

The background of the slide is a complex, abstract digital visualization. It features a dark blue color palette with various data elements: glowing lines, clusters of points, and faint grid patterns. Some elements resemble bar charts or line graphs, though they are stylized and semi-transparent. The overall effect is that of a high-tech, data-driven environment.

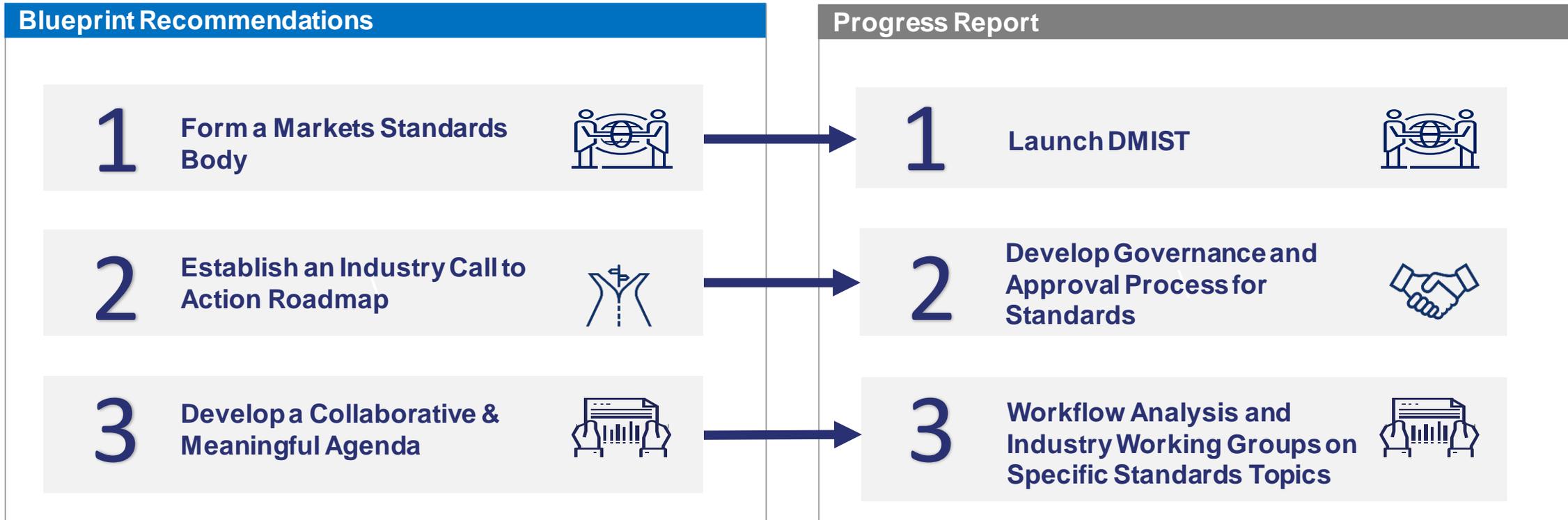
Derivatives Market Institute for Standards (DMIST): Annual Progress Report

March 15, 2022

Blueprint for Standards: Annual Progress Report

In November 2021, FIA published a Blueprint for Standards calling on industry participants to improve the efficiency of the trading and clearing process for exchange-traded derivatives. To advance this initiative, FIA has been working with a taskforce comprised of experts from Barclays, Cargill, Eurex Clearing AG, Intercontinental Exchange, J.P. Morgan, Macquarie Futures, Russell Investments, Société Générale and other leading clearing firms, clearinghouses, and institutional investors.

Today, FIA is providing an inaugural **annual progress report** on the three recommendations contained in the Blueprint.

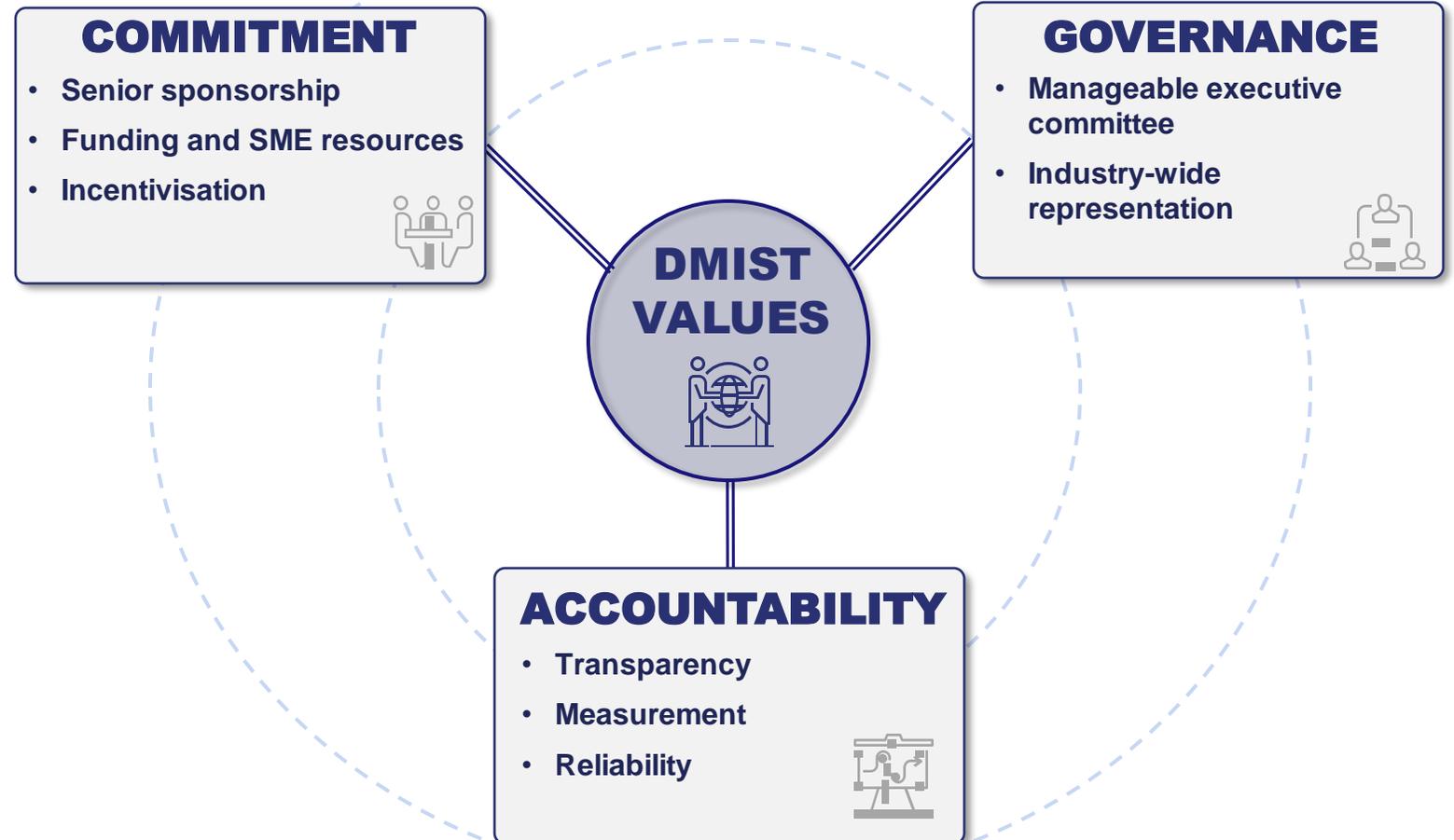


Form a Market Standards Body – DMIST

The **D**erivatives **M**arket **I**nstitute for **S**Tandards will be designed to encourage cross-industry engagement leading to widespread adoption of standards in exchange traded and cleared derivatives.

DMIST Mission and Values

- Plan to launch DMIST in Q2 2022 with participation from a broad representation of the industry that is committed to implementing these standards
- DMIST will focus on developing standards around **behaviours, workflows & processes** and plan to **coordinate** with other related standards bodies
- These standards aim to **improve efficiency and resilience** in the clearing ecosystem and intend to be **technology and vendor agnostic**
- Governance will be consensus driven and will consist of two levels of participation:
 - **Sponsor Board** consisting of a broad array of market participants that consider and approve standards; and
 - **Ambassadors** consisting of subject matter experts, including technology vendors, that help identify, develop, and submit standards to the Sponsor Board for consideration



Standards Governance and Approval Process

DMIST Construct

| | Sponsor Board | Ambassador | Public |
|-----------------------|---|--|---|
| Rights | <ul style="list-style-type: none"> • Oversee process for developing standards • Submit proposals for developing standards • Appoint Ambassadors to standards working groups • Approve industry standards | <ul style="list-style-type: none"> • Submit proposals for developing standards to Sponsor Board • Respond to consultations on standards • Subject matter experts that form working groups for developing and vetting standards for approval | <ul style="list-style-type: none"> • Submit proposals for developing standards to Sponsor Board • Respond to consultations on standards |
| Entry Criteria | <ul style="list-style-type: none"> • Open to: Exchanges/CCPs, client/end-users, executing brokers, clearing brokers • Must agree to commit financial resources and people to the standard development process • Accountability for implementing applicable standards | <ul style="list-style-type: none"> • Any industry participant can participate, including vendors, for a nominal fee • Sponsor Board members can appoint Ambassadors from their firms at no additional cost | <ul style="list-style-type: none"> • Any member of the public can provide comments on published standards at no cost |

How a proposal becomes a standard

1. **Proposed standards received from** Sponsor Board, Ambassadors, or public
2. **Sponsor Board** determines whether the initial proposal **meets required criteria**
 - a) Contains submission requirements
 - b) Addresses a topic that is in scope
 - c) Is a topic that would significantly benefit the industry to standardize
3. **DMIST forms Ambassador SME working groups to vet the proposed standards** and endorse the standards for Sponsor Board consideration
4. **Sponsor Board reviews** and posts proposed standards for public comment
5. **Industry comments** on proposed standards
6. **Ambassador SME working groups review comments**, revise and update proposed standards accordingly
7. **Sponsor Board votes to approve** the standards and they are published
8. **DMIST monitors** progress via metrics/benchmarking

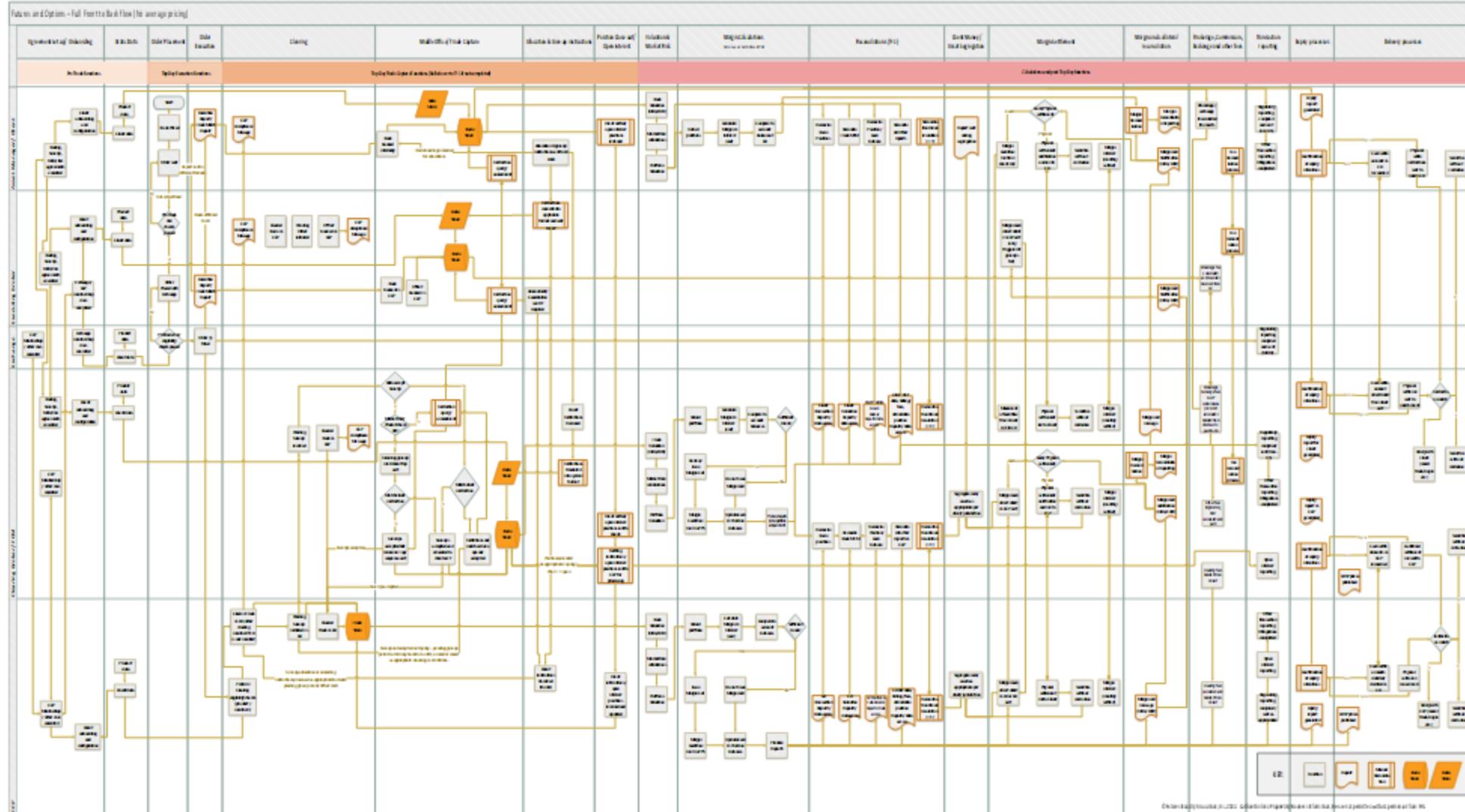
Identify Bottlenecks: Mapping Front-to-Back Workflow

To identify areas in need of standardization, FIA worked with market participants to define the full end-to-end process for the trading and clearing lifecycle. **28 interviews** have resulted in **72 workflow amendments** and **5 different scenario versions**.

Workflow Summary

The futures ecosystem is **complex** with **many transfers of data** and challenges, including:

- **Structured and unstructured** data transfers
- **Mix of manual and automated** processes
- **Incorrectly translated, overwritten, or dropped** data
- **Non-timely** delivery and processing of instructions
- **Inconsistent** adoption and processing methodology for average pricing
- **Reliance on resource intensive** reconciliations



High-Level Pain Points

Participants noted multiple pain points in processing futures business in a timely and accurate manner. The most commonly noted areas of pain by participants are highlighted below (note, these are not exhaustive).

Highlighted Pain Areas

1 Allocation and Give-Up Processing

- Instructions commonly late in day
- Inconsistent message format and content
- Different CCP closing times/tight clearing windows
- Limited trade date reconciliation between participants
- Trade date +1 processing is extremely manual

Average Pricing

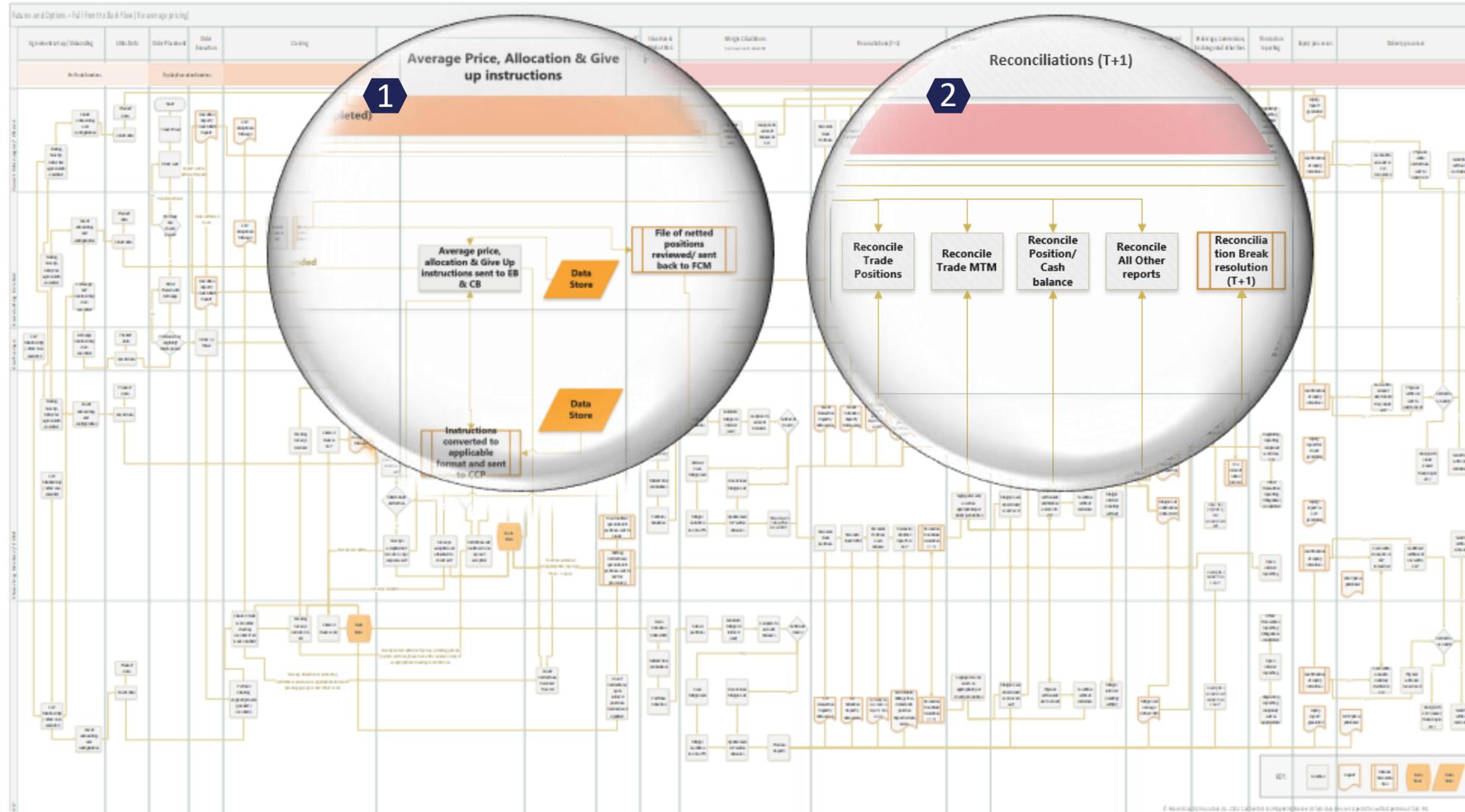
- Average pricing not possible on all exchanges
- Inconsistent use of average pricing processing methodologies by exchanges
- Off-exchange average pricing causes complex and manual work

Static Data

- Limited standardised product and reference symbology exists
- Multiple sources of trade data exist

2 Reconciliations

- Duplicity and multiple touchpoints leads to reliance on many resource intensive and manual reconciliations to resolve issues



Data Driven Focus

CCP data and KPIs captured by participants can identify areas of concern and help drive the case for standards.

FCM KPIs

FCMs were asked to identify the key metrics they monitor to create a standard scorecard in order to help facilitate conversations and derive a common data set to benchmark issues.

While not yet agreed and signed off by the group, draft data points (below) that FCMs focus on indicate 2 key priorities:

- **Receipt** of instructions in a **timely** manner
- **Processing** those instructions in a **timely** manner

| FCM - Data Points | Volume | % |
|--------------------------------------|--------|---|
| Total Volume (trades, contracts TBC) | | |
| Volume processed on Trade Date | | |
| Full Service - processing pending | | |
| Executing broker - Give out pending | | |
| Clearing Broker - Acceptance pending | | |

CCP Data

Continue to work with CCPs to gather data related to give-up activity to benchmark:

- Timeliness of instructions
- Trades accepted by brokers

Initial Proposed Standards: “T is the Key”

·RIGHT TRADE to the RIGHT ACCOUNT at the RIGHT TIME

Initial Standards for Consideration

Having analysed the Front-to-Back Workflow, pain points, and industry data, the first proposed standards that DMIST will consider will ultimately advance the industry towards real-time processing on trade date. This will be an incremental process.

Initial Underlying Standards for Allocation and Give-Ups

We recommend a review of the below proposed standards related to incremental improvement in timing of allocation and give-ups:

- **Client:** Allocation/give-up instructions should be sent to brokers by Clients no later than 30 minutes post fill being confirmed by the exchange
- **Executing Broker:** Confirmation of processing allocation/give-up instructions by Executing Brokers should be sent within 30 minutes of receipt
- **Clearing Broker:** Confirmation of processing give-up instructions by Clearing Brokers should be sent within 30 minutes of receipt
- **CCP:** Consider standardisation of cut-off times between end of trading and clearing, including extension of clearing windows

Next Steps

- **Interested parties** can sign up to:
 - Become an **Ambassador**
 - Join the **Sponsor Board**
- **Working groups** will be established so that **Ambassadors** can:
 - **Draft** and **submit** standards for proposal to the Sponsor Board
 - **Review, refine** and **endorse** standards for approval by the Sponsor Board
- A pipeline of further focus will be defined for groups to consider, including but not limited to:
 - **Average pricing** processing standards
 - **Format and content** of allocation and give-up messaging
 - **Common data** taxonomies



Review



Define

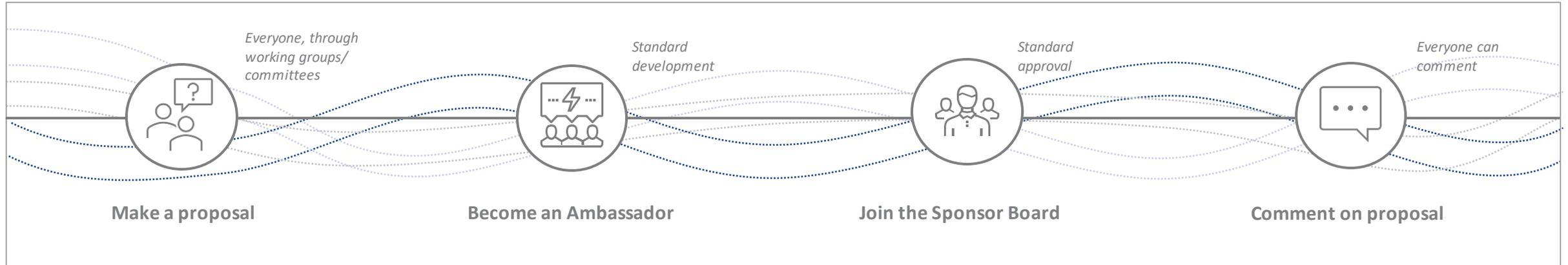


Draft



Submit

Get Involved



Read more here

Visit our website:

<https://www.fia.org>

Sign up here

Register interest here:

<https://www.fia.org/taskforce-open-industry-standards>

Questions?

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