

January 18, 2013

To the SRO CAT NMS Planning Committee,

FIX Protocol Limited (FPL) (www.fixprotocol.org)¹ would like to take the opportunity to respond to the RFP Concepts Document developed by the SROs. FPL has a partnership with the Financial Information Forum (FIF) to promote standardization in trade reporting and together have collaborated on numerous regulatory initiatives over the years such as Regulation NMS, Short Sale Reporting and more recently the Consolidated Audit Trail.

As FIF stated in their response to the SRO RFP Concept paper:

“FIX and FIXML are widely used today as the de-facto messaging standard for pre-trade, trade and post-trade communication as well as for U.S. regulatory reporting. Examples include ISG’s use of FIXML for LOPR (Large Options Position Report) reporting (via the OCC), CFTC use of FIXML, and FINRA TRACE reporting via FIX 4.4.

The use of the FIX Protocol for reporting purposes should be explored as part of the cost benefit analysis. The FIX Protocol provides a standard point of reference with industry participants and is typically used across the order lifecycle and within a firm’s order management processes. FIX provides an established semantics dictionary through the trading life cycle which is extended into the regulatory reporting requirements, thereby ensuring data completeness and minimizing misinterpretation. Leveraging FIX could result in quicker implementation times and simplify data aggregation at the SRO and CAT level. The regulator can, where necessary, gain access to standardized information flows with respect to its rules in a way that simplifies both aggregation of the information (to provide a market-wide view) and to monitor compliance, while minimizing the cost of reporting obligations. Additionally, FIX is global and multi-asset class which may assist in extending CAT beyond listed options and equities.”

As an existing standard already used by tens of thousands of firms in the financial services industry globally, it does not make sense to require firms to convert from a FIX format to a proprietary format for reporting. The firms and the regulators would have to build cross reference tables which creates additional work and would not only be inefficient but subject to error and interpretations. FIX already tracks the entire lifecycle of an order or trade within an organization, and even across multiple organizations once again making it a strong candidate as the recommended reporting format for the Consolidated Audit Trail.

In addition to being the global protocol for communications between the buy-side, sell- side and exchanges, FIX is used both for regulatory reporting and settlement processing around the globe. Some examples of FIX usage across the global regulators are ASIC Short Sale Reporting, IIROC Transaction Reporting, FINRA TRACE Reporting, and CFTC Large Trader Reporting.

We understand that a cost benefit analysis will be a key element of your RFP process. Because of the broad footprint of FIX and it’s flexibility to respond to divergent data and linkage requirements we believe that the capability to use FIX rather than proprietary protocols will result in great savings both in dollars and implementation time. As mentioned earlier, we have been working with FIF on some defined CAT requirements:

¹ FPL is a not-for-profit, industry standards organization that sits at the heart of the global electronic trading community. It is industry-driven, independent and neutral, with a membership that is comprised of over 270 firms from the global financial services industry. FPL aims to address the business challenges impacting the trading community through the use of standards. Central to these efforts is the continuous development and promotion of the Financial Information eXchange (“FIX”) Protocol, the non-proprietary, free and open de-facto messaging standard used for pre-trade, trade and post-trade communication globally. It is used in all asset classes including equities, derivatives, foreign exchange and fixed income. FIX is utilized by virtually every major stock exchange and investment bank as well as the world’s largest mutual funds and money managers, and thousands of information technology providers, smaller investment firms and regulatory bodies across the globe.

- CAT Reporter-ID - Although FIX can handle any identifier, we are working to ensure a smooth transition to LEI should it evolve into the global standard.
- CAT Customer-ID - FIX has a party block concept which will fully support the SRO Alternate Approach if it is selected.
- Order-ID - FIX already uses the daisy chain approach in its processing.
- Average Price Processing and the Allocation Model - FIX supports allocation communications however there is currently a buy-side group within FPL expanding its functionality which will greatly increase its usage.
- Options - Of course, FIX is used for order routing and reporting into/from the exchanges but is also used for all clearance information into the Options Clearing Corporation (OCC).

FPL is willing to participate with the SROs in further industry discussions on this topic and hopes the group will consider using FIX as the recommended reporting format for the Consolidated Audit Trail. If you wish to discuss further please feel free to contact me directly using the details that follow below. Thank you for your consideration.

Sincerely,



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