

Dear DMIST Sponsor Board,

We are writing to comment and highlight the proposed 30/30/30 standard. As a board, we are heavily in favor of this standard. This will help reduce operational risk by ensuring trades clear in the proper account in a timely fashion. To be more specific, this will allow for a more real-time account valuation, position monitoring, margining, as well as decrease the risk related to unallocated expiring transactions. As an industry, all participants stand to benefit from this proposed standard. That being said, we would also like to highlight some of the challenges in meeting this goal.

First, for participants who pre-allocate their trades using the end account reference, we do not foresee this being a burden. The main challenge is with account managers who bunch orders for multiple end clients. These orders require post-trade allocations. If allocations are not received in a timely fashion, this leads to backlogs in the entire booking system. Also defining what a 'completed order' is will be essential to measuring the success of this standard. If a buy side firm is working multiple orders throughout the day but aggregate this together at the end of the day, the metrics should account for this. In addition, CFTC rule 1.35 (b) (5) (iv) requires account managers to provide allocations no later than the end of the day the order is executed. We would like to highlight the fact that this existing risk has the opportunity of being mitigated by adopting the 30-30-30 standard. The need for potential investment by all participants in the allocation chain is recognized. Without the adoption by all participants, the risks associated with this activity will continue.

From an executing firm's perspective, a variety of factors may impact the ability to process an allocation within 30 minutes. In addition to the aforementioned challenge, another limitation is technology driven. If a firm or clearing house has not invested in an API, this will severely hamper the ability to process allocations in a timely fashion. In cases where automation does exist, if the supporting infrastructure has an issue, again the standard will also potentially not be met. These occurrences, while rare, do happen on occasion. Other instances when automation exists, yet an allocation requires manual intervention on the executing firms' end include new clients that are rushed through the onboarding process.

Other examples of potential delays include discrepancies on pricing methodology. Some of the more common instances are related to average price precision / matching to a certain decimal threshold or even with specific products such as US Treasury futures, which can be quoted in both a tick value or a decimal value. Similarly, spread contracts where the underlying leg prices can be changed also can cause a delay, if for instance the clearing house has the previous day's settlement, but the client is looking for the traded engine / market price.

With respect to average pricing, as not all clearing houses support this globally, this also can cause delays in the process. If the average price groupings are not logical (per order or per day), the overall process can be severely delayed. One solution to alleviate this challenge is to allow executing firms to average price based off the notional or total value of the underlying trades, so long as the prices allocated fall within certain criteria such as the low and high of the group. In addition, harmonizing the price precision for average priced trades should be the end goal to ensure no need for manual intervention.

On the clearing or claiming end of allocations, certain firms may accept trades via carte blanche with a valid reference while others may require client confirmations. Firms should be conscious of this proposed standard as it may require significant investment in their infrastructure to allow for automation.

Regardless of the challenges, we are fully supportive of this standard and are highlighting these in the hope that participants self-recognize the need for potential investment. Without the timely clearance of trades in the final destination account, this increases real-time risk for client's, executing brokers and member firms especially during extreme circumstances when positions are unknown for an extended period. In conclusion, the benefits far outweigh the challenges mentioned and we look forward to partnering with DMIST to advance this standard across the industry.

Sincerely,

The FIA Operations Americas Board