

## Investment Roadmap Frequently Asked Questions

### **1. What is the motivation and purpose of this investment roadmap collaboration between FpML, FIX, SWIFT and ISITC?**

Because the financial community is a vast one, encompassing institutions across the globe that deal with diverse asset classes, different organizations have traditionally been responsible for developing their own messaging schemes. Today, financial firms often combine a great range of trading activities. Therefore, the messaging standards from different organizations often intersect, but remain incompatible.

Within the financial services industry, there are multiple standards being used, hence the desire to ensure some level of interoperability. It is clear that the FIX Protocol is the *de facto* standard for pre-trade and trading, that FpML is the *de facto* standard for OTC Derivatives and that ISO is the *de facto* standard for settlement. We need an approach that leverages and includes these standards into a broader framework without reinventing and creating redundant messages that increase implementation costs and cause confusion for the industry.

The purpose of the collaboration between these organizations is to produce a consistent direction for financial services messaging standards and communicate that direction clearly. This will allow the industry to spend its money more wisely.

### **2. What is the overall role of each of the standard bodies / organizations involved in this collaboration?**

FpML (Financial products Markup Language) is the freely licensed business information exchange standard for electronic dealing and processing of privately negotiated derivatives and structured products.

FIX (Financial Information eXchange) is a globally-recognized messaging standard enabling the electronic communication of pre-trade, trade, and post-trade/pre-settlement messages between financial institutions, primarily investment managers, broker-dealers, ECNs and exchanges.

SWIFT (Society for Worldwide Interbank Financial Telecommunication) is the industry-owned co-operative supplying secure, standardized messaging services and interface software to banks, broker/dealers and investment managers, as well as their market infrastructures in payments, securities, treasury and trade.

ISITC (International Securities Association for Institutional Trade Communication) is an industry association that collaborates to develop and promote market practice and shared standards in the global securities industry in order to reduce inefficiencies, lower risk, and build shareholder value. ISITC was extremely helpful in giving a neutral perspective throughout this entire process.

### **3. How is the investment roadmap organized?**

The Investment Roadmap is broken down in a grid by two types of criteria – functional category areas (vertical axis) and asset classes (horizontal axis). The map is color coded for each messaging standard (orange for FIX, green for ISO, and yellow for FpML), or combination thereof. For example, FIX is a recognized standard for the pre-trade area in equities; therefore the corresponding cell in the Roadmap grid is colored orange.

Prior to being able to allocate specific business functions to messaging protocols / standards within asset classes, it was necessary to first define the specific functional categories and the specific elements within them. The group completed this exercise and the functional categories defined were as follows:

- Pre-Trade - covers all activity which occurs prior to a trade. Examples of pre-trade activity are indications of interest (IOI), trade advertisements, quotes and market data (in support of trade through post-trade functions, i.e. market data dissemination, instrument identifiers, descriptive data, attributes, rates, codes and contact data, etc.).
- Trade - entails the order and execution processes, including order management, order routing and trade execution.
- Post-Trade - covers all activity after execution up until clearing and pre-settlement begins.
- Clearing/Pre-Settlement - denotes all activities from the time confirmation is made for a transaction until settlement begins. In theory, this includes the management of post-trading, pre-settlement credit exposure, ensuring trades are settled in accordance with market rules.
- Asset Servicing – includes administration activities performed for others, e.g. processing of corporate actions, tax reclaims and portfolio valuation.
- Settlement - can be simply defined as the actual exchange of obligations (cash, securities, others). Settlement is the next step in the trade lifecycle after clearing / pre-settlement.
- Pricing/Risk/Reporting – includes Tax Management, Income Collection, Risk Management, etc.

The asset classes covered were Cash Equities and Fixed Income, Foreign Exchange, Listed Derivatives, OTC Derivatives, and Funds.

#### **4. Why is there usage of multiple standards in some areas as indicated by the cross hatching?**

The goal in supporting this redundancy at the message syntax level is to create an environment where users predominately using one of the syntaxes, do not have to adopt an additional standard and the resulting infrastructure costs for a subset of business processes. To take one example, the post-trade space, both FIX and ISO syntaxes are supported by the roadmap. For buy-side to sell-side, whether post-trade will be FIX or ISO largely depends on who within the buy-side firm is driving STP (Straight Through Processing) initiatives. If the initiative is driven by the front-office they will likely already have an investment in FIX and it will be easier to implement post-trade functions via FIX. If the initiative is driven by the back-office (as is the case with some investment managers) they will likely be using ISO 15022 and eventually ISO 20022, making it less expensive to automate post-trade using ISO messaging. The ultimate success in terms of improving efficiencies and driving out costs will come from the commitment by these roadmap participants in creating a single model from which the various messaging syntaxes and supporting technologies can be derived.

#### **5. What is the plan going forward?**

The organizations will continue to meet on a consistent basis going forward to ensure the roadmap continues to accurately depict the current as well as future standards environment.

*We will continue to build onto this list of FAQs as queries come through so please send any questions through to [roadmap@fixprotocol.org](mailto:roadmap@fixprotocol.org). This will be sent to all parties from FpML, FPL, SWIFT and ISITC that were involved in the overall effort.*