

FIX Trading Community
One Angel Court
London EC2R 7HJ

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

12th September 2023

Re: Consultation on the first Financial Market Infrastructure Sandbox (Digital Securities Sandbox)

Dear sirs,

The FIX Trading Community is the industry-driven standards body whose standards underpin the global electronic trading community. We have been producing technical and business standards for nearly thirty years under the direction of our global membership of 300 financial and fintech firms. We welcome your consultation on the Digital Securities Sandbox. We have reviewed this and, rather than issue a full response, wish simply to make some observations and offer assistance, particularly in the areas of interoperability and standards.

Firstly, we would like to emphasise the importance of standards for identification and classification of instruments under the DSS. For example:

- Any requirements pertaining to statistics (such as the proposal to set and/or monitor limits under paragraphs 2.28 and 2.29, question 7), regulatory reporting or order record keeping imply a requirement for a clear and unambiguous instrument identification schema,
- The proposal for typology (paragraph 4.8, question 37) requires standards for classifying instruments. We note that there are multiple taxonomies in use today. One or more of these may support this proposal, or an entirely new taxonomy may be required.

We have experience of bringing industry participants and, where appropriate, the regulatory community, together to solve problems on this nature, either through our own standards or through assisting with the development or adoption of standards from other bodies (notably ISO, where we have provided support for the development of the Digital Token Identifier standard).

Secondly, we would like to reinforce the statements made in the consultation regarding the need for standards to support interoperability and adoption. The FIX Protocol was created to solve the proliferation of bespoke interfaces for electronic trading, and in so doing helped electronic trading grow by eliminating barriers, reducing costs and creating common practices. Our Digital Assets & Technology Committee is looking to define standards for digital assets across the entire trade lifecycle, with interoperability as its primary goal. Our long experience of this type of work has taught us three things:

- Standards carry the most weight when they are developed under a global framework and have buy-in from as many firms in as many jurisdictions as possible.
- Standards must be developed in a neutral and open manner and be guaranteed to be free to use.
- Standards must be developed in support of regulatory frameworks and with consultation with regulatory bodies.

Though question 34 of the consultation is broader than this, we would like to offer the above comments in the context of standards, suggest that any cross-industry body be given standards as an integral part of its mandate, and offer our assistance and expertise in the definition and maintenance of such standards. We strongly advise against a UK-only approach to standards definition and governance, arguing that this will create frictions in the longer term with the potential to undermine some of the benefits of this initiative.

We would very much like to discuss our thoughts on these points with you and explore with you how the collective knowledge and experience of our members can assist with this initiative.

Yours sincerely,

Jim Kaye

Executive Director
FIX Trading Community
