Global Technical Committee

SEF Credit Limits

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Table of Contents

Table of Figures

Document History

Revision	Date	Author	Revision Comments
0.1	October 16, 2013	Ryan Pierce, CME Group Niranjana Sharma, CME Group	Initial revision.
0.2	November 15, 2013	Ryan Pierce, CME Group	Revised following October 17, 2013 GTC meeting as follows: Modified description for RefRiskLimitCheckIDType(2335). Added Proposed Message Flow text.
ASBUILT	Jan. 16, 2014		ASBUILT created

1 Introduction

Dodd-Frank implementation of Swap Execution Facility (SEF) rules requires more transparency and flexibility to existing credit models already supported by FIX, as well as interoperability of new entities known as credit hubs that allow firms to manage risk across multiple SEFs. This gap analysis proposes a number of enhancements to facilitate such reporting.

1.1 Summary of Proposed Changes

- Modifies the description of RefRiskLimitCheckID(2334) and adds an enumeration to RefRiskLimitCheckIDType(2335).

- Adds RefRiskLimitCheckID(2334) and RefRiskLimitCheckIDType(2335) to Allocation Instruction(35=J) and Allocation Report(35=AS) messages, and TrdCapRptSideGrp component.

- Adds new fields AllocRefRiskLimitCheckID(TBD2392), AllocRefRiskLimitCheckIDType(TBD2393) to TrdAllocGrp and AllocGrp components.

- Extends enumerations of RiskLimitCheckStatus(2343).

- Added new fields LimitUtilizationAmt(TBD2394), LimitAmt(TBD2395), and LimitRole(TBD2396) to LimitAmts component and adjusted comments on field usage in the component accordingly.

2 Business Requirements

2.1 Support for Credit Hub status indications

The RiskLimitCheckStatus(2343) field currently indicates a number of states useful for post-trade credit checking. This gap analysis proposes adding three new enumerations to the field to indicate status related to a credit hub. Note that usages below are not exclusive but intended as examples:

- Accepted by credit hub. This indicates that a credit hub accepted the trade. A trade may be submitted to a DCO for clearing with this present, or it may be used should the DCO inquire with a credit hub on the firm's behalf prior to accepting the trade for clearing.
- Rejected by credit hub. This indicates that a credit hub rejected the trade. It may be used should the DCO inquire with a credit hub on the firm's behalf, and the result was negative.
- Pending credit hub check. This indicates that a check is pending at a credit hub. It may be used should the DCO inquire with a credit hub on the firm's behalf, and the request is still pending.

2.2 Support for Credit Hub identifiers

To provide transparency and traceability of credit checks performed by credit hubs throughout the lifecycle of a trade, one must indicate both an identifier assigned by the credit hub as well as the identity of the credit hub.

The identity of the credit hub can be established using the party role of Intermediary (20) coupled with the newly introduced party role qualifier of Hub (8).

To support providing the credit hub assigned ID for the trade, this gap analysis proposes adding:

- RefRiskLimitCheckID(2334) and RefRiskLimitCheckIDType(2335) to the TrdCapRptSideGrp component. This, along with the Parties component within the TrdCapRptSideGrp component, allows specifying the unique identifier assigned by the credit hub and the identity of the credit hub for each side of a trade.

- RefRiskLimitCheckID(2334) and RefRiskLimitCheckIDType(2335) to the Allocation Instruction(35=J) and Allocation Report(35=AS) messages. This, along with the Parties component within the Allocation Instruction(35=J) and Allocation Report(35=AS) messages, allows specifying the unique identifier assigned by the credit hub and the identity of the credit hub for the executing or give-up firm.

- AllocRefRiskLimitCheckID(TBD2392), AllocRefRiskLimitCheckIDType(TBD2393) to the AllocGrp component. This, along with the NestedParties component within the AllocGrp component, allows specifying the unique identifier assigned by the credit hub and the identity of the credit hub for each claiming or take-up firm referenced in the allocation in the Allocation Instruction(35=J) and Allocation Report(35=AS) messages.

- AllocRefRiskLimitCheckID(TBD2392), AllocRefRiskLimitCheckIDType(TBD2393) to the TrdAllocGrp component. This, along with the NestedParties2 component within the TrdAllocGrp component, allows specifying the unique identifier assigned by the credit hub and the identity of the credit hub for each claiming or take-up firm referenced in each allocation within the Trade Capture Report(35=AE) message.

Currently, RefRiskLimitCheckID(2334) and RefRiskLimitCheckIDType(2335) only support indicating IDs that are carried on the PartyRiskLimitCheckRequest(35=DE) message. As a credit hub may use a protocol other than FIX, support for an out of band identifier is necessary. This gap analysis modifies the definition of RefRiskLimitCheckID (2334)and adds an enumeration to RefRiskLimitCheckIDType(2335) to support out of band identifiers.

This gap analysis does not restrict the usage or flow of this information. One possible use would be for a firm reporting a trade or allocation to a DCO for clearing to indicate the credit hub and ID of the credit check transaction to prove that the firm has adequate credit for the trade or allocation.

2.3 Support for a SEF Auto Acceptance Rule

On September 26, 2013 the CFTC provided "Staff Guidance on Swaps Straight-Through Processing" mandating pre-execution risk management by Clearing FCMs. "Regulation 1.73(a)(2)(i) states that when a Clearing FCM provides electronic market access to a DCM or SEF or accepts orders for automated execution on a DCM or SEF, it shall use automated means to screen orders for compliance with such risk-based-limits." So when a DCO receives a trade for clearing executed on a SEF, it may assume that the Clearing FCM already performed risk limit checking and accept the trade for clearing directly, without requiring any claim process or check of the customer's credit limit.

This gap analysis proposes extending RiskLimitCheckStatus(2343) with two new enumerations to support this:

- TBD 13 = Accepted by execution venue. This indicates acceptance by an execution venue, such as a SEF, and could be used in the scenario above. A Clearing FCM receiving such a message would know that the trade already passed credit checks, and no additional action, such as claiming the trade, would be required for it to clear.

- ~~TBD~~ 14 = Rejected by execution venue. This indicates that the trade was rejected by an execution venue, such as a SEF. While a DCO probably would not receive a trade should such a situation occur, this enumeration is added for completeness.

2.4 Additional Limit Amount Transparency

The existing LimitAmts component in the TrdCapRptSideGrp component of the Trade Capture Report message provides a means to show the real time effect of each trade upon the established risk limit or limits. It supports expressing the type of the limit in LimitAmtType(1631), the amount of the limit consumed by the trade in question, assuming it clears, in LastLimitAmt(1632), and the amount of the limit remaining in LimitAmtRemaining(1633), as well as the currency. This gap analysis provides additional information, including:

- The actual limit itself in LimitAmt(~~TBD~~2395).

- The total amount of the limit utilized in LimitUtilizationAmt(~~TBD~~2394). Note that trades considered pending are not included in this amount. This means that the amount of the limit that this trade would utilize if it cleared, as expressed in LastLimitAmt(1632), may or may not be included in LimitUtilizationAmt(2394).

- The scope of the limit in LimitRole(~~TBD~~2396). This uses the PartyRole(452) enumerations. It allows multiple limits of the same LimitAmtType(1631) to exist and be reported concurrently, such as a trading firm limit, a customer account limit, and a clearing firm limit.

3 Issues and Discussion Points

No issues.

4 Proposed Message Flow

This gap analysis does not introduce any new flows, but rather builds upon flows already defined in the Futures Industry Association Pre-Trade Credit Limit Check Enhancements gap analysis. This gap analysis only provides post-trade transparency to checks conducted pre-trade.

For example, the Pre-Trade gap analysis defined a Ping Model whereby a SEF consults with a "Limit Checker", such as a credit hub, to determine if sufficient credit for the user is available, and to reserve said credit. Assuming success, the SEF executes the trade, and the SEF submits the trade for clearing to a clearing house via a Trade~~Capture~~Report(35=AE). It would set RiskLimitCheckStatus(2343) to "Accepted by credit hub." The SEF could use the fields RefRiskLimitCheckID(2334) and RefRiskLimitCheckIDType(2335), added by this gap analysis to the Trade~~Capture~~Report(35=AE), as well as the identity of the credit hub to provide transparency surrounding the pre-trade check. The clearing house can, upon clearing the trade, report it to the FCM and include this same information. Thus, the pre-trade credit check can pass straight through to post-trade, providing transparency and traceability.

While the Pre-Trade gap analysis concerned itself with defining an in-band mechanism for the credit check to occur, the Ping Model could just as easily work using a proprietary protocol. This gap analysis similarly can provide for post-trade transparency of the credit check; the only difference is that the SEF would send the "Out of band identifier" enumeration in RefRiskLimitCheckIDType(2335) to indicate that the identifier provided in RefRiskLimitCheckID(2334) is external to FIX.

Also, a SEF does not need to disclose the identity of the credit hub or any transaction ID corresponding to the credit check. The SEF might not use a credit hub at all. A SEF could submit a trade for clearing to a clearing house and set RiskLimitCheckStatus(2343) to "Accepted by execution venue." The clearing house then clears the trade and passes ~~RiskLimitCheckStatus~~ RiskLimitCheckStatu(2343) through to the FCM.

5 FIX Message Tables

5.1 FIX Message AllocationInstruction

To be completed at the time of the proposal – all information provided will be stored in the repository	
Message Name	AllocationInstruction
Message Abbreviated Name (for FIXML)	AllocInstrctn
Category	Allocation
Action	__New _X_Change
Message Synopsis	The Allocation Instruction message provides the ability to specify how an order or set of orders should be subdivided amongst one or more accounts. In versions of FIX prior to version 4.4, this same message was known as the Allocation message. Note in versions of FIX prior to version 4.4, the allocation message was also used to communicate fee and expense details from the Sellside to the Buyside. This role has now been removed from the Allocation Instruction and is now performed by the new (to version 4.4) Allocation Report and Confirmation messages.,The Allocation Report message should be used for the Sell-side Initiated Allocation role as defined in previous versions of the protocol.
Message Elaboration	
To be finalized by FPL Technical Office	
(MsgType(tag 35) Enumeration	35=J
Repository Component ID	[ID=19]

Tag	Field Name	Req'd	ICR	Action	*Mappings and Usage Comments*	*FIX Spec Comments*
	Standard Header	Y	■			MsgType = J
<...truncated...>						
2334	RefRiskLimitCheckID	N		ADD		
2335	RefRiskLimitCheckIDType	N		ADD		
	Standard Trailer	Y	■			

5.2 FIX Message AllocationReport

To be completed at the time of the proposal – all information provided will be stored in the repository	
Message Name	AllocationReport
Message Abbreviated Name (for FIXML)	AllocRpt
Category	Allocation
Action	__New _X_Change
Message Synopsis	Sent from sell-side to buy-side, sell-side to 3rd-party or 3rd-party to buy-side, the Allocation Report (Claim) provides account breakdown of an order or set of orders plus any additional follow-up front-office information developed post-trade during the trade allocation, matching and calculation phase. In versions of FIX prior to version 4.4, this functionality was provided through the Allocation message. Depending on the needs of the market and the timing of "confirmed" status, the role of Allocation Report can be taken over in whole or in part by the Confirmation message.
Message Elaboration	
To be finalized by FPL Technical Office	
(MsgType(tag 35) Enumeration	35=AS
Repository Component ID	[ID=78]

Tag	Field Name	Req'd	ICR	Action	*Mappings and Usage Comments*	*FIX Spec Comments*
	Standard Header	Y	■			MsgType = AS
<...truncated...>						
2334	RefRiskLimitCheckID	N		ADD		
2335	RefRiskLimitCheckIDType	N		ADD		

Tag	Field Name	Req'd	ICR	Action	Mappings and Usage Comments	FIX Spec Comments
	Standard Trailer	Y	■			

6 FIX Component Blocks

6.1 Component TrdCapRptSideGrp

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	TrdCapRptSideGrp
Component Abbreviated Name (for FIXML)	RptSide
Component Type	_X_ Block Repeating ___ Block
Category	TradeCapture
Action	__New _X_Change
Component Synopsis	
Component Elaboration	
To be finalized by FPL Technical Office	
Repository Component ID	[ID=2061]

Component FIXML Abbreviation: <TrdCapRptSideGrp>						
Tag	Field Name	Req'd	ICR	Action	Mappings and Usage Comments	Comments
552	NoSides	Y				
<...truncated...>						
➔ 2334	RefRiskLimitCheckID	N		ADD		
➔ 2335	RefRiskLimitCheckIDType	N		ADD		
</TrdCapRptSideGrp>						

6.2 Component TrdAllocGrp

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	TrdAllocGrp
Component Abbreviated Name (for FIXML)	Alloc
Component Type	_X_ Block Repeating ___ Block
Category	TradeCapture
Action	__New _X_Change
Component Synopsis	
Component Elaboration	
To be finalized by FPL Technical Office	
Repository Component ID	[ID=2060]

Component FIXML Abbreviation: <TrdAllocGrp>						
Tag	Field Name	Req'd	ICR	Action	*Mappings and Usage Comments*	Comments
78	NoAllocs	Y				
<...truncated...>						
➔	~~TBD~~2392 AllocRefRiskLimitCheckID	N		NEW		
➔	~~TBD~~2393 AllocRefRiskLimitCheckIDType	N		NEW		
</TrdAllocGrp>						

6.3 Component AllocGrp

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	AllocGrp
Component Abbreviated Name (for FIXML)	Alloc
Component Type	_X_ Block Repeating ___ Block
Category	TradeCapture
Action	__New _X_Change
Component Synopsis	
Component Elaboration	
To be finalized by FPL Technical Office	
Repository Component ID	[ID=2003]

Component FIXML Abbreviation: <AllocGrp>						
Tag	Field Name	Req'd	ICR	Action	Mappings and Usage Comments	Comments
78	NoAllocs	Y				
<...truncated...>						
➔	~~TBD~~2392 AllocRefRiskLimitCheckID	N		NEW		
➔	~~TBD~~2393 AllocRefRiskLimitCheckIDType	N		NEW		
</AllocGrp>						

6.4 Component LimitAmts

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	LimitAmts
Component Abbreviated Name (for FIXML)	LmtAmts
Component Type	_X_ Block Repeating ___ Block
Category	Common
Action	__New _X_Change
Component Synopsis	
Component Elaboration	
To be finalized by FPL Technical Office	
Repository Component ID	[ID=1065]

Component FIXML Abbreviation: <LimitAmts>							
Tag	Field Name		Req'd	ICR	Action	Mappings and Usage Comments	Comments
1630	NoLimitAmts		Y				Number of limit amount occurences.
→	1631	LimitAmtType	N		CHANGE		Conditionally rRequired when NoLimitAmts > .0
→	1632	LastLimitAmt	N		CHANGE		Either LastLimitAmt(1632) or LimitAmtRemaining(1633) or LimitUtilizationAmt(TBD2394) must be specified when NoLimitAmts > 0.

→	1633	LimitAmtRemaining	N		CHANGE		Either LastLimitAmt(1632) or LimitAmtRemaining(1633) or LimitUtilizationAmt(TBD2394) must be specified when NoLimitAmts > 0.
→	TBD2394	LimitUtilizationAmt	N		NEW		Either LastLimitAmt(1632) or LimitAmtRemaining(1633) or LimitUtilizationAmt(TBD2394) must be specified when NoLimitAmts > 0.
→	TBD2395	LimitAmt	N		NEW		
→	1634	LimitAmtCurrency	N				
→	TBD2396	LimitRole	N		NEW		
</LimitAmts>							

7 Category Changes

No changes.

Appendix A - Data Dictionary

Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
2334	RefRiskLimitCheckID	CHANGE	String	The reference identifier of the PartyRiskLimitCheckRequest(35=~~TBD~~DF) message, or a similar out of band message, that contained the approval for the risk/credit limit check request.	@RefRiskLmtID	
2335	RefRiskLimitCheckIDType	CHANGE	int	Specifies which type of identifier is specified in RefRiskLimitCheckID(2334) field. Valid values: 0 = RiskLimitRequestID(1666) 1 = RiskLimitCheckID(2319) 2 = Out of band identifier	@RefRiskLmtIDTyp	
2343	RiskLimitCheckStatus	CHANGE	int	Indicates the status of the risk limit check performed on a trade. 0 = Accepted [Elaboration: For use when none of the more specific status enumerations apply.] 1 = Rejected [Elaboration: For use when none of the more specific status enumerations apply.] 2 = Claim required. [Elaboration: Indicates that the clearing firm is required to accept or decline the trade.] 3 = Pre-defined limit check succeeded. [Elaboration: Indicates a check enforced automatically by the clearing house.]	@RiskChkStat	

| | | | | 4 = Pre-defined limit check failed. [Elaboration: Indicates a check enforced automatically by the clearing house.] 5 = Pre-defined auto-accept rule invoked. [Elaboration: Indicates that the clearing firm is required to accept or decline the trade because no limit or rule applies.] 6 = Pre-defined auto-reject rule invoked. [Elaboration: Indicates a check enforced automatically by the clearing house. Note that clearing house rules of engagement may still require a clearing firm accept or reject the trade.] 7 = Accepted by clearing firm. [Elaboration: Indicates that explicit action by the clearing firm, and not an automatic check by the clearing house, was the basis for accepting the trade.] 8 = Rejected by clearing firm. [Elaboration: Indicates that explicit action by the clearing firm, and not an automatic check by the clearing house, was the basis for rejecting the trade.] 9 = Pending [Elaboration: Indicates that one or more side level risk checks are in progress.] ~~TBD~~ 10 = Accepted by credit hub. [Elaboration: Indicates that a credit hub accepted the trade. An ~~ID~~ identifier assigned by the credit hub may appear in the appropriate RefRiskLimitCheckID(2334) field.] ~~TBD~~ 11 = Rejected by credit hub. | | |

				[Elaboration: Indicates that a credit hub rejected the trade.] TBD 12 = Pending credit hub check. [Elaboration: Indicates that a check is pending at a credit hub.] TBD 13 = Accepted by execution venue. [Elaboration: Indicates acceptance by an execution venue, such as a SEF.] TBD 14= Rejected by execution venue. [Elaboration: Indicates that the trade was rejected by an execution venue, such as a SEF.]		
TBD23 92	AllocRefRiskLimitCh eckID	NEW	String	The reference identifier to the PartyRiskLimitCheckRequest(35=DF), or a similar out of band message, message that contained the approval or rejection for risk/credit limit check for this allocation.	@RefRiskLmtCh kID	Add to Component: TrdAllocGrp AllocGrp
TBD23 93	AllocRefRiskLimitCh eckIDType	NEW	int	Specifies which type of identifier is specified in AllocRefRiskLimitCheckID(TBD2392) field. [Uses enums from RefRiskLimitCheckIDType(2335).]	@RefRiskLmtCh kIDTyp	Add to Component: TrdAllocGrp AllocGrp
TBD23 94	LimitUtilizationAmt	NEW	Amt	The total amount of the limit that has been drawn down against the counterparty. This includes the amount for prior trades. It may or may not include the amount for the given trade, specified in LastLimitAmt(1632), depending upon whether the given trade is considered pending.	@LmtUtilztnAm t	Add to Component: LimitAmts
TBD23	LimitAmt	NEW	Amt	The limit for the counterparty. This	@LmtAmt	Add to Component:

95				represents the total limit amount, independent of any amount already utilized.		LimitAmts
~~TBD23~~96	LimitRole	NEW	int	Indicates the scope of the limit by role~~.,~~ [Elaboration: ~~e.g.~~Used to indicate whether this is a customer account limit, a clearing firm limit, etc.] Uses enums from PartyRole(452).	@LmtR	Add to Component: LimitAmts

Appendix B - Glossary Entries

Term	Definition	Field where used

Appendix C - Abbreviations

Term	Proposed Abbreviation	Proposed Messages, Components, Fields where used
Utilization	Utilztn	RiskLimitUtilizationAmount(1765)

Appendix D - Usage Examples

[Examples may be entered below this line]