

**EDMA**

**Position paper – August 2021**

**Necessary amendments and revisions to secondary market provisions in MiFID/MiFIR**

**Consolidated tape**

**Issue:** There is currently no Consolidated Tape (CT) for equities or non-equities in the EU or the UK.

**EDMA:** A Bond CT should provide a good quality and appropriately complete view of trading activity across all bond asset classes. A European or UK Bond CT should aim to encompass all cash bond instrument classes, inclusive of ETNs and ETCs, traded on European or UK venues, in so far as that is possible.

A Bond CT should focus on post-trade data only as that where the demand lies. A pre-trade Bond CT involves much greater technical challenges. It is impractical, with known latency issues, for a venue to advise a CT provider before a trade is executed. Also, the inclusion of pre-trade data could create significant gaming risks harmful to price and liquidity formation and reduce incentives to show the best price. EDMA believes the requirement for venues to provide data free after 15 minutes is inappropriate for Bonds. The existence of this requirement prohibits the commercially successful emergence of a Bond CT.

To ensure a successful implementation, special attention should be given to the creation of a dataset that is relevant and valuable to end users of the tape. To achieve this result, we believe ESMA and the FCA should continue to work with the industry to address data quality issues. This will also allow ESMA and the FCA to be in a better position to perform its liquidity and threshold calibrations based on appropriate analysis of the data. There are different interpretations of data standards in several areas - they should be identified with an objective to agree on simplified standards.

Regarding the issue of deferral harmonisation, Article 21(3) and (4) MiFIR grants NCAs various options regarding deferred post-trade publication of non-equity instruments which directly leads to the deferred post-trade publication regimes of non-equity instruments to vary widely across the EU and lack consistency. We believe the NCA options in Article 21 MiFIR should therefore be harmonised in order to achieve greater consistency in deferred publication.

A Bond CT should be developed and provided in collaboration with the trading venue, APA communities and broader industry. It should certainly not be implemented as an extension of work being conducted on an Equity CT. The market structure and trading protocols of Bonds differs greatly given the absence of centralised exchanges in bond markets.

The CT solution provider should be selected by the regulators, using a competitive process from market infrastructure providers who have the relevant experience in data management, operating regulated business and expertise in bond markets. A standardisation effort will be needed to address the provision of data to the Bond CT from multiple APAs/trading venues in a standardised way. These contribution standards will both speed adoption/implementation and improve quality/consistency longer term.

We believe there should be a single solution provider appointed to operate a Bond CT within an appropriate commercial model and subject to safeguards to make it available at a

reasonable cost. EDMA members strongly support the establishment of a Bond CT under the control of a private provider. Market participants are currently mandated to provide accurate data on a close to real-time basis to an APA for off venue transactions. In turn and in addition all trading venues and APAs should be mandated to provide accurate data on a close to real-time basis to this single selected bond consolidated tape provider.

A Bond CT should look to collaborate with standards work undertaken by a variety of industry groups including FIX, ICMA and others.

Like TRACE, a European or UK Bond CT should be introduced or phased in over a multiple year period. The establishment of post-trade consolidated tapes in different asset classes (specifically equities and bonds) requires co-ordination of specification and design. This work for both an Equity and Bond CT should occur in parallel if possible so that they are consciously designed to meet the different requirements of each asset class. EDMA would welcome the opportunity to be involved in this specification and design exercise given the detailed sector expertise available in member firms.

A Bond CT should be introduced on a timescale that allows the business models of critical market infrastructure to adapt and change without causing inappropriate cost or disruption. A Bond CT should, where possible, be future-proofed, for example:

- To take into account the emergence of so called 'golden' sources of data particularly with regard to alternative identifiers
- To accommodate any future planned or predictable changes to the liquidity thresholds

## About EDMA

Electronic Debt Markets Association represents the common interests of companies whose primary business is the operation of regulated electronic fixed income trading venues (multilateral trading facilities and regulated markets) in Europe. EDMA seeks to foster and promote liquid, transparent, safe and fair markets and act as the voice and a source of consultation between the members in their roles as operators of such venues. EDMA projects collective views on regulatory matters and market structure topics to governments, policy makers and regulators for the benefit of the electronic fixed income markets. Our 7 members are: BGC Fenics, Bloomberg, BrokerTec, Liquidnet, MarketAxess, MTS and Tradeweb. More information at [www.edmae.org](http://www.edmae.org).

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