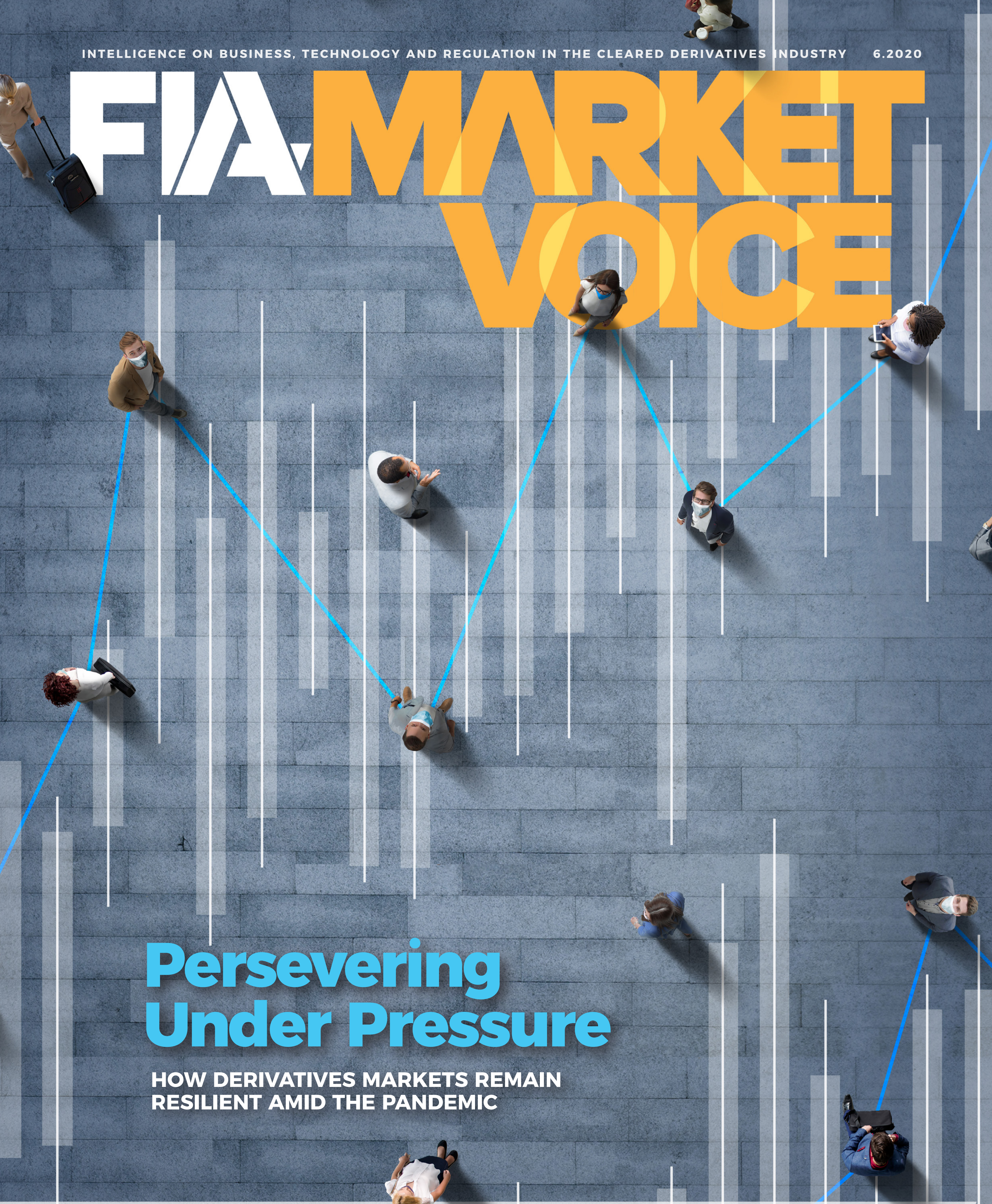
INTELLIGENCE ON BUSINESS, TECHNOLOGY AND REGULATION IN THE CLEARED DERIVATIVES INDUSTRY 6.2020

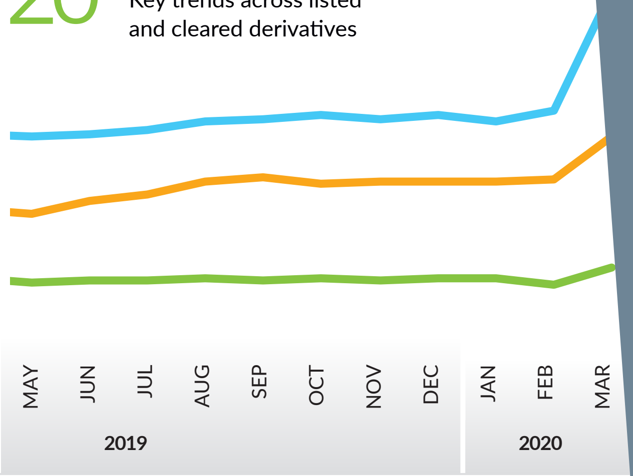
FIA MARKET VOICE



Persevering Under Pressure

HOW DERIVATIVES MARKETS REMAIN RESILIENT AMID THE PANDEMIC

DEPARTMENTS



MARKET VOICE

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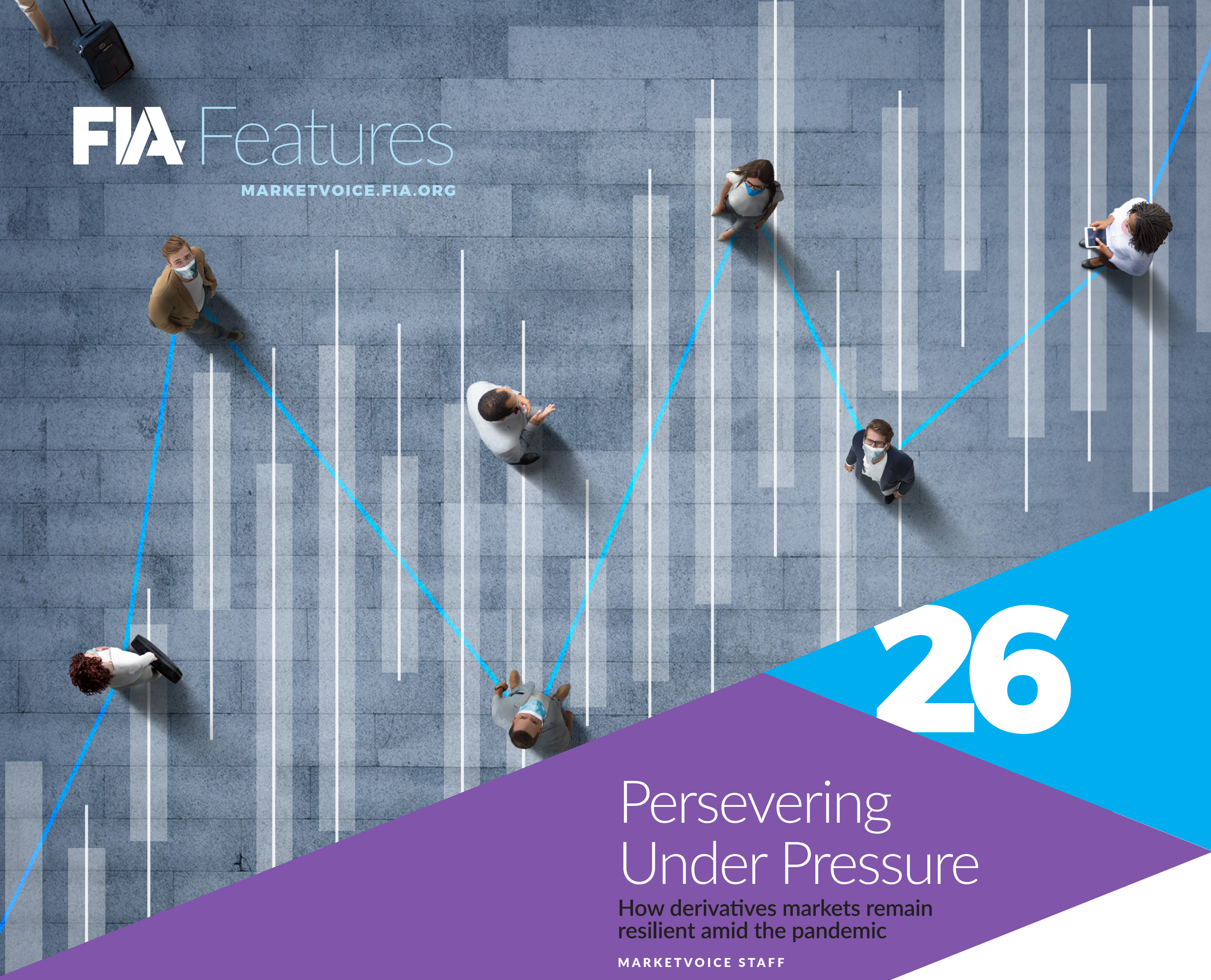

FIA Features

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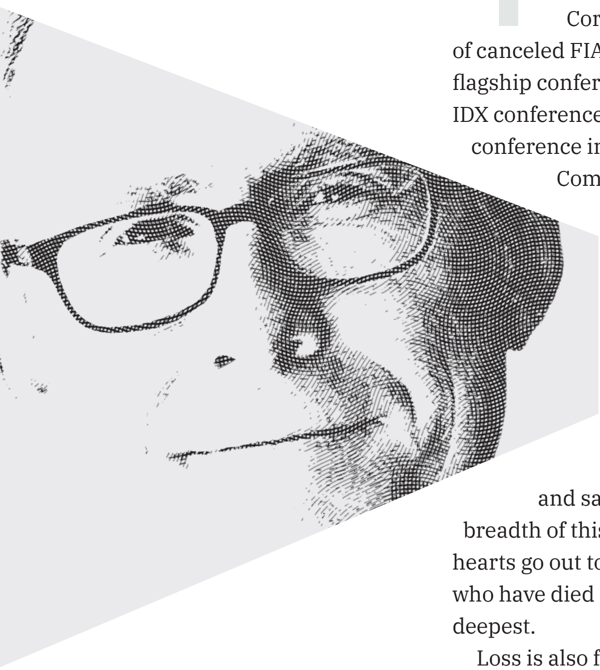
BY WALT LUKKEN, PRESIDENT AND CEO OF FIA

Community in a Time of Need



This spring, FIA took the extraordinary step of canceling many of its upcoming conferences to protect the health and safety of our attendees due to the Coronavirus outbreak. The growing list of canceled FIA events, which began with our Boca flagship conference in March, now includes FIA's IDX conference in London, Law and Compliance conference in Washington D.C., and the U.S. Commodities Forum in Houston.

I call these announcements "extraordinary" because they were unprecedented, but truthfully these cancellations came as no surprise to anyone. However, the fact that these decisions were anticipated does not lessen the feelings of sadness and loss.

Each of us is experiencing loss and sacrifice in our daily lives due to the breadth of this crisis. First and foremost, our hearts go out to those who grieve for loved ones who have died from the Coronavirus. Theirs is the deepest.

Loss is also felt by our healthcare workers and first responders, who not only have to muster the courage to treat infected patients but do so at the expense of losing contact with their families to avoid contagion. This is an incredible sacrifice.

Even us fortunate ones that are not on the frontlines are experiencing losses through missed life milestones—whether it's remote birthdays, postponed weddings, or missed graduations. We just learned that our graduating middle school daughter will not return for her final year of school—the only one she has ever known. My wife and I are devastated that she will not have these final days and traditions with her friends.

Every one of us has one of these stories. And in this special digital edition of *MarketVoice*, we're highlighting some of those stories through Q&As with key staffers at our member firms. You can read these profiles in this issue—and we encourage you to continue to share your stories with us going forward so we can post them on FIA.org.

Normal life may not be around the corner anytime soon. But what keeps me hopeful and getting up every day (and still putting on a tie) are the people that I am privileged to be surrounded by in my life, including the amazing individuals of this industry.

Community is what gets us through difficult stretches in our lives and careers. Community is not just a grouping of people. It involves a deeper and richer connection that involves trust, support, and endearment. And when people are connected and care for each other, they can do amazing things together.

It's times like these that test the character of an industry. But from what I can see from my laundry room chair, our community has pulled together, rolled up its sleeves and gone to work.

This crisis, as challenging as it is, has reinvigorated my belief in the FIA community and the markets we represent. While we cannot gather in-person right now, I have witnessed countless examples of the FIA community coming together to help colleagues during the crisis.

The exchange and clearing community should be commended. As market issues have presented themselves, I have always been able to get a willing executive from an exchange, clearinghouse or clearing member on the phone to help address a concern. And vice versa. One exchange executive called me over the weekend alarmed by the growing calls for short selling bans and FIA was able to quickly put out a statement condemning the practice as ineffective and harmful.

The regulatory community also should be recognized for its tremendous efforts to keep the markets open and orderly. We have had the privilege of having CFTC Chairman Heath Tarbert, BaFin Deputy President Elisabeth Roegele, and ESMA Executive Director Verena Ross, among others, brief our leadership on their priorities and how we can work together during the crisis.

It's times like these that test the character of an industry. But from what I can see from my laundry room chair, our community has pulled together, rolled up its sleeves and gone to work. Just like we did with 9/11, the 2008 financial crisis, MF Global, and Superstorm Sandy.

This character is most on display with the charitable acts of our industry. As you'll see in this issue, many of our companies have donated generous amounts to charities helping with or impacted by the COVID-19 outbreak. One trading firm in Chicago is donating N95 masks to the Greater Chicago Food Depository so they can continue to deliver food to the needy. These are fierce competitors by day but generous benefactors in times of need.

FIA is also doing its part to raise funds and awareness for charities whose funding has run dry. While we are excited about a virtual version of IDX this June, the cancellation of an in-person event means the loss of FIA's Gala for Futures for Kids. This event has raised nearly £2 million for children's charities around the globe—and that tradition of generosity continues even amid the current pandemic. In April, Futures for Kids announced a Virtual FFK Fun Run—complete with kilts, as tradition demands—and internally, our D.C. and London staff both organized campaigns to give thousands of dollars to local food banks.

These are just a few examples of how this industry has shown its generosity. I'm really proud to be a part of this community, which always comes together when it's most needed. And this feels like a time when we really need it. MV

BOCA

2020 FIA CONFERENCE

MARCH 10–12 | BOCA RATON, FL

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The Exchange

INDUSTRY NEWS, REGULATORY DEVELOPMENTS, TECHNOLOGY ADVANCES AND DATA TRENDS

India unifies financial center supervision under new regulator

India's Ministry of Finance issued a notification on 27 April establishing an International Financial Services Centres Authority (IFSCA) to unify supervision over international financial services centres (IFSCs) in the country. The notification brings into effect certain provisions of the IFSCA Act 2019, which envisioned a single authority to regulate various financial activities in an IFSC.

The IFSCA will be headquartered in the Gandhinagar metropolitan region in Gujarat where the country's first, and so far, only IFSC—Gujarat International Finance Tec-City, or GIFT City—is based.

CFTC offers guidance on civil monetary penalties

The U.S. Commodity Futures Trading Commission's Division of Enforcement has issued new guidance on civil monetary penalties, the first it has issued publicly since the Commission published its penalty guidelines in 1994. The staff guidance provides a three-pronged approach to evaluate the appropriate penalty: the "gravity of the violation," the "mitigating and aggravating circumstances" and "other considerations."

FIA, ISDA note costs in joint response to MiFID II/R consultation

FIA and the International Swaps and Derivatives Association recently responded to the European Commission's consultation paper on the review of the regulatory framework for investment firms and market operators under MiFID II/R. The consultation was based on the requirements to carry out a post-implementation review of MiFID II.

Overall, the associations' members took a neutral position when it comes to rating the current operational MiFID regime, noting that much of the significant cost to implement changes has already been incurred. Market participants have consistently reported outstanding problems associated with the implementation of complex data and reporting rules and the calibration of transparency since the implementation of the framework. In addition, there are opportunities to streamline aspects of the investor protection rules, where certain obligations are currently applied to wholesale market participants.

China removes QFII and RQFII quota restrictions on foreign investors

The People's Bank of China and State Administration of Foreign Exchange jointly announced new rules that remove QFII and RQFII quota restrictions and simply require foreign investors to complete a registration process. The rules also simplify administrative requirements on money flows out of China and remove limitations on domestic custodians.

End-users support CFTC position limits proposal; FIA commends progress

Commercial end-users in the U.S. energy market expressed broad support for the CFTC's position limits proposal at an advisory committee meeting held by the CFTC on May 7.

Susan Bergles of Exelon, one of the largest electricity producers in the U.S., called the current proposal a "significant improvement over prior proposals." Jenny Fordham of the Natural Gas Supply Association, which represents producers, suppliers and marketers of natural gas, commented that the proposal creates "a viable path to the finish line" and expressed the hope that years of uncertainty around this issue are coming to an end.

In a public response filed soon after, FIA commended the CFTC for putting forth "a workable and flexible rule" on speculative position limits for derivatives, and offered several refinements to the recent proposal. Among others, these include providing greater clarity about the referenced contracts subject to federal position limits and expanding the list of enumerated bona fide hedging transactions.

HKEX displaces SGX in Asia as primary MSCI partner

Hong Kong Exchanges and Clearing announced on 27 May an agreement with MSCI to license 37 equity indices, a step towards listing futures on equity markets in Japan, Korea, Singapore, Taiwan and other countries in the

PEOPLE

KEEPING TRACK OF APPOINTMENTS, PROMOTIONS AND OTHER PEOPLE NEWS

OBITUARIES

Jaime Ruiz Sacristan, the chairman of Bolsa Mexicana de Valores and

an influential figure in Mexico's financial sector, passed away on April 12, aged 70, after he was hospitalized with coronavirus. Ruiz was the chief executive officer of Grupo Financiero Bital in 2003, when HSBC bought the company, and then served as general director of Grupo Financiero HSBC from 2004 until 2014. He was also the chairman and founder of Banco VE Por Mas and a board member of Byline Bancorp, and he served as the president of the Mexican Association of Banks from 2011 to 2013. Ruiz was appointed chairman of the exchange in 2015 and had been serving in that role ever since.

FIA regrets to report that futures industry veteran **Darren Butler** passed away in April at the age of 47. Butler had a long career in the City of London and will be remembered largely for his time working for LIFFE, both on the trading floor as a pit official and as a business development manager.

Butler was instrumental in developing the short-term interest rate options market when the business transferred from the trading floor to the telephone and screens. Combining a knowledge of this market with personal relationships within the market making and broking communities in London and the U.S. meant that he was a leading light when it came to all things related to STIR options. He also worked at Nasdaq and most recently at Société Générale.

Butler was an old-school City type, who loved nothing more than discussing the markets over a pint and gathering market intelligence from his many contacts in the market. His passion for the markets and its people meant many of Darren's contacts became close friends and he will be sorely missed by all who knew him.

"I will remember Darren with a smile and laugh when I think of the good times we had on the LIFFE floor and on our business trips abroad," said Mark Phelps, group CEO of G. H. Financials.

Anthony Payne, head of relationship management and market access at LME, added, "Darren was great at his job, a natural networker. I will miss working with him, discussing the markets with him, but I look back fondly at the great times we had travelling and entertaining clients together, and the friendship we had." A devoted family man, Darren leaves behind his wife Lisa and children Amber and Kyle.

PEOPLE NEWS

Goldman Sachs has promoted **Alicia Crighton**, a managing director based in New York, to co-head of global futures alongside **Joseph Nehorai** in London as well as head of prime services clearing and derivatives clearing services. Crighton and Nehorai report to **Tom Barrett**, a partner at the firm who oversees global futures execution and clearing, prime services clearing and derivatives clearing services. Crighton was previously chief operating officer of prime services U.S. clearing. Before that she was based in Hong Kong for five years overseeing the build-out of the firm's Asia clearing business. Crighton joined Goldman Sachs in 1998 as an analyst and was named a managing director in 2013. She is also a member of FIA's board of directors and chair of its diversity and inclusion initiative.

OCC, the world's largest equity derivatives clearing organization, announced the re-election of **Craig Donohue** as executive

PEOPLE CONTINUED

chairman of the board of directors. OCC also announced the election of four directors. These are: **Tom Barrett**, a partner at Goldman Sachs who oversees execution and clearing for futures and options as well as its derivatives clearing services and prime services clearing businesses, who joined the OCC board in 2020; **Andrej Bolkovic**, chief executive officer of the U.S. subsidiary of ABN AMRO Clearing, who joined the OCC board in 2017; **Susan O'Flynn**, managing director and global head of CCP strategy, governance and optimization at Morgan Stanley, who joined the board in 2019; and **Richard Lindsey**, managing partner, Windham Capital Management, who joined the board in 2008. The terms of all four directors expire in 2023.

Charles Li, the CEO of Hong Kong Exchanges and Clearing, plans to step down from the role in October 2021, or earlier if a successor is found before then. Li, who has been CEO since 2010, spearheaded the company's acquisition of the London Metal Exchange in 2012 and initiated its Stock Connect program with mainland Chinese exchanges. Li told the board he does not intend to seek reappointment when his current contract ends in October next year, the company said in a regulatory filing. HKEX said a committee made up of Chairman **Laura Cha** and three other directors will conduct a formal search for a new CEO while Li continues to lead the organization to ensure a smooth transition.

U.S. Commodity Futures Trading Commission member **Brian Quintenz** said he will leave the post by the end of October. Since joining the CFTC in August 2017, Quintenz has pushed for revamping post-crisis regulations to make them less burdensome and led the CFTC's Technology Advisory Committee. He also took a hard line in a clash between the CFTC and European Union regulators on cross-border oversight of derivatives clearinghouses.

Dan Gallagher, former commissioner at the U.S. Securities and Exchange Commission, will become chief legal officer of Robinhood, the online brokerage that popularized commission-free trading of stocks and options. Gallagher, who has been a member of Robinhood's board of directors since October, served as an SEC Commissioner from 2011 to 2015 and before that served as deputy director and co-acting director of the SEC's trading and markets division. He was most recently partner and deputy chair of the securities department at law firm WilmerHale. The company said he will replace **Anne Hoge**, who is leaving to attend to an illness in the family.

Dan Marcus, co-head of the U.K. operations of interdealer broker Tradition, has resigned from the post and will leave the firm before the end of the year. His co-head **Mike Anderson** will become the sole head of Tradition London Group. Marcus joined Tradition in 2007 as general counsel from a similar role at the London Stock Exchange. In 2011 he assumed the role of CEO of Trad-X, the firm's hybrid broking solution, and in 2013 he was appointed CEO of ParFX. He was also appointed global head of strategy and business development that year for Tradition Group, before being appointed to co-run the U.K. operations of the firm.

Citadel Securities hired **Joe Corcoran**, a former global head of markets at Barclays, as head of markets, a newly created role based in New York. He oversees sales and trading for equities and fixed income, currencies and commodities and reports to **Peng Zhao**, CEO of Citadel Securities. Corcoran has more than 28 years of experience in trading and markets at Barclays and Lehman Brothers. At Lehman Brothers, he was the Americas head of equity and equity derivatives trading. At Barclays he held various senior positions including global head of markets and global head of the equities and credit divisions.

Heike Eckert will join the executive board of Deutsche Börse on July 1, with responsibility for the board's newly formed human resources and compliance division. Eckert, who is currently deputy chief executive officer of Eurex Clearing and a member of its executive board, also succeeds **Hauke Stars** as director of labor relations. Eckert has been with Deutsche Börse Group since 1995 and has held several leadership and project management positions at both Deutsche Börse and Eurex, including head of clearing business development at Eurex Clearing from 2010 to 2013 and head of the Eurex Chicago office from 2007 to 2009. Stars was also responsible for the cash market, which will be integrated into the trading and clearing division headed by Thomas Book from July 1.

LCH named **Yutaka Imanishi** as head of Japan, reporting to **Kate Birchall**, head of Asia Pacific. LCH said the appoint-

Asia-Pacific region. On the same day, the Singapore Exchange announced that it will allow its existing equity index licenses with MSCI expire in February 2021, with the exception of the MSCI Singapore index.

The pair of announcements marks an important shift in the business strategies of both exchanges. SGX has a long history of providing market participants in Europe and the U.S. with convenient access to a suite of Asian-Pacific equity index futures. The MSCI-based indices are widely used by institutional investors as benchmarks for equity market performance, and trading in the futures based on these indices accounts for more than 10% of the exchange's total volume.

For HKEX, the agreement will accelerate the exchange's efforts to diversify its product range and strengthen its cross-border appeal. The exchange will be able to offer futures and options on a pan-Asian set of equity market indices in addition to its popular Hong Kong-based equity index products. The agreement also reinforces a previous agreement between HKEX and MSCI to introduce futures on the MSCI China A index. Although that contract has not launched yet, it has the potential for widespread use among international investors looking for ways to manage their exposures to equity markets in mainland China.

Not all is lost for SGX, however. In addition to retaining the right to list futures on the MSCI Singapore index, the exchange also has very successful equity index futures contracts based on non-MSCI indices, such as Japan's Nikkei 225, India's Nifty

PEOPLE CONTINUED

ment is intended to support its growth in Japan, including clearing services for interest rate swaps and non-deliverable foreign exchange forwards. Imanishi previously was the head of Asia-Pacific for TriOptima, a provider of compression and portfolio reconciliation services for over-the-counter derivatives. Prior to joining TriOptima, he worked at Nomura and other banking groups across Australia, Japan and Singapore.

CLS, the foreign exchange settlement services provider, announced that **Thomas Barkhuff** has joined the company as chief information officer. He will report to CEO **Marc Bayle de Jessé** and will serve as a member of the executive management committee. Barkhuff joins CLS from CGI, where he was chief technology officer of the finance and insurance group. Before that he worked at TD Bank Group and Bank of America.

CLS also announced the hire of **Keith Tippell** as head of product. Tippell will be responsible for overseeing CLS's existing product suite and all new product development in the settlement and processing business lines. He joins CLS from Droit Financial Technologies, where he was head of business development for Europe and Asia Pacific. He has also held product management and business development positions at firms including SWIFT and Markit.

Pico, a provider of data center infrastructure, exchange connectivity and cloud technology, has announced that **Frank Troise** will join as co-CEO alongside chairman and founder, **Jarrod Yuster**. Troise will partner with Yuster to accelerate the company's expansion. Troise most recently served as the president and CEO of agency brokerage Investment Technology Group. Prior to ITG, he was managing director and head of JPMorgan Execution Services, a global multi-asset electronic execution group within the investment bank. Before that he held senior manager positions in electronic trading at Barclays Capital and Lehman Brothers. Troise has been on the board of directors of Pico since September 2019 and will continue in that capacity.

Larry Tabb, the founder of the Tabb Group, an independent research firm based in New York, has joined Bloomberg as head of market structure research. Tabb ran the research firm for 17 years and specialized in research on capital markets, but in March he shut it down amid challenging business conditions. At Bloomberg, he will be part of the company's Bloomberg Intelligence service, which provides analysis and data on industries and companies.

Intercontinental Exchange, has appointed **David Clifton** as interim CEO of Bakkt, the digital assets trading and payments platform that is majority-owned by ICE. Clifton replaced **Mike Blandina**, who was appointed CEO in December 2019, and is leaving the company to pursue a new opportunity. **Adam White**, who was appointed president of Bakkt earlier this year, will continue in his role. Clifton, currently ICE's vice president, M&A and integration, joined ICE in 2008, serving previously as associate general counsel, M&A.

Eventus Systems, a trade surveillance software provider, has appointed **Perry Barth** as chief financial officer, **Dan Burton** as vice president of engineering, **Nolan Schiff** as director of relationship management and **Sharad Kumar** as sales engineer. Barth and Burton will be based in the company's headquarters in Austin, TX, reporting to CEO **Travis Schwab**. Schiff and Kumar will operate out of Chicago, reporting respectively to **Jeff Bell**, Eventus president, and **Scott Schroeder**, global head of sales. Barth most recently served as vice president and CFO for Alchemy Systems. Burton was most recently managing director, development for proprietary trading firm DRW, while Schiff worked at INTL FCStone in Chicago as director of product/enterprise data. Kumar most recently was director of vendor relations at Telnyx.

Diane Saucier has joined Pure Storage, a company that provides cloud-based data storage, as director of financial services solutions marketing. Saucier joins from Hitachi Vantara where she was the global solutions marketing manager, financial services. Prior to Hitachi Vantara, Saucier was a client relationship manager at Fitch Learning, head of U.S. business development at Celoxica, and vice president of global market development at Trading Technologies.

Cowen, a securities brokerage and investment banking firm, has named **Martin Ferraro** and **Alan Circle** as managing directors in its outsourced trading division and co-heads of foreign exchange, commodities and futures. Both are based in New York and report to **Michael Rosen** and **Jack Seibald**, global co-heads of prime brokerage and outsourced trading. Circle and Ferraro join Cowen from BTIG, where they were managing directors and co-heads of foreign exchange, commodities and futures.

50, and the FTSE China A50 index. SGX also has the potential to create futures based on its own indices. In January, it spent 186 million euros on a 93% stake in Scientific Beta, an independent index provider based in Singapore that specializes in factor-based investing.

LSE seeks antitrust approval for Refinitiv deal

In mid-May, the London Stock Exchange Group formally submitted its proposed acquisition of Refinitiv to the European Union's competition authorities, setting in motion a review of the $27 billion deal announced in August 2019. The Commission set a June 26 deadline for its preliminary decision, but a further four month review is expected given the size and complexity of the two companies.

Analysts have speculated that LSE and Refinitiv may be forced to sell some of their assets as a condition for approval, with attention focused on trading venues such as Tradeweb, MTS Markets and Borsa Italiana.

David Schwimmer, the former Goldman Sachs investment banker who is now LSEG's chief executive, said in April that he remains committed to completing the deal by the end of this year.

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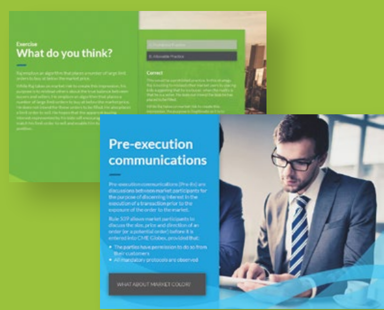


Eurex to make execution source codes mandatory for all trades in November

Exchange throws its weight behind FIA effort to reduce brokerage discrepancies

BY KIRSTEN HYDE

Starting in November, Eurex will require the input of FIA-developed codes on order messages to identify the execution method used at the point of origin. The move marks another milestone in the industry's efforts to reduce brokerage discrepancies, one of the largest causes of operational friction in the reconciliation of exchange-traded derivatives.

Eurex, the largest derivatives exchange in Europe by volume, will be the second major exchange to mandate the use of FIA's execution source codes after CME Group, which began requiring a tag on order messages in November last year.

The standard set of execution source codes – also known as Rate Identifiers – was developed by FIA and its subsidiary FIA Tech to identify widely used methods for executing trades. These methods range from fully automated algorithmic trading to human-to-human interaction over the telephone.

Adding standardized codes to order messages allows information about the execution method to be carried forward through clearing and post-trade processing – something that is particularly important when clients use one firm for execution and another for clearing – to help ensure that brokerage is correctly calculated and paid.

"When a trade is executed by one broker and given up to another for clearing, the execution method is not passed on and the clearing broker has no visibility in how the trade was executed. This increases the workload on operational staff and creates disputes over brokerage fees," said Mark Davis, senior vice president and head of strategy for FIA Tech. "Implementing these codes on an industry-wide basis will improve operational efficiency and support greater automation in post-trade processes."

This is particularly pertinent at a time when a proliferation of execution services, platforms and providers means there are increasingly more scenarios where different brokerage rates apply for different types of execution.

FIA and FIA Tech first attempted to tackle this challenge with brokerage settlement back in 2010, but the original execution code schema was not as well-documented the first time around. In 2018, in response to renewed interest in addressing this issue, FIA Tech introduced new technical guidelines that were created in partnership with major exchanges and brokers. These guidelines were released in December 2018 along with a white paper describing how the codes should be used.

Eurex is one of several exchanges that has supported FIA's execution code schema in both order entry and clearing house messages, but usage was not mandatory. From November 2020, with the release of version 9.0 of its trading platform Eurex T7, the entry of the execution source code will become a requirement.

"Market efficiency and the fostering of STP processing is a core priority for both Eurex and Eurex Clearing's IT strategies," said Manfred Matusza, member of the Eurex Clearing Executive Board. "In this context, we welcome FIA initiatives such as the introduction of the execution source code and will continue to support such offerings in the future."

The execution source code is incorporated in Eurex T7 via

> "In an environment where traders are looking to their executing brokers for more options in how to get orders to market, which in turn drives execution method price differentiation, the use of this tag becomes a necessity for efficient brokerage settlement."
>
> MARK DAVIS, SENIOR VICE PRESIDENT AND HEAD OF STRATEGY FOR FIA TECH

the Enhanced Trading Interface, the Eurex FIX Gateway and the Eurex GUI as "Tag 1031." Executing brokers will be able to insert one of six different category codes developed by FIA and FIA Tech into Tag 1031. That tag will allow the execution source to be tracked across the lifecycle of the trade.

In an announcement, Eurex said that with the introduction of T7 Release 9.0, the execution source code will be mandatory in the case of agent business execution, which it calls Trading Capacity "A". If no value is entered to an order, the order will not be rejected but a default value for the execution source code will be added automatically instead.

FIA Tech has been working with Eurex on their adoption of Tag 1031 over the last few months.

"We are very pleased Eurex took the decision to make population of this field mandatory," Davis said. "In one-on-one conversations and working groups I have been involved in, it is clear the industry is behind making population of this FIX tag with the FIA standard codes mandatory. In an environment where traders are looking to their executing brokers for more options in how to get orders to market, which in turn drives execution method price differentiation, the use of this tag becomes a necessity for efficient brokerage settlement."

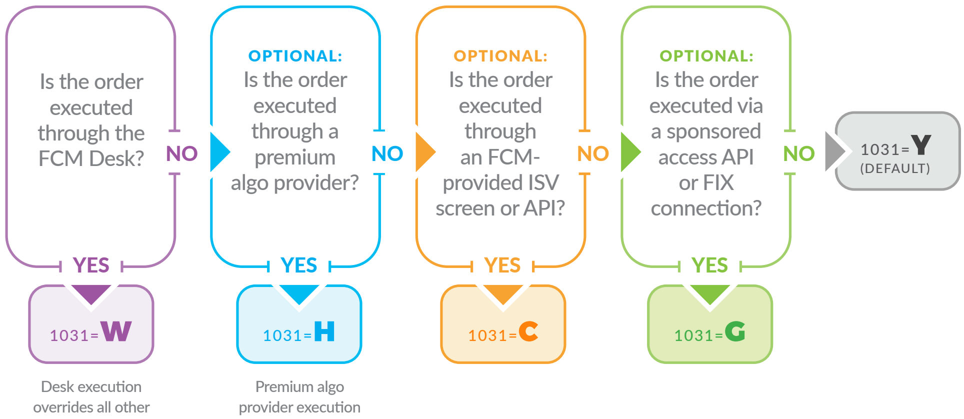
Other market operators, including Intercontinental Exchange and Borsa Italiana, are also supporting the FIA initiative. ICE has added the codes to its system but has not yet made usage mandatory. Borsa Italiana, meanwhile, introduced the new functionality when it moved to version 14 of its SOLA trading system in February. Although use of the code is not mandatory, Borsa Italiana cautioned that orders with invalid values would be rejected, and orders with blank values would be defaulted to the code for "high-touch" execution through a broker.

Having the largest derivatives exchanges supporting the effort and adopting FIA's source codes are big steps forward for industry standardization and efficiency and in solving a common pain point in trade processing.

"Eurex announcing the mandatory use of Tag 1031 is another step in the right direction to tackle the brokerage settlement problem that our industry has faced for years," said Nick Sharp, head of futures electronic trading EMEA at Barclays. "Universal use of this tag will improve STP brokerage settlement, making market operations teams more efficient and better equipped to deal with higher volumes. The key to this initiative's success is ensuring the broker and vendor community utilize the tag effectively in their execution and clearing platforms. We encourage more exchanges to follow suit with mandatory adoption of Tag 1031 at point of execution." MV

Execution Source Code Determination

The following chart will help participants choose the proper code designation



Source: FIA Tech.

Source Code Values

Simplified execution source code values for use in FIX tag 1031

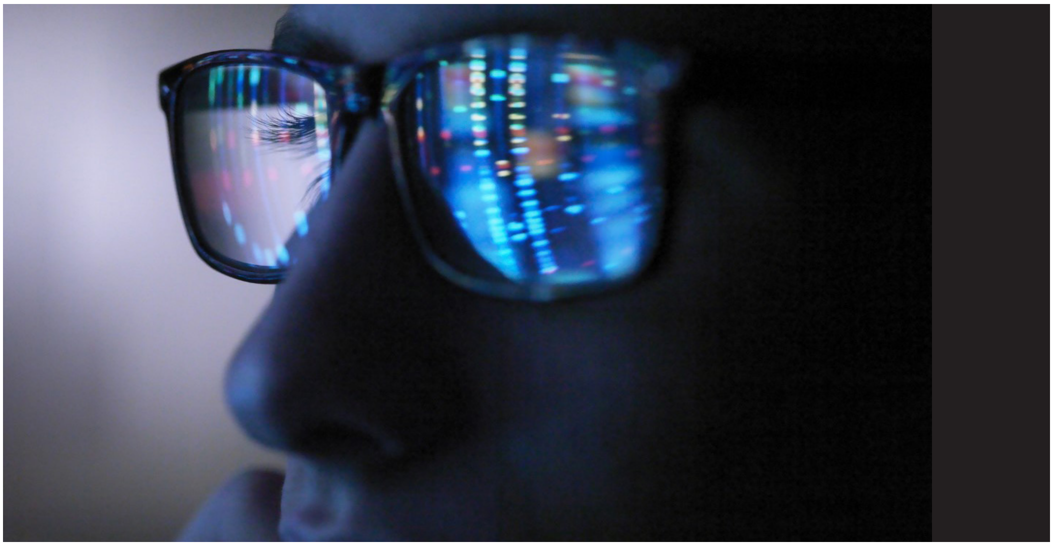
VALUE	DESCRIPTION	HIGH/LOW TOUCH	MANDATORY?
W	Desk	High	Yes
Y	Electronic (Default)	Low	Yes
C	Vendor-provided platform billed by executing broker	Low	Optional for complex model
G	Sponsored access via exchange API or fix provided by executing broker	Low	Optional for complex model
H	Premium algorithmic trading provider, billed by executing broker	Low	Optional for complex model
D	Other, including other-provided screen	Low	Optional, used with discretion

Source: FIA Tech.

AFX founder Sandor says new interbank market will spark demand for Ameribor derivatives

Wider use of new U.S. interest rate benchmark expected to drive hedging activity

BY WILL ACWORTH



The recent explosion of volatility in financial markets is accelerating the growth of the American Financial Exchange, a four-year-old electronic marketplace for overnight borrowing among banks, insurance companies, broker-dealers and other institutions in the U.S.

On April 1, AFX announced that transactions on its platform rose to $55.8 billion in March, setting a new monthly record. Total first quarter volume also set a record of $140.4 billion, up 13% from the previous quarter. AFX also announced that another 15 institutions had joined the marketplace since the beginning of the year, bringing total membership to 185.

"We are pleased that our volume continues to grow, but more importantly, that we are able to be a source of liquidity in these turbulent times," said Richard Sandor, the founder of AFX and its chairman and chief executive officer.

The rapid growth highlights the potential for Ameribor, the interest rate published by AFX, to emerge as a substitute for Libor, the interest rate benchmark that the Federal Reserve and other regulators would like to see phased out by the end of 2021. Although it has not attracted much attention on Wall Street, Ameribor is gaining support from a growing number of regional, mid-sized and community banks that have joined AFX. They say it is a better match for their funding costs than other alternatives to Libor, and some are starting to use it as a reference rate for their corporate loans.

ALTERNATIVE TO SOFR

For derivatives markets participants, the key question is whether the development of this new benchmark will create a ripple effect in the interest rate derivatives markets. So far most of the attention has been focused on the Secured Overnight Funding Rate, or SOFR, which is based on transactions in the repo market for U.S. Treasuries.

The Alternative Reference Rate Committee, a quasi-official group of financial institutions convened by the Federal Reserve, has recommended SOFR as the replacement for Libor in the dollar-denominated interest rate markets. A small but growing number of corporate borrowers have begun referencing SOFR in their debt issuance, and trading activity is picking up rapidly in the SOFR futures listed on CME Group and ICE Futures U.S.

The spread of the Coronavirus has complicated the outlook, however. The dramatic slowdown of economic activity and the resulting turmoil in financial markets have caused stresses in the repo markets, increasing the volatility of SOFR and making it less effective as a hedge for the interest rate risk in corporate loans.

> The key question is whether the development of this new benchmark will create a ripple effect in the interest rate derivatives markets

More importantly, SOFR is based on transactions secured by U.S. Treasury securities. That removes the credit risk component embedded in rates like Libor that are based on interbank borrowing, making it a better measure for pure interest rate risk. But it exposes the rate to other kinds of market dynamics, such as the "flight to quality" phenomenon seen during the current market turmoil. That makes SOFR problematic as a reference rate for corporate loans, because the rate tends to fall at the very moment when most lenders face higher borrowing costs.

In contrast, Ameribor is based on unsecured transactions, which means it includes the credit risk of the banks and other lenders participating in the AFX marketplace. That makes it better suited than SOFR to the needs of medium and small banks that need a benchmark for their funding costs.

"CREDIBLE AND ROBUST RATE"

This advantage was highlighted in February, well before the chaotic conditions of March, by a group of 10 mid-sized banks that sent a letter to U.S. banking regulators expressing their concerns with SOFR. They explained that Ameribor is a better fit for their asset and liability profile, and they expect it to gain traction with other banks over time.

"We believe SOFR is an appropriate benchmark for larger financial institutions that have access to collateral and the ability to broadly operate on secured markets. But we also strongly believe that markets must have choice to be efficient, with multiple new reference rates paving the way for a smooth transition away from Libor," they told the regulators.

The banks signing the letter included Flagstar Bancorp, a $23 billion asset savings and loan holding company based in Michigan; First Merchants Corporation, a $12 billion asset bank based in Indiana; Cullen/Frost Bankers, a $34 billion asset bank based in Texas; and PacWest Bancorp, a $26 billion asset bank based in California.

The 10 banks added that they are using AFX as a source for overnight funding and they have begun pricing loans using the Ameribor benchmark. "We find it not only representative of our asset structure and risk profile, but it also is a credible and robust rate which is easy to explain to customers, regulators and other market participants. Given its unsecured nature, Ameribor is gaining greater traction and we encourage other banks to take note," the banks wrote in the letter.

For Sandor, who began developing AFX eight years ago, the recent turmoil has vindicated the creation of this marketplace. The platform launched in December 2015 with just four banks on board, and it has steadily gained in popularity as problems with Libor have become more evident.

In an interview with *MarketVoice*, he explained that the last several weeks of March have functioned as a "proof of concept" demonstrating the viability of the platform and strengthening its appeal to thousands of regional, mid-sized and community banks across the U.S.

"The question we were asked in the early days, in 2012 and 2013 when we proposed AFX, was 'what happens when you get a crisis? Your liquidity will dry up, it will never work.' Quite the contrary, this time has been a total proof of concept," said Sandor. "Not only didn't it dry up, we were a source of liquidity when others dried up. So the notion of peer-to-peer fintech lending was totally viable."

"BEGINNING OF THE FOOD CHAIN"

Despite the surge in trading on AFX, trading in derivatives based on Ameribor is still at a nascent stage. Last August, the Cboe Futures Exchange listed futures on Ameribor, but activity has been very low to date. Sandor said he thinks several key components need to be in place before that contract takes off.

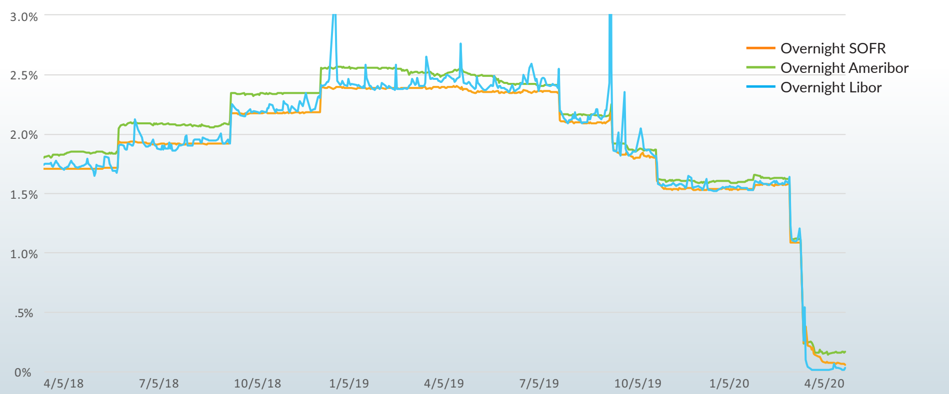
First, the greater use of AFX for overnight funding is encouraging banks to use Ameribor as the reference rate for their corporate lending. The first Ameribor loan was issued in September 2018 by ServisFirst Bank, a small commercial bank based in Alabama. As of early 2020, there were a dozen institutions that have issued loans tied to Ameribor or are preparing to use Ameribor as a reference rate for their loans, according to AFX.

The next step is for this lending activity to generate demand for Ameribor derivatives. Banks use derivatives to hedge the interest rate risk in their loan portfolios, and if those loans are tied to Ameribor, then they will need derivatives based on that benchmark to hedge that risk.

The last step is for the growth of Ameribor derivatives to reach a point where the dealers need a wholesale market where they can lay off their risk. That market today is the Eurodollar futures market, which provides a central market with standardized contracts for managing Libor-based interest rate risk.

"We are starting to build up more banks using Ameribor as a benchmark for commercial loans," Sandor said. "Once they do that, that will create demand for swaps. And that swap demand will result in futures. So we are at the beginning of the food chain for derivatives." MV

Ameribor vs Other Interest Rate Benchmarks



Source: American Financial Exchange

Fintech firms predict coronavirus will speed up digitalization

Urgency created by pandemic has fueled interest in next-gen compliance, trading and back-office solutions

BY BENNETT VOYLES

Times of crisis have always tended to foster innovation and accelerate technological change. When it comes to the futures industry, coronavirus (COVID-19) looks like it will be a similar driver.

Fintech executives believe the pandemic is speeding up a digitalization of trading systems that was already underway, as trading firms adopt more virtual tools that help them cope with the triple threat of high volume, extreme volatility, and the lockdown life.

FINTECHS SHOW THEIR VALUE

"The current volume and volatility spike has most definitely made the need for third-party platforms like ours more apparent for a lot of folks, but truth be told things have been moving in this direction for several years now," said Patrick Flannery, CEO of MayStreet, a data and analytics provider based in New York.

Margin and collateral management solutions are also in greater demand now, perhaps because people have seen them prove their value in markets that have continued to function through wild extremes.

In the first quarter of 2020, the total number of contracts traded on derivatives exchanges worldwide rose to 11.41 billion, an all-time quarterly record and an increase of 43.2% over the first quarter of 2019. However, despite high volume and volatility, the markets never seized up as in 2008, noted Karl Wyborn, global head of business development for Cloud Margin, a London-headquartered collateral and margin management service. Wyborn ascribes this in part to the availability of margin-monitoring services to smaller firms, which was not yet the case during the financial crisis.

Such tools are useful not only as a way to assess risk but to reduce cost by offering tools that optimize collateral funding costs across an entire portfolio, according to Liam Huxley, founder and CEO of Cassini Systems, a New York and London-based company that provides collateral and margin analytics.

The fallout of coronavirus has not only dislocated markets, to an extent it also has relocated them. Lockdown has kept traders home, increasing the need for surveillance software that can track their conversations wherever they are. Executives at VoxSmart, a multi-channel trading communication surveillance service, say they are getting more calls to license their real-time communications monitoring tools for mobile phones and messaging services.

VoxSmart solves a problem that many firms now face in supporting traders' ability to communicate across an ever-growing number of channels without having to choose between annoying a customer and committing a compliance violation. "Why should somebody be in a situation where their client wants to talk to them and they have to say, 'Hey, you can't use WhatsApp'?" said Adrienne Muir, group chief operating officer at VoxSmart in London.

The newly proven scalability of many of these solutions may also be reassuring to jittery customers. "Even under 'normal' market conditions, the ability to capture, process, store and consume market data is really, really, hard, and the doubling of message traffic – which is essentially what we've seen since mid-February – makes it even harder," said Flannery. "Our sole business here at MayStreet is to create systems for dealing with this data deluge, so it's not a surprise that a slew of market participants from across the spectrum – banks, quantitative investment firms, hedge funds, asset managers, etc. – are turning to specialists like us to help."

Firms with a risk-reduction pitch are getting a better hearing now than they were pre-pandemic, some fintech executives say.

> "Firms are now seeing they need to do what we've always told them we should do."
>
> LIAM HUXLEY, FOUNDER AND CEO OF CASSINI SYSTEMS

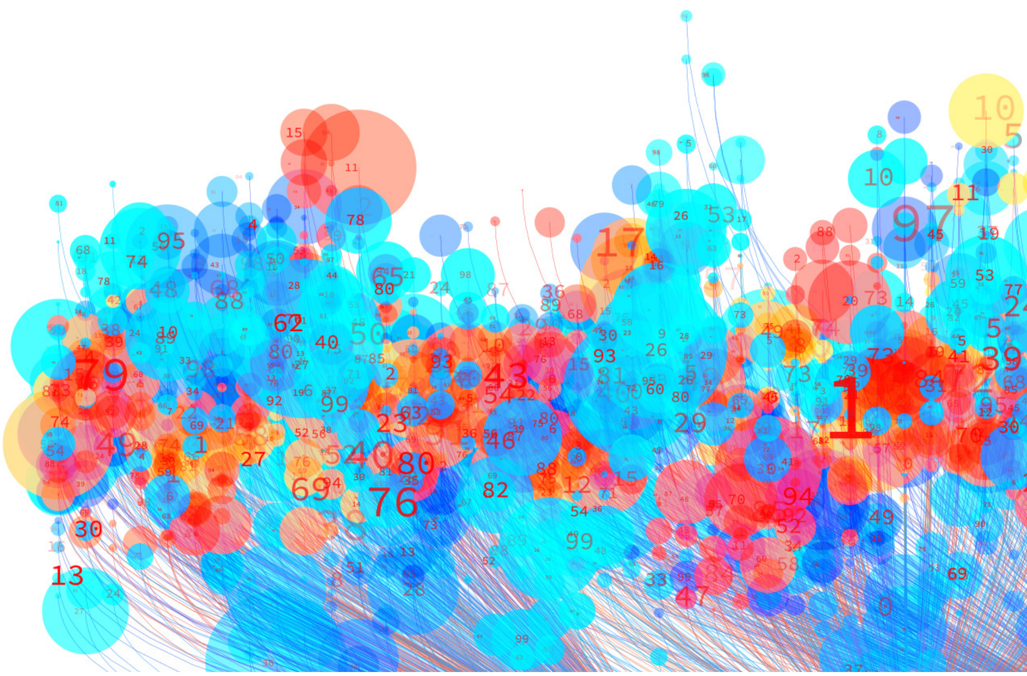
Cassini's Huxley says that market conditions have made potential customers more receptive to the same risk-management measures they have been advising them to take all along. "Firms are now seeing the need to do what we've always told them we should do," he said.

WAITING FOR THE NEXT SURGE

Despite an environment that has brought more attention to their businesses, Huxley and other fintech executives face challenges of their own.

"I'm knocking on wood as I say this, but thus far it seems like all of us market plumbers have held up well, which is something that I think we should all be proud of," says Huxley. "That said, withstanding the deluge is not the only challenge we face – there's also the need to ensure that the data that's been collected during this period is of the quality it needs to be for people to go back and analyze their trading performance."

The market environment also remains extremely fluid. "Even now, just eight weeks into our lockdown, things are still changing week to week," said VoxSmart's Muir. "What I saw on week two is quite different to what I saw in week five.". MV



Airline ticket derivatives venture starts weekly COVID-19 update

Skytra continues to develop futures and options to hedge air travel risks

BY JEFF REEVES

Skytra, a subsidiary of Airbus that is developing a derivatives trading venue to help airlines directly hedge passenger ticket prices, is adjusting its plans as the Coronavirus pandemic upends the air travel industry. The London-based venture has announced a data partnership with the International Air Transport Association and a weekly COVID-19 update on pricing trends.

IATA is the world's largest data provider of air travel ticketing information. Skytra announced on April 7 that it is partnering with the association to publish a series of indices that will allow airlines to measure pricing trends and hedge their exposure to ticket price volatility. IATA data covers more than 83% of global tickets issued by value.

While this data will support Skytra's long-term goal of creating indices to underpin a new class of futures and options contracts, the immediate impact of COVID-19 on the air travel industry prompted Skytra and IATA to also begin publication of weekly reports on regional revenue trends for the airline industry.

"The challenges confronting the global air travel industry are formidable," said Mark Howarth, Skytra's CEO. "Through this data we hope to inform the discussions about the airline industry during the COVID-19 pandemic. Likewise this crisis illustrates how urgently the air travel industry needs dedicated risk management tools."

The first-ever Skytra-IATA report shows that airline revenue in Asia-Pacific fell 93% for the week of March 26 to April 1 when compared with the same period in 2019. In the U.S. and Canada, the decline was 96% year-over-year and in Europe the decline was actually more than 100% because of the impact of refunds.

Skytra hopes to roll out derivatives contracts based on these airline ticket indices in the near future to help address the acute need to manage risk. Skytra is currently pursuing regulatory approval from the U.K.'s Financial Conduct Authority to operate as a Multilateral Trading Facility and a Benchmark Administrator. In January, it was announced that Nasdaq will provide the technology software and infrastructure for the trading venue.

Skytra ticket price indices have been developed in partnership with the airline industry. The firm's long-term goal is to support futures and options based on these benchmarks, allowing the $1 trillion global airline travel industry to access financial risk management tools of this kind for the first time. Airline ticket demand and related pricing structures can be quite unpredictable, with up to 85% of global ticket sales taking place 90 days or less from before take-off, according to Skytra data. MV

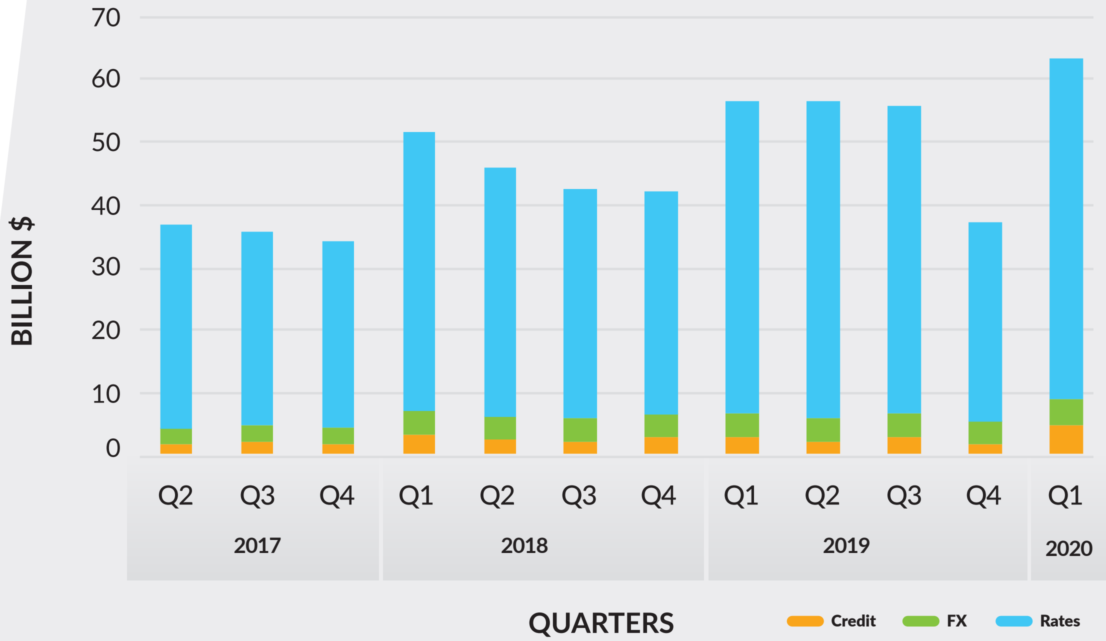
Change in value of tickets sold in week March 26 - April 1

From March 26 to April 1, refunds are close to or have even outstripped ticket issues in most of the regions of the world, so compared to 2019 the value of ticket issues is close to or more than 100% lower.

APAC–Asia-Pacific; EU–Europe; NA–North America
Source: Skytra

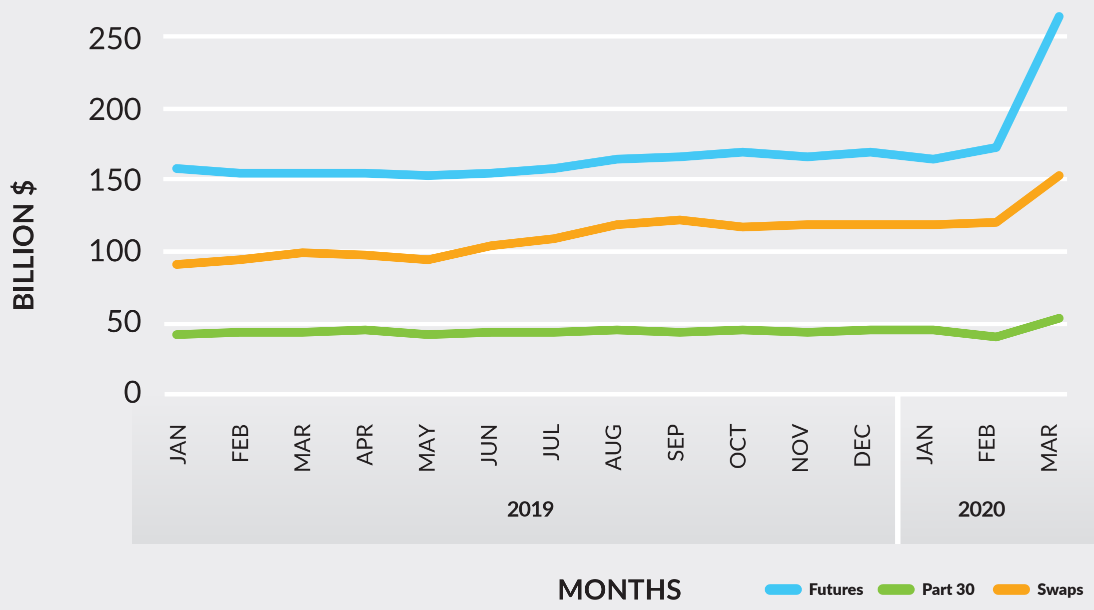
Data

SEF Volume by Quarter



Source: FIA SEF Tracker

Customer Funds at U.S. FCMs



Source: FIA SEF Tracker

Top 10 SEFs

Ranked by latest quarterly trading volume, in billions of dollars of notional value

RANK	SEF	Credit	Y/Y	FX	Y/Y	Rates	Y/Y	Total	Y/Y
1	Tullett Prebon	175.82	100.5%	1243.91	10.9%	13973.86	23.4%	15393.59	22.8%
2	NEX			310.06	10.0%	14747.74	-11.0%	15057.80	-10.7%
3	Tradeweb	1105.75	165.8%			11213.96	69.7%	12319.71	75.3%
4	Bloomberg	3204.91	50.3%	168.55	148.3%	3347.82	0.5%	6721.29	21.5%
5	BGC	1.33	-83.3%	942.98	15.4%	4463.83	28.2%	5408.14	25.5%
6	Tradition	26.49	37.5%	828.36	19.8%	2754.88	-0.8%	3609.73	3.5%
7	IGDL					2122.79	3.7%	2122.79	3.7%
8	Dealerweb					1131.30	250.8%	1131.30	250.8%
9	GFI	9.40	-56.6%	627.16	-6.3%	154.88	-26.2%	791.45	-12.1%
10	TR			129.18	6.2%			129.18	6.2%
	ALL SEFs	**4549.90**	**68.4%**	**4268.27**	**12.7%**	**53965.80**	**9.1%**	**62783.97**	**12.2%**

Source: FIA SEF Tracker

Top 15 FCMs in the U.S.

Ranked by total customer funds* at the end of the most recent quarter

RANK	FCM	Futures	Y/Y Change	Part 30	Y/Y Change	Swaps	Y/Y Change	Total	Y/Y Change
1	JP MORGAN SECURITIES LLC	41.23	101.7%	6.92	65.1%	19.68	46.5%	67.83	78.2%
2	MORGAN STANLEY & CO LLC	26.83	60.1%	7.07	30.6%	29.68	83.8%	63.58	65.9%
3	GOLDMAN SACHS & CO LLC	40.60	98.8%	10.15	15.2%	10.08	50.3%	60.83	69.3%
4	CITIGROUP GLOBAL MARKETS INC	17.59	88.4%	4.72	63.4%	37.83	43.7%	60.13	56.0%
5	BOFA SECURITIES INC	26.74	62.0%	5.98	23.8%	12.34	66.2%	45.06	56.7%
6	CREDIT SUISSE SECURITIES (USA) LLC	9.17	74.2%	4.26	9.9%	14.03	35.8%	27.45	41.0%
7	SG AMERICAS SECURITIES LLC	16.82	27.9%	6.23	4.1%	0.88	98.2%	23.93	22.2%
8	WELLS FARGO SECURITIES LLC	6.87	101.7%	0.84	295.1%	15.25	84.9%	22.96	93.5%
9	BARCLAYS CAPITAL INC	9.59	83.7%	2.56	-18.4%	8.95	42.9%	21.11	44.3%
10	UBS SECURITIES LLC	8.76	69.9%	1.20	-20.1%	1.00	51.6%	10.95	49.8%
11	MIZUHO SECURITIES USA LLC	5.90	93.9%	0.92	54.8%	0.00	-71.0%	6.82	87.5%
12	INTERACTIVE BROKERS LLC	6.15	66.0%	0.55	26.3%	0.00	NA	6.70	61.8%
13	BNP PARIBAS SECURITIES CORP	4.24	64.8%	0.14	4.7%	1.62	53.3%	6.01	59.4%
14	HSBC SECURITIES USA INC	4.44	123.7%	0.29	101.5%	1.21	22.7%	5.95	90.7%
15	DEUTSCHE BANK SECURITIES INC	4.51	97.4%	0.50	-17.6%	0.00	NA	5.01	73.2%
	ALL FCMs	**264.62**	**71.5%**	**53.65**	**21.8%**	**153.34**	**55.6%**	**471.62**	**58.9%**

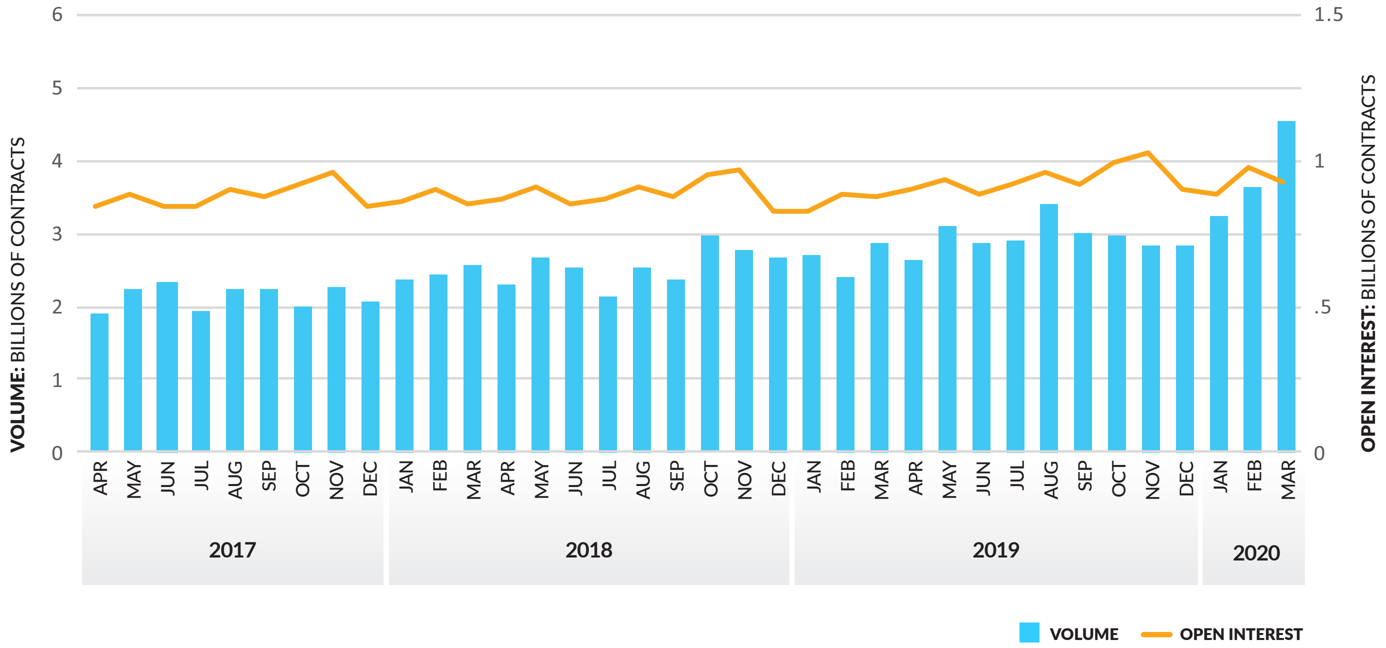
Source: FIA FCM Tracker

Note: Customer funds data include only the amounts that FCMs are required to hold in segregated accounts. Proprietary funds deposited in customer segregated accounts are not included.

Note: Futures represents customer funds held for futures and options traded in the U.S. Part 30 represents customer funds held for trading outside the U.S. Swaps represents customer funds held for cleared swaps.

*Numbers are in USD billions

Global Futures and Options Trading



Top 15 Exchanges

Ranked by Number of Futures and Options Traded in March

RANK	EXCHANGE	Volume	Y/Y Change	Open Interest	Y/Y Change
1	CME Group	705,699,199	76.3%	123,137,503	-2.6%
2	National Stock Exchange of India	576,973,519	27.8%	9,971,143	14.7%
3	B3	460,749,255	61.8%	99,064,880	39.1%
4	Intercontinental Exchange *	323,387,763	60.8%	78,685,389	1.9%
5	Eurex	295,990,251	45.6%	155,318,083	3.0%
6	Moscow Exchange	278,716,989	141.0%	6,081,148	-44.3%
7	CBOE Holdings *	270,918,737	75.8%	235,273	-33.4%
8	Korea Exchange	257,175,189	84.9%	9,558,583	-6.1%
9	Nasdaq *	217,645,251	45.5%	5,820,673	-45.1%
10	Dalian Commodity Exchange	200,226,759	126.3%	9,453,228	37.8%
11	Shanghai Futures Exchange	199,068,208	77.5%	7,393,449	43.5%
12	Zhengzhou Commodity Exchange	111,617,038	20.5%	6,254,298	47.6%
13	Japan Exchange Group	86,350,919	168.5%	4,618,436	18.7%
14	Borsa Istanbul	74,343,878	146.9%	4,984,798	-24.9%
15	Miami International Holdings *	68,163,610	88.6%	N/A	N/A
	ALL EXCHANGES	**4,541,829,964**	**58.8%**	**921,273,165**	**5.2%**

* Open interest does not include equity options cleared by OCC

Battle of the Benchmarks

Brent and WTI share the growth in crude oil futures trading

BY WILL ACWORTH

Crude oil futures trading exploded in the first quarter of 2020 as price volatility reached record levels, but that was only the latest chapter in a long-term uptrend in the world's most actively traded commodity futures.

Looking back over the last decade, the trading of futures on WTI light sweet crude, the main benchmark for oil produced in North America, has risen by almost 200%. In the first quarter of 2008, volume in the WTI futures traded on the New York Mercantile Exchange was 33.5 million contracts. By the first quarter of 2019, it had risen to 95.1 million contracts.

Trading of the Brent crude oil futures, the main benchmark for oil produced in the North Sea, grew even more rapidly. Volume in the Brent futures traded on ICE Futures Europe rose from 16.7 million contracts in the first quarter of 2008 to 78.5 million in the first quarter of 2019, an increase of 370%.

There are many other oil futures traded on derivatives exchanges around the world, but these two contracts are the most important benchmarks for the industry, with the deepest liquidity and the greatest impact on price discovery.

Open interest, which measures the number of outstanding positions, has been on a long-term growth trajectory as well, with both contracts benefiting from greater use of these contracts to hedge risks in the oil market. But Brent has been more popular lately, with open interest running 10% to 20% higher than WTI since the beginning of 2019.

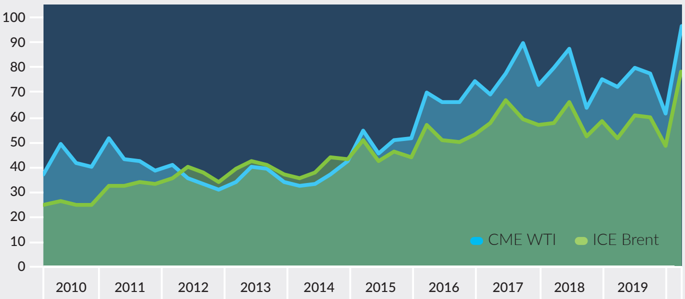
Brent is also gaining ground in the crude oil options market. Options on the ICE Brent futures began the decade with a tiny fraction of the market, but the contract's popularity has grown by leaps and bounds ever since, and by the first quarter of 2020, volume had reached 10.7 million contracts, within shouting distance of the 11 million options on WTI futures traded at Nymex. The convergence was even more pronounced in the open interest trends. Options on WTI futures peaked in 2009 with 4.9 million contracts outstanding at the end of the second quarter, and have trended downward ever since. Options on Brent, on the other hand, have been steadily rising, and set a record of 3.1 million contracts in the first quarter of 2020.

The battle of the benchmarks is not a zero-sum game, however. The Brent contract has gained popularity for hedging the cost of oil shipped by sea to the rapidly growing economies of Asia-Pacific, making it the leading benchmark for the international market. The WTI contract, on the other hand, is the key benchmark for oil production in the U.S., which has exploded in recent years as producers have found new ways to extract oil from shale formations.

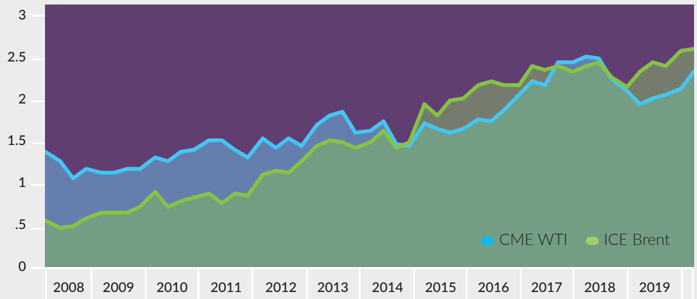
Both contracts also sit at the center of a complex web of futures and options based on other grades of crude oil and other delivery locations as well as refined products such as gasoline and jet fuel. That gives hedgers, speculators and market makers more ways to manage the changes in the price differentials between these two benchmarks and a wide range of related products, and creates even more liquidity for Brent and WTI. MV

WTI futures are traded more heavily, but Brent futures have more open interest

Crude Oil Futures Volume

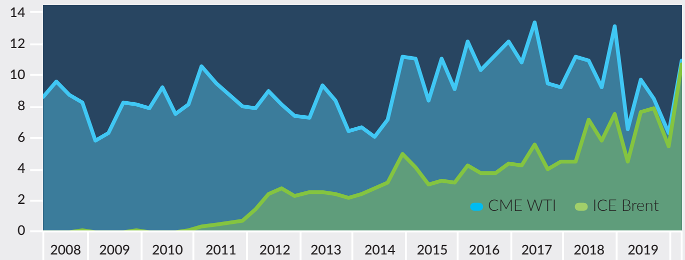


Crude Oil Futures Open Interest

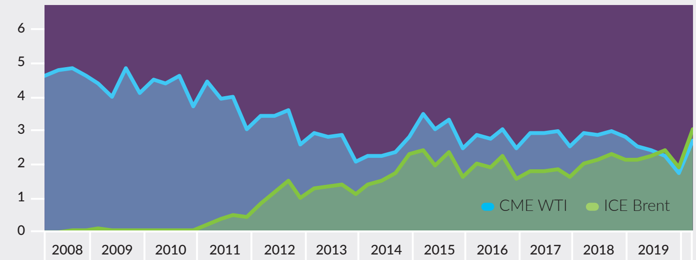


WTI options trading rebounds in Q1 as open interest in Brent options hits a record

Crude Oil Options Volume



Crude Oil Options Open Interest



Note: Volume and open interest measured by number of contracts in millions.

IDX

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FEATURE

Persevering Under Pressure

HOW DERIVATIVES MARKETS REMAIN RESILIENT AMID THE PANDEMIC

MARKETVOICE STAFF

In 2020, global derivatives markets have successfully absorbed huge waves of trading volume and volatility as market participants have struggled to assess the potential impact of the coronavirus (COVID-19) on economic activity.

While markets remain resilient, the coronavirus pandemic has certainly caused its share of challenges and disruptions in the cleared derivatives industry.

Although most trading in modern markets is conducted electronically, a handful of exchanges retain traditional "open outcry" trading floors. In the U.K., the London Metal Exchange announced it would temporarily close all open outcry trading at its iconic "Ring" and move to full electronic trading on March 23. Cboe and CME announced the closure of their trading floors in Chicago, and Nasdaq announced the closure of its options trading floor in Philadelphia.

Market participants largely worked proactively to adjust to rules to prevent confusion and to ensure markets could stay open and function smoothly despite social distancing efforts in the interest of public health. Industry leaders have relied on FIA to maintain an honest dialogue with regulators about the need for flexibility and guidance, as evidenced by numerous formal filings as well as informal discussions around the globe.

However, the overarching challenge that began in the early days of the pandemic and persists now is the need to keep market participants connected and coordinated. Derivatives markets remain resilient in the face of sustained high volumes and high volatility, but the unprecedented level of trading volumes coupled with the complications of a decentralized workforce cannot be understated.

Market participants face the same day-to-day challenges as the general public that include a shift to telecommuting, adjusting to widespread closures of schools and businesses, and limiting social contact. But on top of that, they are charged with maintaining key markets to manage risks at a time of incredible uncertainty.

Entities like FIA and other trade groups play an important role at this time in facilitating communication so our members can get their jobs done in challenging times. But equally important is the role that FIA plays in bringing together the industry to provide a sense of community and shared purpose.

MarketVoice reached out to key staffers at exchanges, clearinghouses, service providers and regulators and asked them to share their personal and professional challenges—as well as their hope for the future. Here are their stories.







Walt Lukken, President and CEO of FIA, in his home office (and laundry room)





Walt Lukken
President and CEO of FIA

What's one significant way coronavirus has affected your work?

WL An important part of my job at FIA is visiting with members at meetings and conferences. Since the shelter-in-place policy has limited those interactions, I am more structured in connecting with FIA members. Same with FIA staff as there are no longer "water cooler" moments that connect us. Ironically, virtual meetings and video chats allow me to see people in their home environment and gives conversations a real sense of intimacy. It has been a connecting experience.

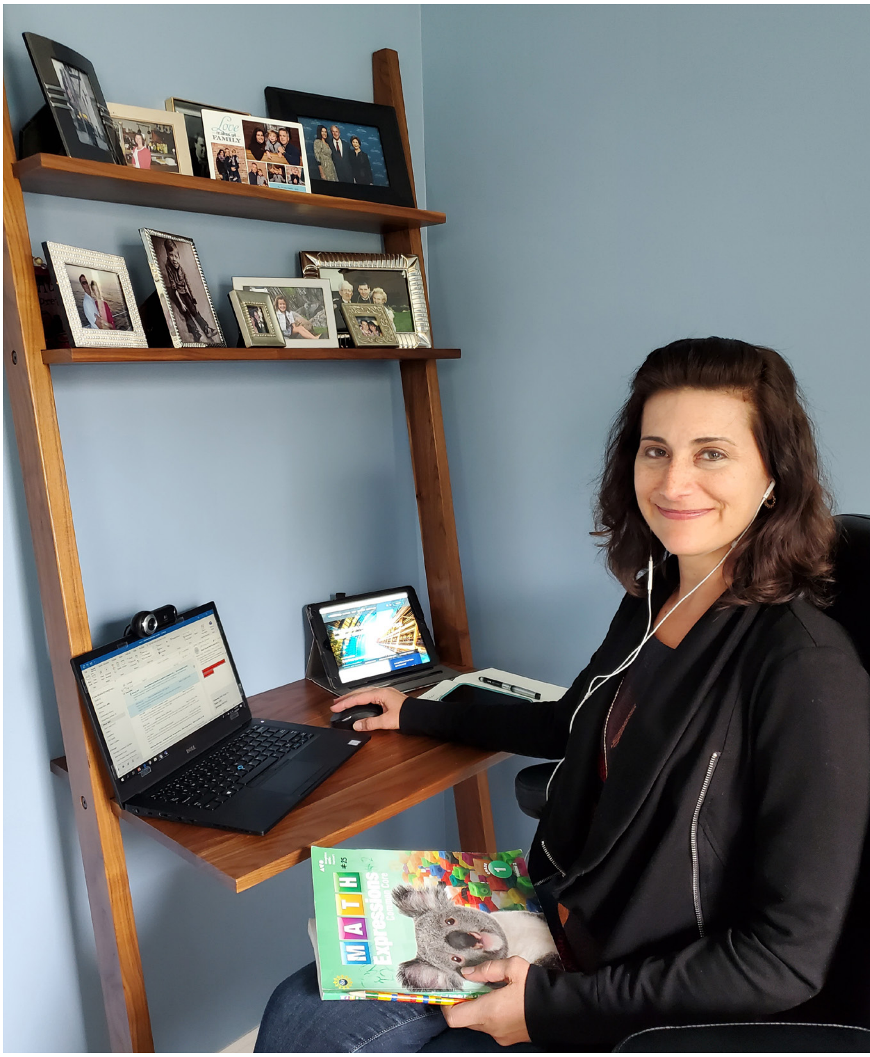
What's a typical day like for you right now as we "shelter in place"?

WL I wear a tie everyday (except casual home Fridays) to keep some semblance of a routine. My staff poke fun at me, but it's my thing! Every day starts with a 30-minute huddle meeting between senior staff on video conference to discuss the day's priorities. Because we are covering the U.S., Europe and Asia time zones, we start by wishing each other a good morning, afternoon and evening. That kicks off 8 hours of Microsoft Teams meetings on priorities for the organization, including frequent updates for the FIA board and executive committee. A huge side benefit of working from home is having lunch with my family as well as walks in the evening with my wife … with masks of course.

What's something that has given you hope for the future after this pandemic?

WL I have been amazed by the enormous demand for futures and other cleared derivatives to manage risk during the crisis. Our industry traded a record 11 billion contracts in the first quarter. Despite this volume, the markets have been incredibly resilient. The clearing system is working as intended, minimizing the counterparty risk that we witnessed during the crisis of 2008. There will be time for lessons learned after this is over, but I am proud I work in an industry that is needed in times of stress and has delivered as billed.

Julie Winkler, Chief Commercial Officer of CME Group



CME's Julie Winkler at her home workstation

What's one significant way coronavirus has affected your work?

JW Part of our client focus is prioritizing in-person events and meetings to build relationships, exchange ideas, and solve problems with clients. Now, without the ability to travel or meet face-to-face, we have had to learn to recreate that same experience using virtual technology and other resources. It has been immensely helpful having a regionally-distributed sales and marketing team, especially given our markets are 24/7. With more than half of my team outside the U.S., customers can talk to someone around the clock and in their own region, which I think will continue to be a differentiator for us.

What's a typical day like for you right now as we "shelter in place"?

JW While each day is different with a new twist, coffee is still my first stop every single day. After that, I start my regular cadence of meetings, now virtually, which remain just as frequent as when we were in the office. The difference is that I also build in time to navigate having an entire household at home, whether that means helping prepare lunches, playing air traffic control when the Wi-Fi has to handle video calls and e-learning, or helping my seven-year old perfect his rainforest diorama. I am also dedicating more time to checking in with my team to make sure everyone is doing OK though these challenging times.

What's something that has given you hope for the future after this pandemic?

JW I am hopeful that our shared experiences and challenges will offer even more opportunity for collaboration and new ways of thinking. Every industry, not just finance, has been forced to change their processes and approach. As we all start to share our lessons learned, I think it will spark new ideas and ways we can improve in the future. Our industry has performed exceptionally well in this environment, which is a testament to the strong relationships we have already cultivated as a group. We made a huge transition in a matter of days – seamlessly. People are trading and operating from home in various locations, something that was unheard of before. That flexibility and agility can only help us going forward.

Robbert Booij, CEO Region Europe, ABN AMRO Clearing Bank

What's one significant way coronavirus has affected your work?

RB When I am at home, I spend much of my time on the phone or on video conference calls with colleagues and clients. Children appearing during meetings to get something out of a room which probably belonged to them before Mum or Dad took over is something I see quite often! The most significant impact of this situation is that the informal interaction with colleagues – the coffee machine chatter and the information you pick up from walking around the office that helps you in your role – has almost disappeared. It is important to make an effort to stay connected and stay close. We have become creative in that sense. For example, I introduced digital drinks with my team where everybody says something about the drink they have in front of them, alcoholic or non-alcoholic, and why they chose it, and it's these little things that ensure that as a group of people we stay connected as a team.

What's a typical day like for you right now as we "shelter in place"?

RB I mix my days between my home office and the Amsterdam work office, as we still have some staff present for critical functions. There is always a risk of staying in a room the whole day if you work from home, so I try to start the day with a 5K or 10K run, depending on how fit I feel. Then I have a check-in with my team by video. I believe it's important to do this by video so you get a sense of the emotional well-being of your team. During calls and crisis team meetings we hold throughout the day, we mix the business-as-usual topics with more corona-related topics. As a leading global clearing firm, we need to make sure we manage the high volumes that we've seen on the exchanges and that we do everything we can to look after our clients and our colleagues.

What's something that has given you hope for the future after this pandemic?

RB What we are seeing is that there are more sustainable ways of working. We have proven that we can continue with our jobs without the need to be packed in public transport every day to get to the office. Perhaps it's not yet a proven correlation, but from my perspective and when I look out of the window, the air looks much cleaner then before. Hopefully, we can make the world a bit more sustainable by working more often from home.

Robbert Booij in his home office with pictures of friends and colleagues, as drawn by his children





Chris Perkins, Managing Director, Global Head of OTC Clearing and Foreign Exchange Prime Brokerage, Citi

Chris Perkins at his home workstation





What is one way that the coronavirus has affected your work?

CP The good news is that the coronavirus has not affected our goals or priorities. As leaders, our priorities have always been laser focused on our people and on our clients. Despite social distancing realities, I think that operating during the COVID-19 pandemic has actually brought us closer together as a team and in many ways, has given us an opportunity to partner more closely with our clients. You learn the most about your people during times of crisis, and working together to navigate the challenges of the current environment has reinforced just how blessed I am to work with such a talented, resilient and capable team.

What is a typical day like for you right now as we "shelter in place"?

CP With no commute to worry about, I have been trying to squeeze in some exercise before or after work. Early on, I joined a virtual cycling group with members of my team—this was an incredibly humbling experience. I hit the home office "desk" around 6:30 a.m. and then navigate whatever the market decides to throw at us. The remote office technology has been excellent, and the connectivity has been generally seamless. I make it a personal goal to reach out individually to every member of my global team each week—to connect on the human level. Sure, I miss walking down the row, jumping on airplanes and interacting with my colleagues and clients, but our focus on proactive communication and our strong technology foundation has really powered us through. At home, my wife and I try to balance the demands of our household as our children adapt to "virtual" school—I've been impressed by their resiliency, too. It's been fantastic to have dinner together every night, and we even started a family book club.

What is something that has given you hope for the future after this pandemic?

CP I live close to NYC, in an area that was one of the global epicenters of the COVID-19 outbreak. I have seen the way our community has come together in the face of this human tragedy to demonstrate empathy, resilience and resolve. The courage demonstrated by our first responders, doctors, nurses, grocery clerks, delivery people, etc. gives me great inspiration, and I am confident that the human spirit will prevail. I am hopeful that our global community will come closer together to address the societal fissures that have been magnified by this crisis, and resist the malignant forces of misinformation, polarization and extremism that could have long lasting effects on our future. For our industry, though I believe that the COVID-19 volatility again validated the strength and resiliency of the central clearing paradigm, it also highlighted a number of pro-cyclical challenges that we will need to address as a community. I am hopeful that we can come together to solve this in a way that restores balance to the clearing ecosystem.

Dawn Stump at her home workstation

Dawn DeBerry Stump, Commissioner of the U.S. Commodity Futures Trading Commission

What's one significant way coronavirus has affected your work?

DS With fewer speeches and travel obligations, my time commitments have been redistributed. Part necessity and part circumstantial, I am focused on the more technical elements of my job. While both are important, I tend to prefer technician to orator anyway. Even so, this remote environment has forced me to adapt some of the more methodical approaches I typically apply. I normally print, read, highlight, tab, affix notes, and file for frequent re-examination most technical documents. (My husband claims I approach life much the same way, mentally cataloging my views and conversations to ensure easy recall decades later in the event he might challenge my recollection.) So, while I miss my meticulously organized position limits files (there are many) I have now adopted electronic annotation and filing. My laptop has never been more organized.

What's a typical day like for you right now as we "shelter in place"?

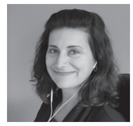
DS Like others, I found the days in late March/early April to be a bit unwieldy and largely devoted to ensuring remote infrastructure operations could support market continuity and my Wi-Fi could support two "classrooms" and two "offices." However, since mid-April I have restored some normalcy. Once my kids start their classes at 7:30 a.m., I am at my "desk" (aka the dining table) reading the overnight news, much as I would after taking them to school in our normal routine, only now I avoid commuting and I don't wear a jacket (or lipstick). At 8:15, I participate in my son's PE block and he normally beats me at basketball, though I can still hold a plank longer. Properly caffeinated by 9:00, we begin telephonic "meetings" with stakeholders and CFTC staff. Similar to being in the office, there is the frequent unforeseen dilemma that causes me to forget about lunch until mid-afternoon. Much to my kids' dismay, we spend 30 minutes in the afternoon reviewing their school work – I hope to once again prove proficient in fifth grade science and seventh grade geometry. I then return calls and respond to emails. Recognizing it is only temporary, I appreciate spending more evenings as a family, free of competing travel itineraries and extra-curricular activities.

What's something that has given you hope for the future after this pandemic?

DS On Friday, March 13, the CFTC conducted a mandatory telework readiness exercise. Over that weekend, it became apparent that this was no longer "just a test." While our current mode of operation was somewhat abrupt I am very proud of my CFTC teammates and the agency's remarkable adaptability. As we encounter new challenges we will draw inspiration from the work ethic and commitment displayed in recent days.

Vassiliki Veliou, Head of Market Structure and Regulation, Eurex Frankfurt

Vassiliki (Vicky) Veliou in her home office (otherwise known as the sun room)



What's one significant way coronavirus has affected your work?

VV I'm responsible for analysing how regulations can impact our derivatives exchange ecosystem, interacting closely with internal and external stakeholders, and my team and I ensure regulatory compliance for Eurex. We also highlight regulatory matters to external stakeholders – regulators, market participants and associations like FIA – to work towards the most suitable outcome for derivatives markets and our industry. This means I do a lot of travelling, as most of our stakeholders are dispersed internationally, and communication is an essential part of my work life. In this regard, I have found that digital solutions have hugely supported my transition to working from a home office. The transition has actually worked out quite smoothly, although there were quirky moments in the first week where I would be typing away and forget momentarily that I was not in the office, and as a creature of routine, would look up to speak to a colleague and realise they weren't there!

What's a typical day like for you right now as we "shelter in place"?

VV Although my work location has changed and has deviated from the norm, the structure of my workday has pretty much continued in the same pattern. What I have found is that the frequency and intensity of communication and the digital channels I use have amplified to a level I could never imagine. The human and social aspects to work life are also essential, and we try to mimic that as much we can with the help of technology. We have a WhatsApp group, for example, where we exchange memes and jokes, and for me, these light-hearted moments, on top of the work that we are doing, have become important during this time.

What's something that has given you hope for the future after this pandemic?

VV Watching people overcome challenges during this time gives me hope for the future. I've seen the passion and determination that Eurex employees have committed to the objective of providing stable and functioning markets, and this phenomenon of stepping up to the plate, I believe, is not only true for us, but for the entire financial industry and beyond. This pandemic has been a point of self-reflection and discoveries for millions of people and to see people learning new methodologies – for example, my mum learning how to Skype and video conference – overcoming obstacles, lending help unsolicited and really going above and beyond is really inspiring and makes me feel positive for the future. In one sentence, the positive face put forward by so many is refreshing and giving me hope.

MORE STORIES OF PERSEVERANCE AT FIA.ORG

In this ongoing FIA feature, leaders at exchanges, clearinghouses, service providers and regulatory bodies around the globe share how their work has changed in the wake of COVID-19. Their stories show personal and professional resilience in the face of present challenges, and a hopeful future for the industry. An expanded list of personal profiles is available at FIA.org/perseverance-under-pressure.

FIA welcomes you to share your story, too. Email Jeff Reeves at jreeves@FIA.org if you would like to share your experiences with the cleared derivatives community.

How FIA is helping its members

COMMUNICATION

As this all-digital magazine proves, FIA has adapted its communication strategy to better serve its decentralized members in this challenging time. We launched a dedicated coronavirus resources page—FIA.org/covid-19—in March to catalog regulatory relief as well as updates from exchanges and CCPs. We also launched a dedicated e-mail to distribute related news directly and promptly to members.

DISRUPTION PLAYBOOK

FIA is compiling procedures on business continuity plans and creating a system for industrywide coordination in its *Industry Disruption Playbook*, which will be officially unveiled soon. In this crisis, as in past industry disruptions, FIA is playing a key role as a central point of communication and cooperation for the cleared derivatives industry. The Playbook will offer a shared understanding of processes for the remainder of the crisis, but also help market participants respond better to any future industry disruptions.

ADVOCACY

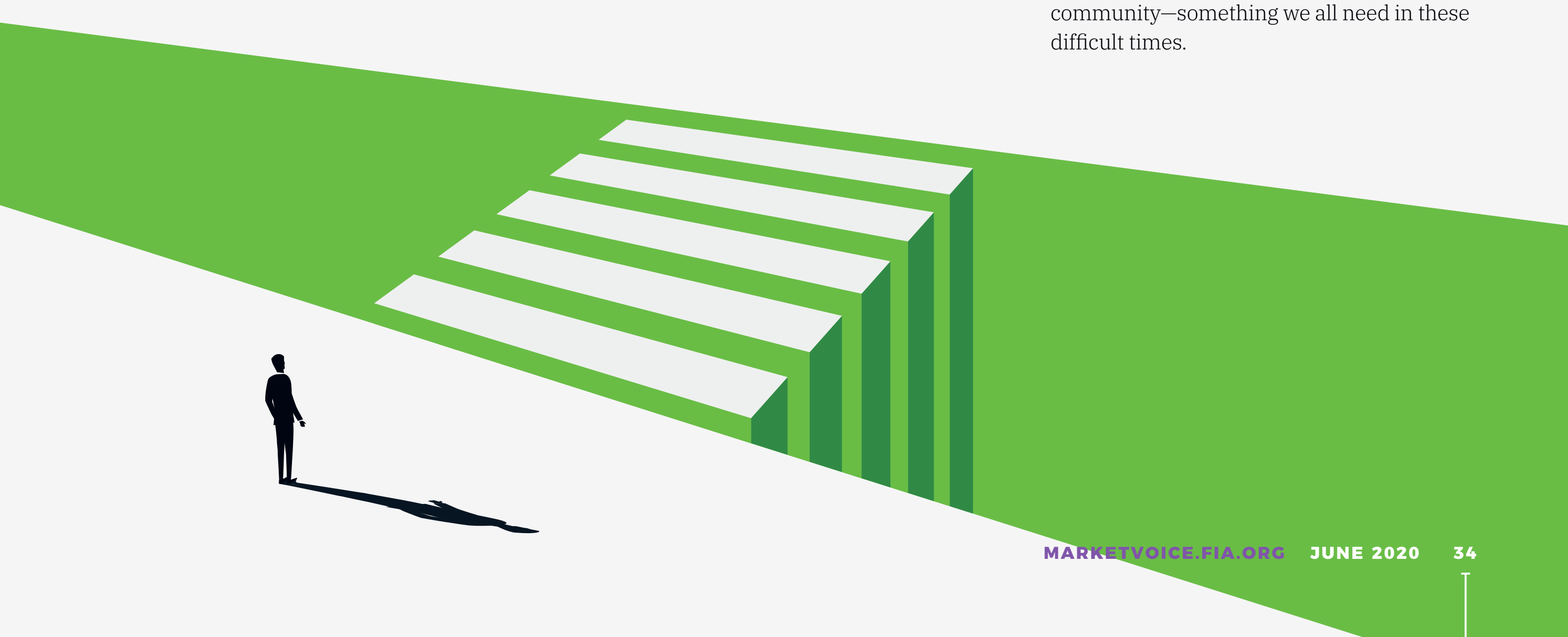
As volatility in March led to speculation about market closures and short-selling bans, FIA was a vocal defender of open and accessible markets. Through formal filings and public statements, FIA urged local officials around the globe to treat derivatives industry employees as "essential workers." Together with its affiliates FIA PTG and FIA EPTA, the organization also strongly opposed measures that would reduce trading hours or access to products.

RELIEF

In addition to monitoring new actions taken amid the pandemic, FIA promptly filed numerous requests for regulatory relief and exemptions to prior rules that proved problematic in this new environment. Some of the efforts targeted existing rules, such as audit trail requirements for DCMs. Other FIA efforts targeted legislation or regulation that was quickly adopted in response to the crisis but had unintended consequences for our industry, such as the Paycheck Protection Program of the CARES Act in the United States where FIA requested and won targeted relief for FCMs and IBs.

COMMUNITY

FIA remains committed to the people as well as the policies behind the global cleared derivatives industry. Despite the cancellation of key events, we continue to hold virtual gatherings including webinars on Q1 market volume and trends in security futures. Additionally, regular and personal updates from FIA President and CEO Walt Lukken continue FIA's mission of fostering a sense of connection and community—something we all need in these difficult times.



L&C

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We appreciate our sponsors and exhibitors! They are what makes every FIA event a success. While we had to cancel L&C 2020, we want to express our thanks to the firms that planned to sponsor and exhibit and invite them back for next year.

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Focusing on Engagement

An interview with FIA's **Bruce Savage**

BY KIRSTEN HYDE

Bruce Savage joined FIA in August 2019 as head of Europe with responsibility for leading its European operations, overseeing FIA's European Regional Advisory Board and relationships with members, and managing FIA's advocacy priorities with UK and European regulators and supervisory authorities. With more than 25 years of experience in the cleared derivatives industry, including senior product, regulatory affairs and market structure roles at Deutsche Bank, he knows first-hand the challenges faced by member firms.

MarketVoice **sat down with Bruce to discuss FIA's work, how he's connecting with members and regulators during the coronavirus pandemic and his priorities for the rest of the year.**

What are the current priorities or issues that you are working on?

BS 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. Our priorities for FIA's members are driven around this. While we have a heavy advocacy agenda in place this year, COVID-19 has become an immediate priority in terms of communicating with members to discuss critical issues and engaging with regulators to ensure we keep our markets open and functioning properly.

Although COVID-19 has taken over the agenda for the industry, we are still working hard on our longer-term advocacy efforts. There is a big focus this year on the MiFID II review and we are responding to a series of ESMA and European Commission consultations. We have several EU advocacy workstreams in place, with work ranging from drafting responses to various consultations, to developing an industry-standard RFP template that will meet a number of FRANDT (fair, reasonable, non-discriminatory and transparent commercial terms for clearing services) objectives, working on a whitepaper on the impact of sustainable finance on derivatives markets, and highlighting bank capital issues that negatively impact clearing, among many other initiatives. The work that was a priority before the crisis continues to be important and a focus for the teams here.

Can you talk a bit more about FIA's engagement with regulators regarding the impact of COVID-19 on the derivatives industry?

BS Since the outbreak, FIA has stepped up its dialogue with regulators and policy makers globally. Over the past two months we have hosted calls with senior regulators from the FCA, BaFin, AMF, CFTC, ESMA and the Bank of England to discuss COVID-19, with a focus on regulatory coordination, forbearance and relief measures to reduce the burden on market participants, as well as provide industry updates on operational and compliance challenges. Both regulators and members have appreciated this open dialogue.

FIA, in partnership with other trade associations, has also sent letters to regulators and government authorities to emphasise the importance of keeping markets open and to ensure shelter-in-place flexibility for key financial services workers. We have also requested deadline extensions for a range of consultations, including the European Commission's consultation on the MiFIR review and various ESMA consultations. In other areas, we have issued a public statement warning against the imposition of short-selling bans and the negative impact to market liquidity and price formation of affected products.

"One of the most rewarding dimensions of my job is engaging with our diverse membership, talking about FIA priorities and listening to theirs. Although we are currently in lockdown, this engagement continues to be very important to me."

BRUCE SAVAGE, FIA

What measures is FIA taking to keep members informed of issues relating to the COVID-19 situation?

BS FIA was one of the first trade associations to set up a dedicated COVID-19 webpage, providing daily operational and regulatory updates from exchanges, CCPs and supervisory authorities globally. During the peak of market volatility in March, FIA's operations committees met every other day with operations leads from member firms to discuss critical issues, escalate contacts for trade-breaks and contact CCPs to request extensions of post-trade clearing and administrative windows.

Over the coming months, FIA and its various committees will be working with members to focus on the lessons learned during these last several weeks to make sure our markets remain safe and efficient in the event of future disruptions. We will also continue to assess the most effective ways to remain engaged with our members and industry and plan to expand our offering of webinars and virtual events.

What other items are on your agenda for the rest of the year?

BS COVID-19 will continue to be a focus for us, particularly the lessons learned from the crisis. Cleared derivatives exchanges and CCPs performed well, as noted by regulators, but there were some challenges with post-trade allocations, and implications for margin and funding, and these are some of the areas that our operations committees will be looking at in more detail.

From an advocacy perspective, the MiFID II consultations continue to be a priority for us. At the same time, the Brexit clock is ticking. The transition period is still scheduled to end on 31 December 2020 and there is the potential for a cliff-edge Brexit scenario as early as the end of September if there is no legal certainty regarding UK equivalence and recognition for UK CCPs. This could have a serious impact on market access, in addition to operational, financial and commercial consequences for members and their clients, so this is still a key area of focus for us with UK and EU regulators. We are also waiting for the European Commission to publish the proposed EMIR 2.2 delegated acts on tiering and comparable compliance for systemically important third country CCPs after FIA responded to the ESMA consultation last year and made some important recommendations.

One of the most rewarding dimensions of my job is engaging with our diverse membership, talking about FIA priorities and listening to theirs. Although we are currently in lockdown, this engagement continues to be very important to me. All of our committees continue to meet regularly as scheduled with the benefit of technology, as does the European Regional Advisory Board and the FIA Board.

You joined FIA as head of Europe in August last year. How has your industry experience helped prepare you for this role?

BS I have worked in this industry for more than 25 years. I began my career at LIFFE in the Market Supervision department, which investigated potential regulatory and rule breaches by traders and brokers on the open outcry floor. I then worked for 21 years in Deutsche Bank's listed derivatives and clearing business in a variety of senior front office roles, most recently as the global head of regulatory affairs and market structure.

I held this role during the implementations of EMIR, MiFID II and Brexit and my work included briefing clients on the implications of the regulations, managing the internal rollout within the bank and working with FIA to engage with regulators on behalf of EU firms. I was also a member of FIA's European Regional Advisory Board for four years before becoming a member of the Board of Directors representing Deutsche Bank. Working at FIA was the natural next step for me, and I am delighted to be here working with such a great team and thoroughly enjoying it—even in lockdown. MV

Derivatives market participants give generously to help fight coronavirus

Donations prioritize first responders, food banks and public health organizations worldwide

BY JEFF REEVES

The derivatives industry has risen to challenges of the coronavirus (COVID-19) pandemic in many important ways, with markets remaining open and resilient amid record volume to help end-users manage their risks amid extreme uncertainty. But the global cleared derivatives community has also stepped up in many smaller and less obvious ways, including a commitment to giving back in a time of great need.

There have been a number of significant corporate donations from FIA members, specifically targeting the impact of the coronavirus. These included $7.5 million from Citadel and Citadel Securities at the beginning of February to help combat the virus in China, one of the earliest corporate contributions targeting the pandemic and well before regions in Europe and the Americas felt the full force of the outbreak.

These efforts were soon followed by a host of other generous market participants, targeting a wide array of efforts. They include:

THE BP FOUNDATION pledged $2 million to the World Health Organization (WHO), and in the U.K. provided free fuel to emergency services vehicles.

CARGILL committed $35 million to address food health, safety and security needs.

CITADEL founder Ken Griffin and other partners teamed up to provide $2.5 million to Chicago-area foodbanks and schools.

THE CITI FOUNDATION pledged $15 million to various groups including the WHO.

GOLDMAN SACHS donated 400,000 masks to healthcare workers in New York, New Jersey and the U.K. and committed $300 million in emergency loans to small businesses, with a focus on regions hit hardest by the coronavirus.

HSBC committed $25 million to support international medical response and food security.

INTERACTIVE BROKERS donated $5 million to help first-responders and help develop vaccines.

JPMORGAN pledged $50 million to various efforts, including $2 million to the World Health Organization, $1 million to Feeding America and $5 million for community development financial institutions.

RBC donated more than $2 million to the WHO, food banks and the Red Cross

UBS CEO SERGIO ERMOTTI offered personal donations totalling 1 million swiss francs towards pandemic relief.

WELLS FARGO pledged $62.5 million to aid public health relief, including donations to the CDC and International Medicine Corps.

XTX MARKETS donated £20 million to various charities including a food bank in New York and hospitals in Paris.

This is an incomplete list, but representative of the generosity across the financial sector and derivatives markets. MV

ICE launches benchmarks to track carbon

Tied to major U.S. and EU carbon markets, indices show how derivative markets can manage climate risk

BY JEFF REEVES

Intercontinental Exchange has launched a new family of indices designed to track the global price of carbon, the latest sign that derivatives markets play a key part in managing risks related to climate change.

The ICE Global Carbon Futures Index, which debuted on April 22, is formulated using volume-weighted average pricing from the three most actively traded carbon markets in the world: the European Union Emissions Trading Scheme, which started in 2005; the California Cap and Trade Program, which started in 2013; and the Regional Greenhouse Gas Initiative, which was established in 2009 to coordinate efforts in the Northeastern U.S. The index will be calculated in U.S. dollars.

ICE also launched carbon price indices for each individual market: the ICE EUA Carbon Futures Index, ICE CCA Carbon Futures Index and ICE RGGI Carbon Futures Index.

All four indices track the performance of futures traded on exchanges operated by ICE: CCA and RGGI futures traded on ICE Futures US, and EUA futures trade on ICE Futures Europe.

In a press release, Lynn Martin, president of ICE Data Services, said standardized benchmarks will play an important role "in reducing carbon emissions and mitigating against global warming" and the new ICE Global Carbon Futures Index "is a first step in producing an accurate, transparent global price for carbon."

The latest data shows the exchange continues to see growth across the entirety of its global environmental complex. A report from ICE showed volume of nearly 2.2 million lots across these products in March—a record high that topped the previous record set in October 2018 by 36%.

Carbon emissions trading is a decades-old concept, taking its roots in the landmark 1997 Kyoto Protocol which set emission reduction targets for 37 industrialized countries. The idea was to create a market-based system to control emissions

> The new ICE Global Carbon Futures Index "is a first step in producing an accurate, transparent global price for carbon."
>
> LYNN MARTIN
> PRESIDENT OF ICE DATA SERVICES

worldwide by putting a price on carbon and creating economic incentives to reduce carbon emissions.

The coronavirus pandemic has caused a precipitous drop in the demand for fossil fuels which will reduce short-term demand for emissions-trading schemes. It is worth noting, however, that carbon markets saw a significant increase in activity last year that hints at the long-term potential for these markets. Specifically, regional initiatives in the U.S. including the Western Climate Initiative that spans California and the northeastern Regional Greenhouse Gas Initiative together saw trading volume gain 49% over the prior year and value increase 74% to more than $23 billion. In addition, institutional investors are putting an increasing emphasis on environmental factors in their investment strategies, and several major index providers have introduced new indices as benchmarks for carbon-conscious investors. MV