

## **Alternative Investment Management Association (AIMA) – Supplementary written evidence (SCG0072)**

### **Reforming transaction reporting rules to boost the UK's competitive standing**

I was pleased to appear before the House of Lords Financial Services Regulation Committee on 20 November 2024 to offer my perspective on the FCA and PRA's secondary competitiveness and growth objective.<sup>1</sup> It was also good to see you and hear from you at the recent City Forum at the Guildhall.

In my evidence to the Committee I referred to the many duplicative reporting requirements that exist under the sectoral legislation (MiFID/MiFIR, AIFMD and EMIR) that applies to the alternative investment management industry in the UK. I spoke of the need to reduce the regulatory burden on firms operating in this sector.

I write now to bring to your attention an important piece of work being undertaken by the FCA that has the potential to significantly boost the competitiveness of the UK investment management sector by reducing costs for firms.

Specifically, the FCA is in the process of reviewing the transaction reporting obligations that it has inherited from the EU's MiFID ruleset. These require a broad range of firms operating under a MiFID licence to report details of in-scope transactions to the FCA the day after a transaction is executed. 65 data fields must be shared in these reports, which support the FCA's monitoring for possible market abuse.

We believe that the current structure of this regime is inefficient and unduly burdensome. In particular, it is dual-sided in nature: a transaction involving an investment manager and its broker would be reported separately to the FCA by each party to that transaction. No such dual-sided reporting regime for market abuse surveillance exists in the US, Hong Kong, Singapore or United Arab Emirates.

We believe that the FCA can adequately discharge its market monitoring responsibilities by maintaining a single-sided reporting regime wherein sell-side firms and trading venues would continue to report transaction data to the FCA. The FCA would still be able to request further records from investment managers if required to conduct an investigation.

The costs associated with transaction reporting are material: some of

---

<sup>1</sup> See <https://committees.parliament.uk/oralevidence/15018/pdf>.

our members spend £5million annually on vendor fees and staffing to discharge their reporting obligations. Because of the design of the rules, they do not typically apply to UK domestic hedge fund managers, but do capture UK affiliates of US firms. We believe that this distorts competition and makes the UK less attractive to global institutions with significant assets under management – precisely the sort of firms that the government should seek to attract to operate and expand in the UK.

I believe this offers an excellent case study of a change that could readily be implemented to enhance the UK's competitive standing without compromising on regulatory oversight.

*19 February 2025*