

FINsights:

CTP Whitepaper Series

#4: The ABC's of a CTP

The building blocks for a CTP 30

June 2022

Executive Summary

As a firm, FINBOURNE has committed to exploring the feasibility of consolidated tapes across **all asset classes** in the EU and UK, as well as working with industry to highlight and define the key issues¹ to help support the development of solutions. This is a process we are conducting with our 18 **Design Council** members, as we create momentum across institutional buy-side, sell-side, regulatory bodies and market professionals.

While we put a great deal of **focus on data quality**, we believe that many of these issues are now being addressed by industry and a number of EU and UK regulators. FINBOURNE has also joined the Dutch Authority for the Financial Markets' (AFM) regulatory sandbox and contributed to the recent Principles² they published.

We have also been **supporting evidence-based policy formulation** with AFME³ and other representative/sector bodies based on our ability to aggregate and analyse a large, cleansed transaction data set (over **120,000,000 transaction records**), created from publicly available delayed data sources.

While most of the focus over the past number of months has understandably been on the development of the consolidated tape policy framework – and we believe the legislative outcome will be positive – we believe the time is now right to focus the discussion on the **practicalities** of how and what will be implemented.

The purpose of this paper is to identify the **3** basic building blocks that need to be addressed as the industry and regulators start the process of constructing and refining a tape or tapes, with a view towards implementation:

- **A is aligning** data – *what precise data does the market want?*

We believe that only the relevant transaction data, with a basic number of fields need to be consolidated, in order to deliver the most efficient product and at the most competitive price.

- **B is blending** the data – *how do you link transactions records to ensure the data is usable?*

Linking the transaction records with a credible reference source, will be key to using CT data in the most effective way possible and to form the best view of available liquidity in the market.

- **C is for connecting** – *which technology stacks can optimally support a CT?*

Having data producers and consumers directly connect to a CT, through open APIs and on the basis of agreed standards, will minimise cost and ensure the market can easily extract the value of CT data across their businesses.

Defining these ABC's will shape the delivery of any CT.

¹ [Insights | Finbourne](#)

² [AFM invites businesses to respond to its 'Principles for Choice Architecture' | AFM](#)

³ [AFME/FINBOURNE study shows need for longer deferrals for large fixed income trades | AFME](#)

Aligning

Transaction data fields

1. MiFID II post-trade transaction reports

- There are up to **38** fields in MiFID transaction reports, yet in many cases, FINBOURNE and our Design Council believes, along with other organisations⁴, that a smaller number of fields is required to provide the relevant essential **bond** information.
- Of MiFIR's RTS 2 **41** Business Fields, only **8** specifically reference (directly or indirectly) bonds and in order to improve the effectiveness of any **Fixed Income CT**, we would propose that **the following 6 or 7 trade fields (as well as venue and timestamp) are needed for bonds:**

1. Identifier

Details	PROPOSAL
Instrument identification code	can cross-referenced to FIRDS

2. Price

Details	PROPOSAL
Price	'Price' should remain the clean price
Price notation	For Fixed Income, the 'Price' should ONLY be expressed as 'PERC'
Price currency	Transactions should clearly express if differs from 'Notional Currency'

3. Notional

Details	PROPOSAL
Notional currency	could be a FIRDS field populated directly?
Notional amount	should be a 'clean' amount

4. Quantity

Details	PROPOSAL
Quantity	For 'unitized' instruments (e.g. structured bonds or ETNs/ETCS) could be added for information but for other fixed income products, not relevant

Concentrating on a smaller number of fields and industry creating a set of 'market practices' or 'standards' for trade reporting could exponentially increase the accuracy, as well as usefulness, of transaction data.






⁴ AFM principles

Blending

Reference data fields

2. FIRDS reference data

There are up to 20 fields in the FIRDS reference database, but current practice leads to differences in details as an example, for a large **ETF** issuance:

Date of admission to trading or date of first trade	Termination date	More Info
2015-02-16 08:00:00.0		
2017-08-24 00:00:00.0	2020-12-31 22:59:59.0	
2017-01-03 00:00:00.0	2020-12-31 22:59:59.0	
2014-08-19 08:00:00.0	2014-08-19 08:00:00.0	
2021-07-05 01:00:00.186		

- The 'date of the first trade' and the 'termination date' - two of the prominent highlighted fields - differ depending on which venue created the report.
- We found similar examples across the **all asset classes** – not just ETFs - currently in the system.
- We also found, on average, some **1%** of transactions had no FIRDS reference - in many cases, the asset had "terminated" on the system or there was simply no matching record for a given ISIN. In these cases, there may be a need to use both the ESMA and FCA FIRDS databases.

In order to create an accurate and efficient CTP, issues around the reference dataset will have to be addressed before a credible CT can be created.

Connecting

The consolidated tape seeks to connect **consumers** of market transparency data with the various venues - **producers**. As such, it is worth examining the two sides of this equation separately: data producers vs. data consumers.

Producers

Today, the venues and exchanges have, as we previously pointed out⁵, different systems, processes and practices that will, in the future, need to provide real-time data to a CT, with the aim of distributing with as low a latency as possible.

In order for a CT to efficiently gather data from the multiple originating sources, **a single mechanism for passing data to the tape would be preferable**. This would reduce integration costs for the CT (and for consumers), as well as simplify the operating model.

There are already industrial-grade mechanisms for delivering high volumes of transaction and market data. These typically follow a publish-subscribe “feed” model and offer a highly reliable way of transferring data with low latency. We need to encourage the development and adoption of a single existing standard and use protocols which most venues will already have experience of using.

Consumers

Following feedback from members of our Design Council, we see two main categories of consumers:

Specialists

Some institutions are already well-equipped to handle the large volumes of data which a CT would expose - they already consume other market data feeds and have the internal systems capable of ingesting, analysing and disseminating data at scale.

These consumers would prefer a similar integration with the CT as the CT itself would have with the producers of the data: they want a reliable feed to subscribe to, which would deliver all the ‘raw’ data to them in real-time. They would use existing internal tools to store and process the data within their firm.

Generalists

On the opposite end of the spectrum, there are consumers who may lack the appetite or resources, to operate the technology required to process the full volume of CT data in-house. Here, we see value in providing analysis and extraction capabilities via a cloud-based SaaS offering. This would allow consumers to explore and retrieve data from the CT, without having to ingest all the raw data themselves.

Access to these capabilities would be via standards-based web APIs. These would allow consumers to self-service, running queries against the CT to extract subsets of data, or to perform aggregate analysis across the transaction data.

Get in touch

Tell us what you think. If you'd like to learn more about the rapidly developing CT journey, get in touch with us at ctp@finbourne.com

Additionally, you can follow us on [LinkedIn](#) to keep up to date on CT developments as they happen and explore our views in our dedicated [CTP blogs](#) and [whitepapers](#).

CTP Glossary

Acronym	Definition	Explanation
APA	Approved Publication Arrangement	A person/venue authorised under the provisions established in the MIFID II Directive to provide the service of publishing trade reports on behalf of investment firms.
API	Application Programming Interface	A set of programming code that enables data transmission between one software product and another.
BUND	Security issued by the German Government	A BUND is a fixed-interest, euro-denominated security issued by the German government to fund its debt. Although BUND refers to bonds with maturities of 10 years +, the term is used for a broader range of German government debt securities.
CT	Consolidated Tape	A Consolidated Tape is an electronic system that collates real-time exchange-listed data, such as price and volume, and disseminates it to investors.
ETF	Exchange Traded Fund	A type of security that tracks an index, sector, commodity, or other asset, but which can be purchased or sold on a stock exchange the same way a regular stock can.
FIRDS	Financial Instruments Reference Data System	A system created by the European Securities and Markets Authority (ESMA) that lists meta- information to all financial instruments included in the scope of MiFID II.
ISIN	International Securities Identification Number	A 12-digit alphanumeric code that uniquely identifies a specific financial security.
MTF	Multilateral Trading Facility	A trading system that facilitates the exchange of financial instruments between multiple parties.
OTF	Organised Trading Facility	Multilateral trading venues in the European Union enabling third parties to trade bonds, derivatives, structured finance products and emission allowances but not equities.
SINT	SI Trade	“SINT” is used when the transaction on a financial instrument is executed on a Systematic Internaliser.
XOFF	A trade made off the main exchange	“XOFF” is used when the transaction on a financial instrument is executed off the market and not on a trading venue, Systematic Internaliser or organised trading platform.

Industry Glossary

Acronym	Definition	Explanation
AFM	De Autoriteit Financiële Markten	AFM are responsible for supervising the operation of the financial markets in The Netherlands.
AFME	Association for Financial Markets in Europe	AFME is the regulatory representative for Europe's wholesale financial markets.
AIMA	Alternative Investment Management Association	AIMA is the global representative body of the alternative investment industry.
AMF	Autorité des Marchés Financiers	AMF regulate the French financial marketplace and are responsible for ensuring that savings invested in financial products are protected and providing investors with adequate information.
BVI	Bundesverband Investment (German Investment Funds Association)	BVI represent the interests of the German fund industry at the national and international level via the promotion of various regulations.
DG-FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union	DG-FISMA is the EU Commission department responsible for EU policy on banking and finance.
EDMA	Electronic Debt Markets Association	EDMA represent the common interests of companies whose primary business is the operation of regulated electronic fixed income trading venues in Europe.
EFAMA	European Fund and Asset Management Association	EFAMA is the representative association for the European investment management industry.
ESMA	European Securities and Markets Authority	ESMA is an independent EU Authority that contributes to safeguarding the stability of the EU's financial system by enhancing the protection of investors and promoting stable and orderly financial markets.
FCA	Financial Conduct Authority	FCA regulate the UK's financial services industry and focus on protecting consumers, keeping the industry stable and promoting competition between financial service providers.
FIX	The Financial Information Exchange	FIX is an organisation that seeks to set transaction data/field protocols in equity markets. FIX's Fixed Income Working Group (FIWG) is tasked with creating a set of trade field standards/protocol for fixed income products.
FMSB	The Fixed Income, Currencies and Commodities Markets Standards Board	FMSB is a regulatory standards body for the wholesale fixed income, currencies and commodities (FICC) markets.
ICMA	International Capital Markets Association	ICMA is a not-for-profit membership association serving the needs of its wide range of member firms active in the international debt capital markets

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About

FINBOURNE's solutions deliver an interconnected network of functionality and data that enables the investment community to better serve clients in a constantly evolving market.

Its investment management solutions and cloud-native data management platform ensure that investment and operations teams can increase revenue, reduce costs, and better manage risk across the investment life cycle.

Get in touch

To discover more about FINBOURNE and learn how our solutions can drive growth, increase control and improve data access, contact us below

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