

Response to DMIST Regarding Position Transfers

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 newly proposed industry standard for Position Transfers and recognizes the need for greater standardization across all central counterparties (CCPs) operating in exchange-traded derivatives.

We believe the proposed standard would help CCPs, clearing members and clients to make position transfers more efficient and secure.

Questions to exchanges

Q: Should DMIST create a standard form for Clearing Members to request Exchange approval for Position Transfers involving a change in beneficial ownership?

We normally do not encounter this need in discussions with our customers. The only time we normally encounter a need for external approval is for some markets that would have limitations on foreign ownership, where the depository might need to approve a title of transfer. But that would not be the case for a derivative. In summary, we do not oppose this being introduced but it is not something we foresee using.

Questions for Clearinghouses

Q: Is the CCP Upload Functionality Template (Figure 3) missing information needed to complete a Position Transfer?

Q: Please share any recommendations, changes or challenges you would have in conforming to the data formats outlined in Figure 3.

After reviewing the CCP Upload Functionality Template, we have a few remarks regarding missing information and changes that we recommend:

Trade date

We believe the 'trade date' needs to be further clarified, since a 'trade date' would not be required for a full or partial position transfer when you are agnostic to what trades are being moved.

Nasdaq Clearing handles portfolio transfers in two ways; at trade level (moving position trade by trade at original trade price for each trade) **or** at position level (using previous day closing price, not considering the exact trades that formed the position).

In case the move is done at trade level, we assume that the trade date is the original trade date of each specific trade that should be moved.

Product Exchange

Normally a redundant information for a CCP, we suggest making it optional so that each individual CCP can determinate if they wish to use it

Exchange Contract Code, Contract Period, P/C, Strike Price

The exchange contract code normally includes information about all the other fields. In many cases we believe that these fields would introduce more risk in the file upload. We don't mind if all of them are in the standard, but the CCP should be able to determinate which of these fields are optional, and which are mandatory (where we believe Exchange contract code (the instrument series name) should be mandatory).

Price

Since Nasdaq Clearing handles transfers both at trade level (at original trade price) and position level (at previous day closing price), if only price is specified, it might not be clear whether trade level or position level transfer should be used. We believe that a price methodology would be needed as well (see Position transfer method / Price Methodology below).

A specific price would not be used in a position-based portfolio transfer, so it is important that the field is optional or accepted with a blank value.

Origination and receiving firm

This information would inherently be connected to the account, so we suggest making these optional so each CCP can decide if they wish to use them or not.

Originating and receiving account

We expect this to be the full account name the way it is specified at the CCP.

Reason for transfer

We support this inclusion even though Nasdaq is not using it today. We have observed that some CCPs might have standardized choices that they would require, so even if it is an optional field, some CCPs might require it and make it mandatory for their business.

Q: Are there roadblocks that would prevent a CCP from conforming to headers according to the recommended format listed in Figure 3?

No remarks

Q: Do roadblocks exist that would prevent a CCP from accepting the data in the order in which it is listed in Figure 3?

No, Nasdaq would be able to adapt to the suggested format and order of the data.

Q: Additional Comments

Other information unique to CCP

If transfer is done at trade level (original trade date/price), trade number should be included to identify specific trades to be transferred.

Nasdaq do not today see a need for more fields but think it might be good to add a few other information fields so that a CCP or their technology vendor has the possibility to add more information if the technical implementation requires more input, such as 'Other 1', 'Other 2' etc.

Position transfer method / Price Methodology

The file should specify what transfer method to use for a specific position (as specified in Figure 2 #13 and #14).

Other roadblocks

Nasdaq does not recommend the use of today's closing price for moving a position, meaning the transfer would need to be executed after prices have been set. As this would happen in the after-business, processing, operational disturbances could impact and cause timing problems. A transfer with today's closing price could instead be executed in the morning before markets open (with the previous day's closing price), and that would have the equivalent effect. This can also be regulated in the CCP rulebook, so this is not a big issue.

After market implementation any planned changes in the format should be notified with ample time to introduce changes in the CCP system, otherwise the standard templates will not work over time.

Summary

Nasdaq is supportive of the proposed standard, but we think that some changes and clarifications are necessary to ensure an efficient process for position transfers amongst market participants.