



CONSULTATION QUESTIONS DMIST – LCH Response



1. Are there advantages to performing Average Pricing off-CCP versus on-CCP?

On-CCP AP is preferable as it benefits of trade registration and cross margin services (futures v swaps). Ease burden of FCMs for large position reporting and position change submissions (PCS).

2. Do you currently use Average Pricing functionality where offered by CCPs? If not, why not? Would you use on-CCP Average Pricing functionality if there were standards surrounding it?

3. Is there an optimal number of decimal places that should be used for on-CCP Average Pricing?

From LCH perspective, optimal would be 8 decimal places for rounded. 12 decimal places for unrounded.

4. What impediments exist for Clients, Executing Brokers, Clearing Brokers, Exchanges, CCPs and Vendors, 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?

No impediments for LCH – NVAP will be something we look at post launch, still unclear about 'Proposed Standard' #17, which is around Cash Residual transfers with Average Price give-up.

5. What products would you like to be able to group for Average Pricing purposes? Are there regulatory restrictions in any jurisdictions that prevent grouping certain types of transactions?

We would like to see EFPs be Average Priced. Also, scenarios where trades with mixed fee rates (same Trade Date) cannot be grouped (suspect it's too messy with regards to allocation).

6. What additional standards would be helpful to support or facilitate this proposed standard?

We would recommend a field at trade entry that specifies average price group reference. (At start rather than later in the process). This reduces message traffic between members and CCPs.

7. Are there regional-specific regulatory requirements relating to Average Pricing that need to be considered?

8. What trade-specific attributes (i.e., fees, Tag 1031, etc.) should remain available throughout Average Price processing (even if this creates additional records when grouping by a single Average Price)?

We recommend the following remain throughout the average price process: Original Trade Identifiers, Avg Px Group identifiers (see answer to #6 above), Tag 1031 (optional now, plans to make mandatory), Fee Rate.

9. How important is it to have CCPs add functionality to allow Executing and Clearing Brokers to prevent Average Pricing?