and proportionate regulation*, focused on outcomes rather than prescriptive rules so firms do not face unnecessary frictions and costs.
- *Supporting economic growth, innovation, and wealth creation across society*



Wholesale Markets Review: Consultation Response

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- i. The government received 78 responses
- ii. **Trading Venues; The regulatory perimeter**
 - a. Respondents agreed that the current definition of multilateral systems has created uncertainty about the perimeter and what type of firms need to be authorised as a multilateral trading facility (MTF). As identified in the consultation document, a number of respondents noted that as technology develops, new platforms are emerging that facilitate or support the bringing together of buyers and sellers and it is not clear if these firms need to be authorised to operate an MTF. Most of the respondents who made this point argued that all companies, regardless of whether they are technology-based companies, should be treated in the same way to ensure that some firms are not at a competitive advantage. These respondents called for the government to ensure fair treatment. There were also concerns about the behaviour of order management systems and the blurred lines between bilateral and multilateral trading.
 - b. Although some respondents thought that changes to legislation were necessary to clarify the perimeter, most favoured regulatory guidance instead. The rationale for this was aligned with the position outlined in the consultation proposal; namely, that the regulatory perimeter should be flexible to accommodate changes in technology and not unduly limit innovation and competition.
 - c. **Next steps:**
 - i. The government recognises that there is a need for greater clarity about what types of firms need to be authorised as a multilateral trading facility. Given respondents' support for this to be addressed through regulatory guidance, rather than legislation, the *government does not intend to amend the legal definition of a multilateral system.*

- ii. The FCA is working closely with HMT on the Wholesale Markets Review and has indicated *that it will consult on new guidance in the first instance*. It will take the outcome of this consultation into account when drafting its consultation
- iii. **Operating conditions for MTFs and organised trading facilities OTFs**
 - a. The vast majority of respondents *were in favour of allowing matched principal trading on MTFs*. They argued that the current prohibition, which was originally introduced to avoid potential conflicts of interest if an MTF operator wished to transact on its own trading platform, is costly and unnecessary. This is because other existing rules already effectively prevent conflicts of interest, such as the obligation for MTFs and OTFs to have arrangements in place to avoid, identify and manage adverse consequences of any conflict of interest. However, some respondents caveated this view, suggesting that the prohibition should only be removed if *matched principal trades are mandatorily reported using recognised 'flags'*
 - b. In relation to the restrictions that prevent an investment firm from operating a SI and an OTF within the same legal entity. Some respondents were supportive of lifting this restriction, arguing that housing them in separate entities has created unnecessary cost and administrative burdens. *However, a similar number felt that implementing this proposal would inevitably lead to conflicts of interest, even if there is a clear delineation between the different parts of the firm.*
 - c. On allowing OTFs to execute transactions in equities when dealing in packages. Most respondents felt this should be allowed as it would save participants costs that would otherwise be spent on trading on two separate venues when executing a package swap. *However, some felt that allowing equities to be traded on OTFs would potentially reduce liquidity as equities are already traded on multiple types of venues which are specifically designed for them.*
 - d. **Next steps:**
 - i. The government believes there is a clear case for removing matched principal trading restrictions for investment firms operating a trading venue, while retaining obligations to prevent conflicts of interest.
 - ii. Similarly, *the government believes it would be appropriate to allow OTFs to execute transactions in equities when dealing in packages.*
 - iii. In light of the concerns raised in relation to potential conflicts of interest about allowing investment firms to operate an SI and OTF within the same legal entity, the government believes that the case for *this change is not conclusive*, and therefore further consideration of whether the potential conflicts could be adequately mitigated is needed.
 - iv. The government believes the best way to take these changes forward is through the upcoming Future Regulatory Framework implementation. *Therefore, these will be matters for the FCA to consider and progress as it takes on responsibility for direct regulatory requirements which apply to firms, following the implementation of the outcomes of the FRF Review* and will take the outcome of this consultation into account when considering these issues in the future.

iv. Market outages

- a. The vast majority of respondents supported enabling reference price systems to match trades at the midpoint with the current bid and offer of any UK or non-UK trading venue provided it has a reliable and transparent price for best execution. A full summary of responses and next steps for this proposal is included in Chapter 4 (Equities).
- b. A number of respondents used this part of the consultation to note that there is currently **an obligation on venues to resume trading within two hours of an outage**. They argued that this creates pressure for a venue to return to full operation when the venue may not be ready to do so.
- c. **Next steps:**
 - i. The government believes that there is a case for further work to ensure market resilience in the event of an outage. Rather than legislating on this issue, the government believes that this can be best addressed by the regulators using their existing tools and working closely with firms.
 - ii. In light of this, the FCA has indicated that it will discuss with market participants how it can use its current tools to clarify what should happen when there is a **market outage (and whether and how to amend the requirement for venues to resume trading within two hours of an outage) as a prelude to consulting on proposals later this year**.
 - iii. The government also welcomes the work that industry has spearheaded. In relation to the reference price waiver (RPW), the government plans to bring forward legislative changes to delegate the pre-trade equity waivers regime to the FCA when parliamentary time allows. Once the regime is delegated, the specific changes to the RPW will then be a matter for the FCA to take forward, but it will use the responses to this consultation to inform its work. This change is also addressed in Chapter 4 (equities).

v. Definition of systematic internaliser (SI)

- a. **Next Steps:**
 - i. The government is committed to clarifying and simplifying the definition of SIs to reduce costs and burdens for firms and recognises that there is **strong support to move from a quantitative to qualitative definition**.
 - ii. The government therefore intends to proceed with its plan to revert to a qualitative definition of SIs so that firms do not have to carry out complex calculations for this purpose. **To deliver this the government plans to bring forward legislation when parliamentary time allows**.

vi. Reporting

- a. Some respondents suggested separating the requirement for SIs to report transactions undertaken with investment firms, who are not SIs, from the other obligations of being an SI.
 - i. **Under this model, a firm could be a reporter without having to comply with any of the other regulatory obligations that are currently imposed on SIs.**
 - ii. A firm could elect to be a reporter at either an asset class or entity level and would take on the reporting obligations.

- iii. A central database would keep a register of all of the 'super reporters'. The respondents who put forward this proposal suggested that it would eliminate duplication and uncertainty over where the reporting obligation lies, and that it would require less administration for the sell-side compared to the original consultation proposal.
 - iv. Some respondents suggested reverting to the reporting regime in the MiFID I where counterparties bilaterally agreed who should take on the reporting obligation.
 - b. **Next Steps:** The government welcomes responses and recognises that there is appetite to simplify the reporting regime for SIs. However, most provisions on investment firms' obligations to publish trade reports are in technical standards, under the FCA's responsibility. **The FCA intends to consult on this issue in the first half of this year. The FCA has worked closely with the government on the Wholesale Markets Review and will take the outcome of this consultation into account when progressing its work.**
- vii. **SIs increasing the minimum quote size as a proportion of 'standard market size' (SMS) from the current minimum of 10% to closer to 100%.**
 - a. **Next steps:** The government recognises that there is support for increasing the minimum quote size for equity SIs as a proportion of SMS and believes that the best way of implementing this change is through the upcoming Future Regulatory Framework. Therefore, this will be a matter for the FCA to consider and take forward following the implementation of the outcomes of the FRF Review. The FCA is working closely with HMT on the Wholesale Markets Review and will take the outcome of this consultation into account when considering amendments in relation to SMS.
- viii. **Equity Markets; Double volume cap (DVC)**
 - a. The vast majority of respondents supported removing the DVC since the amount of trading that can take place without pre-trade transparency are arbitrary and highlighted that there have not been any negative impacts on price formation since the FCA suspended the DVC for UK and EU securities in early 2021.
 - b. **Next steps:** **On 23 November, the Economic Secretary to the Treasury committed to bring forward legislation to remove the DVC when parliamentary time allows.**
- ix. **Equity Markets; Reference price waiver**
 - a. Most respondents supported the government's proposal. Only three respondents opposed the change on the grounds that they think the reference price waiver should be based on the most liquid market to ensure orderly and non-discriminatory trading.
 - b. **Next steps:**
 - i. The government believes that the amendments it proposed to the RPW will improve market integrity.
 - ii. As it sees this as a priority area, the government plans to bring forward legislative changes to delegate the pre-trade equities waivers regime to the FCA when parliamentary time allows.
 - iii. Changes to the type of benchmark that can be used for the RPW will, once delegation occurs, be a matter for the FCA to take forward.

- iv. **The FCA will consult in the first half of this year on extending the concept of the most relevant market in terms of liquidity for the purposes of the RPW to include overseas trading venues.**
 - v. This will formalise and broaden the approach that is currently being taken in relation to EU and Swiss shares.
 - x. **The share trading obligation (STO)**
 - a. Most respondents agreed that removing the STO would allow firms to trade in the most liquid market and get the best execution for their clients. A minority of respondents opposed removing the STO and argued that it should be implemented globally on the grounds that all trading should be done on lit markets - concerns that removing the STO could lead to more OTC trading.
 - b. Only two respondents put forward specific proposals for an alternative. One suggested mandating a certain amount of trading on trading venues prior to allowing OTC trading. The other suggested amending the STO to remove the third country element but maintaining the requirement for trading to happen on a trading venue or with an SI.
 - c. **Next steps:**
 - i. The government believes that firms are best placed to decide where to trade to deliver the best outcomes for investors. *That is why on 23 November, the Economic Secretary to the Treasury committed to bring forward legislation when parliamentary time allows to remove the share trading obligation (STO).*
 - ii. The abolition of the STO will not include the deletion of MiFIR Article 23(2) because it helps to delineate the distinction between bilateral and multilateral trading **and prevents the operation of a crossing network by an investment firm that does not have a trading venue permission.**
 - xi. **Market making strategy for algorithmic trading**
 - a. Most respondents supported the removal of the requirement for algorithmic trading firms pursuing market making strategies to enter into market making agreements with trading venues
 - b. As a valuable oversight of liquidity, two respondents recommended maintaining the requirement and **introducing more obligations** on market marking.
 - c. **Next steps:**
 - i. The government believes that existing requirements already provide the right incentives for trading venues to prioritise liquidity. It does not see any reason to deviate from its original proposal citing that the requirement for algorithmic trading firms to enter into market making agreements with trading venues when they pursue market making strategies **does not fulfil any meaningful regulatory purpose and should be removed.**
 - ii. This will be a matter for the FCA to consider and take forward following the implementation of the outcomes of the FRF Review.
 - xii. **Tick sizes**
 - a. **Next steps:**
 - i. As rules governing the calibration of tick sizes are set out in the FCA's rulebook, it is the FCA's responsibility to take this policy forward.

- ii. The government recognises the concerns that respondents raised about delegating the tick size regime to venues in the long-term and **does not intend to make any changes to the regime at this moment in time.**
- xiii. **FIDM; The derivatives trading obligation (DTO)**
 - a. This proposal bringing the counterparties in scope of DTO in line with those subject to the CO **received universal support as respondents noted that the original intention behind the DTO and CO was for the counterparties in scope to be aligned.**
 - b. Nearly all respondents supported expanding the grounds for an exemption from the DTO on to all PTRR provided that appropriate conditions are in place for the exemption to be applicable. Respondents noted that there is no regulatory value in PTRR services being subject to the DTO as the resulting trades are non-price forming. An aligned exemption from the CO was widely supported on the basis that PTRR trades are market risk neutral.
 - c. There was unanimous support for the proposal granting the FCA the power to modify or suspend the DTO under certain conditions.
 - d. **Next steps:**
 - i. The government welcomes the clear support for its proposals related to the DTO and to exempt PTRR services from the CO. It intends to bring forward legislation when parliamentary time allows to deliver these changes.
- xiv. **Transparency**
 - a. On ToTV there was broad support to ditch in favour of the government's proposed approach to determine the scope of the transparency requirements based on whether an instrument is centrally cleared.
 - b. **The determination of what counted as 'cleared' generated some debate:** the inclusion of 'voluntarily cleared' derivative contracts within the scope could create ambiguity and disincentivise clearing. **Many suggested that limiting the scope to trades that are subject to CO/ DTO would be an alternative solution.**
 - c. Respondents agreed that the current liquidity calculations are too complex and do not reflect market liquidity. They also **generally agreed with a qualitative and quantitative assessment to determine the liquid classes of financial instruments.**
 - d. **The vast majority of respondents suggested going further on pre-trade transparency regime by removing the pre-trade transparency regime completely.** However, most recognised that maintaining it for the limited number of systems that already operate under full transparency, such as order books in respect of derivative transactions, would not have any significant impact while addressing the main burden for firms.
 - e. Most respondents agreed with the government's post-trade transparency proposal to simplify the deferral regime and generally supported the proposal to remove, SSTI deferral. However, a large majority signalled that any changes to the SSTI would have to be considered alongside a review of LIS thresholds.
 - f. **The majority of respondents supported the principle of allowing volume masking to encourage timely disclosure against market risk but noted that volume masking is only effective if the scope and length of the deferrals are calibrated correctly. A few respondents also said that volume masking is not**

needed for OTC derivatives because they are relatively liquid compared to bonds. Very few respondents opposed volume masking on the grounds that all trading information should be disclosed in real time.

- g. *The further suggestion whereby trading venues calculated LIS thresholds for **ETD post-trade reporting** in conjunction with the FCA setting out principles for trading venues. The few respondents that engaged with this question were generally supportive, although one stakeholder raised concerns that this might create unfair competition between trading venues and SIs, and among trading venues themselves.*
- h. **Next steps:**
 - i. The government welcomes the overall support for the proposals relating to the transparency regime for fixed income and derivatives markets. Transparency is key to price formation and best execution.
 - ii. However, it is clear that the current regime – which is modelled on the one for equities markets – does not appropriately cater for the specific and often bespoke nature of fixed income and derivatives markets.
 - iii. That is why on 23 November, JG confirmed that the government’s objective is to ensure that financial instruments are subject to appropriate transparency requirements that reflect their specific nature.
 - iv. In line with the government’s broader objective to return responsibility for designing and implementing regulatory requirements to the expert regulators, it is the government’s intention that the FCA should be responsible for recalibrating the scope and setting the firm-facing transparency requirements.
 - v. To enable this, the government plans to delegate the transparency regime for fixed income and derivatives to the FCA when parliamentary time allows.
- xv. **Commodity Derivatives**
 - a. The majority of respondents supported excluding exotic derivatives and legal securities from the definition of commodity derivatives in MiFIR. Beyond this, the feedback was divided about how broad the proposed definitional change should be. *(Who knew! – what a mess...)*
 - b. **Next steps:**
 - i. The government recognises the complexities and inconsistencies around the use of the definition of ‘commodity derivatives’ across regimes.
 - ii. This is a multifaceted issue and the government intends to undertake further analysis to ensure that the regulatory perimeter under FSMA and commodity derivatives regime are both clear and coherent.
 - iii. *The government therefore does not intend to make any immediate changes.*
 - c. All but one respondent supported removing EE OTC contracts from the scope of the position limits regime, arguing that this would remove an element of legal uncertainty and reduce compliance risk for firms. However, a few respondents raised concerns that trading venues may be required to take a more active role in monitoring OTC markets for the purposes of assessing whether certain contracts should be subject to position limits.
 - d. **Next steps:**

- i. The government agrees that economically equivalent OTC contracts should not be automatically within scope of the commodity derivatives position limits regime.
- e. **Position limits regime**
- f. The majority of respondents indicated strong support for the proposal to transfer responsibility for position limits to trading venues and agreed that **trading venues are better placed to respond more quickly and effectively to evolving market dynamics. While most respondents felt that there was little risk associated with the proposal, two respondents highlighted concerns that trading venues would not have enough visibility over the entire market to set limits effectively.** Many respondents highlighted that the FCA should ensure consistency through outcomes-based regulation of the trading venues, while avoiding unnecessary burdens.
- g. There was universal support for reducing the scope of the position limits regime. In fact, many respondents felt that the proposal to limit the scope of the regime to physically settled and agricultural contracts did not go far enough.
- h. **Next steps:**
 - i. on 23 November, JG confirmed legislation when parliamentary time allows to revoke the requirement for position limits to be applied to all exchange-traded contracts, and to transfer the setting of position limits from the FCA to trading venues.
 - ii. As part of this proposal, the government will provide the FCA with the necessary discretion to determine which contracts trading venues will be required to set position limits on, in line with the UK's G20 commitment, and to set limits directly on OTC contracts, if needed. The government will also give the FCA the necessary powers to establish a framework to support trading venues in setting position limits.
- i. Almost all respondents supported the two **position limit exemptions** for (i) all liquidity providers, and (ii) investment firms offering risk-mitigation services to clients, that were proposed in the consultation, with some calls to expand the grounds for exemptions even further.
- j. **Next steps:**
 - i. The government intends for exemptions from position limits to be taken forward as part of the broader changes to the position limits regime as outlined above.
- k. Most respondents noted that the **position reporting regime** generally works well, especially given the high operational costs associated with the implementation of existing reporting frameworks. One respondent suggested amending the definition of "end client" to align the UK definition with the US regime. Another recommended simplifying the role of exchanges in position reporting (**We pushed on excluding physical forwards here**).
- l. **Next steps:**
 - i. The government does not intend to make any standalone changes to position reporting given the vast majority of respondents believe that the current regime works well. Furthermore, the government does not wish to impose additional costs and disruptions.

- m. **Ancillary activities test (AAT)** many respondents expressed some concern that a new qualitative test might create some legal uncertainty for firms. This led them to suggest returning to the **approach that was in place prior to MiFID II, which allowed commercial firms to be exempted from the regime through what was known as the “commodity dealer exemption”**
- n. **Next steps:**
 - i. **The government agrees with respondents that revoking the current ancillary activities test, re-introducing the “commodity dealer exemption” and removing the annual notification requirements would represent significant improvements to the current regime.**
 - ii. The government believes that this approach should alleviate concerns about expected activities being used as the sole basis of the test.
 - iii. The government intends to bring forward secondary legislation under existing powers to enact this change.
- o. Regarding the **abolishment of the OMP and EMP regimes**, responses to this proposal were mixed. A few respondents expressed the view that there is some value in the OMP and EMP regimes, for example because they offer appropriately tailored requirements to specific firms.
 - i. Some respondents flagged concerns that abolishing the OMP and EMP regimes could require firms that currently use them to gain authorisation as investment firms, which would decrease the attractiveness of conducting their business in the UK.
 - ii. However, most respondents were content with abolishing these regimes as long as firms can continue their existing activities without requiring additional authorisation.
- p. **Next steps:**
 - i. Responses demonstrated that this is a complex issue and that changes in this area could have unintended effects in relation to how firms are authorised and the requirements they have to comply with.
 - ii. Given this, the government and FCA will continue to review this part of the regime and will not be making any imminent amendments. Any future changes will be considered alongside amendments to the regulatory perimeter.
- xvi. **Market Data Consolidated tape**
 - a. All respondents supported the government’s proposal to help facilitate the emergence of a consolidated tape (CT), and the majority of respondents agreed that the private sector is best placed to run it.
 - i. While some argued that amending legislation would be sufficient, a number of respondents suggested that UK authorities should play a more active role in ensuring a tape emerges, for example by organising a tender process and appointing a CTP for each asset class.
 - ii. They suggested that a tender process would make it easier for UK authorities to ensure that the correct governance arrangements are in place, help mitigate conflicts of interest, and ensure that the costs for firms connecting to a tape and accessing data from a tape remain low.
 - iii. Some specifically argued that multiple CTs per asset class would not help standardise data or provide a consolidated view of the market.

- iv. This contrasted with feedback from other respondents, who argued that allowing multiple tapes would stimulate competition and drive innovation.
 - v. Only a very limited number of respondents suggested that there should be a single publicly run CT per asset class.
- b. Respondents agreed that there is a more pressing case for a fixed income CT, however most respondents argued for a fixed income and an equities CT to be developed simultaneously. A few respondents argued that an equity CT should be developed first because market data for that part of the market is more standardised and it would therefore be easier to introduce.
- c. All respondents supported a post-trade only CT for fixed income markets on the basis that pre-trade data is not used to aid price formation. Respondents generally felt that an equities CT should cover pre- and post-trade data because traders use both sets of data to make investment decisions.
- d. Most respondents did not see any value in a delayed CT. Those that supported a delayed CT generally argued that it would be more beneficial for fixed income markets.
- e. A few stakeholders suggested that the government should consider a CT for exchange traded funds (ETFs) and derivatives once an equity and fixed income CT has been established but did not see their development as a priority.
- f. Some respondents used this part of the consultation to suggest that the current requirement in legislation for market participants, operators and data reporting services providers to make data available on RCB is not working. They argued FCA does not have sufficient enforcement powers and asked for the FCA to be given appropriate enforcement powers to control the cost of market data.
- g. Several respondents also called for careful consideration to be given to the licensing regime to ensure clarity regarding data ownership and to avoid the misuse of data. Respondents also outlined their support for a cost recovery model.
- h. **Next steps:**
 - i. Although it understands the concerns some respondents raised in relation to having a framework that could allow for multiple tapes, the government believes that competition would help to deliver the overall aims identified.
 - ii. In line with the government's broader objective to return responsibility for designing and implementing regulatory requirements to the expert regulators, it is the government's intention that the FCA should be responsible for setting the requirements for consolidated tape providers.
 - iii. As such, the government intends to make the necessary legislative changes to ensure that the FCA has all the necessary tools to take this forward when parliamentary time allows.
 - iv. The FCA will further consult on specific changes to support the development of a consolidated tape as soon as possible after it takes on responsibility for the relevant regulatory requirements, following the implementation of the outcomes of the FRF Review.

- v. On 11 January 2022, the FCA published a feedback statement entitled 'Accessing and Using Wholesale Data', which sets out findings on the use of wholesale data and proposed next steps.
- xvii. **Reporting; Overlap in reporting requirements**
 - a. Respondents were split as to what to do next. Some strongly opposed any action to mitigate these overlaps as implementing the reporting systems has represented a significant cost to industry.
 - b. Others suggested targeted changes, such as requiring single-sided reporting for derivative transactions. Broader actions such as a more comprehensive review and global harmonisation of reporting standards were also raised.
 - c. Most respondents also agreed that intervention was needed to find a long-term solution to mitigate duplicative reporting requirements under MiFID and SFTR for firms undertaking securities financing transactions with a member of the European System of Central Banks.
- xviii. **ISINs as financial instrument identifiers**
 - a. Respondents generally agreed with the position in the consultation, that the ISIN generation process does not operate well for certain non-standardised derivatives. The respondents who reported issues with ISINs highlighted recurring problems including: multiple ISINs being created for comparable instruments or indeed the same ISIN for different instruments; templates not catering for innovative or complex products; high costs for reference data; global discrepancies and duplication with Unique Product Identifiers (UPIs); and a lack of competition in ISIN provision.
 - b. Some respondents called for a more comprehensive review of instrument identifiers.
 - c. In general, respondents noted that the use of ISINs has resulted in increased complexities in reporting, with end-users experiencing reduced levels of transparency and higher costs for firms. Some respondents suggested that amendments to the ISIN generation process or adopting alternative global standards such as the unique product identifier (UPI), could lead to improvements.
 - d. **Next steps:**
 - i. For SFTs, the FCA recently consulted on widening the existing exclusion of SFTs from reporting under MiFIR where the counterparty is a member of ESCB or Bank of England, effective from 31 March 2022. This would ensure that SFTs would be reportable under SFTR only.
 - ii. SFTs, where the counterparty is the Bank of England, would not be reportable under either regime.
 - iii. As for any changes related to investor protection reports, the government will continue to engage relevant stakeholders in 2022, including consumer groups and retail-facing bodies, before taking any decision regarding next steps.
 - iv. On ISINs, the government believes that further work is required to improve outcomes in this area. Some of this work has already begun as the FCA recently proposed that OTC derivatives should be identified using a UPI
 - v. The potential changes proposed to the transparency regime, particularly in relation to the concept of ToTV for derivatives, would also

mitigate issues that arise from the requirement to use ISINs to OTC derivatives for transparency purposes.

xix. **Cross-cutting Technology & Green finance**

a. **Next steps:**

- i. Of particular note, the Long Term Asset Fund (LTAF) fund structure was launched in November 2021 and the government is consulting until 9th March 2022 on changes to the Financial Promotions Order (FPO) exemptions for high net worth individuals and sophisticated investors.

xx. **Delivery**

- a. As part of the process of establishing the comprehensive FSMA model in this way, the Financial Conduct Authority (FCA) will have the opportunity to make the appropriate rule changes to implement some of the proposals tabulated:

Chapter 1- Trading venues		
	Proposal	Delivery
1	Clarify the regulatory perimeter	Financial Conduct Authority (FCA) guidance
2	Remove matched principal trading for investment firms	Delivered as part of the implementation of the outcomes of the Future Regulatory Framework (FRF) Review
3	Enable organised trading facilities (OTFs) to execute transactions in equities when dealing in large packages	Delivered as part of the implementation of the outcomes of the FRF Review
4	Enable an investment firm to operate a systematic internaliser (SI) and OTF within the same legal entity	The government believes that the case for change was not conclusive and further consideration is needed
5	Develop a new venue/segment for micro small and medium sized enterprises (SMEs)	The government believes that the case for change was not conclusive and will engage relevant stakeholders on this in 2022
6	Develop a playbook for market operators and participants to follow when there is a market outage, and alternative mechanisms to a closing auction during market outages	FCA guidance
Chapter 2- Systematic Internalisers (SIs)		
	Proposal	Delivery
1	Amend the definition of SIs	Primary legislation when parliamentary time allows
2	Amend the reporting regime for SIs	FCA rules
3	Allow midpoint crossing	Primary legislation when parliamentary time allows
4	Allow a more proportionate approach to setting the minimum quote size in respect to standard market size (SMS)	Delivered as part of the implementation of the outcomes of the FRF Review
Chapter 3- Equity Markets		
	Proposal	Delivery

1	Remove the double volume cap (DVC)	Primary legislation when parliamentary time allows
2	Delegate the pre-trade transparency waivers regime to the FCA	Primary legislation when parliamentary time allows
3	Remove the share trading obligation (STO)	Primary legislation when parliamentary time allows
4	Remove the requirement for algorithmic firms to enter into market making agreements with trading venues	Delivered as part of the implementation of the outcomes of the FRF Review
5	Allow trading venues to follow the tick size applicable to the primary market of a share, even when that market is overseas	FCA rules
6	Allow trading venues to establish tick sizes for new shares until sufficiently robust data is available	FCA rules
7	Delegate the tick size regime to venues	The government believes that the case for this change was not conclusive and further consideration is needed
Chapter 4- Fixed income and derivatives markets		
<i>Proposal</i>		<i>Delivery</i>
1	Realign the scope of the derivatives trading obligation (DTO) and EMIR clearing obligation (CO)	Primary legislation when parliamentary time allows
2	Exempt post-trade risk reduction (PTRR) services from the DTO	Primary legislation when parliamentary time allows
3	Exempt PTRR services from the CO	Primary legislation when parliamentary time allows
4	Give the FCA a power to amend the scope of the DTO in certain circumstances	Primary legislation when parliamentary time allows
5	Delegate the pre- and post-trade transparency regime for fixed income and derivatives markets to the FCA	Primary legislation when parliamentary time allows
Chapter 5- Commodity derivatives		
<i>Proposal</i>		<i>Delivery</i>
1	Amend the definition of a commodity derivative	The government believes that the case for change was not conclusive and further consideration is needed
2	Remove economically equivalent over-the-counter contracts from the scope of the position limits regime	Primary legislation when parliamentary time allows
3	Revoke the requirement that position limits be applied to all exchange-traded contracts and transfer the setting of	Primary legislation when parliamentary time allows

	position limit controls from the FCA to trading venues	
4	Amend the position reporting regime	The government believes that the case for change was not conclusive and is not considering changes to this part of the regime
5	Amend the ancillary activities test	Secondary legislation
Chapter 6- Market data		
<i>Proposal</i>		<i>Delivery</i>
1	Empower the FCA to make requirements for consolidated tape providers with the aim of facilitating the emergence of one or more consolidated tapes	Primary legislation when parliamentary time allows
Chapter 7- Reporting		
<i>Proposal</i>		<i>Delivery</i>
1	Amendments to investor protection reports	The government believes that the case for change was not conclusive and would like to continue engaging relevant stakeholders on this in 2022
2	Amendments to product identifiers	The government believes that the case for change was not conclusive
Chapter 8- Cross cutting		
1	This government used this section of the consultation to explore respondents' views on longer-term issues that may impact UK secondary markets. The government welcome responses to this part of the consultation and will consider them in future policy work.	