30th January 2015

Minouche Shafik
Deputy Governor for Markets and Banking, Bank of England

Martin Wheatley
Chief Executive Officer, Financial Conduct Authority

Charles Roxburgh
Director General, Financial Services, HM Treasury

Dear Sirs,

Fair and Effective Markets Review – Consultation document, October 2014

Following the Review's invitation to respond, The Trust Market is delighted to offer its submission, duly attached.

The Trust Market looks forward to seeing the Review's independent recommendations in June 2015. In the meantime, we stand ready to respond to any further questions or comments.

We thank you for the opportunity to have participated in this Review process.

Yours faithfully,

Clare Berty
Chief Executive Officer

FAIR AND EFFECTIVE MARKETS REVIEW OCTOBER 2014

THE TRUST MARKET ("TTM") RESPONSES

What does 'Fair and Effective' mean for FICC markets?

Q1: The Review would welcome respondents' views on the definition of 'fair and effective' FICC markets proposed in Section 3. Does it strike the right balance between safeguarding the interests of end-users without unnecessarily impeding the effectiveness of FICC markets? Are the concepts of transparency, openness and equality of opportunity appropriately specified? And how does the definition compare with those used in other markets, jurisdictions, organisations or legislation?

We share your view on the definition of 'fair and effective' and your belief in striking a balance between safeguarding the interests of end-users without unnecessarily impeding the effectiveness of FICC markets. Our community concurs in finding these to be 'good' definitions.

As we wrote to Dr. Paul Fisher in April 2010 during the 'Information and Transparency for ABS' consultation process:

- We *(now TTM) "…*work to support responsible behaviours and the balance of the City (the UK and global financial sector)."

- "We believe a first step in restoring order to the market is to provide granular information…so investors can make more informed judgements. This is a view strongly held by originators and end investors." TTM has worked since 2010 to ensure that oversight authorities and professional services also have equal access to this information.

- "The first step in this process is to have a window into the underlying risks in the system." "We believe that in order to improve liquidity and lower transaction cost in the wholesale debt market an….open data format is critical."

Since 2010 TTM has been constantly refining, improving and evolving The Trust Market tool ("the tool") through involvement of the market community and through diplomacy. This has included extensive testing, market-required adaptation and an ever-growing number of inclusive 'shaping' and deployment dialogues.

- "In 2010, *ttm* identifies a pattern of "conduct" and "systemic risk" across markets and

begins a programme of Track II diplomacy" (from the appended "The Trust Market because trust is money", November 2014).

The core principles of transparency, openness and equality of opportunity are built into the design and deployment mechanisms within The Trust Market; this tool and its hierarchical trustworthiness framework may well help in the drive to deliver these qualitative concepts into markets.

Having quoted a communication with Dr. Fisher in our response to Q1, we would like to take this opportunity to thank him and others at HM Treasury, the Bank of England and the FCA who have given their valuable time in listening to us and reviewing written material.

A framework for evaluating fairness and effectiveness

Q2: Of the six themes identified in Table A on page 5 (market microstructure; competition and market discipline; benchmarks; standards of market practice; responsibilities and incentives; and surveillance and penalties), which do you consider to be the most important factors contributing to the recent series of FICC market abuses? In which other areas do you believe the fairness and effectiveness of FICC markets globally may be deficient? Do these answers vary across jurisdictions, or specific markets within FICC? Are there any other important areas of vulnerability that are not identified in the table?

Responsibilities and incentives
We support the six themes identified by FEMR, in particular the importance of "responsibilities and incentives". Deploying market-rewarding decision drivers, more formally known as reward-based "choice architecture", through a tool, can significantly improve long-term market operations and resilience.

Increasing competition
Those who have witnessed or investigated market abuse understand that increasing competition and market entrants in FICC or other markets, is likely to help enhance liquidity and improve stability. One of TTM's founding directors led the marketing of LIBOR itself (also EURIBOR) as Director of Communications at the BBA, who between 1986 and 2005 were directly responsible for producing these reference rates, along with various other benchmarks and Master Agreements. The original "reference bank" benchmarking system functioned arguably effectively for two decades until the probity of LIBOR began to collapse. It may be of some significance that as the number of market participants in the LIBOR reduced, the potential for misconduct increased, rendering any form of abuse easier to enact and harder to detect.

Changing oversight authorities, subcontracting the compilation of the benchmark rates (in LIBOR's case, from 2005, to Thomson Reuters), and redesigning controls may all help; but it could be said that none of these interventions can fully resolve the risks posed by quasi-monopolistic conditions.

Improving the design of 'responsibilities and incentives' in parallel with new market access, confidence and trusted data for new entrants enhances 'competition', thereby helping to create an upward spiral of ever fairer and effective markets.

Vulnerability to systemic risk
The lessons from the past are that few behave badly. Yet as our markets and economies moved from significant independence to high correlations of interdependence, so the impact of these few grew together with the vulnerability of markets to their activities. A tool to provide systemic risk management capabilities is much needed. This is generally beyond the reach of financial institutions, and such risks can leave oversight authorities having to respond reactively rather than proactively. A systemic risk management tool for each participant, alongside oversight authorities, introduces multiple levels of market safety and preventative capabilities previously unavailable.

Being able to isolate transgressors post event, proactively and with more accurate intervention, within a market, bank or non-bank further restores value and authority to those whose role it is to keep markets safe and stable. The additional benefit of levers and data sets can help them to mitigate proactively the impact of bubbles and other multiple negative market events whether within a bank or sector, nationally or internationally. This is a significant systemic risk management improvement between pre-2008 markets and markets post-TTM opening.

Disentangling
TTM helps disentangle healthy markets, banks, non-banks and divisions within a firm from the sick, including from the impact of misconduct by individuals. The tool then provides the means for more timely and accurate intervention whilst helping to restore the health of sick markets, banks, non-banks or divisions more swiftly and effectively. Through TTM, sick participants, working with their oversight authorities, can evidence to markets their work to return to normality. This in turn reduces the further risk of market 'domino' events. The Bank of England, HM Treasury and the Financial Conduct Authority, inter alia, can have access to a tool that delineates deliberate transgression (regulatory or market 'murder') from accidental transgression (regulatory or market 'manslaughter'). This latter group should not be unduly disadvantaged as they can again evidence corrective action in train.

Restoring confidence in the confidence mechanisms
Such new and tangible market protection helps shield other market participants and their value from contagion risk. The reputation and authority of those conducting oversight roles are similarly shielded by TTM. The markets can then perceive the important and effective role played by oversight bodies in any such rapid restoration of the status quo. Improving confidence in the safety and stability of daily market activity helps create long-term market growth with stability, itself a result of confidence in the confidence restoration mechanisms themselves.

Barrier and digital options

Q3: Do trading practices involving barrier or digital options pose risks to the fairness and effectiveness of one or more FICC markets? How hard is it to distinguish between hedging and 'defending' such options in practice? Should further measures be taken to deal with the risks posed by barrier options, whether through market-wide disclosure of significant barrier positions, an extension of regulation or some other route?

The Trust Market is a "…system of intermediation…" (FEMR, October 2014) and to fulfil this role is a neutral tool. It is "regulation-neutral", "standards-agnostic" and "politically neutral", and hence policy-neutral. Whilst our risk managers understand that the usage of options can help reduce the price of risk, and so the cost of transacting, their proper usage is a matter of good conduct observance. TTM drivers simply encourage and help reward those that observe and maintain good market conduct.

Market microstructure

Q4: Does the market microstructure of specific FICC markets — including trading structures, transparency, asset heterogeneity or market access — enhance or diminish fairness and effectiveness? Where there are deficiencies, will recent or in-train regulatory or technological changes improve the situation, or are further steps needed? How do these answers vary across jurisdictions, or specific markets within FICC?

In fixed income:

Q5: Is greater use of electronic trading venues for a wider range of market participants possible or desirable? Are there barriers preventing a shift to a more transparent market structure?

Q4-Q5 Loss of openness, visibility and transparency creates market opacity. Bringing markets, banks and non-banks onto TTM helps restore visibility without barriers to entry.

Q6: Is standardisation of corporate bond issuance possible or desirable? Should standardisation be contemplated across a broader range of fixed income products? How could that be brought about?

Standardisation in markets can generally help improve the ability to aggregate, analyse and operate proactively. This can help reduce risk and uncertainty. More trusted information on a greater range of products helps encourage a broader mix of market entrants, which often can improve liquidity.

Please note that TTM's founding principles require it to be "standards-agnostic".

Q7: Should the new issue process for bonds be made more transparent through the use of auction mechanisms, publication of allocations or some other route?

Anything that introduces greater transparency on an inclusive basis is to be applauded.

In foreign exchange:

Q8: Are there risks associated with internalisation and last look practices? Are there barriers preventing increased pre and post-trade transparency in foreign exchange markets?

Being policy-neutral, TTM can only comment that the more transparent a market is, the

more confidently market participants can conduct business, the more entrants, the more liquid, the more competitive, the smaller the opportunity for market abuse and misconduct by the few. TTM supports any improvements to market and oversight transparency.

Q9: Are there barriers impeding the development of more comprehensive netting and execution facilities for transacting foreign exchange fix orders?

Please see the response to Q8.

In commodities:

Q10: Are there any material barriers preventing greater transparency in OTC commodity derivatives markets? If so, what could be done to remove them?

Please see the response to Q8.

Regulatory measures:

Q11: Are there any areas of FICC markets where regulatory measures or internationally co-ordinated regulatory action are necessary to address fundamental structural problems that exist?

A more internationally aligned approach to overseeing our increasingly transnational markets is only to be applauded.

Conflicts of interest and information flows

Q12: Where do potential conflicts of interest arise in the various FICC markets, and how do they affect the use and potential abuse of confidential information, both within and between firms?

The tool deploys and establishes a market-driven hierarchy of trustworthiness, which helps in its pricing, and a tangible value can be returned to those who are visibly improving the trustworthiness of their operations. A potential conflict only remains as such if not correctly and transparently managed both within and between firms.

Through TTM's mechanisms and its distribution partners, potential conflicts and abusers can be more easily identified and appropriately handled on a timely basis. This in turn restores further market confidence both in the functioning of a market itself, within or between firms and in its oversight authorities. Improving confidence in oversight authorities improves confidence in the markets they serve.

Long-term, the tool introduces a much greater degree of market and public involvement in the punishing of bad and rewarding of good banking and market conduct. This includes the abuse of confidential information, both within and between firms.

Q13: How can the vulnerabilities posed by such conflicts be reduced? Are existing internal structures and control procedures sufficient? Where they are not, are further internal management controls required (such as better trading floor design and/or closer monitoring of electronic communications within and between firms) or is more radical action required to remove conflicts altogether?

Please see the response to Q12.

Competition and market discipline

Q14: Is there a relationship between the level of competition in FICC markets globally and the fairness and effectiveness of those markets? What risks are posed by the increase in concentration seen in some FICC markets? In answering this, please have regard to the geographical scope of any relevant markets.

Please see response to Q12 and consider the approach laid out in the attached Appendix "The Trust Market *because trust is money*" ("the Appendix") that may well be of interest.

Promoting effective competition through market forces

Q15: To the extent that competition is currently ineffective in any of the FICC markets, are there market-led initiatives, technological or structural changes that may remedy this situation?

Please consider the approach laid out in the Appendix that may well be of interest.

Q16: Are there any lessons that can be drawn from experiences in other financial markets (or indeed other markets) about the ways that alternative or evolving market structures could impact on competition in FICC markets?

Please consider the approach laid out in the Appendix. During the research, design and development phases of The Trust Market, learnings and experiences were sought and drawn from an extensive range of local, national and transnational markets. This included dialogue with a broad range of market stakeholders and observers, and so the content may be of interest.

Q17: How effective is market discipline in enforcing sound market practices in each of the key FICC markets? What could be done to strengthen it?

Please review the description of The Trust Market tool as the Appendix details. This works to help further strengthen and increase the value-add of all existing enforcement policies for the promotion of sound FICC and other market sector practices, and may well help with this matter.

Promoting effective competition through regulatory and legislative initiatives

Q18: In what ways might competition in any of the key FICC markets usefully be addressed by competition authorities (eg by assessing the state of competition in relevant markets)?

Pattern of failing banks
Empirical material often confirms that the fewer market participants, the more quasi-monopolistic the marketplace behaviours, the higher the correlation of abuses and opportunities for market fixing. In 2011 we wrote "Consider the arc of the current financial crisis and the consequences; first banks bought out failing banks; next, governments had to buy out failing banks when there were not enough solvent banks left, with either the money or the will to merge;" (Wolfson Economics Prize pre-entry and briefing December 2011). In recent decades the number of banks and financial institutions has declined and arguably considerably.

Competition in markets
We support the positive initiatives and activities being conducted by competition authorities as we too sought from 2006 to understand the pattern of failing banks which led to their consolidation within an ever-reducing number of market players. That in turn increased the risk of quasi-monopolistic type market abuse. TTM was developed in part to help lower the price of risk, reducing the costs for new market entrants whilst giving improved access to market participants of all sizes, traditional or alternatives across multiple geographies. Any alignments and initiatives around this shared understanding of the need to retain and improve proper competition in markets can only be positive.

Q19: Are there any additional regulatory reforms that could be helpful in promoting competition and market discipline in FICC markets?

Whilst TTM understands that oversight authorities need the ability to constantly adapt, improve and promote market discipline through regulatory reforms, its principles require it to be "regulation-neutral". It can help ensure that such vital authorities are as well informed on a timely basis as those participating within the markets. Good oversight is as important to markets as good conduct within them, which in turn can help inform the design of any additional regulatory reform or adaptations.

Q20: Is there a need for better awareness and understanding of the existing competition framework among FICC market participants, both at firm and individual level? How do you think that might be best achieved?

As regulation grew in multiplicity and complexity, so the skills available to understand the full detail grew scarcer. Many compliance, regulatory and banking resources have sought to "get it absolutely right", as have their advisors and those regulators seeking to reform and improve the safety of market activities. The improvement of market safety and stability is a common denominator for many. Better awareness and understanding of existing competition frameworks amongst FICC market participants can only help support that agenda.

The tool enables banks to earn market returns/rewards when visibly evidencing they are working towards improving market safety alongside oversight authorities e.g. through a trustworthiness framework. The ability to accelerate evidence that they understand the

detail of such competition frameworks and have deployed it is a TTM driver, bringing competitive advantage to those listing on the tool.

Benchmarks

Q21: Do current domestic and international initiatives by industry and regulators to improve the robustness of benchmarks go far enough, or are further measures required?

The current domestic and international initiatives by industry and regulators, as well as professional services and associations, undoubtedly help improve the robustness of existing benchmarks and TTM neither replicates nor replaces any of these existing good works. It is simply a new neutral measure that reflects them back to markets and works to reinforce the trust and confidence in all that is already going on. It further helps to improve the robustness of the benchmarks themselves by introducing a measure of trustworthiness to those providing, compiling and checking the underlying data.

Industry-level measures

Q22: What steps could be taken to reduce the reliance of asset managers and other investors on benchmarks?

It could be said that markets becoming more opaque and less trusted has necessitated a growing reliance upon benchmarks as a means of establishing comparative data patterns. Arguably, when trust and confidence is improved in other non-benchmark services e.g. audit, board reporting and regulatory reviews helped by the usage of TTM, then the reliance upon certain current benchmarks may reduce.

Q23: What additional changes could be made to the design, construction and governance of benchmarks?

Given we are currently operating in interconnected, fast-moving markets, both those producing benchmarks and their oversight bodies will increasingly require the design, construction and governance of benchmarks to be able to flex, adapt and rapidly respond to innovation, as well as to emerging market fear/rumour and potential contagion events. Such governance improvements can benefit from the tool's ability to deliver simultaneous, local or transnational deployment.

Q24: Should there be an industry panel to discuss benchmark use and design with the aim of assisting industry transition?

TTM is policy-neutral but in its own design and current transition experience, the involvement of industry and wider communities in the use, design and transitioning of a new benchmark can help unify and refine an approach, significantly improving the prospect of accuracy, appropriateness and success in transitioning and deployment.

Regulatory action

Q25: What further measures are necessary to ensure full compliance with the IOSCO Principles for financial benchmarks by all benchmark providers?

TTM's founding principles require it to be "standards-agnostic" and for this reason you will understand that we prefer not to respond to Q25.

Q26: How can the regulatory framework provide protection to market participants for benchmarks administered in other jurisdictions in a proportionate way?

TTM is "standards-agnostic" and for this reason you will understand that we prefer not to respond to Q26.

Standards of market practice

Q27: Are existing sources of information regarding standards of market practice across FICC markets globally: (a) already sufficiently clear (or will be once current regulatory reform has concluded); (b) sufficient, but in need of clearer communication or education efforts; or (c) not sufficiently clear, requiring more specific guidance or rules to provide more detail or close genuine gaps?

TTM is "standards-agnostic" and for this reason you will understand that we prefer not to respond to Q27.

Q28: Box 7 on pages 36–37 discusses a number of uncertainties over FICC market practices reported by market participants, including: the need for greater clarity over when a firm is acting in a principal or an agency capacity; reported difficulties distinguishing between legitimate trading activity and inappropriate front-running or market manipulation; and standards for internal and external communication of market activity. To the extent that there are uncertainties among participants in the different FICC markets over how they should apply existing market standards in less clear-cut situations, what are they?

TTM is "standards-agnostic" and for this reason you will understand that we prefer not to respond to Q28.

Q29: How could any perceived need to reduce uncertainties best be addressed: (a) better education about existing standards; (b) new or more detailed market codes on practices or appropriate controls; or (c) new or more detailed regulatory requirements?

TTM is "standards-agnostic" and for this reason you will understand that we prefer not to respond to Q29.

Will these uncertainties be dealt with by current reforms?

Q30: How can the industry, firms and regulators improve the understanding of existing codes

and regulations by FICC market participants and their managers?
Q31: Should there be professional qualifications for individuals operating in FICC markets? Are there lessons to learn from other jurisdictions — for example, the Financial Industry Regulatory Authority's General Securities Representative (or 'Series 7') exam?
Can the industry help to establish better standards of market practice?

Q30-Q31 The consequences of market misconduct and incompetence are now so far reaching that TTM strongly advocates improving the understanding and the professionalisation of market participants and their managers through education and experience.

Q32: What role can market codes of practice play in establishing, or reinforcing existing, standards of acceptable market conduct across international FICC markets?

TTM is "standards-agnostic" and for this reason you will understand that we prefer not to respond to Q32.

Q33: How would any code tackle the design issues discussed in Section 5.4.3, ie: how to ensure it can be made sustainable given industry innovation over time? How to differentiate it from existing codes? How to give it teeth (in particular through endorsement by regulatory authorities or an international standard setting body)? How to communicate it to trading teams? Whether, and how, to customise it for individual asset classes?
Should the scope of regulation be extended?

TTM is "standards-agnostic" and "regulation-neutral" and for this reason you will understand that we prefer not to respond to Q33.

Q34: In the context of implementing MiFID 2, which of the FCA Principles for Businesses should apply in relation to MiFID business with Eligible Counterparties?

TTM is "regulation-neutral" and for this reason you will understand that we prefer not to respond to Q34.

Q35: Are there any financial instruments that should be brought more fully into the scope of regulation in order to improve the fairness and effectiveness of specific FICC markets? For any instruments proposed: (a) what protections does the current framework provide; (b) what gaps remain of relevance to fairness and effectiveness; and (c) what is the cost/benefit case, bearing in mind the Review's Terms of Reference as set out in Section 1?

TTM is "regulation-neutral" and for this reason you will understand that we prefer not to respond to Q35. Whilst not commenting upon the scope of regulation in respect of further financial instruments, as a general point we do advocate mechanisms that mitigate against any misuse of regulatory arbitrage.

Responsibilities, governance and incentives

Q36: How much of a role did inadequate governance, accountability and incentive arrangements play in the recent FICC market abuses, and to what extent do these remain

potential vulnerabilities in FICC markets globally? In addition to on-going regulatory changes, what further steps can firms take to embed good conduct standards in their internal processes and governance frameworks? And how can the authorities, either internationally or domestically, help to reinforce that process, whether through articulating or incentivising good practice, or through further regulatory steps?

Please consider the mechanisms detailed in the Appendix.

Firm-wide initiatives to improve incentives and governance

Q37: Do respondents' agree that the thematic areas highlighted in Section 5.5 are key priorities for FICC firms (fine-tuning performance measures; adjustments to remuneration; attitudes towards hiring, promotion and advancement; closer board involvement in governance of FICC activities; and clearer front line responsibilities)? What specific solutions to these challenges have worked well, or could work well? And how best can the authorities help to support these initiatives?

Please consider the mechanisms detailed in the Appendix.

As we wrote in the response to Q19 "Good oversight is as important to markets as good conduct within them". TTM continually works to ensure all such parties, whether oversight authorities, associations, boards or professional service providers can have access to The Trust Market's neutral tool.

Market wide initiatives to align market conduct, incentives and governance

Q38: To what extent could the Banking Standards Review Council help FICC market participants to raise standards collectively — in particular, are there other steps that could be taken to help complement or extend this initiative in FICC markets for non-banks and internationally?

The TTM tool helps align and collectively pull through market conduct, incentives and good governance initiatives.

As Anthony Hilton wrote in the Evening Standard, 16th July 2013

- TTM's "Ranking…will be a major step to restoring trust overall"
- "Bank's own executives can adapt it for internal use…to access, monitor and correct risky conduct within their operations"

As the Appendix affirms "TTM is not a quasi-regulator nor a setter of reporting standards".

However, organisations that do set standards have already observed that the tool helps pull through such standard initiatives swiftly. This is done by enabling the market to assess which firms across the banking industry are implementing these standards and which are not. The BSRC initiative could obtain significant traction in collectively raising standards for banks by utilising TTM. As the tool is open and operates transnationally, this could include non-banks

and international participants.

Regulatory initiatives to improve governance and incentives

Q39: Are there other regulatory measures the authorities could take to strengthen personal accountability or otherwise improve the way firms manage incentives and governance? In particular, should any or all of the measures in the Senior Managers and Certification regime be extended to non-bank firms active in FICC markets?

TTM is "regulation-neutral" and for this reason you will understand that we prefer not to respond to the first part of Q39. However, in line with our response to Q30-Q31 "The consequences of market misconduct and incompetence are now so far reaching that TTM strongly advocates improving the understanding and the professionalisation of market participants and their managers through education and experience".

Historically, the sources of market misconduct and their associated consequences have not been limited to bank participants. Examples of non-bank firms could include Enron, Madoff and AIG. The tool had to be designed to include all types of market participants and it helps all firms listing on The Trust Market to improve the transparency of their responsibility regimes whether a bank or non-bank.

Surveillance and penalties

Q40: What role can more effective surveillance and penalties for wrongdoing play in improving the fairness and effectiveness of FICC markets globally? How can firms and the industry as a whole step up their efforts in this area? And are there areas where regulatory supervision, surveillance or enforcement in FICC markets could be further strengthened?

Our response to Q1 offers an approach to help improve the fairness and effectiveness of FICC markets globally, as well as other markets. Firms and the industry as a whole can collectively step up their efforts by listing on The Trust Market, which provides additional market-wide 'surveillance' measures and mechanisms, as well as helping strengthen existing supervisory regimes. The tool was developed to extend its surveillance capabilities for usage within a bank, a non-bank, marketplace, oversight bodies and indeed other sectors e.g. energy markets.

Firm level surveillance

Q41: How can firms increase the effectiveness of their own surveillance efforts across FICC markets globally? What role could the industry play in helping to explore best practices on how to make whistleblowing and other similar regimes more effective? Is there scope to make greater use of large-scale market data sets and electronic voice surveillance to help detect cases of abuse in FICC markets? Are there other potentially effective tools?

TTM is a tool for firms who have developed best practices to benefit from being market leaders and we would encourage firms who are The Trust Market listing market leaders to share their knowledge and experience; transparency raises the bar on governance, performance and controls. Please consider the content in the Appendix as defining another

potentially effective tool.

Firm level penalties

Q42: Are there processes or structures that can allow firms to punish malpractice by their own staff more effectively (for example, penalties for breaching internal guidelines)?

The tool was designed to help 'spot and stop' bad or risky behaviour by staff at all levels within a firm (if unable to stop, at the very least halt and mitigate the impact of such activity). It then delineates the reporting of 'accidental' poor conduct from 'deliberate' misconduct whilst disentangling others from the potential for associated systemic or contagion risk. Furthermore, TTM enables proactive intervention with its trend data on market 'watch-lists', allowing earlier risk intervention, intra-firm, inter-firm and when working with external parties, whilst reducing the risk of a bank or wider market run.

Q43: Could firms active in FICC markets do more to punish malpractice by other firms, for example by shifting business and reporting such behaviour to the authorities?

TTM introduces a much greater degree of market and public involvement in the punishing of bad and the rewarding of good conduct.

Regulatory level surveillance and supervision

Q44: Is the current supervisory approach and level of intensity dedicated to supervising conduct within the UK wholesale FICC markets appropriate?

TTM is "regulation-neutral" and for this reason you will understand that we prefer not to respond to Q44.

Q45: Are there ways to improve the data on FICC market trading behaviour available to the FCA, whether through the extension of the regulatory perimeter or otherwise?

The Trust Market is available to the FCA to provide a different and additional lens on market trading behaviour.

Regulatory-level penalties

Q46: What further steps could regulators take to enhance the impact of enforcement action in FICC markets?

TTM is "regulation-neutral" and for this reason you will understand that we prefer not to respond to Q46.

Q47: Should consideration be given to greater use of early intervention, for example, temporary suspension of permission for a particular trading activity for firms or individuals or increased capital charges?

Please see our response to Q42 with regards to providing a tool with early intervention

capabilities.

Early TTM published materials stated that markets would be improved by ensuring criminal prosecutions were brought where criminal activity is identified. As we wrote in our Findings on Risky and Bad Banking Behaviours in June 2010, "Fraud is Fraud" and should be treated as such.

Q48: Is there a need to widen and or strengthen criminal sanctions for misconduct in FICC markets?

As per our response to Q47, "Fraud is Fraud and should be treated as such".

Q49: Is the approach set out in the Criminal Sanctions Market Abuse Directive appropriate for the United Kingdom? Are there additional instruments or activities to those envisaged by the Directive that should be covered by the domestic criminal regime?

As already documented, TTM's founding principles require us to be "policy-neutral".

However, do please note that, in our consultation response to Dr. Fisher in April 2010, we wrote, "We feel so strongly about restoring market liquidity, stability and market confidence, that we set up a CIC *(Community Interest Company)* to help support this objective". Today we are The Trust Market.

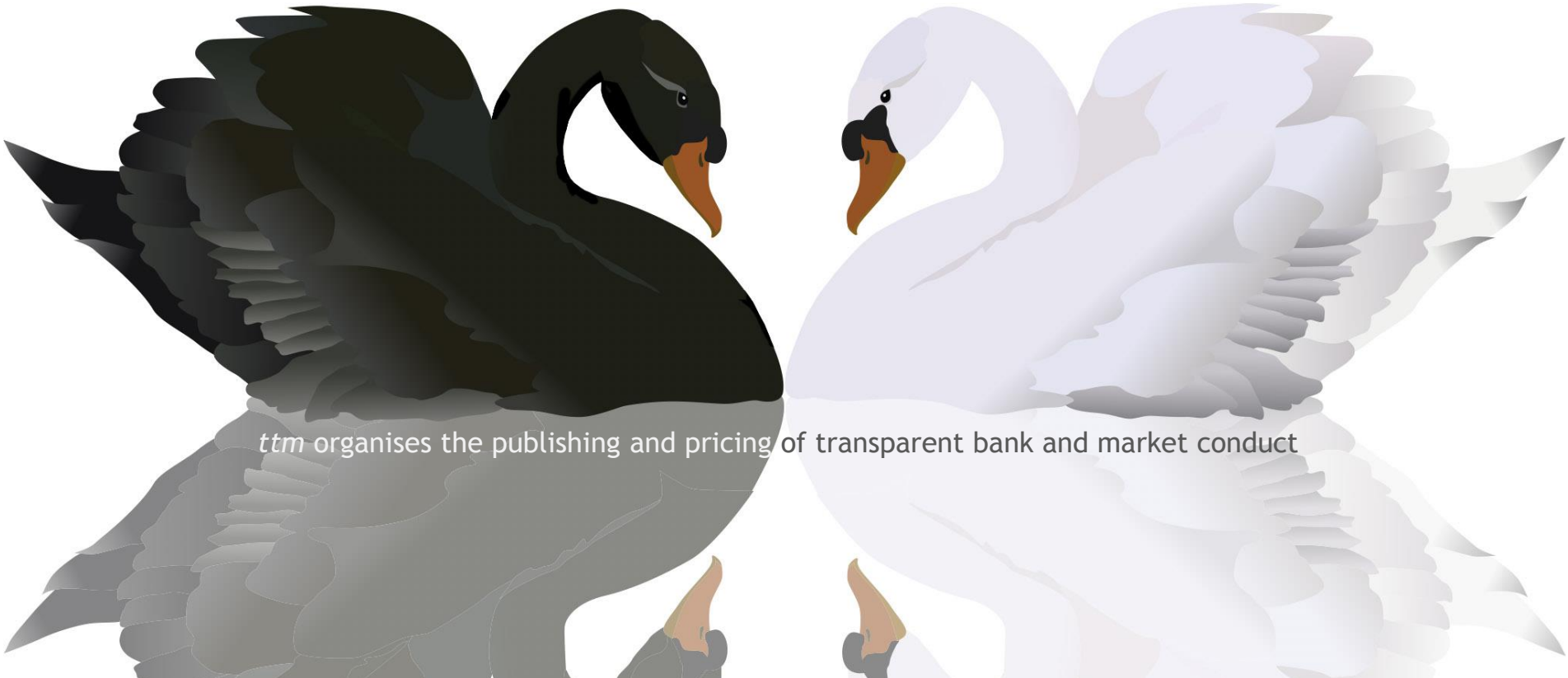
We wish to thank all of you for the opportunity to participate in this cross-market engagement process, which is collaborative, inclusive and seeks to restore market confidence and liquidity with improved stability.

THE APPENDIX

"The Trust Market *because trust is money*"

November 2014

The Trust Market *because trust is money*



ttm organises the publishing and pricing of transparent bank and market conduct

Market Diplomacy

- From 1994-2006, *ttm*'s network directly witnesses increasing bank business incidents and failures
- From 2006-2010 *ttm* seeks from its market community any missing direct witness accounts and builds a resolution community
- *ttm* interviews multiple market professionals before, during and after 2008 crunch, these 'event' dialogues still continue today
- In 2010, *ttm* identifies a pattern of "conduct" and "systemic risk" across markets and **begins a programme of Track II diplomacy**

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Market Diplomacy

Track II dialogues are complete: banks are now commencing *ttm* listing

From 2010 only Track II diplomacy could *resolve* one of the most contentious issues of our time

ttm's founding principles state

- *ttm* had to be **"regulation-neutral"**, **"standards-agnostic"** and **"politically neutral"**
- It was the **only way to resolve a transnational challenge with impartiality** and ***remains* so**

All advocate *ttm* as the resolution

- After 7 years ***ttm* is never refuted**; people either helped shape *ttm* or tried to counterfeit *ttm*
- Those who try to counterfeit, 'trust me with stolen IP (!)', waste time, resources and **damage banks**
- But ALL advocate that *ttm* is the resolution to market challenges and are **now *unifying* with *ttm***

Firms are unifying behind *ttm*

- **Three leading global law firms** have already unified by taking **shareholder stakes in *ttm***
- Banks are now unifying by listing as **Market Members** and some are seeking stakes in *ttm*
- Auditors are unifying through the **Trust Market Association** so they can help their clients list

"The *(ttm)* concept has received an astonishing amount of quiet recognition from official bodies and regulators world-wide."

Anthony Hilton on ttm, Evening Standard, 16th July 2013

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Market Ills

- Banks and markets are the heartbeat of our transnational economies
- The heart valves of monetary capital (cash circulation) are blocked
- Without restoration to health, because banks fund economies, our interdependent economies will continue to decline
- There may be patches of renewed market growth but these will remain vulnerable to further global and local market ills

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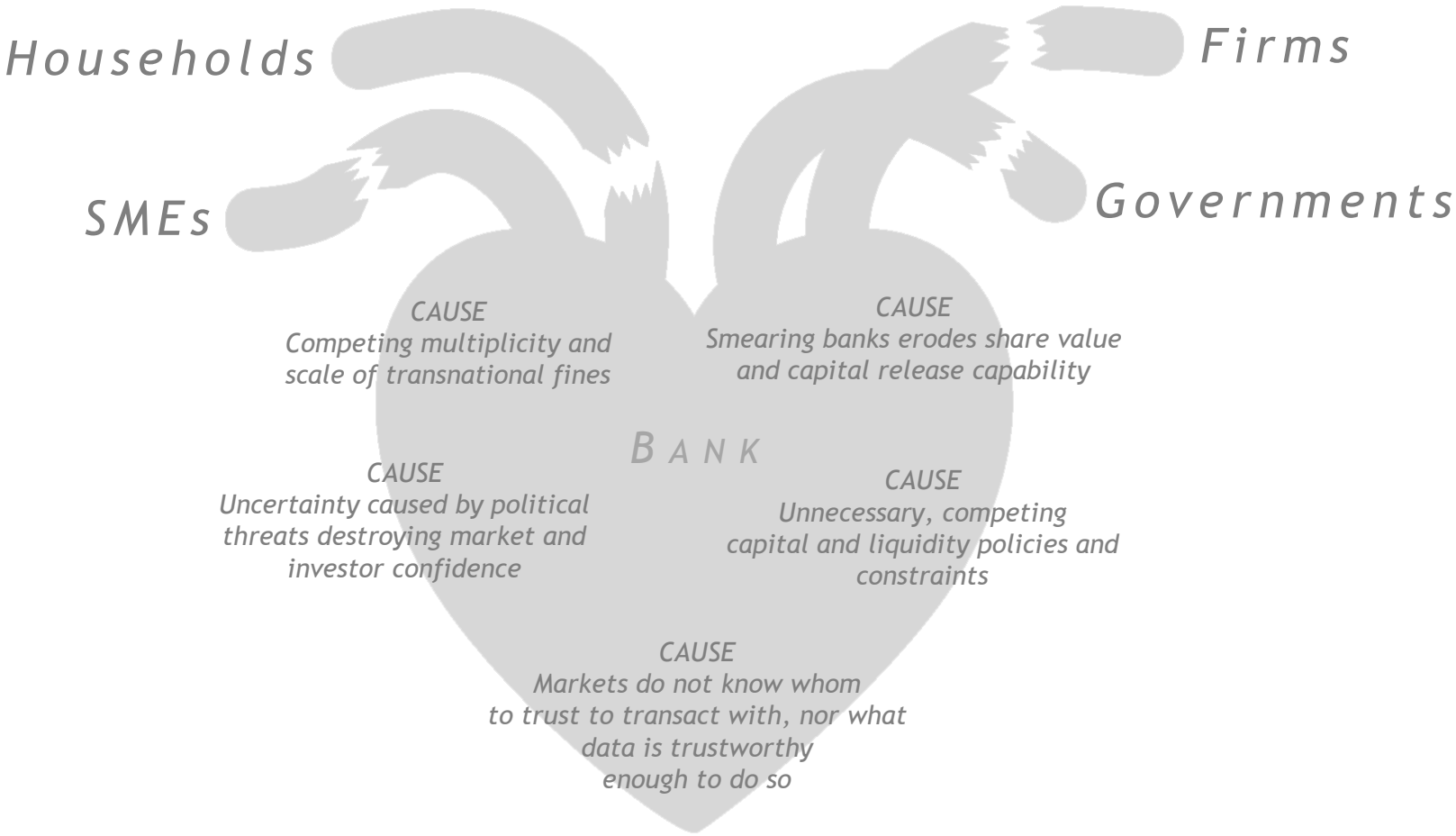
We are experiencing economic health issues and coronaries

Why distrust is *obstructing* monetary circulation



These blocked bank valves are suffocating growth by disadvantaging SMEs, firms, governments and all.

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Market Cure

- *ttm* is a market-driven mechanism that establishes and prices a hierarchy of trustworthiness in a form of rating called *ttm* 'ranking'
- A neutral transnational market that helps regulatory policy adapt and neutrally deploy all initiatives but does not replace nor endorse
- *ttm* has legal status as a provider of market trust information so listing on *ttm* is voluntary – to further optimise 'trust' in members

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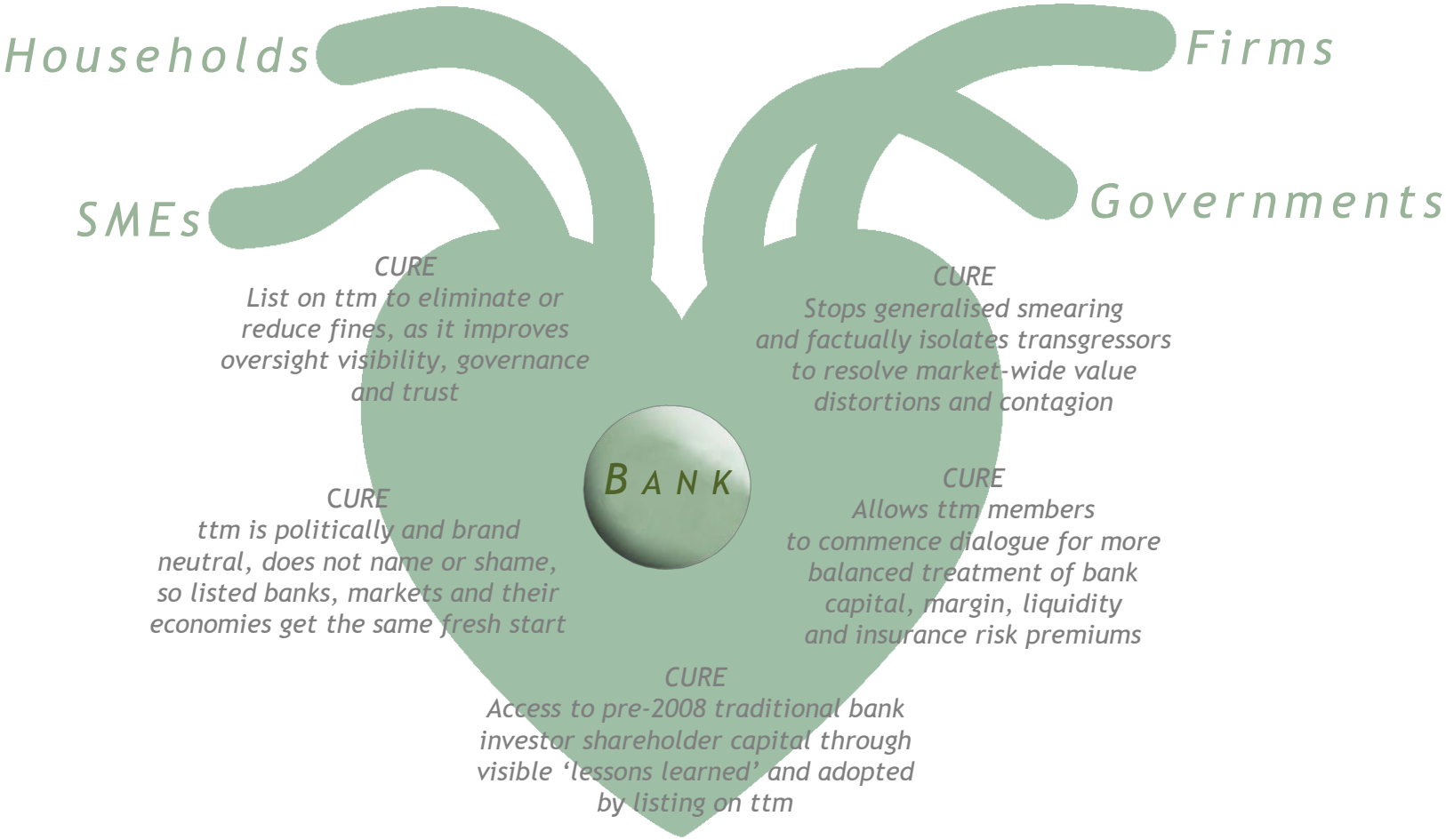
Market Cure

ttm member banks can now create monetary flow to renew growth

ttm acts as a pulse to *open up* bank valves



Reopening monetary circulation stimulates growth and advantages those banks and economies on *ttm*.

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Market Stability

- *ttm* is built on technology that responds and flexes within minutes to bank and market needs – protects stability by constantly adapting
- Provides proactive systemic risk management capability for banks, investors and authorities who currently have little chance of managing
- Since 2008, renewed growth has been distrusted - to restore trust in growth, *ttm* is in tandem, new and improved stability management

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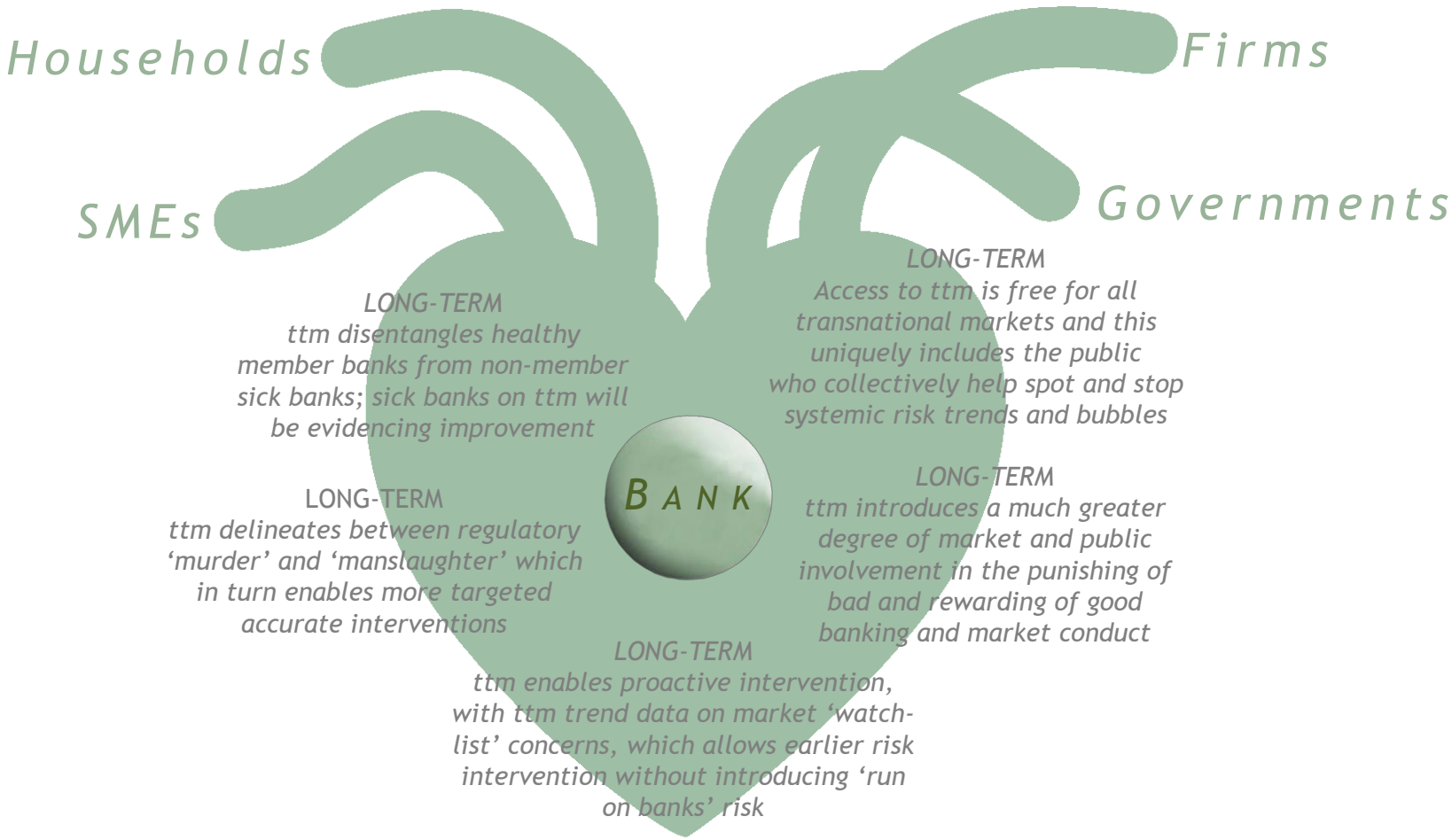
ttm members further stimulate growth *through* improved stability management

ttm sustains long-term health



The Trust Market. The cure for long-term bank, market and economic health.

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Market Engagement

- *ttm* is not just a 'dialogue agreed' concept: **it is built, ready and *implementing* in its own unique clear space**
- Bank CEOs, business heads and Chairmen have been seeking *ttm* listing since July 2013 and many have played a role in shaping it
- Policy is now aligned and **the first wave of banks and funds are now joining up as Market Members and listing on *ttm***

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Market Engagement

Listing process: 7 simple steps for a bank to obtain a Global Trust Average "GTA"

TMR6. TRANSPARENT & ASSURED
transparent data & doubly assured

TMR5. DOUBLY ASSURED DATA
assured by an auditor & regulator

TMR4. INDEPENDENTLY ASSURED
data is assured by third party

TMR3. DATA IS TRANSPARENT
but not independently assured

TMR2. DATA INTERNALLY ASSURED
by board, mgt or internal audit

TMR1. IN THE TRUST MARKET
signed up to TTM listing

TMR0. NO TTM LISTING
not in Trust Market (unlisted)

TMR-1. ACCIDENTAL TTM BREACH
working to collectively resolve

TMR-2. DELIBERATE TTM BREACH
not working to resolve

1. **Bank lists on *ttm*:** *now a bank's previous audit and non-audited data is converted into ttm trust rankings to improve their trust and risk levels*
2. **Bank commits to trust listing process:** *bank signs a Members Agreement then completes one page TMR1 level* "IN THE TRUST MARKET" *certificate*
3. **Certify bank's trust market 'ranking' level (TMR 6 to TMR-2):** *by any of the 100 individual trust criteria to reflect a bank's current TMR and GTA*
4. **Formalised trust ranking accreditation:** *for each 100 TMR criteria e.g. a ttm certificate for 'Capital' TMR level is sent to ttm to openly publish*
5. **TMR assessment evidences controls work already done by bank:** *ranks all existing trust and control processes to give the bank a market green light*
6. **TMR3 and TMR6 allows a user to see a report:** *if bank seeks to be fully transparent, ttm users can click-through to bank's own report server*
7. ***ttm* calculates the sum of trust ranking numbers ÷ 100 trust criteria:** *generating each bank's Global Trust Average and a sector trust index*

Example only GTA for a bank
GTA 1.4035 ↓0.00%
BARCLAYS (BARC.L) 2/27/2014
253.95 ↑ 0.75 (0.3%)

The *pace of improving* bank trust and level of transparency is *all under the banks control*

Trust level improvements *can align with annual audit calendar* or *can be far faster*

TMRs are *a form of rating ttm call 'rankings'*

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Market Listing

- ***ttm*** = The Trust Market *because trust is money*
- **TMR** = Trust Market Ranking per bank trust criteria (+6 to -2) e.g. capital. 100 bank trust criteria are summed and then divided to obtain a bank's GTA
- **GTA** = a Global Trust Average for a bank then aggregates into a trust index for a whole sector or location e.g. EU banks GTA, UK banks GTA and a NYC GTA
- **TMA** = Trust Market Association whose associates can help list banks on *ttm*

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ttm's bank certification prioritises extra confidence without extra complexity

"Through transparency, The Trust Market builds markets and finance we can trust. Banks earn Trust Averages & the public help resolve systemic risk. Everyone gets a fresh start..."

How to start improving your trust profile to markets and authorities

- Contact a member of *ttm*'s team directly whom you already know or email *ttm*listing@thetrustmarket.co.uk and request a Market Members agreement
- Ask your audit partner (if TMA member) or email *tma@thetrustmarket.co.uk* to obtain names of approved listing service providers or start in-house project
- Confirm to *ttm* your **board's formal point of contact** whether in-house or via a member of the Trust Market Association who will be processing your listing
- *Y*our TMA listing partner or *ttm (*if in-house bank team) sends a "TMR1 IN THE TRUST MARKET" certificate and upon its signed return your first bank GTA number is published to markets and is **'green' for go in The Trust Market**
- All the **first wave of banks listed** on *ttm* will be able to give their auditors, regulators and other authorities, immediate access to their *ttm* trust profile

Associates of the Trust Market Association who provide listing services (audit and advisory firms) and Market Members (banks and funds), operate within *ttm*'s rules

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Market Nots

- Legal review in Washington and Europe confirmed that *ttm* does not need to be regulated
- *ttm* receives the same legal non-regulatory treatment as a 'Reuters' or 'Bloomberg' so is an information provider not a standards setter
- *ttm* does help pull through the policy initiative priorities of local and regional jurisdictions (e.g. BRC in UK or EU) and so transnationally
- *ttm* shares the same data disclaimers and journalistic treatment of 'free and fair' usage alongside other leading market data suppliers

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Market Nots

ttm sits in its own unique and neutral space so does not replace any others

Not a rating agency

- *ttm* was part designed by head of Europe for Moody's to meet the needs of rating agencies
- *ttm* helps the rating agencies with their own data confidence and timing needs
- US legislation only allows credit rating agencies to use the term 'rating' so *ttm* 'ranks'

Not a quasi-regulator nor a setter of reporting standards

- *ttm* has to be regulatory-neutral and data standards-agnostic
- *ttm* only ranks the trustworthiness of existing reporting data (improving confidence in it)
- Simply a neutral mechanism to help policy makers distribute new initiatives as needed

Not a static reporting repository

- *ttm* does not host any data, it only evidences the transparency and oversight of existing data
- *ttm* ranks bank trustworthiness, users *can* click-through to bank data but *only* if a bank says so
- Data remains on a bank's own servers, in their format, under their transparency level control

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Market Commentators

- *ttm* "is the Holy Grail for the auditing industry"
  An ex-audit firm's General Counsel
- "*ttm* is the Holy Grail for all sectors, governments and nations!"
  A bank negotiator with regulators
- "*ttm* is an economic growth lever the Governor didn't know he had!"
  An audit board economist

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Market Commentators

Pre Track II completion: editors are helping shape and time *ttm* press

"Thanks for keeping me in the loop. Your efforts are more important than ever – Bob"

Robert Jenkins, Professor of Finance LBS, Opinion FT.com and ex-FPC, 21st June 2014

"Transparency rides to banking's rescue" *Anthony Hilton, Evening Standard, 16th July 2013*

- "One of the most interesting ideas…is to **use transparency to restore confidence.**"
- "This is being done by **developing a ranking system** which **scores the banks on the trustworthiness of the data they produce for public consumption.**"
- "…which in turn is **based on the degree to which it has been independently verified.**"
- *ttm* "…believe the **big systemic problem is that banks do not know whom to trust** among their number and therefore end up **trusting no-one.**"
- "This was the **major cause of crisis and continues to hamper the recovery.**"

The release of this 2013 market article on *ttm* was pre-agreed during Track II dialogue

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Pre Track II completion: editors are helping shape and time *ttm* press

"Transparency rides to banking's rescue" ***Anthony Hilton, Evening Standard, 16th July 2013***

- "**Ranking**…will be a major step to **restoring trust overall.**"
- "A **market-driven hierarchy of trustworthiness…develops a trust index**"
- "A high ranking could be used by organisations to **attract deposits, or distance themselves from market turmoil.**"
- *ttm* "the information will be **used by others to form a view of the riskiness of a bank**"
- "**Bank's own executives** can adapt it for internal use…**to access, monitor and correct risky conduct within their operations.**"

Hilton's article is one of only two that *ttm* agreed to publish (the other was on conduct risk)

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Market Economics

- *ttm* offers a new accessible economic lever for growth with stability
- *ttm* deploys confident (so liquid) and stable transnational capitalism through banks, into households, SMEs, firms and governments
- *ttm*'s own economists call their model "White Swan Capitalism"
- Many didn't know what to do, now we all do. The swiftest way to get *ttm* into economies is via audit firms with central bank support

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Market and economic growth WITH improved stability management

***ttm*'s own economists reviewed old economic models, then *evolved* to resolve today's challenges**

Solow (1956) economic growth model + *ttm* = sustainable long-term growth for economies

- Today Solow is still taught as an economic growth model across leading universities
- Solow applies to capital, either productivity (e.g. engines, internet) or population growth
- Neither are as sustainable as commoditising trust through *ttm*; Solow + Trust = *ttm* growth lever
- *ttm*'s economists evolved Solow for today's markets by commoditising and pricing trust

ttm invented and deploys new White Swan Capitalism "WSC"

- Solow is called the "Swan" economic model and markets call *ttm* the new "White Swans"
- Solow + The Trust Market's mechanisms = WSC as all can get free, transnational access to *ttm*
- Economic development black holes, black and grey swan markets can price and resolve distrust
- ***ttm* combines growth WITH stability management; so growth is achieved with less instability**

"There are now so many black swan days. Where have all the white swans gone? *ttm* and its team *are our white swans*."

Past Head of US and then Global Head of Risk at BNP Paribas

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ttm is extensively researched and has many significant advocates

"The **most exciting empirical material we have ever seen presented on any subject.**"

LSE Professor, November 2012

ttm's "financial and research professionals are drawn together by **the common belief that previously proposed solutions to the crises of capitalism, the Euro and liquidity are flawed;**

…and that, as market practitioners and academics, **we have the responsibility to devise a better way forward for the 21st century's now global financial system.**"

ttm for Wolfson Economics Prize, December 2011

"*ttm* provides market discipline via transparency. i.e. banks with the most highly scored information should **benefit from a lower risk premium and lower borrowing costs (relative to what they would be able to attain without such transparency)** because other market participants will be better able to assess the bank's risk profile.

Therefore *ttm* would be an important line of defence against a future crisis or individual bank failure."

A partner on an audit firm's board, April 2014

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because trust is money

ttmlisting@thetrustmarket.co.uk
tma@thetrustmarket.co.uk

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Appendices

- Market Agreements
- Market Governance
- Market Legals

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Market Agreements

ttm legal agreements

- **Market Members agreement** – for banks, funds and firms who have begun to list on *ttm*. Completed by Hogan Lovells and replicates similar exchange membership proformas. *Member banks are allowed to use ttm's IP and ongoing innovations with all the benefits without a bank incurring legal risk,* ***email: ttmlisting@thetrustmarket.co.uk***

- **Trust Market Association "TMA" agreement** – only professional services firms who are associates of the TMA can list their banking clients on *ttm*. This has been collectively agreed and completed by Norton Rose Fulbright with Keltie and Hogan Lovells. Associate *audit, advisory and listing service providers will be allowed to use ttm's IP and ongoing innovations without their firm incurring legal risk,* ***email: tma@thetrustmarket.co.uk***

- **Sponsorship agreement is being drafted** – for firms seeking to sponsor *ttm*: 'We are helping open up banking and markets to investors and the public' for their positive PR.

ttm's regulatory and data arrangements

- ***ttm* data usage disclaimers** – completed by Hogan Lovells as per other data providers

- ***ttm* regulatory status** – is as a market data provider and was agreed by Hogan Lovells

Taking a stake in *ttm*

- ***ttm* M&A purchase** is being actively managed through Norton Rose Fulbright

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Market Governance

ttm governance reflects its purpose: trust is money and both renew growth

Advisory Council

Wise Counsel
Press spokesmen
Advise/improve *ttm*
Refine Trust Rankings
Agree policies

ttm Market Members

Banks & Markets
Become a *ttm* member
Sign Member Agreement
Commence *ttm* listing
Analyse Trust Averages

Trust Market Association

TMR & GTA Mgt
Auditors & Advisors join
Sign TMA Agreement
Access to *ttm*'s IP
Associates list clients

Opening manifesto

Through market transparency pricing, provide the conditions for banks to obtain access to rewards for good conduct

Purpose is stable long-term growth

By opening its market processes to generate stability and liquidity for banks and auditors, then for other sectors

Neutral market mechanism

ttm introduces a transnational neutral market mechanism that visibly rewards good banking and market behaviours

Economic breadth (not a quasi-regulator)

ttm is a tool that works on behalf of all economic stakeholders to reduce opacity from existing oversight processes

Opening ethos

Global markets need to be allowed to act in the interests of all. Through transparency, *ttm* builds markets we can trust

Phase 1 listing on *ttm*

To list and include: banks and building societies; professional standards bodies; rating agencies and data providers

Further regional and multi-sector scaling

After a year, *ttm*'s owners will review launching *ttm* to other non-financial industry sectors e.g. oil and regions

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Member and association immunity from legal risk

ttm's complex patent and protection thicket was designed to unify markets and to avoid a repetition of the damaging self-interest conduct of 2008 that impacted banks, auditors, markets and the public.

As *ttm*'s concept is entirely new and unique, its patent status with ongoing effect from 27th March 2014 has led lawyers to advise that *ttm* need only sit back and wait for others to take a counterfeit or derivative build to market to entitle *ttm* to obtain all revenues arising therefrom, without limit on scale or duration.

Anti-fraud resolution

As a result the Trust Market Association was established to allow all audit firms the opportunity, as associates for a nominal fee, to enjoy access to and usage of *ttm*'s concept, IP and form of rating mechanism (trust 'rankings') with immunity from legal risks for themselves and their client banks. To further protect banks, *ttm* have established the banks' own Market Members agreement.

Any individual or collective of 'rogues' within any firm who put out any counterfeit or derived *ttm* will be 'knowingly' executing a fraud; this puts their franchise, indemnity insurance and clients at risk of having to return all revenues derived therefrom, and themselves as individuals, at risk of criminal prosecution instigated by their own franchise members, client banks and associated bank shareholders, such prosecution being mounted by the appropriate national or international criminal authorities.

Fraud being a crime executed by individuals, related compensation claims are against personal assets.

ttm have established membership models that are inclusive to all, share benefits widely and unify.

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Market Legals

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