THE INVESTMENT ASSOCIATION

IA response to CP26/31 FCA Consultation on the inclusion of SI quotes in the equity CT

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 £11.1 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 53% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

Executive summary

The IA has been a longstanding supporter of the development of an equity consolidated tape and remains supportive of the FCA's objective of enhancing market transparency through its implementation.

The IA is, in principle, supportive of the FCA's proposal to include some consolidated information on SI quotes but does not consider this a priority for the successful launch of the equities and ETF tape. While SI quotes may provide additional market information, members questioned the extent of their incremental value and highlighted the risk of introducing noise, given the bilateral nature of SI liquidity. In particular, the FCA should satisfy itself that any quotes included are sufficiently accessible, comparable and relevant to price formation to justify their inclusion in an authoritative market-wide tape.

The IA therefore encourages further assessment of the costs and benefits before any inclusion requirement is imposed. Should the FCA decide to proceed, the IA supports the proposed technical requirements for SI quote publication and agrees that SI quotes should be presented separately from venue data through a standalone SI BBO. Any such work should be sequenced so that it does not delay delivery of the core venue-based tape or impose disproportionate cost and complexity on the CTP.

The IA also supports the inclusion of SI trade reports within the post-trade consolidated tape from launch, as these transactions form an important part of overall market activity and contribute to a comprehensive view of completed trading.

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Q1. Do you agree with our proposal to require the CTP to publish some consolidated information on SI quotes (presented separately from pre-trade data from venues)?

The IA is, in principle, supportive of the FCA's objective of improving transparency through the equity consolidated tape and recognises that the inclusion of SI quotes could provide additional information to market participants. Some members consider that SI quotes may contribute to a more complete picture of available liquidity and could, to a degree, support price formation.

However, members also highlighted a number of concerns regarding the practical value of including SI quotes. Some believe that SI quotes may largely duplicate information already available through trading venues, limiting the incremental transparency benefit. Others emphasised the fundamental differences between venue-based liquidity and bilateral SI liquidity. SI quotes do not necessarily represent liquidity that is accessible to all participants on equal terms, and may be client-specific or subject to eligibility criteria. As a result, including SI quotes alongside venue data could create confusion or add considerable noise for users seeking to assess actionable market liquidity. Clear eligibility standards would therefore be required to ensure that any published SI quotes are sufficiently accessible, comparable and representative to provide decision-useful information.

While some view SI quote information as a potentially useful enhancement, there is broad agreement that it is a secondary feature rather than a core requirement for the successful launch of the equity and ETF consolidated tape. Members questioned whether the inclusion of SI quotes would materially enhance the utility of the tape for end users, given the additional complexity and implementation costs that it may introduce.

The IA therefore believes that the equity and ETF consolidated tape should proceed without SI quote data in the initial phase. Before any future inclusion requirements are considered, we encourage the FCA to undertake further assessment of the likely costs and benefits, including whether users would derive meaningful value from SI quote information and, if so, what form of SI data would most effectively improve transparency without undermining the tape's usability and financial viability. A time-limited regulatory data collection, conducted separately from the CTP, could help establish which categories of SI quotation are sufficiently standardised, accessible and price-forming to justify inclusion. This assessment should proceed independently of the core consolidated tape programme and should not delay its implementation.

However, IA members agree that SI trade reports should be included within the post-trade consolidated tape, as executed SI transactions form an important part of overall market activity and contribute to providing a comprehensive view of completed trading.

Q2. Do you agree with our proposed requirements regarding the arrangements that SIs must use to send quotes to the equity CTP?

The IA broadly agrees with the FCA's proposed requirements regarding the arrangements that SIs must use to provide quote data to the equity CTP.

IA members support the FCA's objective of ensuring that any SI quote data made available through the consolidated tape is provided in a consistent, reliable and timely manner. Aligning the technical and operational requirements applicable to SIs with those that apply to trading venues should help promote consistency across data sources and reduce complexity for tape users.

Members support the proposed 100 millisecond end-to-end transmission latency requirement. Consistent transmission standards should also support the integrity and usability of the consolidated data set.

Notwithstanding our response to Question 1 regarding the secondary priority of SI quote data, should the FCA decide to proceed with its inclusion, we consider the proposed transmission and connectivity

arrangements to be proportionate and broadly appropriate. These requirements should apply only after the FCA has established the regulatory and market purpose of dissemination and defined which SI quotes meet clear standards of accessibility, comparability and decision usefulness. Implementation should also avoid broadening the CTP's remit in a way that adds disproportionate cost or operational risk to delivery of the core tape.

Q3. Do you agree that, if the equity CT includes SI quotes, they should be displayed as a standalone SI BBO?

Yes. If SI quotes are included in the equity consolidated tape, the IA agrees that they should be displayed as a standalone SI best bid and offer (BBO), separate from trading venue data.

Members consider it important to maintain a clear distinction between SI quotes and trading venue quotes, reflecting the different nature of bilateral and venue-based liquidity. A standalone SI BBO should be clearly labelled and should not be presented as a competing authoritative reference price. The FCA should keep this approach under review: if future evidence shows that specified SI quotes are broadly accessible, standardised and meaningfully price-forming, their treatment within the official tape may warrant reconsideration.