

The IA Response to the London Stock Exchange's View on a UK Consolidated Tape for Equities

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 £8.8 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 48% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

Introduction

This position paper clarifies the buy side views on a consolidated tape for equities which we do not feel were fully and accurately reflected in a recent paper by the London Stock Exchange (“LSE”). The Investment Association membership represents 85% of total assets under management in the UK and it is our members’ view that the development of a consolidated tape for equities and ETFs, including **both pre-and post-trade data**, is a critical step in enhancing the competitiveness of the UK capital markets.

A full IA position paper on our view on a UK consolidated tape for equities and ETF will follow shortly.

The IA welcomes open and constructive discussions with policymakers and other market stakeholders on the topic of a UK equities and ETF tape.

Background

The establishment of a UK consolidated tape (CT) for wholesale financial markets is a major step to enhance the UK capital markets offering by promoting access to market data to market participants. The FCA has completed its consultation on a consolidated tape for bonds and is expected to announce its next steps for an equities and ETF tape this year.

The question of whether to include pre-trade data in an equities and ETF tape has been a focal point of debate. **The IA and its members have long been supportive of the inclusion of pre-trade data in a consolidated tape, and believe such an offering is vital to the tape’s success.**

The Investment Association

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Against this backdrop, [the LSE released a paper in April 2024](#), explaining the LSE’s view on the possibility of a UK CT for equities. In the LSE’s paper, there are various quotes purporting to show it is the view of the buy side that a robust use case for a real-time pre-trade tape is lacking. The IA is deeply concerned that these quotes do not reflect the views and needs of the wider buy-side on an equities tape. As the leading trade body representing the views of the buy side community in the UK, **the IA believes it is critical to clarify our members’ views on a pre-trade equities and ETF tape through this response, to ensure the investment management industry’s views are accurately represented and addressed.**

The Views from the IA

1. IA members are strong advocates for an equities and ETF CT with pre-and post-trade data

The inclusion of anonymous buy side comments in the LSE’s paper suggested that the buy side does not advocate for a pre-trade equities tape. The IA can categorically confirm this is **not** the view of the IA membership. In our [position paper on CT published back in 2022](#), the IA already stated that a successful equities and ETF tape must include **both** pre- and post-trade data from launch. We consistently communicated the same view in our response to the FCA consultation on the framework for the UK consolidated tape.

In addition, the FCA noted in their [Policy Statement for the framework for UK consolidated tape](#) that most respondents to the consultation strongly supported the inclusion of pre-trade data in an equities and ETF tape. The IA believes it is the majority view of the buy side, as well as the sell side¹, that only an equities tape with both pre-and post-trade data would suit the market’s needs.

The IA believes an equities and ETF tape with real-time pre-and post-trade data is the only model that is commercially viable and properly serves the purpose of enhancing the competitiveness and attractiveness of the UK capital markets, helping to ensure the UK remains a global trading centre.

2. There are strong use cases for pre-trade data

Contrary to the LSE’s view that there is a lack of use cases for pre-trade data, the IA members believe there are robust use cases for pre-trade data in an equities and ETF tape to investors of all types. A pre-trade data equities and ETF tape does not only directly benefit all investors but also enhances the competitiveness of the UK capital markets.

Improve access to secondary markets to further unlock capital for the UK

It remains a long-standing objective of both the HM Treasury and the FCA to improve access to secondary markets and reduce barriers to entry to promote retail participation. Data provided by the CT is valuable to investors of all types, particularly those who do not have access to the direct feeds – retail investors and professional investors who may not have a primary focus on the asset class or geographical region but still require/demand pre-trade information on price and volume to effectively discharge their duties.

Pre-trade data which provides information on the prices available would increase transparency by allowing investors to spot the best deals. This will enhance competition which leads to better pricing of orders and stimulates liquidity. On the other hand, post-trade data would provide information on the size and volume of such trades. An equities and ETF tape with **both** pre- and post-trade data serves as a single point of reference for all market participants regardless of size and sophistication. This provides all market participants with a comprehensive view of the secondary market with a tangible and accurate amount of

¹ See the responses from [AFME](#) and [UK Finance](#) to the FCA consultation on the framework for the UK consolidated tape. Both associations highlighted in their responses that the equities CT should include pre-trade data.

data, thus improving visibility and access to the market, which in turn bolsters investor confidence and liquidity. This can encourage greater retail participation and further unlock capital for the UK.

Serving the FCA’s investor protection objective

A pre-trade equities and ETF tape serves the FCA’s investor protection objective. The tape shows where the best liquidity is in the market. This improves transparency and benefits market participants, thus protecting investors’ interests. Also, a pre-trade tape gives price and volume data that helps investors (both professional and retail) to validate if brokers are achieving best execution for them. Improved transparency is a key ingredient to unlocking further retail activity.

Improve market resilience

A pre-trade equities and ETF tape enhances market resilience by providing a reliable source of data on bids and offers, as well as an indication of liquidity in the market. In recent months the industry, including the relevant national competent authorities, has had a keen focus on mitigating the risk associated with market outages, particularly in light of the recent service interruptions we have witnessed. With a pre-trade equities and ETF tape, trading can shift from one trading venue to another with little disturbance if and when a market outage occurs, thus strengthening market resilience.

Enable investment managers to better serve their clients

Pre-trade data is a useful tool for investment managers to serve their clients and other parts of their operational functions. In addition to the evaluation of best execution, investment managers use both pre- and post-trade data for transaction cost analysis, firmwide capacity analysis, portfolio construction and fund liquidity analysis. Pre-trade data is also used in risk management, regulatory compliance and middle- and back-office processes.

Promote trading on public marketplaces

It is the view of our members that the inclusion of pre-trade data in an equities and ETF tape would promote trading activities on public marketplaces, such as exchanges. A CT with pre-trade data provides aggregated price information of all lit venues – investors would be attracted to trade on these venues by their higher level of transparency. Public marketplaces are highly regulated with extensive rulebooks, and they tend to be more resilient to market disturbances. Channelling trading to public venues would benefit UK capital markets as a whole with improved transparency, better investor protection and stronger market resilience.

Address some of the issues in the wholesale data market

The FCA stated in their [final report on the Wholesale Data Market Study](#) that “A consolidated tape could increase competitive pressure on existing wholesale data providers resulting in cheaper, higher quality and more accessible data for users”. The IA members support the FCA’s objective and believe a well-constructed CT would achieve these goals. It is our members’ experience that direct data feed costs have grown significantly in recent years, and many consumers of the data would use a CT which would more than meet their needs, rather than paying for a direct feed. A comprehensive equities and ETF tape with both pre- and post-trade data would in part address the increasing data costs and lack of competition issues prevailing in the wholesale data market.

3. The inclusion of real-time pre-trade data is critical to the success of a UK equities and ETF tape

Maintain the International Competitiveness of UK capital markets versus other jurisdictions

The US first established its consolidated tape in the 1970s for equity instruments which includes pre-trade data and is now looking to further enhance this utility. The EU is moving at pace to deliver an equities tape with real-time pre-trade data. **The IA members feel it is necessary for the UK equities and ETF tape to have similar provisions – and ideally go further– to other jurisdictions.**

The creation of a correctly formulated and well-timed comprehensive CT for equities and ETFs would ensure the UK retains its leading position as a well-functioning and attractive capital market, rather than lacking market infrastructure that competing regions already have or are putting into place.

Secure commercial viability of the tape

The IA believes an equities and ETF tape with real-time pre-and post-trade data is the only model that is commercially viable and properly serves the purpose of enhancing the competitiveness of the UK capital markets.

While recognising the equal importance of post-trade data in an equities and ETF tape, a post-trade only CT would struggle to attract a wide user base due to its limited use cases. An equities and ETF tape with both pre-and-post-trade data will be more attractive to users, which would in turn enhance the commercial viability of the tape.

Latency is not an obstacle to the inclusion of pre-trade data

The LSE's paper also suggested a low latency, operationally resilient pre-trade feed cannot be achieved on a low-cost basis without compromising quality. The IA does not believe it is necessarily true that lower costs will inevitably result in lower quality. In any case, as mentioned earlier, one important use case for the pre-trade equities tape is to provide an alternative to investors who do not have access to direct feeds. Pre-trade data is here to *inform* trading decisions, such as assessing best executions, not necessarily being used by data consumers *as a basis for* trading decisions. Pre-trade data in an equities and ETF tape are set to serve non-latency sensitive use by retail and professional investors in a desktop setting, therefore consumers of pre-trade data are aware of such latency. In this context, latency is irrelevant as the data displayed on the CT is displayed in the same manner as existing data providers, such as the Bloomberg terminal.

Next Steps

We hope this response clarifies the buy side views. The IA believes that the development of a consolidated tape for equities and ETFs, including **both pre-and post-trade data**, is a critical step in enhancing the competitiveness of the UK capital markets. A full IA position paper on our view on a UK consolidated tape for equities and ETF will follow shortly. The IA welcomes open and constructive discussions with policymakers and other market stakeholders on the topic of a UK equities and ETF tape.