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9th February 2024

To whom it may concern,

RE: Investment Association response to the FCA's Consultation on Payments to data providers for a consolidated tape for bonds

I am writing to you on behalf of The Investment Association (the IA). The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.8 trillion for savers and institutions in the UK and beyond. The UK asset management industry is the largest in Europe and the second largest globally.


The IA supports the development of a UK consolidated tape (CT), and we thank you for the FCA's continued open and cooperative engagement on this topic. We have read with interest the FCA's consultation paper on payments to data providers for a consolidated tape for bonds and welcome the opportunity to respond.

We note that the consultation paper proposes multiple options for potential payments to data providers. However, our members oppose any payments to data providers, either as a one-off payment or in a recurring form, on the basis that:

1. It will impact the viability of a CT

Our members agreed with the proposal in CP23/15 that a bond consolidated tape provider (CTP) should not be required to contribute to data providers' connectivity cost recovery to ensure the viability of a CT.

The CT is being established to provide an important, cost-effective single source of trade data in what is currently a fragmented and expensive market to access. The FCA, in its Findings Report on its Trade Data Review published in March 2023, identified a number of issues relating to the ability to access trade data for trading activities and investment decisions, and

highlighted the development of a CT as offering part of the solution, by providing benefits to: 

- Cost and licensing of market data;
- Data quality;
- Broadening participation in financial markets.

However, the proposal to require a bond CTP to make payments to compensate data providers for the cost of connection would potentially impact the viability of any CT significantly by making the commercials of any CT less attractive to a potential bond CTP. These connection costs, while not expected to be significant for most data providers, could build up into a significant operating cost for a bond CTP.

We note that if, as seems likely, new trading venues and data providers enter the market, these costs would also increase, hence decreasing the viability of any CTP even as the need for it grows due to the growing fragmentation of data markets. It would be difficult for a potential CTP to model such an increase in costs given the unpredictability of these market entrances, making these costs unknown at best and uncontrollable at worst. This will in turn likely negatively impact the number of potential CTPs willing to bid. Further, if a CTP does have to pay out to assist with connection costs, this will be a barrier to entry for potential candidates in the future.

There is therefore a significant risk that payments to data providers would undermine the FCA's stated objective of creating a bond CT to address the concerns that were identified as part of the Trade Data Review.

2. It will set an undesirable precedent regarding compensation for regulatory compliance

Our members are concerned that the proposed payment to data providers will set a precedent where payment for regulatory compliance would be expected.

Our members understand that the CTP is likely to adopt an application programme interface (API) that is in line with existing industry standards. This would suggest that it would not be a costly exercise for data providers to adopt the standard API, as it would have existing expertise and resources to draw on. The justification for treating data providers separately and offering them monetary incentives to fulfil their regulatory requirements is unclear.

We await with interest the FCA's response to feedback on this topic and would be happy to discuss further with the FCA any of the issues we have raised here.

Yours sincerely,



Galina Dimitrova
Director, Investment and Capital Markets