



DMIST

DERIVATIVES MARKET
INSTITUTE FOR STANDARDS

FINAL STANDARD

Improving Timeliness of Trade Give-Ups and Allocations

June 2023

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1. ACKNOWLEDGEMENTS

DMIST was formed 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.

There are two levels of participation in DMIST: (1) the Sponsor Board members who consider and approve standards; and (2) the Ambassador level members, including technology vendors, who are subject matter experts and who help identify, develop, and calibrate standards for the Sponsor Board's approval. For more information on participating in DMIST, click [here](#).

For more information regarding the history and development of DMIST, see here:

- [DMIST: Annual Progress Report \(March 2023\)](#)
- [DMIST: Annual Progress Report \(March 2022\)](#)
- [Modernizing the Listed Derivatives Workflow: A Blueprint for Change \(November 2021\)](#)

2. EXECUTIVE SUMMARY

The focus of DMIST's first, finalized standard is the Give-Up and Allocation process for Exchange-traded and cleared derivatives. There are certain complexities in the Allocation and Give-Up process that, combined with interdependencies between market participants for processing, make the timeliness of Allocations and Give-Ups challenging, particularly during times of market stress or high volume or volatility. Give-Ups and Allocations are used globally and involve a wide range of Clients, Executing and Clearing Brokers, Exchanges and clearinghouses.

Over time, the industry has experienced challenges getting the RIGHT TRADE into the RIGHT ACCOUNT at the RIGHT TIME on Trade Date, largely driven by specific issues around the timeliness of Allocating Give-Up trades. This Final Standard is designed to improve the delivery and processing of Allocation instructions or schemas to:

- Increase the number of trades processed on trade day;
- Reduce the number of unclaimed and rejected trades;
- Improve straight-through processing and eliminate manual intervention;
- Eliminate uncertainty around positions; and
- Produce more accurate customer statements on T+1.

This Final Standard is a first step towards achieving these goals.

[DMIST published a consultation paper in November 2022](#) inviting the public to comment on the feasibility of developing a 30-30-30 standard for the timeliness of Allocations and Give-Ups. A summary of these public comments is available in Appendix B; each comment letter is available on the [DMIST website](#).

After reviewing the public comments and following further dialogue amongst DMIST participants, the Final Standard contains two primary parts:

1. Final Standard for improving timeliness of trade processing, Give-Ups and Allocations; and
2. Metrics to measure performance against the Final Standard.

The Final Standard is responsive to many of the questions and concerns raised in the consultation process and the public comments (see Appendix B).

3. FINAL STANDARD

The Final Standard has been broken down into four distinctive activity windows, with defined start and stop points based on which market participant owns and controls specific decisions in the trade flow.

Executing Broker provides trade confirmation within 30 minutes of order execution. Trade confirmations should be delivered electronically, preferably via an automated message. A verbal or email message that an order has been filled does not constitute a trade confirmation.

Client, Executing Broker, and Clearing Broker should submit and process their Give-Up and Allocation messages within 30 minutes of confirmation of a Completed Order or receipt of Allocation instructions. Clients should send Allocation instructions simultaneously to their Executing and Clearing Brokers.

Party	30-Minute Clock Starts	30-Minute Clock Stops
Timeliness of Trade Confirmations		
Executing Broker	Order is executed	Completed Order confirmed electronically to Client
Timeliness of Allocations & Give-Ups		
Client	Executing Broker confirms Completed Order to Client	Allocation instructions sent to Executing Broker and Clearing Broker
Executing Broker	Allocation instructions received from Client	Allocation instructions submitted to clearinghouse
Clearing Broker	Allocated trades visible in clearinghouse system	Allocated trade accepted and booked into end-Client account(s)

Exceptions

DMIST recognizes that Trade at Settlement (“TAS”) orders, where the final price is not available until the close of trading, do not fit into the Final Standard. Thus, TAS orders will be treated as exceptions to the Final Standard. However, pre-Allocation instructions should be sent by Client to Executing Broker (and simultaneously to Clearing Broker), with the order, when possible.

Acknowledged Friction Points

Time-zone differences can delay the Allocation process. Not all market participants have a presence in the market in which they trade. If Clients are not available during the 30-minute period after a trade is confirmed due to time zone differences, pre-trade Allocation instructions should be sent by Client to Executing Broker (and simultaneously to Clearing Broker), with trading instructions, when possible.

Applying the Final Standard to trades executed in overnight trading sessions cannot occur when the trading session opens before the Clearing Window. In this instance, the relevant clock starts on a Completed Order when the Clearing Window opens at the relevant CCP. The Final Standard will be applied while the Clearing Window is open during regular trading hours for a given contract; however, it is encouraged for each participant to perform their portion of the post-trade process as soon as they are able.

Application of Final Standard During High-Volume Periods

The Final Standard shall remain in effect during periods of market stress. During such times, DMIST participants shall strive to meet to determine the scope of any challenges being observed. DMIST may gather information from Clients, Executing and Clearing Brokers, Exchanges, clearinghouses and vendors, amongst others.

Any response to such high-volume periods by DMIST will depend on where exceptions are occurring and what tools can be implemented to alleviate stress on the system. Once normal market conditions are restored, DMIST may meet to examine lessons learned and make any adjustments to this Final Standard that are warranted.

4. METRICS AND MONITORING

Metrics need to be generated and reviewed consistently to allow the industry to continually monitor progress against the Final Standard, identify shortcomings and recommend strategic improvements to speed up the Give-Up, acceptance, and Allocation process.

Such metrics may be used by the industry in two different forms:

1. **Industry Standard Metrics** - Measure industry progress toward the Final Standard with aggregated and anonymized metrics from Client, Executing Broker, Clearing Broker, and CCP. Specifically, metrics will be requested from CCPs to measure the time from which the Executing Broker sends Allocation instructions until the Clearing Broker claims the trade. These metrics will be publicly available.
2. **360 Metrics for Firms** - Measure the progress toward the Final Standard between counterparties. Clients, Executing Brokers, and Clearing Brokers should work together to analyze bi-lateral processing times and identify areas that need improvement. This metric is designed to encourage bilateral discussions between firms to address any issues which are preventing them from meeting the Final Standard. These metrics are for internal use by firms only and will not be made publicly available. Metrics shared with DMIST as part of the Industry Standard Metrics should be aggregated and anonymized so as not to identify specific parties.

5. QUESTIONS/FURTHER INFORMATION

If you have questions about this Final Standard, wish to know more about DMIST, or have an interest in joining the initiative, further details can be found [here](#). You may also contact Don Byron at dbyron@fia.org or Natalie Tynan at ntynan@fia.org for more information.

6. GLOSSARY

Capitalized terms used in this document are defined as follows:

“Allocation” – a process that takes place when trades are bunched for execution purposes and distributed among multiple accounts for clearing.

“CCP” – a central counterparty is a financial institution that interposes itself between counterparties to trades that have been executed at an Exchange. It becomes the buyer to every seller and the seller to every buyer and takes on the counterparty risk and provides clearing and settlement services to its customers/members.

“Clearing Broker” – an individual or organization that accepts a Completed Order from a Client or an Executing Broker (on behalf of a Client) and clears such Completed Order with the CCP.

“Clearing Window” – the period designated by the clearinghouse in which clearing and settlement of futures and options on futures contracts takes place. Exchanges with overnight trading sessions may close the clearing window at the end of regular trading hours and reopen for clearing using the next day trade date.

“Client” – an individual or organization, typically an end-user, asset manager, proprietary trading firm or similar party, who initiates an order to buy or sell a product in the Exchange-traded market.

“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 on a working order; (2) a partial fill of the full quantity on a working order where the remaining quantity is cancelled, or (3) a partial fill of the full quantity on a working order where the remaining quantity expired at the close of the trading day for the product.

“Exchange” – A financial exchange where participants can trade (buy/sell) standardized products as defined and listed at the exchange. An exchange will have a relationship with a CCP to facilitate the clearing and settlement of the trades.

“Executing Broker” – an individual or organization that accepts an order from a Client to buy or sell a product in the Exchange-traded market but does not clear the Completed Order resulting from such order.

“Give-Up” - a process that takes place when trades are executed at one firm and given to another firm for clearing.

“Trade Date” - the business date the trade takes place. The trading day generally concludes at the end of regular trading hours. If the exchange reopens for an overnight trading session, the trade date moves forward to the next business date.

APPENDIX A

DMIST STANDARD PROCESS

The process that DMIST follows for a proposal to become a standard is:

- **Step One:** Proposed standard is received from any member of the public (including, but not limited to, Sponsor Board Members or Ambassadors).
- **Step Two:** Sponsor Board determines whether the initial proposal meets certain required criteria (e.g., the submission contains sufficient requisite information, the proposed standard addresses a topic that is considered in scope for DMIST's consideration, the proposed standard relates to a topic that would significantly benefit the industry to standardize).
- **Step Three:** DMIST forms Ambassador Working Group(s) for review and consideration of the proposed standard.
- **Step Four:** Sponsor Board meets to consider the feedback of the Ambassador Working Group(s) and votes to publish proposed standard for public comment.
- **Step Five:** DMIST issues the proposed standard for public comment.
- **Step Six:** At the end of the comment period, the Ambassador Working Group(s) used to vet the standard as initially proposed will meet to review and consider the comments.
- **Step Seven:** Sponsor Board votes to approve the standard based upon feedback and recommendations from the Ambassador Working Group(s). Once approved, the standard is considered final and is published.
- **Step Eight:** The success of DMIST requires commitment to transparency with regards to adoption and implementation of standards. Each final, approved standard will specify transparency expectations for Sponsor Board Members regarding whether or not they have chosen to adopt or implement such standard. Each final approved standard must also specify metrics, to be measured on an ongoing basis, related to implementation, adoption, usage, and/or effectiveness.

APPENDIX B

Public Consultation – Questions and Points Raised

During the public consultation process, commentary was received from multiple sources based on a list of questions. These questions and a summary of the comments can be seen below. The full commentary submissions can be found [here](#).

Questions Raised

1. What impediments exist for Clients, Executing Brokers, and Clearing Brokers, respectively, to meet the proposed standard?
 - a. Are there certain transaction types of particular concern?
 - b. Are there certain assets classes of particular concern?
 - c. Will delivery and roll periods prove particularly challenging? If so, why?
2. What metrics would assist Clients, Executing Brokers, and Clearing Brokers, respectively, in analyzing where they currently stand in regard to the proposed standard? What difficulties exist in collecting these metrics?
3. What additional standards would be helpful to support or facilitate this proposed standard?

#	Pain Point Raised	Topic Category	Working Group	Raised By
1	Suggestion that working towards trade Allocation uniformity and reviewing RCA as to the issues is the first step prior to agreeing timings for the Allocations to occur.	Allocation	Further Definition	Theorem Technologies
2	Resource and geographical time zone issues creating Allocation delays.	Allocation	Further Definition	Theorem Technologies, FIA Ops Americas Division
3	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.	Allocation	Further Definition	FIA Ops Americas Division
4	Standard will be more problematic for counterparties who bunch orders for multiple end Clients where post trade Allocations are required.	Allocation	Further Definition	FIA Ops Americas Division
5	Definition of a “completed order”.	Definition	Further Definition	FIA Ops Americas Division
6	Ensuring appropriate metrics are in place to measure/monitor progress towards the standard.	Metrics/ Accountability	Data and Information/ Further Definition	FIA Ops Americas Division
7	Increased volume periods such as “rolls” can increase the probability of lack of confirmation and therefore increase the pressure on operational teams to meet the suggested time frames.	Trade Processing	Further Definition	TMX
8	Will there be incentives to promote this standard and if yes, what will they be?	Accountability	Further Definition	CCP12
9	Technical development (both proprietary and 3rd party) across the end-to-end trade lifecycle will be required.	Technology	Data and Information	FIA Ops Americas Division, Theorem Technologies
10	Average price Allocations create challenges due to lack of offering and standardized offering across CCPs, current business behaviors, products offered with nuances in their pricing e.g., price is both decimal and tick value, spread contracts where underlying leg prices can be changed, number of decimal places offered, Allocations held to the end of the day when all orders/trades are complete.	Average Pricing	Average Pricing	FIA Ops Americas Division, Theorem Technologies
11	Use of Carte Blanche with agreed Allocation references versus other trade acceptance methodologies.	Allocation	Further Definition	FIA Ops Americas Division
12	Would DMIST and the broader constituent group consider that CCPs have a role in this adherence?	Adoption	Further Definition	CCP12
13	Is this a global standard or (for the beginning) only related to the US-markets?	Adoption	Further Definition	CCP12
14	What would be the optimum way to measure and track adherence to the standard?	Accountability	Further Definition	CCP12

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