



DMIST

DERIVATIVES MARKET
INSTITUTE FOR STANDARDS

Annual Progress Report

March 13, 2023

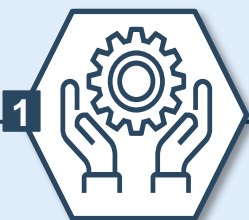
Executive Summary | 2022 - 2023

DMIST YEAR IN REVIEW:

DMIST's first year as an independent standards body for the exchange traded and cleared derivatives markets was productive, dynamic, and eventful.

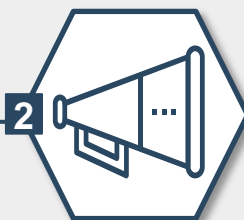
First, the entity itself was established with a robust governance structure and process for proposing and approving standards.

Next, DMIST's first standard was proposed, in November of 2022, with the aim of improving the timeliness of trade allocations and give-ups. Concurrent with a public comment period on this proposed standard, DMIST participants met regularly to vet, analyse, and discuss it. Such meetings continue to date.



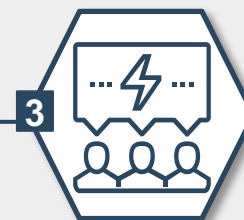
OTHER HIGHLIGHTS INCLUDE:

- 19 Sponsor Board participants joined
- 10 Ambassador participants joined
- 3 working groups with engaged participation from diverse voices are ongoing
- 3 successful industry roundtables at FIA conferences encouraged engagement from additional firms



LOOKING AHEAD, DMIST PLANS TO:

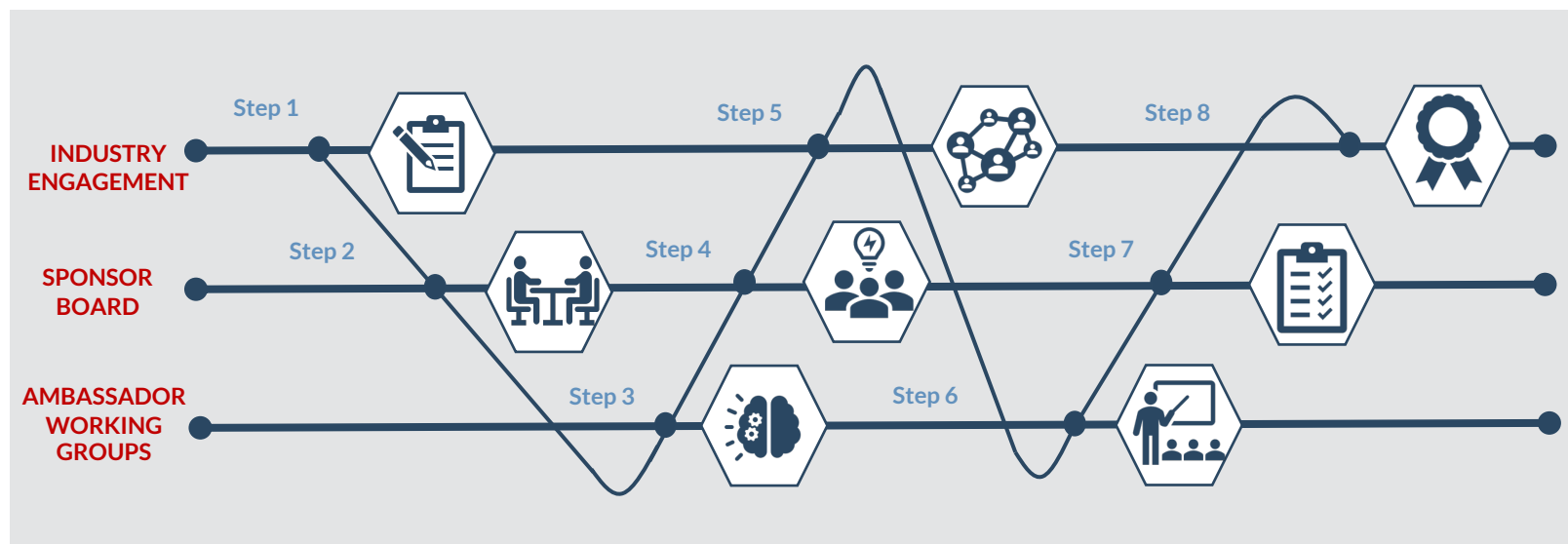
- Finalize the current proposed standard in **Q2 2023**
- Issue two additional standards for public consultation regarding minimum data specifications and average pricing in **Q2 2023**
- Continue discussions with other industry representative associations on a global basis to widen reach



Formation and Governance | DMIST

DMIST was formed in Q2 2022 as an outgrowth of industry conversations following high volume and volatility in February and March 2020, at the onset of the COVID-19 pandemic. DMIST's ultimate goal is to encourage widespread adoption of standards in the exchange traded derivatives industry that will help make markets more efficient, resilient, and competitive for all.

DMIST follows an eight-step process to develop a proposal into a fully approved standard. That process includes vetting by ambassador working groups, public comment, and ultimate approval by the DMIST Sponsor Board. The process is described in more detail in [DMIST's Policies](#).



HOW A PROPOSAL BECOMES A STANDARD

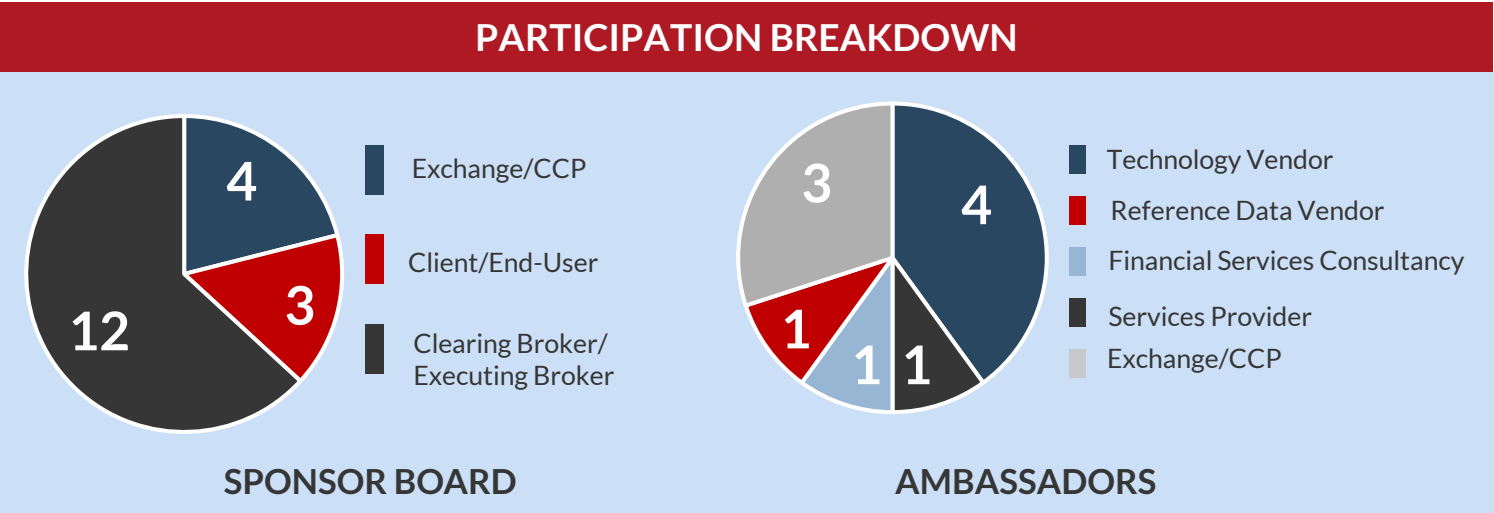
1. **Proposed standard received from** Sponsor Board, Ambassador, or public
2. **Sponsor Board** determines whether the initial proposal **meets required criteria**
 - a) Contains submission requirements
 - b) Addresses a topic that is in scope
 - c) Is a topic that would significantly benefit the industry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

Members and Participation | 2022 - 2023

DMIST welcomes and encourages active participation from a broad swath of industry participants. Specifically, DMIST offers two levels of participation:

- 1. Sponsor Board members who consider and approve standards;
- 2. Ambassador members, including technology vendors, who are subject matter experts and help identify, develop, and calibrate standards for the Sponsor Board's approval.

Organizations and individuals interested in DMIST participation must submit an application, which includes agreeing to DMIST's Terms of Participation. There are currently 19 Sponsor Board participants and 10 Ambassador participants within DMIST. Those participants can be broken down as follows:



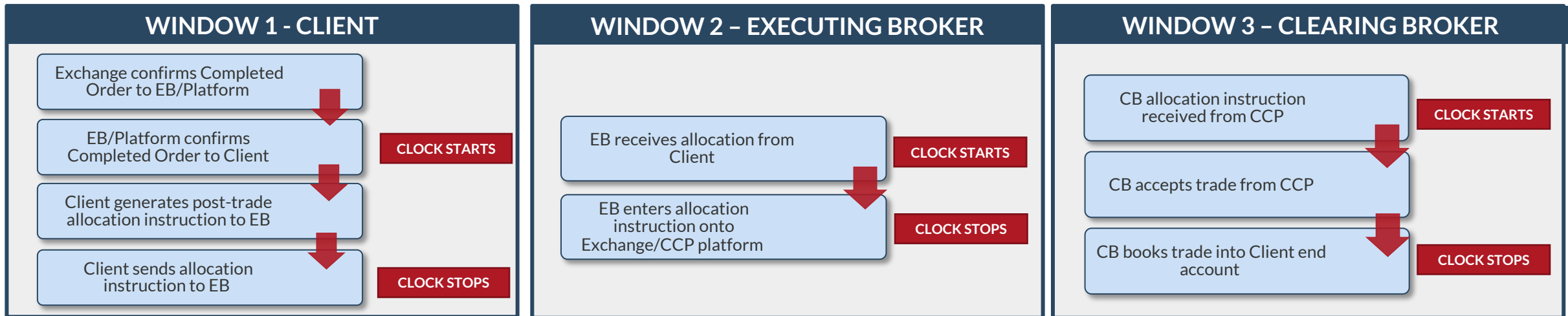
	SPONSOR BOARD	AMBASSADOR
RIGHTS	<ul style="list-style-type: none">Oversee process for developing standardsSubmit proposals for standardsAppoint individual AmbassadorsApprove standards	<ul style="list-style-type: none">Submit proposals for standards to Sponsor BoardProvide subject matter experts that form working groups for developing and vetting standards
ENTRY CRITERIA	<ul style="list-style-type: none">Open to: Exchanges/CCPs, Client/End-Users, Executing Brokers/Clearing BrokersMust agree to an annual fee and commit people to the standards processTransparency regarding adoption and implementationCan appoint individuals as Ambassadors at no additional cost	<ul style="list-style-type: none">Any industry participant can participate, including technology vendorsMust agree to an annual fee

Proposed Standard | Timeliness of Trade Give-Up and Allocation

Leading up to the formation of DMIST, discussions within the industry identified certain challenges in the allocation and give-up process, which depends on a series of sequential actions that must be coordinated among different market participants and can lead to delays. As a result of these discussions, DMIST's first proposed standard aims to tackle the timeliness of allocations and give-ups. **Specifically, three activities impact the timeliness of allocations and give-ups:**

- Clients not providing allocation instructions to their Executing Brokers in a timely manner;
- Executing Brokers not alleging the allocated trades to Clearing Brokers in a timely manner; and
- Clearing Brokers not accepting allocations in a timely manner with corresponding timely booking into Client end accounts.

DMIST proposed its first public consultation on November 11, 2022, suggesting that each of Client, Executing Broker, and Clearing Broker **should submit and process their give-up and allocation messages within 30 minutes of the relevant event that triggers their action**. These windows have defined start and stop points. The industry's ultimate goal is to encourage straight through processing and ensure that the right trade is in the right place at the right time on trade date. This standard is the first step towards achieving that goal.



STANDARD: Client should provide allocation instructions to Executing Broker within 30 minutes of a Completed Order.

STANDARD: Executing Broker should process Client allocation instructions and allege resulting give-ups within 30 minutes.

STANDARD: Allocations are accepted by Clearing Broker and booked into Client end account within 30 minutes of such instructions being received from CCP.

Proposed Standard | Public Comment

Public comments on the 30/30/30 proposed standard were due on January 17, 2023. Any member of the public was able to comment, and all comments were made publicly available following submission. A total of four public comments from **CCP 12, FIA Operations Americas, The Montreal Exchange,** and **Theorem Technologies** were received.

All responses confirmed their support of the initiative and welcomed the proposed standard as a positive development. Commenters agreed that the standard will: (1) have a positive impact on operational and financial risk (especially during periods of volatility); (2) improve account valuations and margining for day-to-day business as well as during expiry; and (3) reduce the operational effort required to deal with unallocated transactions on T+1. The benefits of this initiative should be felt across the full end-to-end landscape.

Commenters also identified certain factors that could create challenges to the standard being achieved:

DEFINITION OF A COMPLETED ORDER



Definition of a completed order is key as it derives the point at which the clock starts the proposed windows within the standard.

AVERAGE PRICING



Varying offerings and market behaviors drive end of day allocations for average pricing.

ADOPTION/PROMOTION



Adoption and implementation will be key.

METRICS



Metrics are required for firms to self-manage and monitor their adherence and progress towards the standard as well as to provide pain points to drive root cause analysis.

TECHNOLOGY



Technological development will be required across all market segments to drive improvements across the end-to-end flow.

GLOBAL REACH



The standard should be seen as a global initiative with DMIST members involving their global counterparts and colleagues.

Working Groups | Further Defining 30/30/30 Standard

The following working groups were established to challenge, analyse and refine the 30/30/30 proposed standard:

1. Further Defining 30/30/30 Standard;
2. Average Pricing;
3. Data and Information;

All working groups are open to both Ambassador and Sponsor Board participants.

PROBLEM STATEMENT: Discuss and agree the definition of a completed trade as defined within the proposed standard and define the key challenges impacting a firms' ability to implement, utilize and adopt the proposed standard, with a focus on:

Metrics	Which key data points are required to self-monitor performance against the standard?
Behaviours	Discuss ways in which behaviours can be improved and communicated from order inception to order clearing to both internal and external stakeholders.
Accountability	Discuss ways in which adoption and implementation of the standard could be encouraged in an effective manner.
Public comments	Address comments as raised as part of the public consultation process.

TAKEAWAYS OF NOTE TO-DATE: The group has agreed that the clock on the first 30 minutes should begin once an order is completed further defining a "Completed Order" as follows:

***"Completed Order"** – an order to buy or sell a product in the exchange traded market that has resulted in: (1) a complete fill of the full quantity as originally placed; (2) a partial fill of the quantity as originally placed, with the remaining quantity cancelled; or (3) a partial fill of the quantity as originally placed with the remaining quantity carried over to the next trading day as a new order.*

***Agreed Exemptions:** 'Trade at Settlement' (TAS) orders where the final price is not available until the close of trading*

Working Groups | Data and Information

PROBLEM STATEMENT: The lack of consistent data and information being persisted and maintained through the full end-to-end trade processing workflow has been identified as an impediment for adoption and adherence to the 30/30/30 standard.

TAKEAWAYS OF NOTE TO-DATE: The working groups have been focused on two initial priorities in support of 30/30/30:

1. Identifying a standard template of minimum data and information to be persisted and maintained through the full end-to-end trade processing workflow; and
2. Agreeing on consistent and identifiable trade/order references to be maintained throughout the full end-to-end transaction workflow. Trade IDs are often lost or truncated. The group is looking at the effectiveness of existing trade ID fields, which may not be used as efficiently as they could be. Also under consideration is the creation of a new trade/order reference.

The image displays three overlapping spreadsheets, each titled "Data and Information". Each spreadsheet has a header row with the following columns: "Data Name", "Location", "Category", "Description", "Required", and "Data Type". The spreadsheets are labeled "Sample" in the top right corner. The bottom-most spreadsheet has "CONFIDENTIAL" written at the bottom left and "Page 1 of 1" at the bottom right.

Working Groups | Average Price

PROBLEM STATEMENT: Average price functionality varies across CCPs. Off-CCP average pricing is offered by market participants where a CCP offering is not available. Off-CCP average pricing does not follow consistent standards or approach.

TAKEAWAYS OF NOTE TO-DATE: The working group has been reviewing average price offerings and functionality both on and off exchange. For example, the group has been working on a CCP average price functionality inventory. Refer to the table on the right for examples of the types of functionality being inventoried.

The public responses to the 30/30/30 consultation paper highlighted specific average pricing functionality where standards could provide the most benefit such as (but not limited to):

1. Optimal number of decimal places offered;
2. Fractional and decimal offerings;
3. API and GUI offerings (with any limitations on volume);
4. Maintaining underlying fill transparency and order IDs; and
5. Cash residual visibility

FUNCTIONALITY
Can average pricing be processed via API & CCP GUI?
Maximum transactions which can be grouped for average pricing (API versus GUI)
Restrictions which would prevent averaging
Can both Executing Broker & Clearing Broker perform averaging?
Can original orders used for average pricing be referenced via audit trail (original trade IDs, trade reference, etc.)?
What messages are received from the TV/CCP for average price transactions?
Do average price trade adjustments have to be adjusted by the original Executing Broker?
Define average price adjustment/reversal process (Top Day)
Can average price transactions be created/adjusted on a T+ basis?
Define average price adjustment/reversal process (T+)
Maximum number of decimal places that are used for an average price transaction
Minimum number of decimal places that are used for an average price transaction
Is the average price cash residual visible on API & Clearing GUI?
Does the cash residual transfer with average price give up?
Is the cash residual field/data amendable via API or Clearing GUI?
Maximum number of decimal places used on average price transaction to calculate variation margin (vs EDSP)
Minimum number of decimal places used on average price transaction to calculate variation margin (vs EDSP)
Can all post trade functions be performed on an average price transaction (splits, give ups, etc.)?
How are average price trades shown on TV/CCP EOD reporting?
Are cash residuals defined on TV/CCP EOD reports?
What timestamps are used on an average price transaction?
How are Tag 1031 attributes transferred from original orders to average price transaction?
Is the Tag 1031 field amendable via API or clearing GUI for average price transactions?
Is an average price alternative offered (i.e., Notional Value Average Pricing)?



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