

AFB RESPONSE TO FCA CONSULTATION PAPER 25/32 – IMPROVING THE UK TRANSACTION REPORTING REGIME

The Association of Foreign Banks (AFB) is a trade body which represents the interests of the foreign banking sector in the UK to industry stakeholders, including the Government, regulatory bodies, and financial services organisations. AFB has around 170 International banking group members, representing around 80% of the UK's foreign banking market, providing financial services through branches, subsidiaries and representative offices in the UK.

AFB member firms include the full spectrum of banking entities, delivering services ranging from retail banks servicing subsections of the community to significant wholesale market participants. AFB members are also accountable to multiple regulators, particularly those of their home or domestic jurisdiction, and subject to multiple regulatory frameworks.

AFB welcomes the opportunity to respond to the FCA consultation paper CP25/32 (published on 21 November 2025) on changes to the transaction reporting regime under UK MiFID.

AFB members support the FCA's proposed commitment to reduce the transaction reporting regulatory burden for firms. A new streamlined framework, simplifying requirements from firms, is a welcome approach for AFB members.

Please see below our responses to the proposals in the following areas.

A. Transaction and Post-trade Reporting Regimes

Question 1: Do you agree with the proposal to streamline and harmonise existing transaction and post-trade reporting regimes?

AFB members support the FCA's aim and approach to reduce unnecessary duplication in transactions and post-trade reporting and streamline and harmonise the framework for transaction reporting across different regimes.

Question 2: Do you agree with the 3 principles for the long-term collection of transaction and post-trade data?

AFB members agree and support the FCA's proposal for a gradual transition towards a more streamlined framework across regimes so as to minimise change and costs for firms. This will help to minimise the potential constraints on resources such as consulting expertise, IT development/testing, and other ongoing change management projects within firms (both from a regulatory and commercial perspective).

B. Phased Implementation

Question 3: Would you support an 18-month implementation period for the changes proposed in this consultation paper?

AFB members agree and support the proposed 18-month phased implementation period for the proposed changes (except in relation to back reporting), following the publication of the FCA's policy statement.

AFB members request that all supporting documentation (i.e. validation rules, XML schemas and guidelines) are published alongside the Policy Statement, if this is not possible, the FCA should commit to publishing the supporting documentation within 3 months of the publication of the Policy Statement.

C. Back Reporting of Transactions

Question 4: Do you agree with the proposal to apply a reduced default back reporting period of 3 years, whilst keeping the choice to require back reporting up to 5 years where needed?

AFB members support the FCA's proposal as a way to reduce the cost to firms, we also recommend that the change to the default back reporting period is effective on the date of the policy statement.

Further, AFB members request clarity on how the change will apply to data reporting fields that are proposed to be removed from the reporting requirements. Specifically, it is unclear whether these fields would still need to be back reported for transactions executed prior to the effective date of the changes coming into force.

In addition, regarding the proposed removal of FX derivatives from the scope of the transaction reporting regime, the draft guidance does not specify whether back reporting obligations for FX derivative transactions executed before the effective date would also be discontinued.

D. Conditional Single-Sided Reporting Proposal

Question 7: Do you agree with the proposed information a firm should provide to meet the conditions for single-sided reporting?

Question 8: Do you agree with the proposed responsibility for data quality for transactions involving conditional single-sided reporting?

AFB members note and understand the FCA's proposal to transition towards a 'single-sided' reporting framework consistent with other jurisdictions. Some members are supportive of the change in principle. However, members are concerned that transferring the reporting obligation to sell-side firms may create a disproportionate operational burden for them. Without a mandated, standardised format and defined timeframe for the provision of information by buy-side firms, there is a significant risk that the process would become inefficient and prone to error. If the FCA proceeds with its proposals, AFB members suggest that establishing a standardised prescribed format is necessary to enable firms to integrate client data into their internal systems more effectively, rather than them having to manage a multitude of data formats from their clients. Further, imposing a clear deadline (for example, 9pm T+0) would help ensure sell-side firms can meet their reporting obligations.

AFB members have further concerns relating to the handling of errors. If a buy-side firm were to identify inaccuracies in the data it previously provided - potentially extending for up to three years - sell-side firms would be expected to correct and back-report those transactions. Even if the buy-side firm is under

contract to cover associated costs, the sell-side firm may not have the necessary human resources available at the relevant time to undertake such a remediation exercise.

Overall, we do not agree that the current regulatory obligations on buy-side firms should be shifted to sell side firms (even taking into account the reduced data requirements proposed by the FCA).

E. Foreign Exchange Derivatives Reporting Gap

Question 17: Do you agree with our proposal to remove FX derivatives from the scope of the UK transaction reporting regime?

We support the FCA's proposal to remove FX derivatives from the scope of the UK transaction reporting regime. We agree that this will mean less visibility in some instances.

Notwithstanding this, AFB members have some concerns with the proposed approach.

AFB members note the FCA's proposal to mitigate any loss of visibility of FX derivatives transactions through data-sharing arrangements and understand the FCA is considering a new reporting requirement or data request to address the resulting gap. It is important that firms receive early clarity on any such reporting expectations, including the scope, required structure, level of standardisation, and specific data fields for any FCA requests relating to FX derivatives activity.

Further, AFB members are concerned that any new reporting format could introduce additional burdens and costs for UK branches of third country firms, potentially offsetting the intended benefits of removing FX derivatives from the revised transaction reporting regime. If firms are required to provide FX data in a structured and standardised format comparable to transaction reporting, this may effectively amount to a replacement reporting obligation rather than a reduction in the requirements.

We therefore encourage the FCA to ensure that any new data requests do not become disproportionately onerous. Responding to such requests could otherwise create a resource-intensive and costly process. AFB requests that the FCA provides clarity on the overall framework to be used for ad hoc data requests. In particular, UK third country branches should not be disproportionately impacted due to an increase in ad hoc data requests as a consequence of the removal of FX derivative reporting, particularly as the removal is intended to benefit all firms engaged in these transactions.

F. Addressing the Data Gap Created by FX Derivatives

Question 18: For UK branches of third country firms: how could we address the data gap created for FX derivatives?

AFB members note the FCA's intention to mitigate any loss of visibility of FX derivatives transactions through data-sharing arrangements. This should be the priority for the FCA to address the data gap.

We note that, under EMIR, the reporting obligations apply to the legal entity and not the branch, in the scenario where the UK office is a branch of an EU entity. UK branches of EU parents will therefore report under EU EMIR. Under the UK-EU Memoranda of Understanding applicable reports may already be held, or could be accessed, by the FCA and could therefore be used to obtain data on FX derivatives.

For firms that are branches of non-EU entities, the least burdensome option to satisfy an ad-hoc request from the FCA would be to extract information directly from trading systems.

G. Data Integrity and Reliance on FCA FIRDS

Question 56: Do you agree with our proposal to treat FCA FIRDS as a “golden source” for determining the reportability of financial instruments?

The FCA’s proposal to establish the Financial Instruments Reference Data System (FCA FIRDS) as a “golden source” for determining instrument reportability, will place heavy reliance on FCA FIRDS being comprehensive and accurate. AFB members are concerned about potential gaps or lags in the FCA’s instrument data.

AFB is grateful that the FCA has acknowledged the need to improve the usefulness and accessibility of FIRDS. However, we request clarity on supervisory expectations on the timing of reference data updates and how firms will be treated where FIRDS data is not refreshed promptly. In particular, UK branches will seek assurance that FIRDS captures instruments traded globally, given the international nature of UK branch activity.

Additional Comments

- **Article 26(5) Reporting for UK branches of Third-Country Firms**

AFB members support the FCA’s seeking to provide clarity on when UK Branches of third-country firms are subject to UK MiFIR transaction reporting obligations. As the FCA undertakes this, it is worth noting that it is not always transparent for trading venues to determine whether a UK branch is involved in the transaction. For example, a third-country parent may enter into an agreement to be a participant of a trading venue, with London based traders also having access. In such cases, the UK branch should report the transactions executed on the trading venue by the London based traders, with the trading venue reporting all other trades. In practice, this does not happen in every instance. Some trading venues look only at the legal entity that entered the participation agreement, and if they are a third country entity, in which case the trading venue will report all transactions. This can lead to over-reporting, as venues struggle to distinguish when they should and should not report to ensure compliance with regulatory obligations, trading venues find it easier to report all transactions.

- **Ad-Hoc Requests**

As mentioned in our response to question 18 above, although AFB members agree and support the FCA’s overall aim and approach, our members have expressed concerns about the potential ‘precise and targeted ad hoc requests for data’ mentioned in section 1.17 of CP25/32. AFB members request clarification as to what this means in terms of how this would be submitted to the FCA, including the content (template) and the frequency.

As mentioned above, in the first instance the FCA should explore the feasibility of entering into data sharing agreements with the home state regulators on UK branches in order to obtain the required data

as these transactions executed by a UK branch would be reported to the parent's regulator. Only where this is not possible should the FCA seek to obtain this information directly from the UK branch.

- **Cross-Authority and Industry Working Group**

AFB members support the establishment of a cross-authority and industry working group to assist the FCA in developing their long-term approach. AFB would welcome the opportunity to join this working group, as it is important that UK branches of third country banks have a voice and that their concerns are taken into consideration by the FCA. AFB could then add a unique perspective advocating for third country banks.

Association of Foreign Banks

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