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3rd October 2011

ESMA

103 rue de Grenelle

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Dear Sirs,

Consultation: - ESMA/2011/224

FPL (FIX Protocol Limited) is an international standards body and membership organisation for the financial markets community. With a global membership, including members in many European countries and across all the main constituent parts of the investment industry; it is a not-for-profit organisation financed by a broad spectrum of market participants on a voluntary subscription basis.

FPL is responsible for the maintenance and promotion of the free and open FIX Protocol for electronic trading and market data that underpins the electronic transfer of trading information in major asset classes on global markets. Its activities are overseen by a democratically elected committee structure which ensures broad and transparent industry representation. This strong and representative governance structure has been fundamental to the success and growth of the protocol.

FPL has a growing membership with over 280 member firms, which includes Sell-Side firms, Buy-Side firms, Exchanges/MTFs/Clearing Firms, Vendors (Order routing, order management, networks, trading platforms, algorithmic trading tools, market data, compliance, matching engines, etc.), Industry Associations and Regulators. Its growth in membership is attributed in no small part to the neutral and independent stance taken when working to resolve real business challenges through co-operation and the use of standards. Your reference to the FIX Equity Risk Controls best practice guidelines in Section

III.1.19 of the consultation paper is only one example of FPL at work addressing industry wide challenges in this way. Other examples include a standard for measuring latency enabling market participants and regulators to have a consistent view of latency and its impact through the investment process.

Many of our members are submitting their own responses to this consultation. However our role as a neutral and independent industry standards organisation allows us to represent the views of a wide range of market participants free of commercial conflict or agenda. We recognise the need to limit ourselves to that remit and therefore many of the questions raised in the consultation document will not be commented upon in detail within our response as we do not lobby for any particular industry group or their point of view.

At a high level, a great many of the questions about the systems and controls in the consultation document relate not only to a highly automated trading environment, but to the fundamental infrastructure around the whole investment process from issuers to investors, to market participants and regulators: Given such a wide scope, as outlined in the next paragraph, the industry set out to establish a framework which can be adopted to drive efficiency and transparency throughout the whole investment process, free of commercial conflict, and is particularly relevant to highly automated trading environments. We would urge ESMA to consider carefully how recognising the following approach could greatly enhance overall industry efficiency today, but also serve as a solid basis for future regulation and co-operation between regulatory agencies in the EEA and elsewhere.

ESMA may already be aware of "The Investment Roadmap" for industry standards in financial markets. – (Appendix 1) This is the result of work undertaken by the standards bodies that develop the **Non-Proprietary, Free and Open industry standards** which underpin the world's financial markets today. The Investment Roadmap represents standards bodies working together towards a common business model known as ISO 20022, but it also recognises that individual standards already exist in various parts of the investment process today, and seeks to ensure that those non-proprietary, free and open standards already widely used are adopted to promote transparent, innovative and efficient markets and the regulation thereof.

The standards bodies included in the Investment Roadmap do not represent an exclusive group - any standard which is non-proprietary, free and open can be included. One major consideration of such an approach is that it represents a framework that is used today and can also be used in the future to achieve the desired outcomes for market participants and regulators alike without imposing huge financial burden on market participants.

The scope of this consultation may not touch the whole Investment Roadmap today, but given that the roadmap does extend to all aspects of the process and asset classes, the Investment Roadmap can be a useful guide as a representation of the state of the industry today from a standards perspective and perhaps an insight to how such standards can be used from a regulatory perspective to achieve the desired outcomes of transparency, market integrity and stability whilst seeking to minimise systemic risks and ensuring investor confidence:

The economic benefits of open non-proprietary standards are well understood from an efficiency perspective; however we would also contend that a greater use of standards also increases innovation. Therefore by establishing a common set of systems and controls which seek to address transparency and efficiency requirements, the industry will then innovate from that position quickly driving the efficiencies to the core of the market infrastructure.

There are two questions from the consultation paper which we would like to comment upon specifically.

Q7 – Algorithmic trading has been a focus of numerous FPL Working Groups over the past few years; from those initiatives has emerged a standard ( FIXatdl ) specifically designed for the deployment of trading algorithms into order management systems in an efficient manner. This standard does not seek to determine the investment performance of any algorithm or strategy, but does look to ensure that a common understanding is reached about the parameters going into an algorithm which in turn can be used to monitor performance against benchmarks such as deviation from expected behaviour and the resultant remedial action. Linked to this, a current FPL initiative is looking at test symbology on an industry consistent basis – given the requirements for testing throughout the guidelines; it would seem prudent to seek to address the need for standardised test symbology in such a way as to mitigate risks with this regard.

Q8 - The FIX Equity Risk Controls best practice guidelines referred to previously come back into focus with this question. There is a need throughout the investment process to ensure that the correct information is captured and passed from market participant to trading platform as the transaction progresses. Many market participants already have a series of risk controls in place however absent there being a standard set of controls ensuring that the required information is actually transmitted – this ability for trading platforms to carry out surveillance or validation checks would be severely compromised.

Yours faithfully

***Stuart Adams***

Stuart Adams

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# Investment Roadmap

## September 2010

FIX PROTOCOL · FpML · ISITC · SIIA/FISD · SWIFT · XBRL

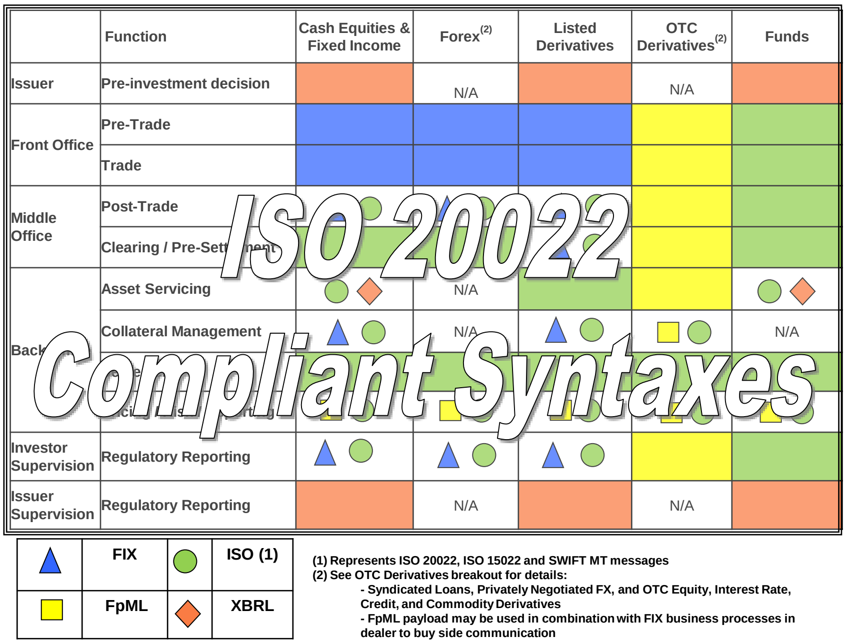
### Investment Roadmap – FIX, ISO, FpML, XBRL syntax (HIGH LEVEL)

| | Function | Cash Equities & Fixed Income | Forex[2] | Listed Derivatives | OTC Derivatives[2] | Funds |
|---|---|---|---|---|---|---|
| Issuer | Pre-investment decision | | N/A | | N/A | |
| Front Office | Pre-Trade | | | | | |
| | Trade | | | | | |
| Middle Office | Post-Trade | FIX, ISO | FIX, ISO | FIX, ISO | | |
| | Clearing / Pre-Settlement | | | FIX, ISO | | |
| Back Office | Asset Servicing | ISO, XBRL | N/A | | | ISO, XBRL |
| | Collateral Management | FIX, ISO | N/A | FIX, ISO | FpML, ISO | N/A |
| | Settlement | | | | | |
| | Pricing / Risk / Reporting | FpML, ISO | FpML, ISO | FpML, ISO | FpML, ISO | FpML, ISO |
| Investor Supervision | Regulatory Reporting | FIX, ISO | FIX, ISO | FIX, ISO | | |
| Issuer Supervision | Regulatory Reporting | | N/A | | N/A | |

| Symbol | Standard | Symbol | Standard |
|---|---|---|---|
| ▲ | FIX | ● | ISO (1) |
| ■ | FpML | ◆ | XBRL |

(1) Represents ISO 20022, ISO 15022 and SWIFT MT messages
(2) See OTC Derivatives breakout for details:
- Syndicated Loans, Privately Negotiated FX, and OTC Equity, Interest Rate, Credit, and Commodity Derivatives
- FpML payload may be used in combination with FIX business processes in dealer to buy side communication

## Goal: ISO 20022 Common Business Model (HIGH LEVEL)




(1) Represents ISO 20022, ISO 15022 and SWIFT MT messages
(2) See OTC Derivatives breakout for details:
- Syndicated Loans, Privately Negotiated FX, and OTC Equity, Interest Rate, Credit, and Commodity Derivatives
- FpML payload may be used in combination with FIX business processes in dealer to buy side communication

## Investment Roadmap – FIX, ISO, FpML, XBRL syntax (MEDIUM LEVEL)

| | Function | Cash Equities & Fixed Income | Forex(2) | Listed Derivatives | OTC Derivatives(2) | Funds |
|---|---|---|---|---|---|---|
| Issuer | **Pre-investment decision:** Filing Fundamental Data with the Regulator, Analytical Models | | N/A | | N/A | |
| Front Office | **Pre-Trade:** IOIs, Trade adverts, Quotes, Market data, Short Sale Locate, Reference Data | | | | | |
| | **Trade:** Order Routing, Trade Execution, Trade Date Position Reporting, Reference Data | | | | | |
| Middle Office | **Post-Trade:** Trade Capture & Validations, Allocation, Matching, Confirmation/Affirmation, Position Management, OTC Derivatives Post Trade Processing | | | | | |
| | **Clearing / Pre-Settlement:** Matching, Netting, Funding, Reference Data | | | | | |
| Back Office | **Asset Servicing:** Issuance, Corporate Actions, Proxy Voting, Securities Lending | | N/A | | | |
| | **Collateral Management:** Initial Margining, Margin Call, Substitution, Recall, Transfer, Interest Payment | | N/A | | | N/A |
| | **Settlement:** Pre-advisement, Settlement Notification, Settlement, Transaction Management, Fail and Claim Management | | | | | |
| | **Pricing / Risk / Reporting:** Tax Management, Income Collection, Risk Management, Pricing & Valuation, Reporting, Position Management | | | | | |
| Investor Supervision | **Regulatory Reporting:** Short Sale Reporting, Trade Surveillance Reporting, Position Management Reporting, Tax Lot Reporting | | | | | |
| Issuer Supervision | **Regulatory Reporting:** Short Interest Reporting , Financial Statement Reporting, Investment Reporting | | N/A | | N/A | |

FIX
FpML
ISO
XBRL

## Investment roadmap – FIX, ISO, FpML, XBRL syntax (DETAIL LEVEL)

| | Cash Equities | Fixed Income | Forex | Listed Derivatives | OTC Derivatives[(1)] | Funds |
|---|---|---|---|---|---|---|
| **Pre-investment Decision** | | | | | | |
| •Filing Fundamental Data with the Regulator | XBRL | XBRL | | XBRL | | XBRL |
| •Analytical Models | XBRL | XBRL | | XBRL | | XBRL |
| **Pre-Trade:** | | | | | | |
| •IOIs | FIX | FIX | | FIX | FpML | |
| •Trade advertisements | FIX | FIX | | FIX | FpML | |
| •Quotes | FIX | FIX | FIX | FIX | FpML | |
| •Market Data | FIX | FIX | FIX | FIX | FpML | ISO |
| •Short Sale Locate | FIX | | | FIX | | |
| •Reference Data | FIX | FIX | FIX | FIX | FpML | ISO |
| **Trade:** | | | | | | |
| •Order Routing | FIX | FIX | FIX | FIX | | ISO |
| •Trade Execution | FIX | FIX | FIX | FIX | FpML | ISO |
| •Trade Date Position Reporting | FIX | FIX | FIX | FIX | FpML | ISO |
| •Reference Data | FIX | FIX | FIX | FIX | FpML | ISO |
| **Post-Trade:** | | | | | | |
| •Trade Capture & Validations | FIX, ISO | FIX, ISO | FIX, ISO | FIX, ISO | FpML | ISO |
| •Allocation | FIX, ISO | FIX, ISO | FIX, ISO | FIX, ISO | FpML | ISO |
| •Matching | FIX, ISO | FIX, ISO | FIX, ISO | FIX, ISO | FpML | ISO |
| •Confirmation/Affirmation | FIX, ISO | FIX, ISO | FIX, ISO | FIX, ISO | FpML | ISO |
| •Position Management | FIX, ISO | FIX, ISO | FIX, ISO | FIX, ISO | FpML | ISO |
| •Novation/Assignment (OTC Derivatives) | | | | | FpML | |
| •Amendments / Modifications (OTC Derivatives) | | | | | FpML | |
| •Termination (OTC Derivatives) | | | | | FpML | |
| •Increases (OTC Derivatives) | | | | | FpML | |
| •Affirmations (OTC Derivatives) | | | | | FpML | |
| •Exercise (OTC Derivatives) | | | | | FpML | |

(1) FpML payload may be used in combination with FIX business processes in dealer to buy side communication.

## Investment roadmap – FIX, ISO, FpML, XBRL syntax (DETAIL LEVEL)

| | Cash Equities | Fixed Income | Forex | Listed Derivatives | OTC Derivatives | Funds |
|---|---|---|---|---|---|---|
| **Clearing / Pre-Settlement:** | | | | | | |
| •Matching | ISO | ISO | ISO | FIX, ISO | FpML | ISO |
| •Netting | ISO | ISO | ISO | FIX, ISO | FpML | ISO |
| •Funding | ISO | ISO | ISO | FIX, ISO | FpML | ISO |
| •Reference Data | ISO | ISO | ISO | FIX, ISO | | ISO |
| **Asset Servicing:** | | | | | | |
| •Issuance | ISO, XBRL | ISO, XBRL | | ISO | | ISO, XBRL |
| •Corporate Actions | ISO, XBRL | ISO, XBRL | | ISO | FpML | ISO, XBRL |
| •Proxy Voting | ISO, XBRL | ISO, XBRL | | ISO | | ISO, XBRL |
| •Securities Lending | ISO | ISO | | ISO | FpML | ISO |
| **Reconciliation:** | | | | | | |
| •Portfolio Reconciliation | ISO | ISO | | ISO | FpML,ISO | ISO |
| •Cash Flow Matching | ISO | ISO | | ISO | FpML | ISO |
| **Collateral Management:** | | | | | | |
| • Initial Margining | ISO | FIX, ISO | | FIX, ISO | FpML,ISO | |
| • Margin Call | ISO | FIX, ISO | | FIX, ISO | FpML,ISO | |
| • Substitution | ISO | FIX, ISO | | FIX, ISO | FpML,ISO | |
| • Recall | ISO | ISO | | ISO | FpML,ISO | |
| • Transfer | ISO | ISO | | ISO | FpML,ISO | |
| • Interest Payment | ISO | ISO | | ISO | ISO | |

FIX PROTOCOL
INDUSTRY-DRIVEN MESSAGING STANDARD℠

## Investment roadmap – FIX, ISO, FpML, XBRL syntax (DETAIL LEVEL)

| | Cash Equities | Fixed Income | Forex | Listed Derivatives | OTC Derivatives | Funds |
|---|---|---|---|---|---|---|
| **Settlement:** | | | | | | |
| •Pre-advisement | ISO | ISO | ISO | ISO | FpML | ISO |
| •Settlement Notification | ISO | ISO | ISO | ISO | FpML | ISO |
| •Settlement | ISO | ISO | ISO | ISO | ISO | ISO |
| •Transaction Management | ISO | ISO | ISO | ISO | ISO | ISO |
| •Fail and Claim Management | ISO | ISO | ISO | ISO | ISO | ISO |
| **Pricing / Risk / Reporting** | | | | | | |
| •Tax Management | ISO | ISO | | ISO | ISO | ISO |
| •Income Collection | ISO | ISO | ISO | ISO | ISO | ISO |
| •Risk Management | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO |
| •Pricing & Valuation | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO |
| •Reporting | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO |
| •Position Management | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO | FpML,ISO |
| **Regulatory Reporting - Investor** | | | | | | |
| •Short Sale Reporting | FIX, ISO | FIX, ISO | | FIX, ISO | | |
| •Trade Surveillance Reporting | FIX, ISO | FIX, ISO | FIX | FIX, ISO | FpML | ISO |
| •Position Management Reporting | FIX, ISO | FIX, ISO | FIX, ISO | FIX, ISO | FpML,ISO | ISO |
| •Tax Lot Reporting | FIX, ISO | FIX, ISO | FIX, ISO | FIX, ISO | FpML,ISO | ISO |
| **Regulatory Reporting - Issuer** | | | | | | |
| •Short Interest Reporting | XBRL | XBRL | | XBRL | | XBRL |
| •Financial Statement Reporting | XBRL | XBRL | | XBRL | | XBRL |
| •Investment Reporting | XBRL | XBRL | | XBRL | | XBRL |

## OTC Derivatives Detail – Client Side Applications

| | Function | Syndicated Loans | FX Derivatives | Equity Derivatives | Interest Rate Derivatives | Credit Derivatives | Commodity Derivatives |
|---|---|---|---|---|---|---|---|
| **Issuer** | **Pre-investment Decision:** | N/A | N/A | N/A | N/A | N/A | N/A |
| **Front Office** | **Pre-Trade:** IOIs, Trade adverts, Quotes, Market data, Short Sale Locate, Reference Data | **Communication between clients and brokers of OTC Derivative Process and Product representations for Pre-Trade and Trade Processes will continue to be discussed. A Gap Analysis to be performed by ISDA and FPL has been proposed to determine requirements for and feasibility of FIX Protocol Support in these areas.** | | | | | |
| | **Trade:** Order Routing, Trade Execution, Trade Date Positions, Reference Data | | | | | | |
| **Middle Office** | **Post-Trade:** Trade Capture & Validations, Allocation, Matching, Confirmation/Affirmation, Position Management, Trade Surveillance, OTC Derivatives Post Trade Processing | | | | | | |
| | **Clearing / Pre-Settlement:** Matching, Netting, Funding, Reference Data | | | | | | |
| | **Asset Servicing:** Issuance, Corporate Actions, Proxy Voting, Securities Lending | | | | | | |
| | **Collateral Management:** Initial Margining, Margin Call, Substitution, Recall, Transfer, Interest Payment | | | | | | |
| | **Reconciliation:** Cash Flow Matching, Portfolio Reconciliation | | | | | | |
| **Back Office** | **Settlement:** Pre-advisement, Settlement Notification, Settlement, Transaction Management, Fail and Claim Management | | | | | | |
| | **Pricing / Risk / Reporting:** Tax Management, Income Collection, Risk Management, Pricing & Valuation, Accounting, Position Management | | | | | | |
| **Investor Supervision** | **Regulatory Reporting:** Short Sale Reporting, Trade Surveillance Reporting, Position Management Reporting, Tax Lot Reporting | | | | | | |
| **Issuer Supervision** | **Regulatory Reporting:** Short Interest Reporting , Financial Statement Reporting, Investment Reporting | N/A | N/A | N/A | N/A | N/A | N/A |

FIX

FpML

ISO

XBRL

(1) **FpML payload over FIX business processes across all OTC Derivatives products may be used for allocation and confirmation/affirmation**