

I met Aneesh Chopra at a FSSCC Meeting at the Federal Reserve Bank on December 6th.

After he spoke of building open, free consensus driven standards, I mentioned that the Financial Community had such a protocol standard (FIX) for trading and he asked me to send some information and subsequently requested that I post my response to the standards RFI.

First the short version and then I will give you a link.

The Financial Information eXchange ("FIX") Protocol is a series of messaging specifications for the electronic communication of trade-related messages. It has been developed through the collaboration of banks, broker-dealers, exchanges, industry utilities and associations, institutional investors, and information technology providers from around the world. These market participants share a vision of a common, global language for the automated trading of financial instruments.

FIX is the industry-driven messaging standard that has changed the face of the global financial services sector, as firms use the protocol to transact in an electronic, transparent, cost efficient and timely manner. FIX is open and free, but it is not software. Rather, FIX is a specification around which software developers can create commercial or open-source software, as they see fit. As the market's leading trade-communications protocol, FIX is integral to many order management and trading systems. Yet, its power is unobtrusive, as users of these systems can benefit from FIX without knowing the language itself.

Since its inception in 1992 as a bilateral communications framework for equity trading between Fidelity Investments and Salomon Brothers, FIX has become the de-facto messaging standard for pre-trade and trade communication globally initially in the Equity markets, and is now experiencing rapid expansion into the post-trade space and across Foreign Exchange, Fixed Income and Derivatives. A 2007 survey cited that 75% of buy-side and 80% of sell-side firms currently use FIX for electronic trading. In addition, over three quarters of all exchanges surveyed supported a FIX interface.

The success of the FIX Protocol is primarily due to the voluntary efforts of the buy-side, sell-side, vendor and exchange communities who work together to help achieve the FIX Protocol Limited (FPL) mission statement, "To improve the global trading process by defining, managing and promoting an open protocol for real-time, electronic communication between industry participants, while complementing industry standards." Technical and business professionals from the FPL member firms coordinate their activities and organize their work through a series of committees, subcommittees, and working groups, all overseen by a Global Steering Committee that aims to ensure consistency of protocol application as it is extended into new markets, asset classes, and phases of the trade lifecycle. In addition to rigorous engineering and technical efforts undertaken to ensure the ongoing applicability of the protocol to financial-market systems, the FIX Protocol benefits from an energetic educational and marketing effort that seeks to keep the specification viable, relevant, and responsive to the needs of market participants.

This link is a longer version of the above summary:

<http://www.fixprotocol.org/what-is-fix.shtml>

and this link is much too much info but it shows coverage of FIX functionality by FIX version and across the distinct asset classes and business processes:

<http://www.fixprotocol.org/functionality>

FPL is also actively involved in the Standards Coordination Group which includes other standards bodies such as SWIFT, ISDA, XBRL and ISITC. Multiple standards exist within the financial messaging space today and the group has come together to create an investment roadmap which provides market participants with a consistent and clear direction to standards usage, visually mapping the protocols to the appropriate business processes across the major asset classes. The roadmap defines an agreed path

for future initiatives by identifying gaps as well as areas of overlap to avoid reinventing and creating redundant messages that increase implementation costs and cause confusion for the industry. Additional information can be found here: <http://www.fixprotocol.org/investmentroadmap>.

FPL also works with the Financial Information Forum (www.fif.com), an industry body that addresses the implementation issues that impact the financial technology industry across the order lifecycle, in understanding upcoming U.S. regulation and working to create standard solutions that reduce the cost, timeframe and increase transparency.

Finally, Jim Northey, the Co-chair of FPL Americas Committee and a few other representatives from FPL joined other standards development organization leaders in August 2009 to participate in a meeting hosted by NIST to help in launching the next step in the development and implementation of the interoperability standards roadmap for the U.S. Smart Grid. FPL was asked by NIST to participate due to the use of FIX for energy forward markets. FPL agreed to work in conjunction with NAESB to define a product definition for an electrical energy price message format.

However, I believe the best opportunity for FPL and FIF to assist in accomplishing the sub-committee goals is in Number 6 of 'Other technologies' in the RFI because of the involvement of multiple agencies participating in the regulation of the Financial markets. This should include at a minimum the SEC, CFTC, Department of Treasury, Office Of Financial Research and FINRA.

If you require additional information or to discuss next steps, please let me know.

Thank you for the opportunity to be of assistance in this important government initiative.

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