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Markets Reporting Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

By email: dp24-2@fca.org.uk

14 February 2025

Dear Sir/Madam

**Re: DP24/2 – Improving the UK Transaction Reporting Regime**

The BVCA is the industry body and public policy advocate for the private equity and venture capital (private capital) industry in the UK. With a membership of over 600 firms, we represent the vast majority of all UK-based private capital firms, as well as their professional advisers and investors. In 2023, £20.1bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. There are over 12,000 UK companies backed by private capital which currently employ over 2.2 million people in the UK. Over 55% of the businesses backed are outside London and 90% of the businesses receiving investment are small and medium-sized businesses (SMEs).

We welcome the opportunity to provide feedback on this discussion paper.

We recognise the importance of effective regulation in addressing material risks to consumer protection, the integrity of the market and competition.

However, the introduction of additional regulatory burdens should be carefully assessed against the Government's stated objective of promoting the growth and competitiveness of UK financial services, a key part of the Government's modern industrial strategy. To satisfy the FCA's secondary international competitiveness and growth objective in this context, regulatory measures should only be imposed where a material risk necessitates intervention. In this case, the threshold for new and additional regulatory requirements does not appear to be met.

We encourage a proportionate approach that avoids unnecessary cost and constraints on business and aligns with the broader policy goals of fostering UK economic growth and innovation.

We have only responded to the question on which BVCA members have specific views.

**Question 6: Should CPMI firms be subject to UK MiFIR transaction reporting requirements for their MiFID activity?**

The BVCA strongly opposes the suggestion that CPMI firms should be subject to UK MiFIR transaction reporting requirements for their MiFID activities. CPMI firms include private capital firms that primarily manage alternative investment funds (AIFs) but also hold top-up permissions to provide discretionary portfolio management or investment advice under MiFID. Their core business is fund management, not trading, and they operate under a regulatory framework designed for fund managers, not MiFID investment firms. Applying transaction reporting requirements to CPMI firms would create a disproportionate compliance burden and impose unnecessary costs. CPMI firms lack the technical infrastructure to handle transaction reporting and requiring them to do so would impose significant operational challenges and costs, including requiring firms to distinguish reportable activities from broader fund management operations.

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In the context of private equity and venture capital business specifically, CPMI firms typically undertake relatively few transactions in reportable instruments (as the relevant investments are typically not traded on UK or EU trading venues and do not have an underlying that is traded on those venues either). This means that requiring such firms to implement transaction reporting systems for very low volumes of reportable transactions, rather than rely on their investment bank service providers, would involve substantial financial and non-financial costs that would be disproportionate to the benefits the FCA might reasonably expect to receive. This is particularly the case given that it is likely that CPMI firms would need to implement automated solutions to discharge the reporting obligation, as the T+1 reporting deadline limits the extent to which information can feasibly be manually collated and reported, even at low volumes. BVCA member firms would also be required to incur fees setting up ongoing arrangements with Approved Reporting Mechanisms (ARMs) who may have their own specific requirements as to how they can receive relevant data. The alternative of implementing a direct connection to the FCA's Market Data Processor would be even more expensive and is unlikely to be practical for member firms.

Requiring CPMI firms to submit transaction reports would also result in unnecessary duplication. Transactions involving MiFID financial instruments between CPMI firms and investment firms are already reported by trading venues and sell-side counterparties under existing regulations. Under Article 26(5) MiFIR, trading venues must report transactions involving non-MiFID investment firms and sell-side investment firms must report trades executed with buy-side clients. The FCA already has extensive data on the activities of AIFMs from these reports and other sources (including e.g. AIFMD Annex IV reporting), making it unclear what additional supervisory value CPMI firm reporting would provide that would justify the additional compliance burden and cost (as the FCA itself acknowledges in paragraph 4.6 of DP24/2).

This proposal is out of step with the approach taken in the EU and would put UK firms at a competitive disadvantage. When implementing MiFID II, the key EU jurisdictions for financial services decided (along with the UK) not to gold-plate the regime and require CPMI firms to submit MiFIR transaction reports for MiFID activities. By going beyond the EU requirements, the UK risks creating an unnecessary regulatory burden that would deter private capital CPMI firms from expanding their business to include MiFID investment activities or establishing in the UK in the first place. At a time when any regulatory divergence should be used to enhance the UK's attractiveness as an investment destination, imposing additional burdens would hamper competitiveness and risk driving investment elsewhere.

More broadly, the BVCA supports the calls from other industry bodies to remove "buy-side" investment firms from the scope of the MiFIR transaction reporting requirements entirely, on the basis that the regime imposes disproportionate cost and compliance burdens on buy-side firms without corresponding benefits to the FCA. As noted above, sell-side firms and trading venues are required (and already have the resources and infrastructure in place) to report details of the relevant transactions, so duplicative reporting from buy-side firms is not necessary. The FCA obtains sufficient data to effectively carry out its market monitoring functions from sell-side reports and can request any additional information from buy-side firms directly, if required. Such a single-sided approach would bring the UK in line with other key jurisdictions for financial services, e.g. the US.

Please do not hesitate to get in touch if you have any questions or if you would like to discuss any of the above in more detail. Please contact Tom Taylor ttaylor@bvca.co.uk or Nick Chipperfield nchipperfield@bvca.co.uk.

Yours faithfully

Tim Lewis

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**Chair, BVCA Regulatory Committee**