INSIGHT PAPER

FCA DISCUSSION PAPER DP24/2: IMPROVING THE UK TRANSACTION REPORTING REGIME

Key themes and thoughts from the webinar held on 13th February 2025

Control Now

Contents

About Control Now

Control Now is a London-based fintech company, whose purpose is to create stakeholder value for the securities and derivatives regulatory reporting market by improving the quality of reporting.

We do this through disruptive and transformative technology to ultimately contribute to market stability and growth through client empowerment and data transparency for EMIR, MiFIR/MiFID, ASIC, MAS, Canadian reporting (CSA) and SFTR.

Introduction

This paper offers a high-level summary of what we consider are the key messages covered in our webinar and can be read in conjunction with the webinar slides available on our **website** that contain more detailed analysis.

The FCA's Discussion Paper 24/2 (**DP 24/2**) marks a turning point for the UK's MiFIR transaction reporting regime. As highlighted in the webinar, it seeks to move away from ever-expanding compliance burdens by simplifying and streamlining obligations where feasible. However, there is no doubt that regulatory reporting itself remains firmly in place. The FCA has simply made it clear that they are open to market feedback on how best to reduce pain points and improve reporting quality.

During the webinar, the presenters emphasised the Discussion Paper's scope: it covers both scope-level changes (who and what is reportable) and content-level changes (the detailed data fields themselves).

THEME ONE

Philosophy - Balancing Alignment vs. Divergence

From the outset, the FCA made clear its desire to refine UK transaction reporting rules without jeopardising the core objectives of market integrity and effective supervision. The Treasury's **Wholesale Markets Review** underscored that the existing regime works, but there are areas needing improvement. The regulator's philosophy, therefore, appears to be a delicate balancing act between maintaining international alignment — especially with the EU — and customising reporting rules to the UK's specific needs.

Firms operating in multiple jurisdictions could face added complexity if UK rules deviate significantly from EU MiFIR. Nonetheless, the FCA sees value in exploring new approaches, especially if those reduce duplication and enhance data accuracy. Their "open door" approach to feedback, also reflects a genuinely consultative mindset.

Impact on Firms #1: Firms must be prepared for a future in which UK requirements could diverge further from EU standards, necessitating ongoing adjustments to their reporting systems and governance processes.

THEME TWO

Scope-Level Shifts: TOTV, OTC Derivatives and UPI+

A major focus of the webinar was the scope of reportable trades, particularly for OTC derivatives. The FCA devotes several pages in the Discussion Paper to the question of how to define and identify OTC products. TOTV (Traded on a Trading Venue) has long been the deciding factor for reportability, but the FCA is pondering multiple avenues:

- Retaining the current ISIN-based approach but clarifying guidance.
- Introducing UPI+ (Unique Product Identifier plus extra fields) to capture expiry or other details for greater precision.
- Aligning MiFIR's scope with EMIR, thereby encompassing virtually all derivatives.
- Using a modified ISIN approach to reduce rolling maturity complexities in FIRDS (the FCA's reference data system).

The speakers, referencing real-world experiences, drew attention to the complexity of each approach (particularly UPI+). A single UPI can represent multiple instruments, making it unsuitable for unique identification. Similarly, aligning with EMIR might simplify scope determination but would drastically expand the number of transactions subject to MiFIR's more granular data fields.

Impact on Firms #2: Substantial systems changes may be required if the FCA selects an option such as UPI+ or modifies the scope to mirror EMIR. Monitoring TOTV eligibility will be more complicated if the mechanism for unique identification shifts away from the current ISIN-based model.

THEME THREE

Content-Level Updates: Field Changes and Data Quality

Turning to content-level reporting, the FCA is reviewing how individual data fields are populated, with a particular emphasis on:

- Grouped Orders (INTC): Firms often misreport or mismatch client-side and market-side quantities, causing inconsistencies. The FCA proposes introducing a unique linking code so regulators can track each aggregated trade.
- Transmission of Order Indicator: Many firms inadvertently mark on-exchange trades as “transmitted”, contradicting FCA guidance.
- DEA (Direct Electronic Access) Identification: The regulator might add a field to label trades executed via direct electronic access.
- TVTIC (Trading Venue Transaction Identification Code): Additional measures are being considered to improve completeness, with the FCA floating the idea of requiring venues to provide reference data or establishing a centralised look-up source.

The underlying philosophy is straightforward: more robust, accurately filled fields give the FCA better insight into market behaviour. However, the challenge lies in designing a system that does not overburden firms with new data points.

Impact on Firms #3: Realigning transaction-reporting platforms to accommodate new or redefined fields (e.g., a linking code for aggregated trades) will be inevitable. Firms will also need to enhance their internal checks and balances, such as monitoring quantity matches between client and market legs.

THEME FOUR

Technological Enablement: Reducing Complexity Through Innovation

Throughout the webinar, the speakers highlighted the FCA's openness to technology-driven improvements. That might include updated data standards (e.g., ISO 20022), better usage of digital regulatory reporting (DRR) techniques, and improved distribution of FIRDS through user-friendly APIs. As noted, smaller firms in particular could benefit from a central repository that helps with automatic scope checks and enrichment.

The regulator's apparent design thinking here mirrors a forward-looking stance: giving firms the chance to automate processes and reduce manual errors. The FCA's acceptance of real-time or near-real-time solutions could help produce more accurate reporting while curtailing duplication across regimes.

Impact on Firms #4: Organisations that invest in modern data infrastructure and automated reporting workflows may find themselves ahead of the curve if the FCA implements standardised digital frameworks. This could significantly reduce manual overheads and slash operational risks associated with misreporting.

THEME FIVE

The FCA's Call for Feedback and Market Engagement

Finally, the presenters repeatedly underscored that this is a Discussion Paper, not a final set of rules. Key open questions (including "Question 3" on which aspects of MiFIR transaction reporting firms find most challenging) invite direct engagement. The FCA sincerely wants input to shape the path forward, especially as it considers content-level revisions, scope realignments, and possible divergences from EU MiFIR.

This highlights a collaborative philosophy: the FCA is aware of the operational strain of complex rules and seeks solutions that will best serve all parties. Firms that proactively respond can help ensure that any changes balance supervisory objectives with manageable requirements.

Impact on Firms #5: Engaging early with the FCA's questions can influence final policy decisions, potentially mitigating more onerous proposals. Firms should also monitor and participate in subsequent consultations, as there may be further opportunities to refine or clarify the rules.

Conclusion and Next Steps

Overall, the FCA's DP 24/2 underscores that transaction reporting in the UK is on the cusp of significant refinement. The philosophy driving these changes centres on achieving robust data quality, reducing duplicative efforts, and supporting agile regulatory oversight in a swiftly evolving marketplace. The design thinking evident in the proposals points to more granular data requirements, adoption of next-gen identifiers like UPI+, and a willingness to embrace advanced technological frameworks.

For reporting firms, the immediate call to action is clear:

- **Stay informed** – monitor FCA consultations and gather internal data on how specific proposals (e.g., UPI+ for OTC products) will affect workflows.
- **Upgrade strategically** – assess current reporting infrastructure, identifying weak points, especially around aggregated transactions and TOTV determination.
- **Engage** – contribute to the FCA's open questions; proactive feedback can mitigate costly future overhauls.
- **Coordinate** – work with peers and vendors to share insights, especially for cross-border firms juggling EU and UK divergence.
- **Align technology and governance** – adopt or enhance platforms that can handle new data fields, maintain flexible data models, and integrate real-time validation.

By approaching these changes methodically, firms can transform what might otherwise be seen as a regulatory burden into an opportunity to simplify processes, improve data integrity, and ultimately stand on firmer ground in an increasingly complex regulatory landscape.

Control Now

V. 180025