
FIA SIFMA Asset Management Derivatives Forum Summary

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From Laurence Jones, FIX Americas Regional Director & Co-Chair, FIX Global Post-Trade Working Group

FIX recently attended the FIA SIFMA Asset Management Derivatives Conference, a 3-day event held in Laguna, CA. The 8th year of the event, it continues to have a great agenda covering trading & execution, clearing and collateral, risk management as well as the all-important and forever more relevant pre-trade and post-trade sessions.

The event kicked off with the regular Women in Derivatives (WIND) networking luncheon, featuring several prominent figures in the industry who gave an update on market regulation, market structure and what to expect in 2023 and 2024 from Washington DC. One key point was the view that Congress will continue to look harder at the crypto markets, and that the SEC will of course be more engaged, with some recent focus on other industry participants after the FTX collapse.

Further rule proposals are due from the SEC this quarter, as well as 30+ new proposals expected from the CFTC in the second half of 2023.

Increased focus on digital assets

Digital assets featured on the main stage. Despite increased volatility in 2022 in digital assets, volumes in 2023 are reportedly on the increase and the diversity across crypto currency trading is widening. Bitcoin is no longer the stand-alone asset viewed by capital markets firms, with Ethereum and other larger coins making their way into the spotlight. Plenty of challenges remain, with the self-custody model (which exists widely in the retail space) not offering institutional participants the same level of risk management and control they need. New technology into old practices will always create challenges and processes may need to change instead of looking to push these assets into existing infrastructure.

A very interesting and thought-provoking keynote by Lamont Black, a professor at DePaul University in Chicago and an ex-economist at the Federal Reserve in DC, on crypto and its place in capital markets. A very interesting way to explain crypto was through the 'MAP to Cryptocurrency', (MAP = Money, Asset, Platform) which breaks down the core components of the product, its value and its use cases alongside the technology that underpins it.

Other areas of regulatory focus

A topic of focus on the SEC regulation panel was on the proposed clearing of US Treasuries. After the thinning and stressing of liquidity through 2020m the clearing mandate proposal has been taken more seriously. Today there is only one venue, the FICC, that supports the clearing of US Treasuries. The speakers all agreed that whilst there is benefit to clearing, the size and scale of the market would present many challenges across risk management, liquidity, and overall trading strategy.



A current initiative that is being looked at within FIX in its Securities Lending Working Group is Rule 10c-1, an SEC proposal that would require levels of reporting of securities lending transactions, with the frequency driven from certain criteria. Whilst there is no date or final proposal for a mandate, this would require the industry to continue to work together with standards groups and associations to ensure there is a collaborative effort to deliver.

Developments in pre- and post-trade workflows

Another interesting session was on pre-trade. Pre-trade is all about being 'Ready to Trade' ensuring that there are no risks or errors introduced into the trade lifecycle. There have been substantial advances in technology to help digitize documentation, and AI and ML have also added value to the process. It was raised however that some processes around documentation management and onboarding are not standardized and need better integration with participants' internal platforms.

The FIA's new standards group, DMIST, was the focus of the post-trade session. The 30/30/30 standard has been finalized and the industry is already benefiting from early adoption of the new standard timeline. At some firms there are still 'small armies' of people managing back and forth processing and communication, which could benefit from adopting standards and looking for more automation.

Lou Rosato, Co-Chair FIX Americas Committee, and Director, Investment Operations at Blackrock, referenced the FIX standards that are widely adopted in order and execution workflow, and how FIX can be adopted by more participants in post-trade workflows. The messaging for the allocation and confirmation workflow is there and can be used today, and the continued involvement of FIX in industry initiatives like DMIST is paramount to success of these initiatives, to ensure standards are set and adopted.

Wrapping up

A very interesting session with an incredible set of speakers was on expanding a diverse pipeline of talent. Speakers gave key statistics, such as 20% of the world population has a disability. Companies are reportedly 35% more profitable when they are more diverse and include people with disabilities. The speakers in the round table all stressed the importance of diversity and inclusion, and the importance of being flexible and to cater to those who need more support or services in the workplace.

We would also like to extend the recognition of an industry figurehead and thank Ila Eckhoff, Managing Director, BlackRock, for her efforts and contribution that has been made to the FIX Community over her career. Ila recently announced her plans to retire this year, and without individuals like Ila the FIX Community would not have been able to grow and deliver on the objectives it has over the last 20+ years.

As expected, a great event with lots of great networking opportunities. FIX is holding its first Americas event of 2023 on April 20th in New York City where there will be lots of discussion continuing from the themes from FIA SIFMA. We regularly welcome new firms to the community that wish to adopt FIX and enhance their business models by using FIX, and to contribute to the regular discussions and forums that keep FIX moving forward and at the forefront of capital markets workflows.

If you would like to learn more, please contact us at fix@fixtrading.org.

