

Response to DMIST regarding Average Pricing Standard

This consultation response covers two entities at Nasdaq Inc.; Nasdaq Clearing AB (a CCP) & Nasdaq Technology (a global provider of CCP technology).

Nasdaq welcomes the DMIST proposed industry standard for Average Pricing and recognizes the need for greater standardization across central counterparties (CCPs) operating in exchange-traded derivatives.

We believe the proposed minimum standard Average Pricing functionality would provide clearing members with a consistent approach allowing for timely allocations and give-ups. However, specifically regarding the proposed standard #15 *'Offer Average Price alternative(s) (i.e., Notional Value Average Pricing)'*, we do not think it should be included in the standard. This is based on our view of the current adoption and demand for this method.

Please find below Nasdaq comments for each proposed standard:

Proposed standard	Nasdaq comment
1. Average Pricing functionality should be available for all products Phase 1	'All products' definition needs to be defined further
2. Average Pricing can be processed via API and CCP GUI Phase 1	Nasdaq agrees with the proposed standard.
3. No limit on the number of transactions which can be grouped for Average Pricing Phase 1	Nasdaq agrees with the proposed standard.
4. Both Executing Broker and Clearing Broker can perform Average Pricing Phase 1	Nasdaq agrees with the proposed standard.

<p>5. Original orders used for Average Pricing are referenced via audit trail (Original Trade Identifiers, Trade References, etc.) Phase 1</p>	<p>Nasdaq agrees with the proposed standard.</p>
<p>6. Consistent messages, with minimum data fields, are received from the Trading Venue/CCP for Average Price transactions Phase 1</p>	<p>Nasdaq agrees with the proposed standard.</p>
<p>7. Average Price trade adjustments only permitted by the original party who made the grouping request (any exceptions to be specifically enumerated) including T+1 adjustments Phase 1</p>	<p>Assumption: Definition of adjustment is reversing a merged (APT) back to the original trades (i.e. Undo).</p> <p>Nasdaq’s view is that adjustments should only be supported to correct an erroneous action by user and should not be regarded as BAU. Aligned with the time limit for other trade management actions (allocations, give-ups etc.) as well as functional limitation e.g. APT trade need to be in it’s original state (i.e. not been broken up), original account (i.e. the account in which the APT took place) are very welcomed.</p>
<p>8. Cash Residual field or data is not amendable Phase 1</p>	<p>Nasdaq agrees with the proposed standard.</p>
<p>9. Minimum number of decimal places to be used</p>	<p>Nasdaq agrees with the proposed standard.</p>

<p>for Average Price transactions (including to calculate variation margin (vs end-of-day settlement price)) Phase 1 (minimum of 7-8 decimal places supported) Phase 2 (minimum of 8 decimal places supported)</p>	
<p>10. All post-trade functions are permissible on Average Price transactions (splits, give-ups, etc.) Phase 1</p>	<p>Nasdaq agrees with the proposed standard.</p>
<p>11. Average Price trades available on CCP end-of-day reporting Phase 1</p>	<p>Nasdaq agrees with the proposed standard.</p>
<p>12. Cash Residuals defined on CCP end-of-day reports Phase 1</p>	<p>Nasdaq agrees with the proposed standard.</p>
<p>13. Timestamps for allocation and claim for Average Price transactions Phase 1</p>	<p>Nasdaq agrees with the proposed standard.</p>
<p>14. Support for performing Average Pricing across different trade types, i.e., block and order book transactions, when not prohibited by regulatory authorities Phase 2</p>	<p>Nasdaq agrees with the proposed standard.</p>

15. Offer Average Price alternative(s) (i.e., Notional Value Average Pricing) Phase 2	<p>We do not think this should be included in the standard. This is based on our view of the current adoption and demand for this method.</p> <p>If such functionality is included in the standard, it would have to be detailed further.</p>
16. Average Price Cash Residual visible on APIs and CCP GUI Phase 2	Nasdaq agrees with the proposed standard.
17. Cash Residual transfers with Average Price give-up Phase 2	Nasdaq agrees with the proposed standard.

Question	Nasdaq comment
1. Are there advantages to performing Average Pricing off-CCP versus on-CCP?	
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?	<p>We do not see there is an optimal number of decimal places, but it is important that the minimum number of decimal places is defined.</p>

<p>4. What impediments exist for Clients, Executing Brokers, Clearing Brokers, Exchanges, CCPs and Vendors, respectively, to meet the proposed standard?</p> <p>a. Are there certain transaction types of particular concern?</p> <p>b. Are there certain assets classes of particular concern?</p> <p>c. Will delivery and roll periods prove particularly challenging? If so, why?</p>	<p>b. Not all asset classes are used for Average Pricing, as some assets trade with much lower volumes and there is no average pricing need.</p>
<p>5. What products would you like to be able to group for Average Pricing purposes?</p> <p>Are there regulatory restrictions in any jurisdictions that prevent grouping certain types of transactions?</p>	
<p>6. What additional standards would be helpful to support or facilitate this proposed standard?</p>	
<p>7. Are there regional-specific regulatory requirements relating to Average Pricing that need to be considered?</p>	
<p>8. What trade-specific attributes (i.e., fees, Tag 1031, etc.) should remain available</p>	

throughout Average Price processing (even if this creates additional records when grouping by a single Average Price)?	
9. How important is it to have CCPs add functionality to allow Executing and Clearing Brokers to prevent Average Pricing?	