

# One FIA

2015 YEAR IN REVIEW

# One FIA

**One FIA.  
Global Reach.  
Regional Expertise.**

**FIA IS THE LEADING** global trade organization for the futures, options and cleared derivatives markets, with offices in London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry. FIA's mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA's members play a critical role in the reduction of systemic risk in global financial markets.



**348** MEMBER FIRMS  
REPRESENTING

**28,383**  
INDIVIDUALS

COVERING MORE THAN **90%**  
OF CUSTOMER BUSINESS

# Contents

Message . . . . .	02
One FIA . . . . .	04
Member Study . . . . .	05
Global Markets . . . . .	06
A Voice in Washington . . . . .	08
OTC Clearing . . . . .	09
Protecting Customer Funds . . . . .	10
An Industry Prepared . . . . .	12
Trading and Reporting . . . . .	13
The Work of FIA Divisions . . . . .	14
FIA Affiliate Highlights . . . . .	16
Communications . . . . .	21
Conferences . . . . .	22
Leadership . . . . .	24
Giving Back . . . . .	26

# President's Message

Dear FIA Members,

2015 WAS A LANDMARK YEAR for our association, and I would like to thank you for making that possible. In last year's annual report, I discussed the global nature of our industry and noted that 2014's accomplishments included a formal affiliation between FIA, FIA Europe and FIA Asia to provide our industry with a coordinated voice on international issues.

I am pleased to announce that we have officially merged into a single, global organization after several years in the making. While the merger came together quickly in 2015, the groundwork had been laid nearly a decade ago, when the boards of FIA and FOA first discussed combining our strengths into a single organization. The goal then, as now, was to better support our industry on both regional and global issues. We are looking forward to providing our members with more resources and greater efficiency as we work to promote the health and stability of the global derivatives clearing infrastructure.

With this goal in mind, I am also pleased to announce the results of the member study we conducted last fall. Almost 800 members responded from a wide range of organizations, roles and geographic regions. I am proud to report that 95% of survey participants rate their FIA membership as valuable to extremely valuable, and 98% believe that FIA is evolving in the right direction. We also discovered that the vast majority of our members are optimistic about the future of the industry, although several threats were repeatedly highlighted: burdensome regulations, the shrinking number of FCMs and the rising cost of doing business.

We asked how we could add more value to members and we heard that more conference and networking events would be helpful as well as more training and education products. We are using the results from the survey to help set our agenda for 2016 and beyond.

Advocacy and information flow were seen as the top two benefits of belonging to FIA. When members were asked about their advocacy priorities, they responded that clearing rules, cross-border, capital and trading/execution issues were the most important.



FIA was particularly engaged on capital requirements, segregation and the leverage ratio and their unintended effects on the clearing model.

Those are high priority issues for FIA, and we have been actively engaged on these and other issues throughout 2015. FIA and our affiliates filed a total of 57 comment letters last year to a wide variety of regulators.

FIA was particularly engaged on capital requirements, segregation and the leverage ratio and their unintended effects on the clearing model. We have also been proactively addressing risk, recovery and resolution at clearinghouses. We published a position paper that addresses CCP risk and recommendations for managing the risk of central clearing in a way that is both transparent and effective. In addition, FIA now provides a service for its members—FIA CCP Risk Review—that tracks the rules of global CCPs to ensure clearing member diligence and compliance.

We also issued a comprehensive guide to the development and operation of automated trading systems, which provided thought-leadership on principles-based risk management and system safeguards.

We considered how to improve important operational elements of the new clearing infrastructure for over-the-counter derivatives, and issued recommendations to address inefficiencies in the cleared swaps infrastructure, to encourage standardization of trade records, and to assist clearing firms in managing limit screening in real-time.

We also undertook a comprehensive review of European derivatives law reform, setting out the core issues and offering potential solutions to encourage further debate.

In 2016, we will be building on our new global resources to better serve our membership. We will continue to analyze the impact of consolidation on our markets. We will be actively working to promote cross-border coordination of regulatory requirements. And we'll provide our membership with the critical resources they need to meet the new global compliance obligations facing the derivatives industry.

Our staff in the Americas, Europe and Asia are engaged on a number of critical advocacy efforts, including providing the CFTC with feedback on their proposed automated trading rules, preparing for increased mandatory clearing in Asia and assisting FIA members and the industry more broadly in meeting MiFID II implementation requirements.

In 2016, you can expect us to focus on providing more education, resources and support for our membership. We are building out our data capabilities to give the industry better information on the functioning of our markets. We are also expanding our educational resources to help our members understand new rules and meet new compliance challenges.

At FIA, we are proud to support the cleared derivatives industry. As we begin our new chapter as a single, global organization, we're looking forward to continuing to work with you as we connect more than 15,000 industry professionals and market participants across the globe.

Warm regards,



**Walt Lukken**  
*President and Chief Executive Officer*

# One FIA

**OFFICIAL DOCUMENTS** were signed last November finalizing the merger of FIA, FIA Europe and FIA Asia into one global organization. This combination, which was officially completed in January 2016, makes us a fully integrated organization dedicated to the needs of the exchange-traded and cleared derivatives industry at both a regional and global level.



## FIA CORE INTEREST AREAS:

Health and stability of the derivatives trading and clearing infrastructures

New global compliance obligations for the derivatives industry

Cross-border coordination of regulatory requirements

Representatives from FIA and affiliates sign official documents to merge into a single organization.



# Member Study

## The Future of Our Industry

FIA CONDUCTED a membership study in August/September, surveying our members on FIA's advocacy efforts, products and services, conferences, communications, membership value and future of the industry. Almost 800 members responded, representing a broad range of organizations and positions within our member firms.

We are pleased to report that 95% of survey participants rated their FIA membership as valuable to extremely valuable and the majority of our members believe that FIA is well-positioned for the future. Members associate FIA with being informative, influential and proactive with key industry concerns.

Advocacy and information flow were seen as the top two benefits of belonging to FIA. When asked where FIA should focus its advocacy efforts, clearing rules, cross-border, capital and trading/execution issues ranked as the top four issues. Of particular interest to members were MiFID II, Basel III, EMIR and account ownership and control reporting.

FIA's website, volume data, FIA Tech, documentation, webinars and CCP Risk Review were identified as the most valued products and services. Among FIA's communications, *FIA SmartBrief* was valued most by members, followed by the FIA website and the FIA magazine. Conferences consistently received high marks for both program content and networking.

The vast majority of those surveyed are optimistic about the future of the industry. Several threats were repeatedly highlighted: burdensome regulation, disintermediation of futures commission merchants and the cost of doing business.

When asked how FIA could add more value to members, education and training programs plus more conference and networking events were mentioned most frequently. We are using the results from the survey to help set our agenda for 2016 and beyond.

# 95%

*of survey participants rated their FIA membership as valuable.*

# Global Markets

FIA MEMBERS bring customer business to exchanges and clearinghouses around the world. While many of the financial reforms brought about after the G-20 summit from September 2009 have been implemented, it remains apparent that not all of these regulations are globally consistent to enable customers and firms to operate freely and competitively in a global marketplace.

FIA took an active role in monitoring the developments of cross-border cooperation, particularly the negotiations between the U.S. Commodity Futures Trading Commission and the European Union.

## FIA expressed deep concern regarding the failure to recognize the exposure-reducing effect of client cleared initial margin in the Basel III leverage ratio.

Among the issues of importance to members was whether U.S. clearinghouses, or CCPs, were considered equivalently regulated under EU rules and thus, qualified central counterparties. Without such qualification, EU clearing members would have to meet stringent capital rules, resulting in a significant increase in capital requirements. It is a great relief to FIA that the CFTC and EU have reached common ground on this issue as clearing mandates in Europe are set to take effect in June.

Additionally, competing priorities among different authorities threaten certain important goals of the post-crisis reforms. Importantly, capital standards and other aspects of the global regulatory framework, while intended to serve as market protections, could ultimately hamper market liquidity, create systemic risk as global clearers exit the business and leave end-users with fewer and more costly choices.

## A Workable Approach Toward Capital Standards

FIA, together with several global clearinghouses, buy-side and end-user associations, met with various international regulators throughout 2015 to convey the industry's concerns regarding customer margin treatment within the Basel leverage ratio calculation. FIA conducted two data collections to show the regulators the detrimental effects of the leverage ratio on the clearing member business.

The Basel Committee standards are a framework for bank capital requirements being adopted by regulators around the world. Of particular concern is the proposed treatment of customer margin under the leverage ratio. The Basel Committee standards do not recognize the risk-reducing impact of client segregated margin collected to protect the bank and the clearing system in the event of a customer default.

Many of FIA's concerns have been echoed by top officials, including the Bank of England's Mark Carney, who has cautioned that this issue should be a top concern of policymakers to ensure that the standards do not restrict the willingness of clearing firms to provide clearing services.

FIA has continued to encourage the CFTC's engagement in the discussion. FIA also asked lawmakers to weigh in. The two most senior members of the House Agriculture Committee, Chairman Mike Conaway (R-Texas) and Ranking Member Collin Peterson (D-Minn.) sent a letter to the U.S. members of the Basel Committee explaining the rule's conflict with long-standing margin segregation requirements contained in the Commodity Exchange Act.

## Capital Requirements and Commodity Markets

In Europe, non-bank brokers remain concerned about capital for commodity trading firms under the Capital Requirements Regulation and Directive (CRDIV/CRR.)

Commodity derivatives markets are a fundamental tool for hedging risk and their health is one of FIA's foremost priorities. As international regulators seek to enhance transparency and reduce systemic risk in major financial markets, commodities markets are being impacted.

## FIA met with numerous CCPs and regulators to explain and discuss the recommendations.

We advocated for our members' priorities on a range of issues impacting commodities and commodity derivatives across the globe, including position limits, exemptions, position reporting and other relevant topics.

While there appears to be a delay until 2020 for the application of capital to commodity trading firms, FIA will continue to monitor capital and respond to consultations related to this issue.

## Managing CCPs

As global regulators implement rules that mandate central clearing of swaps, there has been an increased focus on monitoring the risks associated with clearing of derivatives products.

At the beginning of 2015, FIA Global formed a board level working group on issues regarding CCPs. In April 2015, FIA Global issued recommendations for assessing and managing risk that arise from CCPs. These recommendations include:

- Enhancing participants' ability to assess CCP risk through consistent and transparent CCP disclosures;
- Ensuring initial margin requirements are effective, transparent and predictable;
- Avoiding wind-downs and liquidations by prioritizing the continued operations of CCPs using clearly-defined loss allocation tools and effective resolution plans; and
- Reducing conflicts of interest, aligning incentives and improving risk management through enhanced CCP governance.

FIA met with numerous CCPs and regulators to explain and discuss the recommendations. We participated in a roundtable hosted by the International Organization of Securities Commissions and the Bank for International Settlements' Committee on Payments and Market Infrastructure (IOSCO-CPMI) regarding the margin, stress-testing and governance of CCPs.

During the year, FIA successfully implemented The FIA Global CCP Risk Review, a service designed to provide information on clearinghouse rules worldwide and help market participants assess the risks of clearing and compare rules across CCPs. The Risk Review compares and contrasts CCP rules and procedures on a range of topics such as the amount of collateral to post to the CCP, the handling of segregated accounts and the actions necessary upon the default of a clearing member or the CCP itself. The Risk Review is accessible through an online portal. The product launched in 2014 and more than 25 global clearinghouses had been reviewed by the end of 2015.

# A Voice in Washington

**FIA CONTINUES TO LEAD** discussions with policymakers in Washington, D.C. In 2015, our attention was focused on legislative efforts to reauthorize the Commodity Futures Trading Commission. Additionally, we continued a dialogue with U.S. banking regulators, derivatives market regulators and members of Congress related to how Basel III capital standards may inadvertently hinder efforts to increase derivatives clearing. In July, our Board of Directors spent two days in Washington with various lawmakers and regulators where we discussed many issues of importance to the cleared derivatives industry.

Additionally, FIA was represented in various public advisory committee meetings at the CFTC. In 2015, Tom Kadlec represented FIA on the CFTC's Agricultural Advisory Committee, Ed Pla and Sebastian Koeling participated in the CFTC's Market Risk Advisory Committee on behalf of FIA and Bill McCoy and Rob Creamer served as our representatives on the CFTC's Energy and Environment Market Advisory Committee.

FIA staff also conducted educational briefings on clearing market infrastructure for the Senate Agriculture Committee staff and continued our coalition building efforts with various other trade associations in Washington.



# OTC Clearing

## FIA Cleared Swaps Operation Committee at Work

**THE FIA CLEARED SWAPS** Operations Committee was formed in 2014 and includes representatives from more than a dozen clearing firms. The committee works together to promote a better understanding of the clearing members' role in the cleared swaps market and identify and offer potential solutions for inefficiencies in the new cleared swaps market infrastructure.

During 2015, the Cleared Swaps Operations Committee focused on recommendations for cleared swaps execution and clearing, credit tokens and default management. In February the committee released a set of recommendations aimed at improving important operational elements of the new clearing infrastructure for over-the-counter derivatives. The recommendations are designed to address inefficiencies in the cleared swaps infrastructure, encourage standardization of trade records and assist clearing firms in managing limit screening in real-time.

The committee developed these recommendations through several months of discussions among a wide range of market participants, including swap execution facilities, clearinghouses, credit hubs and affirmation platforms.

CSOC also established a Credit Token Working Group to focus on areas of token standardization across swap execution facilities, unique IDs and credit checks with digital signatures.

The Default Management Working Group worked with members of the FIA Law & Compliance Division to determine how to close out customer accounts in the event of a default. The groups worked together to find a solution that is operationally and legally feasible and is now working with CCPs on adoption.

The committee also met regularly with representatives from ICE, CME and LCH.Clearnet to discuss the CCPs' current projects and plans for the year.

**In 2015**  
*the committee released recommendations aimed at improving the new clearing infrastructure for cleared swaps.*

# Protecting Customer Funds

**THE FINANCIAL MANAGEMENT** Committee membership consists of a cross-section of professionals performing the capital, operations, treasury and financial reporting and investment compliance functions of futures commission merchants. The committee is joined by representatives of exchanges, clearinghouses, money funds and depository banks. The committee's projects are central to the industry's focus on best practices and the protection of customer funds as well as preparing the industry response to issues and regulatory proposals involving the financial rules.

In 2015, the committee worked with self-regulatory organizations and other groups to consider the requirements in CFTC rule 1.11 (e)(3), a regulation that requires FCMs to have policies and procedures for determining whether certain non-cash assets held in the customer segregated accounts, both customer-owned securities and investments, meet the regulatory requirements that the assets are "readily marketable and highly liquid."

The committee also worked with the CFTC and the Joint Audit Committee on FIA's pending request for guidance on the operation of the new residual interest rule, which became effective in November 2014. This rule requires FCMs to maintain enough residual interest in each class of customer funds accounts to exceed at all times the sum of all customer margin deficits. Our request focuses on clarification on residual interest withdrawals under the CFTC's Rule 22.17(b). The committee has also prepared a proposal and discussed it with CME, NFA and CFTC staff.

The committee continues to work with the CFTC and the JAC on the question of how to treat holidays for purposes of the residual interest calculation.

## No-Action Relief

In 2015, the Financial Management Committee began working with the CFTC to issue rules codifying guidance and no-action relief on the prohibition on commingling of customer segregated funds with cleared swaps and customer collateral and the foreign futures and foreign options secured amount. The commingling occurs when customers use one wire transfer to fund more than one account.

A series of no action letters were issued at the Financial Management Committee's request and we are hopeful the CFTC will soon publish a proposal codifying procedures discussed in the no-action letters.

## Investment of Customer Funds

Lastly, during 2015 and early 2016, FCM treasury representatives, money market fund representatives and CME have been meeting with the CFTC to address issues arising from money market fund rules approved by the Securities and Exchange Commission that may conflict with the CFTC's Rule 1.25, which governs global investments of customer funds.

The CFTC currently permits FCMs to invest customer funds in prime money market funds with some limits but CFTC staff have indicated that the rules need to be updated in order for prime money market funds to continue to be permitted investments.

The new fees and gating provisions of the SEC's rules give fund boards the discretion to temporarily suspend redemption if a fund's level of weekly liquid assets falls below 30% of its total assets and the board determines restricting withdrawals is in the best interest of the fund's shareholders. These new provisions may conflict with CFTC and JAC guidance issued under Rule 1.25 that prime funds must be subject to "next day redemption."

The Financial Management Committee is leading FIA's engagement with this issue and is discussing possible solutions with the CFTC as well as representatives of fund management companies and exchanges.



*The Financial Management Committee's projects are central to the industry's focus on best practices and the protection of customer funds.*

# An Industry Prepared

## Business Continuity and Disaster Recovery Testing

IN OCTOBER 2015, FIA and a broad cross-section of market participants, exchanges and clearinghouses administered the twelfth annual business continuity and disaster resilience test.

Organized by the FIA's Market Technology Division's Business Continuity Committee, the test is an industry-wide effort to prepare for potential market disruptions, including natural disasters and cyber attacks.

Preparations for test day began during the first quarter of 2015, with a review of goals and objectives. From May to October, the committee held regular calls, including two symposiums in June and September and pre-testing in September and October. Key service providers and independent software vendors were also involved.

The test, which focused on disaster recovery back-up connectivity and functionality, was successfully conducted among 28 domestic and international futures exchanges, clearinghouses and swap execution facilities as well as 88 clearing and non-clearing firms. Participation involved firms that handle the vast majority of volume on the participating exchanges, indicating that the test covered a critical mass of the industry.

In 2015, participation expanded to new regions, including Colombia and Dubai.

Overall, personnel tested from alternate locations in California, Colorado, Connecticut, Florida, Illinois, Missouri, New Jersey, New York, North Carolina, Texas and Utah as well as Barcelona, Bogota, Dubai, Frankfurt, London, Madrid, Mississauga, Montreal, Ontario, Paris, Toronto and Winnipeg.

The 2015 test was highly successful, in large part due to the excellent working relationship between exchanges and firms. Participants demonstrated that their systems, processes and procedures simultaneously worked well, communicating from back-up systems and sites.

As the threat landscape expands to new variants of attack, such as cyber, we are reminded of the importance of this coordinated industry effort. Going forward, testing may also incorporate additional scenario-based elements. In its coordinating role, FIA will continue to reach out to increase participation.

The 2016 test will take place in October and preparations are already underway.



Participation involved firms that handle the vast majority of volume on the participating exchanges, indicating that the test covered a critical mass of the industry.

# Trading and Reporting

## Automated Trading Proposal

IN LATE 2015, the Commodity Futures Trading Commission published a proposed rule that would establish a broad new set of requirements for all market participants that use automated trading systems as well as the futures commission merchants who clear for them and the exchanges on which they trade.

The proposed rulemaking, called Regulation AT, builds on a concept release that the CFTC issued in 2013 and includes various types of risk controls, standards for system development and testing as well as monitoring several types of disclosure and record-keeping requirements.

The 500-plus page rule cited FIA work more than 300 times. Together with the FIA Principal Traders Group and other industry partners, six papers have been published over the past five years including recommendations for market access risk management, risk controls, software development and change management, and our most recent *Guide to the Development and Operation of Automated Trading Systems*.

FIA established 10 working groups to respond to the proposed rule. The groups cover: definitions and registration requirements; AT Person risk controls; AT Person algorithm developing, testing, monitoring and compliance requirements; FCM risk management; DCM risk controls and test environments; self-trade; DCM market maker and trade matching transparency; annual reports; National Futures Association and source code.

The groups include representatives from FCMs, trading firms, exchanges and commercial end-users. The groups have been meeting weekly to discuss how to respond to the provisions in the rule as well as specific questions posed by the CFTC to formulate a meaningful response to the CFTC.

## Ownership and Control Reports

FIA continued to work with the industry to implement the provisions of the CFTC Account Ownership and Control final rule, which was published in November 2013. FIA hosted bi-weekly calls for members to discuss issues with the rule which included more than 100 participants from FCMs, exchanges and swap dealers. FIA also published an “Unofficial Guide” which documents guidance given by the CFTC on the bi-weekly calls.

On June 26 FIA filed a petition with the CFTC to amend certain provisions of the Ownership and Control Reports rule. The purpose of the petition was to enhance the quality of the OCR data that the CFTC receives and the ability of reporting entities to comply. Key provisions of the petition include:

- Removing the requirement to provide data on special account owners and individual trading account controllers;
- Clarifying the definitions of the types of owners listed on the reporting forms;
- Allowing reporting entities to finalize report data within three business days after the account becomes reportable;
- Eliminating futures terminology on swap data forms; and
- Working with the industry to address foreign privacy laws.

# The Work of FIA Divisions

## FIA MARKET TECHNOLOGY

### Enhancing Market Efficiency

The FIA Market Technology Division hosted three events during the year: a panel discussion on Fintech trends, a summer networking event for both current and prospective members and its annual meeting. Throughout the year, numerous committees met on a regular basis to discuss issues such as automated trading, business continuity management, events and communications, financial regulation/operations and risk management, market access, and technology standards and sound practices committees.

### Managing Leap Second

The division also ran a special working group and published a set of recommendations to help the industry prepare for the leap second event, which took place on June 30. The recommendations were drafted by a working group of member firms, exchanges and vendors and focused on encouraging each firm to understand its environment and review key areas in order to anticipate the impact of the leap second.

The recommendations covered five areas:

- Develop and implement a continuity and recovery plan
- Implement enterprise time management
- Update vulnerable systems
- Actively monitor critical systems
- Consider adjusting market activity

## FIA OPERATIONS AMERICAS

### Industry Cooperation

The FIA Operations Americas division concluded its membership year with 370 members. During the year, FIA Operations Americas hosted eight events including its annual meeting and Washington update event, a CME Group Compliance Dinner, an FIA Tech panel and dinner, golf outings in both Chicago and New York, two summer outings, and a holiday party for members in New York. During the year, five active committees met on a regular basis including brokerage, clearing, deliveries, finance and events. For the tenth consecutive year, the division awarded scholarships to the children of its members. Ten \$2,500 scholarships were given.

## FIA LAW & COMPLIANCE

### International Advocacy Efforts

In 2015 the L&C Division continued to focus on global regulation of futures, options and centrally cleared derivatives. The L&C Division submitted comments to the European Securities and Markets Authority regarding proposed technical standards under the European Market Infrastructure Regulation and Markets in Financial Instruments Directive for indirect clearing arrangements—the chain of back-to-back contracts that exist between an indirect client, a client, a clearing member and clearinghouse.

The comments highlighted the unique impact the RTS would have on U.S. FCMs, including potential conflicts with U.S. bankruptcy laws. The L&C Division coordinated its response with FIA Europe, which submitted separate comments on the impact of the RTS on EU clearing firms.

## Division initiatives bring industry professionals together to find solutions for common problems.

The L&C Division conducted further advocacy in Europe with respect to regulations that impose new registration and reporting requirements for participants in European wholesale energy markets. The regulations—commonly referred to as “REMIT” (Regulation on Wholesale Energy Markets Integrity and Transparency)—require market participants to register with the energy regulator in their EU member state and report their wholesale energy transactions to the EU energy regulator.

In an effort to clarify these requirements for U.S. FCMs, the L&C Division sought guidance from the EU energy regulator on the scope and nature of the reporting requirement. The Division also published a notice for FCM clients and market participants summarizing key aspects of the new reporting and registration regime.

The Division’s international work also reached to Canada. Financial regulators in Ontario and Quebec are taking a new approach to registration rules that affect the U.S. and U.K. FCMs carrying Ontario and Quebec customer business on Canadian and non-Canadian exchanges. The Division successfully obtained time relief from the registration requirement for firms in letter correspondence with the regulators. The Division is now working to obtain relief that would permit non-Canadian clearing firms to hold client positions that are executed on a Canadian futures exchange by a locally registered executing broker and then given up to the non-Canadian clearing firm. Such relief would allow customers to hold their positions in a global account and benefit from collateral efficiencies and consolidated reporting, as they do under the current rules.

## Commodities Committee Work

The L&C Division remained focused in 2015 on CFTC regulatory action on commodities markets and commercial end-users. FIA’s Position Limits Committee commented on the CFTC’s release in September of new proposed aggregation rules (Aggregation Proposal). In essence, the Aggregation Proposal would make it easier for affiliated entities to obtain an exemption for their derivatives positions and potentially permit affiliated entities to engage in a larger amount of trading. The Aggregation Proposal incorporated many of FIA’s requests from prior comment letters on position limits and aggregation issues. The comment letter praised the Aggregation Proposal’s incorporation of key FIA recommendations and suggested certain refinements. The CFTC has said that it intends to finalize the proposed position limits rules in 2016.

The L&C Division also participated in the CFTC’s Energy and Environmental Markets Advisory Committee on position limits issues. The Division spoke to the benefits of a phased-in approach to position limits. Under such an approach, the CFTC would implement spot-month limits for the 28 core referenced futures contracts identified in the proposed position limits rule and then consider whether non-spot-month limits are necessary and appropriate.

L&C’s Commodities Committee also commented on how deliverable supply should be set for electricity contracts. In May, ICE sought CFTC approval to revise position limits for certain financial contracts relating to wholesale power in New York (NYISO Zone G). The CFTC stayed the revised limits in June, questioning ICE’s calculation of deliverable supply for the relevant contracts. The Commodities Committee submitted comments to the CFTC supporting ICE’s calculation of deliverable supply. The comments emphasized that exchanges are best positioned to calculate deliverable supply and that demand for power, or “load,” generally is not a proper measure. The comments, and the CFTC’s response thereto, are likely to impact not only the power contracts at issue, but also other commodities contracts subject to position limits.

# Affiliate Highlights

## FIA Europe

### Addressing Cross-Border Regulatory Issues, Margin Requirements and Capital Standards

**REPRESENTING SOME 170 FIRMS** involved in the exchange-traded and centrally cleared derivatives markets, FIA Europe worked with its members to maintain constructive dialogue with legislative and regulatory authorities across Europe and deliver high standards of industry practice. As part of the affiliation under FIA Global during 2015, it also worked to influence cross-border issues alongside FIA and FIA Asia.

During the year, FIA Europe increased its advocacy activities in a number of areas, while enhancing its implementation support for members. These have included the ongoing work to mitigate the complexities of implementation of EMIR's requirements and consulting on the mandatory clearing of OTC derivatives.

### FIA Europe's focus has been on the leverage ratio under CRD IV and the ongoing consultation on MiFID II and MiFIR.

There has been an intense period of consultation and education for members on a number of MiFID II topics that most directly impact our industry; namely, indirect clearing, straight-through processing, commodities, open access, algorithmic trading and high-frequency trading microstructural issues and transaction reporting.

FIA Europe covered a number of key advocacy areas during the period, core among them being work related to the MiFID II/MiFIR consultation process.

During the year, FIA Europe ran more than 35 standing committees and working groups covering a range of activities, from the core clearing, compliance, government relations and product specific committees, to ad-hoc working groups brought together to assist in specific projects and our responses to regulatory consultations and implementation of new rules. These have included MiFID II/MiFIR, benchmarks, Regulation on Energy Market Integrity and Transparency reporting and the Fair and Effective Markets Review among many others.

# FIA Asia

## Responds to Regulatory Consultations Across the Region

2015 WAS A BUSY and productive year for FIA Asia.

Eight new members were added during the year, including futures commission merchants, brokers, principal traders, commodity firms and law firms, bringing total membership to 55 members.

FIA Asia took an active advocacy role and responded to a number of regulatory consultations across the region including in Australia, Singapore, Hong Kong and China. The consultations covered such matters as OTC derivatives reform, mandatory clearing proposals and the liberalization and internationalization of China's futures markets.

FIA Asia continued its public outreach and education with events in Dubai, Hong Kong, Sydney and Taiwan as well as the annual Asia Derivatives Conference in Singapore. FIA Asia also launched a series of legal and regulatory forums held in both Singapore and Hong Kong. FIA Asia staff spoke at external events around the region and globally and continued to publish our two weekly newsletters covering industry news and legal and regulatory developments.

## Meeting with Regulators

During the course of the year, FIA Asia continued to build relationships with regulators around the region and overseas. FIA Asia met with regulators in Singapore, Australia, Hong Kong, China, Japan, Dubai and Korea to discuss global and regional developments and the potential detrimental effects of the leverage ratio on the clearing ecosystem. FIA Asia, jointly with other trade associations, also hosted industry meetings with overseas regulators including Tim Massad, Chairman of the Commodity Futures Trading Commission, CFTC Commissioner Christopher Giancarlo, EU Commissioner Lord Jonathan Hill and EU Commission Director General Olivier Guersent, to promote cross-border harmonization of regulation and to discuss the impacts of overseas regulation on Asia-Pacific markets.

FIA ASIA MET WITH REGULATORS IN  
*Singapore, Australia,  
Hong Kong, China, Japan,  
Dubai and Korea.*

# FIA PTG

## Market Structure a Top Issue

FIA PRINCIPAL TRADERS GROUP provides a forum for firms that trade their own capital to identify issues confronting the PTG community. A key focus is to improve the public understanding of the constructive role played by principal trading firms in the exchange-traded markets.

In 2015, policymakers initiated a variety of discussions on market structure, conducting studies, producing reports and holding public roundtables. FIA PTG was an active participant in these discussions, whether through direct member participation or through comment letters and media outreach.

### HIGHLIGHTS:

Added two new members

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Submitted 10 comment letters to regulators

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Released two position papers

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Collaborated with FIA on the white paper: *Guide to the Development and Operation of Automated Trading Systems*

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Participated on three CFTC advisory committees

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FIA PTG's work spanned a variety of markets and regulators, firmly establishing the group as a thought leader on market making and auto-mated trading, regardless of asset class.

FIA PTG maintained regular contact with the CFTC, participating in advisory committee meetings and meeting with commissioners and staff ahead of the release of proposed rules on automated trading. Although FIA PTG only began working on equity market issues in 2014, by 2015 it produced a white paper on simplifying equity market structure that was cited by SEC Commissioner Luis Aguilar in his analysis on *U.S. Equity Market Structure: Making Our Markets Work Better for Investors*. FIA PTG members also met with representatives from the Department of the Treasury, the Federal Reserve, the New York Fed, the CFTC and the SEC to discuss liquidity and volatility in treasury markets.

FIA PTG's advocacy and messaging emphasized the need for data-driven analysis and a principles-based approach to policy making to ensure transparent, accessible and competitive markets.



# FIA EPTA

## Promoting a Better Understanding of Trading Practices

**FIA EUROPEAN PRINCIPAL TRADERS ASSOCIATION** represents more than 25 trading firms in Europe that trade their own capital in futures, options and equities markets worldwide. FIA EPTA supports transparent, robust and safe markets with a level playing field for all. FIA EPTA members believe principal traders contribute significantly to markets by providing liquidity and enabling immediate risk transfer by others.

During 2015 FIA EPTA continued to advocate on regulations and policy directly or indirectly impacting market-making or the automated trading community, such as proposals related to registration of individuals responsible for the development of algorithms. FIA EPTA members built relationships with European trading venues and continued dialogue on critical topics, such as self-matching prevention technology.

Additionally, FIA EPTA continued our advocacy on key microstructural issues such as market-making and automated trading, as well as the application of banking regulations to a broader range of market participants. In particular, FIA EPTA continued its work to help clarify the application of the Article 4(1) (4) of the European Capital Requirements Regulation definition of local firm to investment firms and obtain amendments to the definition to remove the restriction on market-making in cash securities.

MiFID II was also a focus on key microstructural issues such as market-making, organization requirements, tick sizes, order-to-trade ratios and clockwork synchronization as European regulations, or regulatory technical standards, neared completion. FIA EPTA advocated to ensure liquidity remained available by providing the necessary incentives to market makers and ensuring that compliance obligations do not conflict with risk management.

### HIGHLIGHTS:

Three new members

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Submitted several position papers to ESMA and the European Commission

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Collaborated on consultations related to MiFID II

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Consulted with all major exchanges and banks on test ticker proposal

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# FIA TECH

## An Industry Utility

**FIA TECHNOLOGY SERVICES**, a wholly-owned subsidiary of FIA, collaborates with the global futures industry to provide industry-wide solutions that address operational inefficiencies that affect the derivatives community as a whole.

FIA Tech currently delivers processing services for the industry with four web-based platforms that have improved the industry's effectiveness in the areas of settling give-up brokerage and regulatory reporting for recent CFTC rulings. The systems are EGUS (for electronic give-up agreement management), eGAINS (for automated give-up invoicing and settlement), eRECS (automated reconciliation and invoice management) and the OCR Data Service (for providing ownership and control reports to the CFTC and participating central counterparties).

In 2015, FIA Tech completed an exciting year of expansion. In the past year, the OCR Data Service went into full production. It began testing the service with the industry and the CFTC in February, followed by a full launch serving 32 futures commission merchants and swap dealers for reporting to CCPs. The OCR Data service was launched to satisfy CCP gross customer margin and exchange regulatory reporting requirements. FIA Tech continues to assist the industry to comply with CFTC OCR rules that are scheduled to take effect later in 2016.

## eGAINS has processed more than 2.3 billion contracts since its inception in 2008.

In 2015, eGAINS experienced a 20% increase in transaction volume and brokerage settled. eGAINS continued to grow, with a total now of 34 firms using the service. Currently eGAINS supports the following exchanges: ICE Europe, ICE US, Eurex, TMX and SGX. We expect to expand our offering to include ASX in 2016.

During 2015, eRECS was deployed as an industry platform that provides brokerage reconciliation and invoicing services to executing and clearing brokers. FIA Tech plans to launch eRECS 2.0 as a full service brokerage invoicing platform early in 2016. This service will allow a firm to manage all of its brokerage payables and receivables in a single platform.

FIA Tech also continued work on Project Atlantis, which is the next generation of its brokerage settlement platforms. Atlantis introduces a new model for settling global give-up brokerage among industry participants.



# Communications

## COMMUNICATING TO OUR MEMBERS AND THE INDUSTRY

### MarketVoice Magazine

During 2015, we re-launched FIA's flagship publication with a new name and a new design. *MarketVoice*, formerly known as *Futures Industry*, builds on FIA's decades of experience in magazine publishing, providing industry professionals, derivatives end-users, government policymakers and the public with authoritative coverage of business, technology and regulatory trends affecting trading and clearing of derivatives worldwide. Our magazine has a print subscriber base of more than 8,000 people in North America, Europe and Asia, and its digital subscriber list includes people from every major clearing firm and derivatives exchange in the world.

### FIA Webinars

FIA conducted four webinars during 2015 to update members on key developments such as disruptive trading practices, leap second preparedness, cybersecurity responses and the Commodity Futures Trading Commission's proposed automated trading rules. We are continuing to offer this important tool to our members as a way to keep abreast of key regulatory and operational developments in our industry.

### FIA Website

We launched a new website with features requested by our membership. FIA.org integrated content from our teams in the Americas, Europe and Asia, as well as our affiliates. The new format features an intuitive and user-friendly design to provide one-stop access to information and resources.

### Member Communications

FIA continues to publish weekly members-only newsletters with concise updates on regulatory developments around the globe and projects underway at FIA.

### FIA Special Reports

Throughout the year, members received special reports detailing critical regulatory developments such as rulemakings at the Commodity Futures Trading Commission, policy developments at the European Commission and elsewhere. These timely reports are a members-only benefit and provide detailed insight on rulemakings and industry developments critical to our markets.

### Industry Data

As part of its mission to educate the public and inform the industry, FIA offers several types of data through its website and via regular reports. These include FIA's monthly report on exchange-traded derivatives volume and open interest, which aggregates data from more than 75 exchanges worldwide, and FIA's SEF Tracker, which provides volume and market share data for interest rate, credit and foreign exchange products traded on swap execution facilities.

**8,000+**  
subscribers to  
*MarketVoice* magazine  
in North America,  
Europe and Asia.

# Conferences and Events

## LEARNING AND CONNECTING

THROUGHOUT THE YEAR, FIA's major conferences and events around the world provide our members with unparalleled opportunities to stay on top of important trends and developments and make deeper connections with key players and influencers in the industry.

2015 also marked important milestones for our events. It was our 40th year of the International Futures Industry Conference (Boca) and our 31st annual Futures and Options Expo (Expo).

Our events throughout 2015 marked important milestones.



BOCA RATON, FL

## International Futures Industry Conference

More than 1,000 delegates attended FIA's 40th International Futures Industry Conference in Boca Raton, FL (Boca 2015). The conference featured dozens of trading venues and brokerage firms from around the globe. In addition, attendance among buy-side customers continued to grow. Timothy Massad, Chairman of the CFTC, discussed clearing-house safety in his keynote address, a theme echoed throughout the conference on many panels.

FIA was also proud to induct 13 members to the FIA Futures Hall of Fame, joining 117 other honorees recognized for their significant contributions to the futures and options industry.



LONDON

## International Derivatives Expo

The eighth annual FIA/FIA Europe International Derivatives Expo (IDX) in June had record attendance in excess of 1,600 delegates. Top European regulators provided an update on financial reforms in Europe and many of the panels focused on critical issues impacting end-users. The future of the intermediary also continued to be a key focus amid rising capital and regulatory costs. IDX also featured a bustling exhibit hall with 45 trading venues, service providers and technology providers.



WASHINGTON, D.C.

### FIA Law & Compliance Conference

The FIA Law & Compliance Division's 37th Annual Conference on the Regulation of Futures, Derivatives and OTC Products (L&C 2015) was a huge success, despite the unexpected rescheduling to June as a result of civil unrest in Baltimore. The conference moved to Washington, D.C. in June, with more than 800 delegates, including more than 100 officials from the Commodity Futures Trading Commission. The conference panels provided an in-depth discussion on topics such as cybersecurity oversight, chief compliance officer requirements, Basel committee capital requirements, ownership and control reporting, and other issues related to central clearing. In addition, CFTC officials provided an update on current rulemakings, enforcement priorities and other regulatory developments at the agency.



CHICAGO

### Futures and Options Expo

More than 5,000 delegates participated in our 31st Annual Futures and Options Expo (Expo) held in Chicago in November. Expo 2015 celebrated innovation with the launch of Innovation Hall and Innovator's Pavilion, a program dedicated to showcasing the game-changing services and products of 20 qualified financial technology company start-ups. Innovation Hall will be a feature at Expo 2016. In addition to financial technology and innovation, this flagship conference boasted an exposition floor with more than 130 firms that support the futures, options and cleared swaps industry. Panel topics covered a range of issues, such as blockchain, margin requirements, regulatory developments in the US, Europe and elsewhere, as well as market structure and liquidity. During Expo 2015, the merger between FIA, FIA Europe and FIA Asia also became official.



SINGAPORE

### Asia Derivatives Conference

Our 11th Annual Asia Derivatives Conference, held in December, had nearly 800 delegates, the majority of whom were top executives at global exchanges and clearinghouses as well as brokerage firms. The conference kicked off with a discussion on the health of the clearing ecosystem and topics included global regulation, developments with Asian clearinghouses and automated trading. In addition, more than 30 exhibitors showcased the latest technology, innovations and services to support the industry.



WORLDWIDE

### Other Events

From coast to coast and in between, FIA held events in key market hubs to delve into important topics. Of note, FIA partnered with SIFMA's Asset Management Group to host our inaugural FIA SIFMA Asset Management Derivatives Forum in Dana Point, Calif. to focus on buy-side issues. FIA also held day-long events on topics including clearing and MiFID II in New York and Chicago. In addition, we held events in Dubai, Hong Kong, Australia and in a number of locations in Europe.

# Board of Directors

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*One FIA.  
Global Reach.  
Regional Expertise.*

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# Giving Back

## FIA Charity Events A Success

**EVEN WITH A BUSY** year in terms of policy, market growth and financial innovations around the world, giving back was also very important to us.

There were more than 550 attendees at the IDX Gala Dinner in 2015, raising more than £140,000 (USD\$199,000) for Futures for Kids (FFK), a charity founded in 2008 by participants in the futures industry in Europe to support children's charities around the world. Among the fundraising elements of the evening was the annual Kilt Challenge. Wearing the kilt was FIA's Head of Europe Simon Puleston Jones, who raised close to £6,000 (USD\$8,500).

This year we raised more than \$360,000 through our FIA Cares Great Chicago Steak Out and our FIA Cares Corporate Challenge to help feed Chicago's hungry. Over the past seven years, our industry has raised more than USD \$2.5 million to help fund the Greater Chicago Food Depository and deliver more than 150,000 meals every day.

FIA staff and members also supported other FFK initiatives during the year, including the Boca Golf Tournament in March in aid of FFK, the FFK Day (including Walk to Work) in May, participation in the Clearing and Technology Dinner in November as well as other events ranging from a quiz night to a golf day.



Over the past seven years, our industry has raised more than **\$2.5 million** to help fund the Greater Chicago Food Depository.



