

SSMA response Mifir Review Consultation package Mifir Review related to Consolidated Tape Providers and DRSPs.

The Swedish Securities Markets Association (SSMA) welcomes the opportunity to respond to this ESMA consultation related to Consolidated Tape providers (CTP) and DRSPs.

General comments

SSMA believes the construction of a high-quality consolidated tape will be a complex project and it could potentially be very costly. We are therefore concerned about the pricing of data from the CTP. All SSMA members already buy all relevant raw data directly from the relevant providers and see little use of the CT data. This will come as an extra cost on top of existing data costs. It is therefore of utmost importance that there will be no mandatory mechanism introduced that will force our members to buy this data.

For SSMA it is also extremely important that there will be no link to the CT for demonstrating best execution. All members have already built their execution platforms in a low latency environment with the best execution criterions fulfilled. In these set ups it is not technically possible to use CT data since there is no practical way to bridge for the latency issues with the tape. We do not see that timestamps can solve this in any practical way either.

SSMA is also of the opinion that transparency in the selection process of consolidated tape providers is very important.

Section 3 – RTS on input and output data of CTPs:

Q1: Do you agree with grounding the assessment framework of the quality of transmission protocols on the identified categories of technical criteria?

SSMA believes that the FIX protocol should be considered in the assessment.

Q2: Do you believe that additional categories of technical criteria should be considered for the definition of minimum requirements of the quality of transmission protocols?

SSMA has no view. Except our FIX comment in Q1.

Q3: Do you agree with the proposal of introducing a single set of requirements across the three asset classes (equity, bonds, derivatives), or do you believe that different requirements should be tailored for each asset class?

SSMA has no view.

Q4: Do you consider that the proposed minimum requirements for the technical criteria related to performance are technically feasible, coherent with the objective of highquality data transmission to the CTP and in line with international standards? Please elaborate your response.

SSMA believes that the requirements are sufficient for a bond tape. For an equity tape they will not be enough. The equities tape will only be able to be used for pure transparency reasons for some client categories.

Q5: Do you consider that the proposed minimum requirements for the technical criteria related to reliability are technically feasible, coherent with the objective of high-quality data transmission to the CTP and in line with international standards? Please elaborate your response.

SSMA has no view.

Q6: Do you consider that the proposed minimum requirements for the technical criteria related to security are technically feasible, coherent with the objective of high-quality data transmission to the CTP, and in line with international standards and other EU regulatory frameworks on information security (e.g. DORA)? Please elaborate your response.

SSMA has no view.

Q7: Do you consider that the proposed minimum requirements for the technical criteria related to compatibility are technically feasible, coherent with the objective of highquality data transmission to the CTP and in line with international standards? Please elaborate your response.

SSMA is in general positive towards using international standards.

Q8: Do you agree with the proposed definition of “transmission of data as close to real time as technically possible”? If not, please explain.

SSMA thinks all transmission of data should be transmitted with undue delay, which in practice probably would be as close to real time as technically possible. SSMA also believes it should be different for different asset classes depending on how they are traded. Voice

trading should for example be exempt from short strict times, since it is impossible with sub second delays for manual trading.

SSMA also question how in practice to prove that data is transmitted according to this definition.

Q9: Should ESMA consider specific rules for real-time transmission of transactions subject to deferred publication?

SSMA do not see a need for separate rules. SSMA thinks this is handled by the APAs and they will send the transaction at the “right” time according to the deferral.

Q10: Do you agree with the baseline proposal of adopting JSON as standards and format of data to be transmitted to the CTPs, or do you prefer alternative proposals? Please justify your answer and, if needed, provide additional advantages and disadvantages related to each proposal.

SSMA has no strong view since our members need to build new connectivity anyway. JSON is probably a good standard to use if it can cope with throughput demands for the tape. SSMA think that the FIX protocol should be evaluated as an alternative. It is one of the most broadly used protocols in the industry and should be included as an alternative.

Q11: Do you believe that the proposed standards and formats (baseline and any alternatives) are coherent with other CTP requirements (transmission protocols, realtime transmission and presentation of output data)? Please justify your answer.

SSMA has no view.

Q12: Do you find more suitable to prescribe one single format across the 3 CTPs (equity, derivatives, bonds) or to prescribe distinct formats according for different asset classes?

SSMA is of the opinion that this will mainly affect APAs, and they would most likely want one format. It could be considered that different formats are needed for bonds and equities because of the difference in technical demands for the respective data.

Q13: Do you support the proposals on core and regulatory data? In particular, are there other relevant fields to be added to the regulatory data? Furthermore, would you propose the inclusion of supplementary fields for input core market data beyond those intended for dissemination by the CTP?

SSMA has no strong view, but believes less data is better. Fewer fields will probably lead to higher data quality.

Q14: Do you support the proposal of machine-readable and human-readable formats outlined in this section?

SSMA question if human-readable is needed. Will anyone look directly at this data from the CTP? The only reason to have demand on human readability of the data on the CTP is if there is a risk that no data vendor will distribute this data as a service.

Q15: Do you agree with the proposal of data quality measures and enforcement standards for input data?

SSMA believes that it is important with information about which data contributors that are providing data or not. How will this be enforced in practice and what mandates will be put in place?

Q16: Do you agree with the proposal of data quality measures for output data?

SSMA thinks there could be need for a new flag to signal if there are errors or missing data for an instrument. It is important to know which data contributors are providing data and what data that is currently included in the tape or not.

Section 4 – RTS on the revenue distribution scheme of CTPs:

Q17: On the basis of the issue presented in the above paragraph, what do you think is the right approach to identify a trading venue and group? How could a trading venue and a group be identified? How should the links with investment firms be determined?

SSMA has no strong view but sees practical problems in identifying groups in practice.

Q18: Do you agree with the above assessment? If not, please explain.

SSMA has no view.

Q19: For the identification of the venue of first admission to trading, do you prefer option (A) use of FIRDS, option (B) the CTP collects the relevant information itself? Please explain and provide any alternative option you consider more appropriate.

SSMA prefers option (A), use FIRDS.

Q20: Do you agree that a flag indicating that the transaction was subject to an LIS waiver should be information to be sent to (but not published by) the CTP? If not, please explain.

SSMA thinks this is handled by the APAs and they will send the transaction at the “right” time according to the deferral. For simplicity reason the CTP might want a flag that indicates that it is a deferred transaction.

Q21: Could the determination of the pre-trade volume be done differently by the CTP (e.g. proxy this volume with the pre-trade data received) but at the same time sufficiently accurately? If yes, please explain.

SSMA do not think this is possible because of the latency issues related to especially pre-trade data for equities.

Q22: Do you agree that the methodology to distribute the revenues should require the conversion of the values into percentages? If not, please explain.

SSMA has no view.

Q23: Do you agree with the transactions to include and exclude for the determination of the volume for criteria #1 and #2? If not, please explain.

SSMA has no view.

Q24: What would be your view on the frequency of redistribution? Which issues do you foresee in the redistribution process? How could those issues be solved? Please explain.

SSMA has no view.

Q25: Do you agree with the proposed timeline for the update of the list of data contributors and the identified issues? How could the issues be solved? Please explain.

SSMA believes a list of contributors is good and it is sufficient to publish it once per year.

Q26: What would be your view on the issues for the first year of operations of the CTP? How could those issues be solved? Please explain.

SSMA believes it is important that the tape have good quality from start to create broad acceptance among potential users. It is therefore important with as broad coverage as possible from start both regarding contributors and instruments. It could maybe be considered if it would be easier to have a phase in for different categories of bonds.

Q27: Do you agree with ESMA preferred proposal to set the weights of the revenue redistribution scheme to 4.5, 4.0 and 1.5 for the small trading venue criterion, the young instruments criterion and the transparent instruments criterion, respectively? If not, please explain.

SSMA has no view.

Q28: Would you consider appropriate that the weight (percentages) sum to 10 (100%)? If not, please explain and provide your alternative proposal for the weights (percentages).

SSMA has no view.

Q29: Do you agree with the proposed (i) frequency of the determination of the weights (ii) timing of determination of the weights (iii) timing of application of the weights? If not, please explain.

SSMA has no view.

Q30: Do you agree with the proposed text? Have you identified any missing points or issues?

SSMA has no view.

Q31: Do you agree with ESMA's proposal on the criteria for a potential suspension of redistribution in case of serious and repeated breach by the CTP? If not, which alternative or/and additional criteria would you consider relevant?

SSMA has no view.

Q32: Do you agree with ESMA's proposal on the procedure for the suspension and the resumption of redistribution? If not, which alternative approach would you consider suitable?

SSMA has no strong view, it is important with transparency and information if some contributor is not providing data to the CT.

Q33: Do you agree with ESMA's proposal on the timing of the procedure for the suspension and the resumption of redistribution? If not, which alternative approach would you consider suitable?

Same as Q32

Q34: Do you agree with ESMA's proposal regarding a one-week timeframe for data contributors to furnish evidence of non-breaches? If you disagree, could you suggest an alternative approach that you find appropriate?

Same as Q32

Q35: Do you agree with ESMA's expectation on the notification to be made by the CTP to the competent authority of the data contributor once a suspension has been triggered?

SSMA has no strong view, but think it is reasonable.

Q36: Do you agree with ESMA's proposal on the approach to the retained revenue? In your view, which rate should apply to compound the interest on retained revenue?

SSMA has no view.

Section 5 – RTS on the synchronisation of business clocks

Q37: Do you agree with the proposed approach on synchronisation to reference time? If not, please explain.

SSMA think it is correct to use UTC as reference time. It is what SSMA members use today.

Q38: Do you support a timestamp granularity of 0.1 microseconds for operators of trading venues whose gateway-to-gateway latency is smaller than 1 millisecond? If not, please explain. Would you argue for an even smaller granularity? If yes, please explain.

SSMA think it is ok.

Q39: Do you support the proposed approach on the level of accuracy for trading venue members, participants or users? If not, please explain.

SSMA think it is good that there are different requirements for different participants according to activity, but the data cannot be used for demonstrating best execution. Different granularity and latency will make it impossible to use time stamped data to prove best execution. Since there is a latency for the data from the tape, execution set ups cannot delay orders to wait for the late time stamped data. Investment firms need to execute as fast as possible at the best price according to best bid and offer in the market. The only data that can provide this properly is the data received directly from the source and not delayed CT data. If CT data must be included in these execution decisions, clients will suffer worse execution prices. It could also open for market abuse if it will be possible to “hold” orders and gain an information advantage.

Q40: Do you agree with the proposed approach on traceability to UTC? If not, please explain.

SSMA has no view, but we want to use UTC.

Q41: Do you agree with the proposed accuracy levels for APAs, SIs, DPEs and CTPs? If not, please explain.

SSMA does not understand the divergence for SI. It is very strict requirements for SI and should only apply for very large SIs that will contribute data to the tape. Smaller local SIs should be exempt from these requirements.

Q42: Do you think that more stringent requirements should be set for SIs compared to DPEs considering they have pre-trade transparency obligations? If not, please explain.

SSMA believe there is a need for more stringent requirements for large SIs that are supposed to contribute with data to the tape. Smaller local SIs do not need more stringent requirements.

Section 6 – RTS/ITS on the authorisation and organisational requirements for DRSPs

Q43: Do you agree with the approach proposed by ESMA?

SSMA has no strong view, but think it is good.

Q44: Do you agree to include new authorisation provisions on ownership structure and internal controls for APAs and ARMs?

SSMA has no strong view, but think it is good with control functions. It will be more important that data contributors to the CT fulfil their reporting obligations for data quality for the CT.

Q45: Do you have any further comments or suggestions on the draft RTS? Please elaborate your answer.

SSMA has no view.

Q46: Do you agree with the approach proposed by ESMA?

SSMA has no view.

Q47: Do you foresee specific conflicts of interests that may arise between (i) CTP and data contributors and (ii) CTP and clients and users?

SSMA has no view.

Q48: What other elements, if any, should be included in the RTS on authorisation of CTPs?

SSMA has no view.

Q49: Do you have any further comments or suggestions on the draft RTS? Please elaborate your answer.

SSMA has no view.

Section 7 – Criteria to assess CTP applicants

Q50: How would you define retail investors, academics and civil society organisations for the purpose of the CTP?

SSMA has no good proposal for proper definitions of these participants.

Q51: What are in your view the most important elements that should be taken into account when defining the governance structure of the CTP?

For SSMA it is most important that it works in practice and deliver a quality tape.

Q52: Should the CTP include representation of other stakeholders within their governance structure?

SSMA thinks this largely depends on fee structure and ownership of the CT. There might be need for a reference group in the representation.

Q53: Do you agree with the proposed approach on the assessment of necessity of joint application?

SSMA believes it is reasonable to report conflict of interest in joint applications. If not, it could distort competition if not all market participants have the same access to the CT data.

Q54: Which minimum requirements on identifying and addressing potential conflicts of interest would you consider relevant?

For SSMA it is most important that the group or consortium that build the future CT do not get advantages just because they are the provider of the tape.

Q55: To score the applicants on their development expenditure and operating costs, ESMA intends to look at the costs the applicant will need to cover on an annual basis. Do you agree with this approach? If not, which alternative approach would you deem more appropriate?

SSMA think it must be the same principal as for market data in general. That means it should be cost based and not value based pricing of the data. There is also a problem that this could once again create a monopoly situation for data, which will make it impossible to compare and evaluate whether the allocated costs are reasonable or not. There should be high demands on transparency of costs from the CTP, otherwise there will be no cost control and could lead to higher prices for CT data.

Q56: The simplicity of the fee structure and licensing models can be scored by taking into account the number of tiers, fee types and licensing models. Does this accurately reflect simplicity? If not, would you propose a different approach to assess simplicity? Please elaborate.

SSMA believes that it is important to strive for as much simplicity as possible. It will most likely be a quite complicated system anyway.

Q57: The approach proposed for the assessment of the ability of CTP applicants to process data is grounded on the assessment of the technological infrastructure in ensuring scalability, low-latency, accuracy and security throughout the data lifecycle. Do you agree with this approach, or would you consider additional elements to be assessed?

SSMA agrees, these are minimum requirements.

Q58: Which is the minimum speed of dissemination you would consider appropriate for the CTP? Please distinguish between asset classes (and for the case of the equity CTP, between pre- and post-trade date).

SSMA think it should be as close to real time as possible i.e., as soon as possible after the CTP get the data from the contributors. There should be no delay.

Q59: The proposed approach to data quality would reward additional commitments and measures that CTP applicants intend to put in place. Do you agree with this approach ? What additional commitments and measures would you consider appropriate?

SSMA has no strong view, but think it is important with a high degree of transparency in the selection process of the CTP.

Q60: The proposed approach to modern interface and connectivity is grounded on the assessment of the interface technology in terms of reliability, scalability, low latency and security. Do you agree with this approach, or would you consider additional elements to be assessed?

SSMA has no strong view, but think it is important with a high degree of transparency in the selection process of the CTP.

Q61: Do you agree with the proposed approach to record keeping, based on the provision of document supporting intended compliance?

SSMA has no strong view, but think it is important with a high degree of transparency in the selection process of the CTP.

Q62: The proposed approach to resilience, business continuity and cyber risks is grounded in assessing mandatory DORA requirements applicable to CTPs as a first step (selection

criterion), to then reward additional commitments and measures CTPs applicants intended to put in place to mitigate and address outages and cyber-risk . Do you agree with this approach? What additional commitments and measures would you consider appropriate?

SSMA has no strong view, but think it is important with a high degree of transparency in the selection process of the CTP.

Q63: Do you agree with the use of the Power Utilisation Effectiveness (PUE) as the metric to assess the energy consumption of the CTP? If not, which alternative approach would you favour?

SSMA welcomes that this is included as a selection criterion. It is a very important aspect for our members.

Annex II – Cost Benefit Analysis:

General comment

SSMA believes it is almost impossible to have a view on this since we lack a lot of detailed information. Our assumption is that it will be very expensive, and it will therefore be extremely important that there will be no mandatory consumption of data from the CTP. When the CT is in place SSMA members will do individual assessments on which data will be bought for different use cases. This assessment will also differ between the different market participants.

Q64: What costs do you expect in order to comply with the proposed minimum requirements for the quality of transmission protocols? What benefits do you expect? Please indicate to what role (data contributor, CTP, or CT user) your response refers.

See general comment under Annex II.

Q65: What costs do you expect in order to comply with the proposed data format for input and output data? What benefits do you expect? Please indicate to what role (data contributor, CTP, CT user) your response refers.

See general comment under Annex II.

Q66: Do you expect the benefits from the proposed real time data transmission requirement for input data to outweigh the operational costs borne by data contributors?

See general comment under Annex II.

Q67: Do you think that the input and output data fields strike a balance between reporting burden for data contributors/CTPs and benefits for CT users?

See general comment under Annex II.

Q68: Do you think that the proposed data quality requirements are sufficient to achieve the CT's objectives without generating excessive compliance burdens? Please explain.

See general comment under Annex II.

Q69: Which costs do you expect to implement the revenue distribution scheme? Please differentiate between one-off and on-going costs, between fixed and variable costs as well as between direct and indirect costs.

See general comment under Annex II.

Q70: Which costs do you expect to implement the suspension and the resumption of the revenue distribution scheme? Please differentiate between one-off and on-going costs, between fixed and variable costs as well as between direct and indirect costs.

See general comment under Annex II.