

The IA Position Paper on a UK Equities and ETF Tape

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About the Investment Association

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, such as pension schemes and insurance companies, in the UK and beyond. 48% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

Introduction

The establishment of a UK consolidated tape (CT) for wholesale financial markets is a major step to enhance the UK capital markets offering by providing a single and near real-time overview of the price and volume of financial instruments traded in the UK. The FCA has completed its consultation on a consolidated tape for bonds and is expected to announce its next steps for an equities and exchange-traded fund (ETF) tape this year.

The IA membership strongly supports the establishment of an equities and ETF tape. **This position paper outlines the IA position on the scope and features of the tape and makes a case for the inclusion of pre-trade data in an equities and ETF tape.** The IA encourages the policymakers and the FCA to act at pace to deliver the UK equities and ETF tape to maintain the international competitiveness of the UK's financial markets.

Scope and features of the equities and ETF tape

It is the view of our members that an appropriately constructed and well-timed equities and ETF tape is critical to the tape's commercial success. The below sets out the IA's recommendations on the scope and features of a UK equities and ETF tape.

1. The equities CT should cover ETFs

For an equities and ETF tape to benefit the industry, it is essential that from conception the scope of the tape includes shares, ETFs, depository receipts and certificates. Over time and once the CT is fully functioning it

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may be appropriate to include other exchange-traded products such as exchange-traded commodities (ETCs) and exchange-traded notes (ETNs).

2. Inclusion of pre-trade data of both pre-and post-trade data from the launch

A successful equities and ETF tape must include both pre- and post-trade data from launch. It is the only model that is commercially viable and properly serves the purpose of enhancing competitiveness and attractiveness – by improving the transparency, liquidity and resilience of the UK capital markets.

While recognising the equal importance of post-trade data in an equities and ETF tape, a post-trade only CT would struggle to attract a wide user base due to its limited use cases. An equities and ETF tape with both pre-and-post-trade data will be more attractive to users, which would in turn enhance the commercial viability of the tape. Post-trade data primarily serves only middle and back-office functions such as transaction cost analysis. An equities and ETF tape with pre-trade data would capture much wider use cases, including trading and portfolio management.

3. Deliver data for both equity and ETF instruments as close to real-time as possible

The forthcoming equities and ETF tape should deliver data publication for equity and ETF instruments as close to real-time as technologically possible, within a second's time frame, to reflect the order-driven and liquid nature of equity markets.

There are concerns about the feasibility of a low latency, operationality resilient and low-cost equities and ETF tape. Experience in the US shows that it is possible: research shows that as the capacity of Securities Information Processors (SIPs, the US consolidated tape) has increased sharply, the amount of time SIPs take to process and report trades and quotes has shortened. Latency has fallen 99.7% since 2010. At the same time, SIPs offer data at low costs to investors, especially retail investors¹. To date, the average latency of Nasdaq-listed securities provided by SIPs is around 13.5-14 microseconds, which is essentially a real-time delivery for display data².

The IA members also acknowledge ongoing discussions concerning pre-trade data latency's impact on algorithmic (algo) trading strategies. However, it is the view of our members that algo trading will continue to rely on direct data feeds and hence these trades would not be affected.

It should be noted that one important use case for the equities and ETF tape is to provide an alternative to investors who **do not** have access to direct feeds. The equities and ETF tape is here to **inform trading decisions**, such as assessing best executions, not necessarily being used by data consumers *as a basis for* trading decisions. Pre-trade data in an equities and ETF tape are set to serve non-latency sensitive use by retail and professional investors in a desktop setting, therefore consumers of pre-trade data are aware of such latency. In this context, latency is irrelevant as the data displayed on the CT is displayed in the same manner as existing data providers, such as the Bloomberg terminal. Thus, it is possible for an equities and ETF tape to provide affordable and meaningful real-time data to market participants.

4. Inclusion of venue attribution and ideally five layers of best bids and offers

The equities and ETF tape should provide improved data with ideally five layers of best bids and offers in both price and volume, in order to deliver what market participants have called for and are willing to pay for. The data should also include full venue attribution.

The EU pre-trade equities and ETF data will initially be limited to 'top of book' without venue attribution, with the review clause to expand the pre-trade tape to 5 layers of best bids and offers and include venue attribution. Our members consider that the top of order book (level 1 data) would be of the least value to consumers of the tape as it would not adequately reflect the complexity of the trades.

¹ Angel, J. [Retail Investors Get a Sweet Deal: The Cost of a SIP of Stock Market Data](#)

² UTP Plan. [Monthly Processor Metrics Q2 2024](#).

To ensure the commercial viability and competitiveness of the UK equities and ETF tape, the IA members feel it is necessary for the UK equities and ETF tape to go further than other jurisdictions by including venue attribution and five layers of best bids and offers at the outset.

5. Standardisation of data

A consolidated tape in any asset class will only be as good as the data fed into it. Since the implementation of MiFID II, it has been widely acknowledged that there have been several issues with the quality of post-trade transparency data. Therefore, all pre-trade and post-trade data to be fed into the equities CT would require standardisation to minimise inconsistencies and errors.

The equities and ETF tape needs to have standardised flagging in both pre-and post-trade reporting. This would help to avoid duplication and remove non-price-forming trades that give a false picture of liquidity. To this end, IA members recommend the FCA look to endorse the FIX Market Model Typology initiative.

The case for including pre-trade data

The question of whether to include pre-trade data in an equities and ETF tape has been a focal point of the equities and ETF tape debate. The IA and its members have long been supportive of the inclusion of pre-trade data in a consolidated tape and believe such an offering is vital to the tape's success.

It is the view of IA members that there are **robust use cases** for pre-trade data in an equities and ETF tape to investors of all types. A pre-trade equities and ETF tape does not only directly benefit all investors but also enhances the competitiveness of the UK capital markets by improving transparency, liquidity and resilience.

1. Improve access to secondary markets to further unlock capital for the UK

It remains a long-standing objective of both HM Treasury and the FCA to improve access to secondary markets and reduce barriers to entry to promote retail participation. Data provided by the CT is valuable to investors of all types, **particularly those who do not have access to direct feeds** – including retail investors and professional investors who may not have a primary focus on the asset class or geographical region but still require/demand pre-trade information on price and volume to effectively discharge their duties. The CT provides an alternative access to data that would otherwise be costly to retail investors and some professional investors.

Pre-trade data which provides information on the prices available would increase transparency and allow investors to spot the best deals. This will enhance competition which leads to better pricing of orders and stimulates liquidity. Whilst post-trade data would provide information on the size and volume of such trades. An equities and ETF tape with **both** pre-and post-trade data serves as a single point of reference for all market participants regardless of size and sophistication. This provides all market participants with a comprehensive view of the secondary market with a tangible and accurate amount of data, thus improving visibility and access to the market, which in turn bolsters investor confidence and liquidity. This can encourage greater retail participation and further unlock capital for the UK.

The benefits of a CT in improving liquidity and lowering trading costs are recognised. For instance, the SEC noted after nearly thirty years of the creation of CT in the US, trading volume soared, competition among markets increased and investor trading costs shrank dramatically³.

2. Improve market resilience

A pre-trade equities and ETF tape enhances market resilience by providing a reliable source of data on bids and offers, as well as an indication of liquidity in the market. In recent months the industry, including the relevant national competent authorities, has had a keen focus on mitigating the risk associated with market

³ SEC. [Regulation NMS; Proposed Rule.](#)

outages, particularly in light of the recent service interruptions we have witnessed⁴. When there is a market outage, the absence of liquidity and disrupted price formation would consequently pose difficulty in fulfilling best execution obligations⁵– which ultimately affect outcomes for end investors.

With the improved market visibility provided by the pre-trade equities and ETF tape, trading can shift from one trading venue to another with little disturbance, if and when a market outage occurs. Otherwise trading activities will simply be halted when there are no other reference prices available as is the case today. CT data can also potentially serve as a custodian for market data and restore confidence in prices when outages occur, thus strengthening market resilience⁶.

3. Promote trading on public venues

Contrary to the concerns that greater availability of consolidated pre-trade data could encourage trading to move away from public exchanges, it is the view of our members that the inclusion of pre-trade data in an equities and ETF tape would promote trading activities on public venues.

A CT with pre-trade data provides aggregated price information of all lit venues, offering higher levels of transparency. Further to this, public venues are highly regulated with extensive rulebooks, and they tend to be more resilient to market disturbances, providing investors with a higher level of confidence in the market. Together this could attract more trading to these venues. Channelling trading to public venues would benefit UK capital markets as a whole with improved transparency, better investor protection and stronger market resilience.

The greater transparency a CT offers to lit venue trading is likely to motivate investors to trade on venues. Therefore, the idea that a pre-trade equities and ETF tape could push trading away from lit venues is not supported by strong reasoning or hard evidence.

4. Enable investment managers to better serve their clients

Pre-trade data is a useful tool for investment managers to serve their clients and other parts of their operational functions. In addition to the evaluation of best execution, investment managers use both pre- and post-trade data for transaction cost analysis, firmwide capacity analysis, portfolio construction and fund liquidity analysis. Pre-trade data is also used in risk management, regulatory compliance and middle- and back-office processes.

5. Serving the FCA’s investor protection objective

A pre-trade equities and ETF tape serves the FCA’s investor protection objective. The tape shows where the best liquidity is in the market. This improves transparency and benefits market participants, thus protecting investors’ interests. Also, a pre-trade tape gives price and volume data that helps investors (both professional and retail) to validate if brokers are achieving best execution for them. Improved transparency is a key ingredient to unlocking further retail activity.

6. Address some of the issues in the wholesale data market

The FCA stated in their [final report on the Wholesale Data Market Study](#) that “A consolidated tape could increase competitive pressure on existing wholesale data providers resulting in cheaper, higher quality and more accessible data for users”. The IA members support the FCA’s objective and believe a well-constructed CT would achieve these goals.

A comprehensive equities and ETF tape with both pre- and post-trade data would in part address the increasing data costs and lack of competition issues prevailing in the wholesale data market.

⁴ For instance, in 2022 IOSCO had mandated a workstream to identify lessons learnt from recent market outages and whether other regulatory considerations or guidance could be developed to improve market resilience. See IOSCO [Market Outages – Final Report](#)..

⁵ IOSCO. [Market Outages – Final Report](#).

⁶ Comerton-Forde, C., Zhong, Z. [How Do You Solve a Problem Like a Market Outage? Ensuring The Resilience of European Equities Trading](#).

It is our members' experience that direct data feed costs have grown significantly in recent years, and many consumers of the data would use a CT which would more than meet their needs, rather than paying for a direct feed. Besides, managing multiple data provider contracts is a burden to investment managers both financially and administratively. For instance, considerable resources are spent on legal advisory in procurement and review of the terms of data usage. Research on the US markets shows that not only did the CT help to bring down the cost of trading data, the cost of CT data is also extremely low compared to the benefits for investors⁷.

Timely delivery of the tape

The FCA is expected to announce the next steps for the equities and ETF tape later this year. The sell-side and buy-side are in broad consensus on the scope and features of the equities and ETF tape⁸. The IA urges the policymakers and the FCA to act at pace to deliver the equities and ETF tape, as it is a key piece of market infrastructure supported by both the sell-and buy-side market participants, given the tremendous benefits to the market.

The US has had a consolidated tape for equity instruments since the 1970s. The EU is moving at pace to deliver an equities tape, having agreed on the framework for the equities and ETF tape in H2 2023 and confirming that the provider for such a tape will be appointed in 2025. The UK should not wait further as this would risk losing the competitive edge and innovation that the UK market can offer and lose out to other jurisdictions. The IA stands ready to support the FCA in this endeavour and to collaborate with other market participants to achieve the best outcome for the UK capital markets.

Conclusion

The IA believes that an appropriately constructed consolidated tape for equities and ETFs is a critical step in enhancing the competitiveness of the UK capital markets and we welcome open and constructive discussions with all policymakers and other market participants. To ensure the tape can achieve the aim of promoting liquidity, improving transparency and strengthening the resilience of the UK capital markets, we encourage the FCA to ensure that the CT has the right features from the start and consider the recommendations in this paper.

⁷ Angel, J. [Retail Investors Get a Sweet Deal: The Cost of a SIP of Stock Market Data](#)

⁸ AFME, [Position Paper – The Case for Including Pre-Trade Data On The UK Equities Consolidated Tape](#).