



# DMIST

DERIVATIVES MARKET  
INSTITUTE FOR STANDARDS

## Annual Progress Report

March 2024

## TABLE OF CONTENTS

1. MESSAGES FROM WALT LUKKEN & SAMINA ANWAR .....	2
2. WHO WE ARE.....	5
3. 2023 YEAR IN REVIEW.....	6
4. STRATEGIC BLUEPRINT FOR 2024 AND BEYOND.....	8
5. ORGANIZATIONAL STRUCTURE – HOW WE WORK.....	10
6. 2024 IN-FLIGHT WORKING GROUPS.....	11
i. PLANNING/STRATEGY	
ii. 30/30/30 IMPLEMENTATION AND ADOPTION	
iii. AVERAGE PRICING	
iv. TECHNICAL	

# BUILDING A MORE EFFICIENT & RESILIENT TRADE FLOW FOR ETD

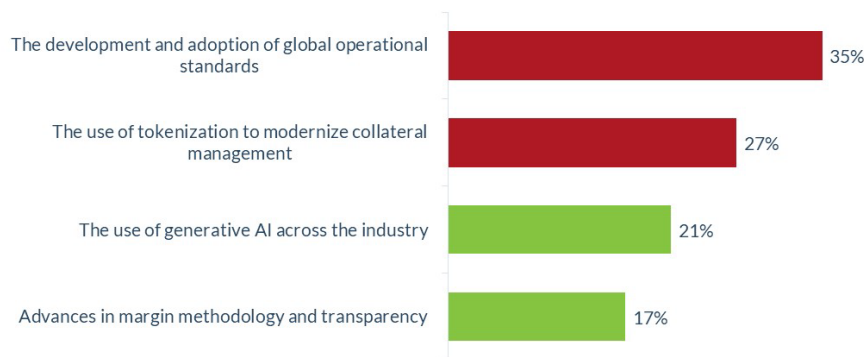
## A MESSAGE FROM WALT LUKKEN, PRESIDENT & CEO, FIA

*DMIST celebrated its first anniversary in June 2023. In its first full year of operation, not only did membership double, but DMIST also published both a fully supported final standard for Improving the Timeliness of Trade Give-Ups and Allocations (30/30/30) and a consultation paper on a Standard Regarding Average Pricing.*

*In a recent survey of buy-side and sell-side firms and market infrastructure providers conducted by FIA and Coalition Greenwich, we asked: “What issue has the greatest potential to be a “game changer” for the cleared derivatives industry?” The number one answer was the development and adoption of global operational standards.*

*While standards may not seem sexy, it is foundational to get right before other growth and innovation can happen. Through our DMIST initiative we are trying to simplify our trading and clearing workflow, to allow our markets a more “plug and play” environment, similar to an operating system. And just like Apple’s IOS or Microsoft’s Windows, a standardized and resilient trade flow operating system will enable other “apps” and products to be built for our markets—like tokenization, surveillance tools and collateral optimization.*

### Game changers: standardization and tokenization



Source: Survey conducted by Coalition Greenwich on behalf of FIA in December 2023.

*Operations has become strategic—not just to individual firms but to the industry itself. The workarounds that the industry has been using for decades to address gaps in the reconciliation and clearing process are no longer viable. March 2020 stretched our limits on operational capacity. If we can strengthen the foundation, it becomes the basis of growth and innovation.*

*As I travel, I am encouraged by the interest in DMIST globally. DMIST is not meant to be a one-size-fits-all framework. It recognizes unique aspects to markets and considers exceptions that are needed to accommodate different markets.*

*The FIA Board of Directors reiterated their strong support for DMIST at their annual planning session in October. This support means additional resources for DMIST. More resources means picking up the pace for developing more standards.*

*We were pleased that Samina Anwar, who leads the exchange-traded derivatives team at Cargill, agreed to become the first chair of the DMIST Sponsor Board. From her position as a user of the global markets, she recognizes the promise of DMIST to improve efficiency, reduce risk and enhance operational resilience. We are grateful for her leadership as we launch into the next phase of standards development.*



**Walt Lukken**  
President & CEO, FIA

## A MESSAGE FROM SAMINA ANWAR, CHAIR, DMIST SPONSOR BOARD

*I am pleased to report that in the past year DMIST has made significant progress towards achieving operational efficiency in exchange-traded derivatives (ETD) markets. Our industry-wide initiative has brought together market participants to address long-standing inefficiencies in the industry.*

*Through our collaboration, we have begun to implement the 30/30/30 Standard globally, which is beginning to yield significant benefits for day-to-day global hedging and risk management. The timely confirmation of give-ups will increase the number of trades processed on trade date, reflecting positions and risk more accurately in internal books during the trading day. We are*

*committed to continue encouraging the industry to implement the 30/30/30 Standard and publish a standard on average pricing that will improve the timeliness of processing give ups.*

*Looking ahead, the DMIST Sponsor Board has been working on a Strategic Blueprint to accelerate the pace of achieving operational efficiency in ETD markets. The Blueprint outlines areas that DMST will focus on beyond allocations and give-ups. In January, we kicked off the Planning/Strategy Working Group to help identify and prioritize key pain points across the workflow that would benefit from standardization.*

*We are already beginning to see connections between the 30/30/30 Standard and its impact on other pain points in the trade flow. For example, the DMIST Technical Working Group is collaborating on a unique order identifier proposal to address reconciliation challenges across the front-to-back workflow. These standards are more than just individual initiatives; they are working together to improve efficiency and resiliency across the ETD marketplace.*

*We believe that by working together, we can make exchange-traded derivatives more efficient, more resilient, and more competitive, with enhanced risk management. We invite market participants to join us in this mission and to weigh in on future priorities.*

*As the DMIST Sponsor Board Chair, I am proud of the progress we have made in the past year and look forward to continuing to work with the industry to build better trading and clearing platforms for the future.*



**Samina Anwar**  
Global Derivatives Operations  
Director, Cargill

# WHO WE ARE

The Derivatives Market Institute for Standards (DMIST) began operations in July 2022 to encourage widespread adoption of standards in the exchange traded and cleared derivatives industry that will help make markets more efficient, resilient, and competitive for all.

**Mission:** Establish a framework for building consensus and collaboration among all segments of the industry with broad participation including clearing firms, executing brokers, exchanges, clearinghouses, customers, and technology vendors.

**Membership:** DMIST membership has grown to 33 members as of February 2024 - (22 Sponsor Board members and 11 Ambassador members). DMIST members provide subject matter experts that contribute to the standard setting process.

**Sponsor Board Members assist with prioritizing initiatives and approve standards.**

ABN AMRO Clearing Chicago | ADM Investor Services, Inc. | Bank of America Securities, Inc. | Barclays International | BlackRock Financial Management | BNP Paribas Securities Corp. | Cargill Incorporated | Chicago Mercantile Exchange Inc. | Citadel Advisors LLC | Citigroup Global Markets Inc. | Deutsche Bank Securities Inc. | Eurex Clearing AG | Goldman Sachs & Co. LLC | Intercontinental Exchange Inc. | J. P. Morgan Securities PLC | Mizuho Securities USA LLC | Morgan Stanley | OCC | Société Générale | TP ICAP | UBS | Wells Fargo Securities, LLC

**Ambassador Members provide subject matter expertise to DMIST Working Groups.**

Cboe Clear Digital, LLC | FIA Technology Services, LLC | FIS | FMX Futures Exchange, L.P. | FOW, part of Derivia Intelligence Ltd. | Kynetix | LSEG | Nasdaq Clearing AB | OSTTRA | Quorsus Limited | Sernova Financial

# 2023 YEAR IN REVIEW

DMIST celebrated its first year of operation in July 2023. DMIST accomplishments exceeded expectations in several areas. Not only did membership double in the first year, but DMIST also published: (1) a fully-supported Final Standard for *Improving the Timeliness of Trade Give-Ups and Allocations*; and (2) a consultation paper on a *Standard Regarding Average Pricing*. To support these initiatives, more than 360 representatives from DMIST member firms provided subject matter expertise.

## DMIST Publishes First Standard

In June, DMIST published the *Improving the Timeliness of Trade Give-Ups and Allocations* Final Standard. In addition to establishing 30-minute timeframes for completing steps in the allocation process outlined in the table to the right, the Final Standard also calls for clients to send allocation instructions simultaneously to their executing and clearing brokers.

Immediately after the Final Standard was released, a Focus Group was established to determine what metrics could be used to measure progress and identify implementation roadblocks.

In addition, DMIST Working Groups were established to address inefficiencies in the give-up process that could impede adoption of the Final Standard.

Party	30-Minute Clock Starts	30-Minute Clock Stops
<b>Timeliness of Trade Confirmations</b>		
Executing Broker	Order is executed	Completed Order confirmed electronically to Client
<b>Timeliness of Allocations &amp; Give-Ups</b>		
Client	Executing Broker confirms Completed Order to Client	Allocation instructions sent to Executing Broker <b>and</b> 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)

## DMIST Publishes Consultation Paper on Average Pricing

DMIST also published a Consultation Paper in June of 2023 on a *Standard Regarding Average Pricing*. Average Pricing is being used extensively in ETD markets because electronic trading technology allows firms to break large trades into many smaller orders to minimize market impact.

The standard addresses the lack of consistency in average pricing functionality across central counterparties (CCPs). This lack of consistency impacts the timeliness of give-ups and allocations and can require manual intervention.

Consistent functionality across clearinghouses will help alleviate client confusion and help fund managers meet their regulatory obligations to ensure transactions are fairly and equitably distributed among their clients.

The comment period ended in October 2023.





# STRATEGIC BLUEPRINT FOR 2024 AND BEYOND

In Q4 2023, the Sponsor Board began working on a Strategic Blueprint for 2024 and beyond to accelerate the pace of achieving operational efficiency in the exchange-traded and cleared derivatives space. Most notably, the DMIST Strategic Blueprint outlines areas that DMIST will focus on **beyond allocations and give-ups**.

## DEVELOPING A ROADMAP FOR FUTURE STANDARDS

DMIST members established a plan to identify the next areas where standardization could improve operational efficiency.

This includes:

- Categorizing events across the trade flow and determining what inefficiencies exist in each **functional area** and for each type of market participant;
- Both pre- and post-trade activities; and
- Determining if an industry standard would eliminate or alleviate the inefficiency identified.

### Functional Areas

- Onboarding
- Order Entry & Execution
- Allocation & Clearing
- Reporting
- Matching & Reconciliation
- Margin & Collateral
- Brokerage, Commission, & Fee Processing
- Position Management & Lifecycle Events

**All standards development will include at least the following considerations:**

- ✓ Front-to-back workflow impact assessment and/or required development as part of implementing standard
- ✓ Technology, information and data
- ✓ Risk management
- ✓ Metrics

## DEVELOPING AWARENESS THROUGH INDUSTRY ENGAGEMENT

### Industry Outreach

Throughout 2023-24, DMIST members and staff reached out to other organizations to educate and update their members on DMIST initiatives.

DMIST representatives participated in panel discussions and organized meetings with non-DMIST market participants.

The DMIST Blueprint calls for further engagement and partnership with key external organizations.

### Leverage FIA Groups

Another DMIST Strategic Blueprint objective is to leverage existing FIA groups to provide input for DMIST initiatives, including:

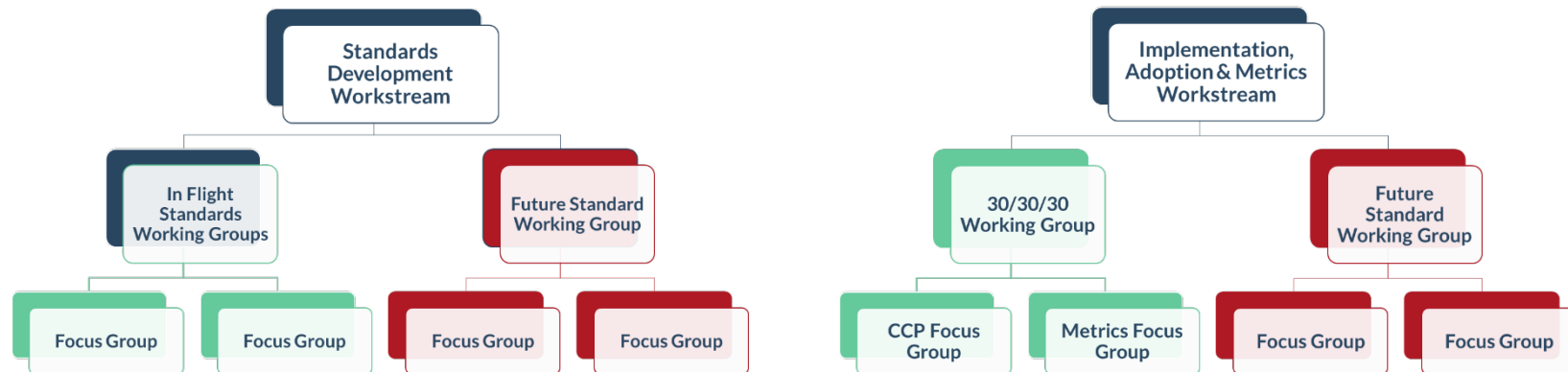
- FIA Operations & Technology Divisions/Committees in the US, Europe & Asia
- FIA Commodities Committees in the US & Europe
- FIA PTG & FIA EPTA

The Strategic Blueprint also addresses in-flight standards, organizational enhancements, membership recruitment, communication, marketing, and additional resources.

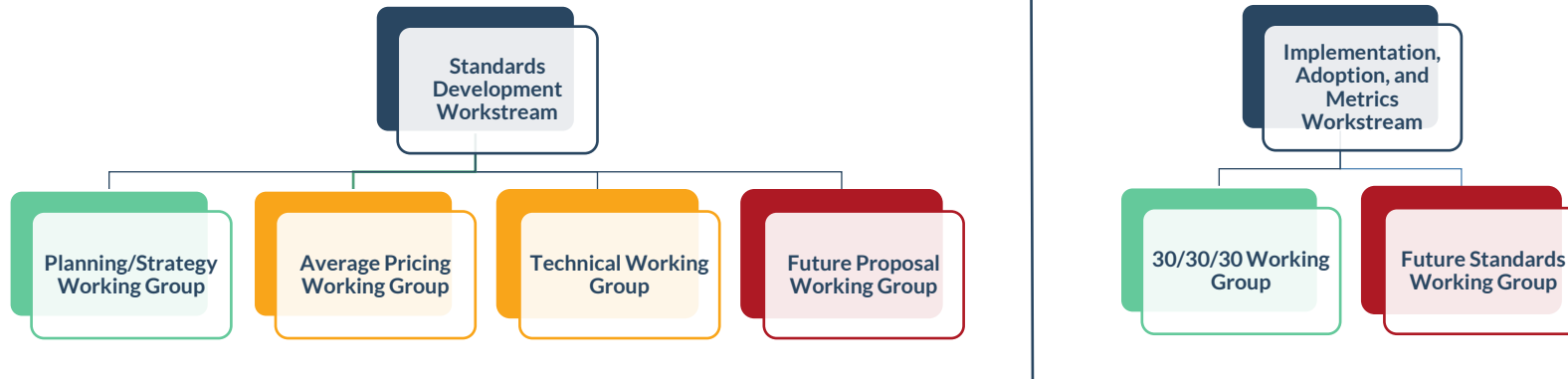
# ORGANIZATIONAL STRUCTURE – HOW WE WORK

DMIST standard development and implementation are divided into two Workstreams: (1) Standards Development; and (2) Implementation, Adoption and Metrics. A Workstream may have multiple Working Groups and each Working Group may have multiple Focus Groups. Focus Groups are formed as needed and include subject matter experts on a topic that needs additional development. The Focus Groups present their recommendations to the full Working Group.

## DMIST WORKSTREAMS



# 2024 IN-FLIGHT WORKING GROUPS



## PLANNING/STRATEGY WORKING GROUP



This group (1) identifies and prioritizes industry inefficiencies that could benefit from standardization for future standards development; (2) monitors progress on in-flight standards projects; and (3) is responsible for developing and maintaining the DMIST Blueprint.

Since it was established in January 2024, Working Group members have reviewed the functional areas to select their top three priorities for future standards development. The Working Group also agreed to identify future-state operational standards so that DMIST can start to track and prioritize these by bucket.

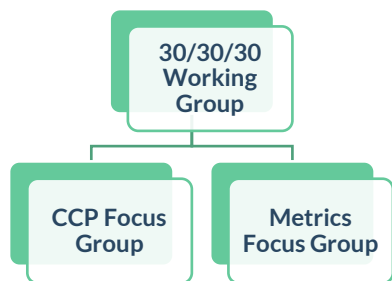
## 30/30/30 IMPLEMENTATION AND ADOPTION WORKING GROUP

Since DMIST published the *Improving the Timeliness of Trade Give-Ups and Allocations* Final Standard in June 2023, the 30/30/30 Working Group has been overseeing the implementation

of the Final Standard among both DMIST and non-DMIST members.

Its role is to determine what

issues are impacting adoption, finalize and monitor metrics that measure progress toward adoption, and serve as a resource for firms working toward implementation.



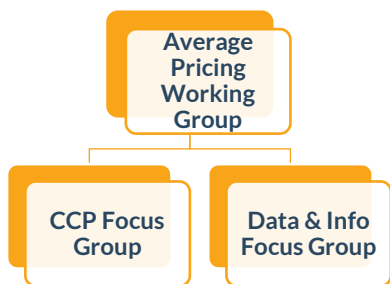
### 2023-24 Progress Report

Established a CCP Focus Group to agree how individual firm metrics would be developed and presented.

CCPs began providing executing and clearing brokers with reports that show their individual performance from the time the executing broker submitted the allocation instructions to the clearinghouse and the time the clearing broker accepted the trades. These metrics are for internal use only and not publicly available.

Began drafting an implementation template for firms that are not directly involved in DMIST.

## AVERAGE PRICING WORKING GROUP



One of the issues raised during the give-up and allocations consultation process was the lack of average price functionality across CCPs. Off-

CCP average pricing exists today because of: (1) lack of average price functionality available across CCPs globally; and (2) lack of consistency among the CCP offerings. It may be more efficient for a broker or client to average price all trades it executes using the same off-CCP average pricing methodology rather than manage the variety of ways in which CCPs approach average pricing.

Where on-CCP functionality does exist, it does not follow a consistent or standard approach.

The Working Group reviewed the comments received during the Consultation process and is drafting the Final Standard.

### 2023-24 Final Standard Preview

Provides a roadmap for CCPs to develop globally recognized average price functionality that includes standards for grouping functionality, allocation message fields, product grouping criteria, the number of decimal places in an averaged price, and other relevant information.

Asks CCPs to conform existing average pricing functionality to the standard.

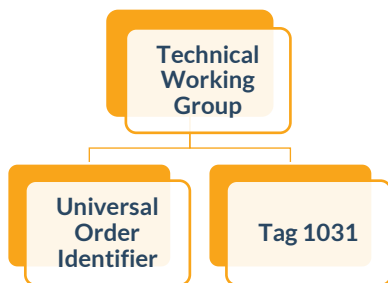
Describes data and information functionality needed to support the final standard, **e.g.**, 1) information that needs to persist through the lifecycle of a trade; **and** 2) a field that specifies an average price group reference.

Recommendation that executing brokers handle average pricing whenever practicable.

Encourages innovation in average pricing processing.

Where brokers/clients continue using off-CCP average pricing, provides optionality for them to align their systems with the same functionality.

## TECHNICAL WORKING GROUP



DMIST recognizes that both current and future standards initiatives may need adjustments to data and information fields.

The Technical Working Group was formed to identify areas where inconsistent data and information is impeding the adoption and adherence to the 30-30-30 Final Standard; however, addressing these gaps will also help alleviate some of the pain points in other operational processing areas. The Working Group’s primary focus in Q1 2024 was Universal Order IDs.

Technical Working Group Progress Report
Explored breaks in data flow impacting give ups and allocations.
Established a CCP Focus Group to identify how existing tags are used.
Established a Universal Order ID Focus Group that is considering options for an order identifier that would persist from order entry through clearing by: (1) using an existing field; or (2) establishing a new field.
Plans to submit a consultation paper for a Universal Order Identifier to the Sponsor Board.
Will also consider recommendations from the Average Pricing Working Group and publishing a consultation paper on Tag 1031.

# DMIST

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2001 K Street, NW  
Suite 725, North Tower  
Washington, DC 20006

Visit our [website](#).