LONDON STOCK EXCHANGE

TRADEcho

FCA POLICY STATEMENT 23/04 ‘IMPROVING EQUITY SECONDARY MARKETS’ - 29TH APRIL 2024

April 2024



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SUMMARY

- On May 2023, FCA published Policy Statement 23/04 ‘Improving Equity Secondary Markets’ (PS23/04) covering amendments to areas such as:
  - post-trade transparency, including the introduction of the new ‘designated reporter regime’ (DRR)
  - pre-trade transparency waivers
- As a result of PS23/04, the industry will implement data, flag and trade reporting eligibility changes which will be entering into force on the 29th April 2024.
- The purpose of this document is to outline the areas of impact on the TRADEcho's FCA supervised APA (ECHO) service and Off Book On Exchange trade reporting under the rules of the London Stock Exchange (LSE).
- Any changes that do not impact the TRADEcho's FCA supervised APA (ECHO) service or Off Book On Exchange trade reporting under the rules of the LSE's client facing product are not in the scope of this document.
- Technical specifications will be made available shortly before the relevant Client Development Service (CDS) release and the relevant changes will be shared under those documents.

FLAG CHANGES

- For trades submitted to ECHO APA, users can submit the trades with:
  - **PORT** – Portfolio Transaction
  - **CLSE** – Benchmark transactions executed at the market closing price.

- For trades submitted to TRADEcho for Off Book On Exchange under the rules of the LSE, users can submit the trades with:
  - **NTLS –** Pre – Trade Large in Scale
  - **NETW –** Negotiated Trade Waiver

- For any trades submitted to ECHO APA, these <u>will not be rejected</u> if containing the flags below <u>but</u> will be removed from trade publication:
  - **ILQD –** Pre – Trade Flag
  - **SIZE –** Pre – Trade Flag
  - **RPRI –** Price improvement flag
  - **ACTX –** Agency Cross Flag
  - **DUPL –** Duplicate Trade Flag

- For trades submitted to ECHO APA or for Off Book On Exchange under the rules of the LSE, these <u>will be rejected</u> if containing the flags below:
  - **OILQ –** Negotiated transaction in illiquid financial instruments flag
  - **NLIQ –** Negotiated transaction in liquid financial instruments flag
  - **PRIC –** Negotiated transaction subject to conditions other than the current market price flag

Relevant upcoming release – 3.17.2 & any further releases as necessary

- Prod Go-Live – 29th April 2024
- All related specifications, guides and manuals are shared in the LSE TRADEcho Technical Library

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DATA CHANGES

- For any trades submitted to ECHO APA with minor currencies, the currencies will be changed to major currencies as follows:
  - EUX – **EUR**
  - GBX – **GBP**
  - USX – **USD**
  - ZAC – **ZAR**

- The following currency related fields will also be changed to major currencies:
  - **Price Currency**
  - **Notional Currency**
  - **Notional Amount**

- The calculations will be impacted as follows:
  - MiFID Price will change to MiFID Price / 100 where Price Notation is 'Per Unit'.
  - Notional Amount will change to Notional Amount/100

- This change from minor to major currency will be done in the downstream message to Group Ticker Plant (GTP) i.e. during publication.

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OFF BOOK ON EXCHANGE UNDER THE RULES OF THE LSE

- **Trades submitted to TRADEcho for off book on exchange trade reporting under the rules of the LSE must comply with the new flag logic**
  - NILQ, OILQ and PRIC will no longer be accepted and trade reports will be rejected if containing one or more of these flags
  - NETW, reflecting negotiated trade waiver and NTLS, reflecting pre trade large in scale, are mutually exclusive and if submitted together will be rejected

1. Order Category	2. Pre-Trade Client Flags	3. Trade-value Above Pre-Trade LIS?	4. TRADEcho Status	5. Pre-Trade Flag to Publish	6. Order Category to update
Negotiated	NETW+NTLS	Y	Reject		
Negotiated	NETW+NTLS	N	Reject		
Negotiated	NTLS	Y	Accept	NTLS	Not negotiated
Negotiated	NTLS	N	Reject		
Negotiated	NETW	Y	Accept	NETW	Negotiated
Negotiated	NETW	N	Accept	NETW	Negotiated
Negotiated		Y	Reject		
Negotiated		N	Reject		
Non- Negotiated (Ordinary)		Y	Accept		Not negotiated
Non- Negotiated (Ordinary)		N	Accept		
Non- Negotiated (Ordinary)	NTLS	Y	Accept	NTLS	Not negotiated
Non- Negotiated (Ordinary)	NETW	N	Accept	NETW	Negotiated
Non- Negotiated (Ordinary)	NTLS	N	Reject		
Non- Negotiated (Ordinary)	NETW	Y	Accept	NETW	Negotiated
Non- Negotiated (Ordinary)	NTLS+NETW	Y	Reject		
Non- Negotiated (Ordinary)	NTLS+NETW	N	Reject		
Non- Negotiated (Ordinary)	OILQ / NLIQ/ PRIC	Y/N	Reject		
Negotiated	OILQ / NLIQ/ PRIC	Y/N	Reject		

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DESIGNATED REPORTER REGIME (DRR)

- With the Designated Reporter (DR) regime, the FCA aims at simplifying the trade reporting obligation, removing the responsibility from a firm's Systematically Internaliser (SI) status
- Under the DR regime firms can elect to register themselves as the designated reporter by submitting a notification to the FCA
- The DR status will be applied at the entity level and will be across all asset classes.
- Whilst the trade reporting obligation is decoupled from the SI status, trade reports will need to continue to be identified as SI executed (SINT) if one or both of the parties are SI(s) for the given trade
- A firm can register as a DR regardless of its SI Status
- The FCA will publish and maintain a register of designated reports on its website
- Under DR regime, the following rules will apply for reporting trades:

Counterparty A Status	Counterparty B Status	Who Reports
UK DR	UK Non-DR	UK DR
UK DR	UK DR	Seller OR As bilaterally agreed by counterparties
UK Non-DR	UK Non-DR	Seller
UK Non-DR	Third Country Firm	UK Non-DR
UK DR	Third Country Firm	UK DR

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DESIGNATED REPORTER REGIME (DRR)

- **ECHO APA Only firms**
  - Any ECHO trade submitted with Venue Type as SI should include the SI MIC in the relevant field
  - Please note that DRs who are not SIs need to assess if their counterparties are SIs and submit the trade report accordingly (Venue of Execution = SINT and SI MIC of counterparty)
  - The scenario above extends to UK Investment Firms when on a selling side against a UK non-DR who is an SI for that trade **OR** for UK DRs who are SIs and on the selling side against another UK DR who is also a UK SI
  - ECHO will validate whether the UK SI MIC is valid and will not validate whether the firm is indeed an SI for the given trade report

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DESIGNATED REPORTER REGIME (DRR)

- **ECHO APA & Smart Report Router (SRR) firms**
  - The SRR will continue to assess the SI Status for both counterparties utilising the RDU Smartstream data
  - The SRR will enrich Venue of Execution with SINT and use the applicable SI MIC if one or both counterparties are found to be an SI for the given trade
  - The SRR will do the look-up against the FCA DR Register and determine if one or both counterparties are a UK DR.
  - The decision to send a trade report to ECHO APA for publication will continue to be based on the SRR rules table set-up by the firm
  - The default rules will migrate to cover the UK DR status:

Entering Firm Status	Your Side	Counterparty Status	Report for Trading Capacity	Instrument ToTV Jurisdiction
UK Non Designated Firm	SELL	UK Non Designated Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Non Designated Firm	SELL	EU Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Non Designated Firm	BUY	EU Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Non Designated Firm	SELL	EU SI	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Non Designated Firm	BUY	EU SI	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Non Designated Firm	SELL	Non-Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Non Designated Firm	BUY	Non-Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	SELL	UK Non Designated Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	BUY	UK Non Designated Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	SELL	UK Designated Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	SELL	EU Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	BUY	EU Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	SELL	EU SI	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	BUY	EU SI	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	SELL	Non-Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK
UK Designated Firm	BUY	Non-Investment Firm	AOTC_AAOTC_CADEAL_PDEAL_RPMTCH	UK

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CONTACTS

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