



EMEA Business Practices Sub-committee

Proposed Changes to IOI Messaging to Support AFME/IA Framework

November 28, 2016

Revision 0.1

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Primary Contact Person	Jim Kaye, Bank of America Merrill Lynch	Release Identifier	FIX 5.0 SP3

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Proposed Changes to IOI Messaging to Support AFME/IA

Framework -Proposed Changes to IOI Messaging to Support AFME/IA Framework

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Document History

Revision	Date	Author	Revision Comments
0.1	28 Nov 2016	Jim Kaye	Initial version
	3 March 2017	GTC Technical Support	Generated ASBUILT and assigned IDs.

1 Introduction

1.1 Background and context of this gap analysis

1.1.1 Background – AFME/IA Framework for IOIs

We have had some feedback from buy-side firms that they wish to have greater standardisation in the use and structure of IOIs from their brokers. There is an ongoing initiative, managed by the IA and AFME, to come up with an IOI categorisation schema which seeks to provide a common taxonomy for defining IOIs in terms of their price, underlying liquidity and, for client natural IOIs, their temporal availability (i.e. trade now vs. trade on a participative basis over the day). This is currently catered for by many brokers making use of free text or, the former case, an explicit IOI price field. However, it is desired that such features be made more machine readable.

Specifically, we wish to be able to distinguish IOIs in a machine-readable manner in terms of:

- Their categorisation (as per AFME/IA schema) – C1, C2, P1, H1, H2, H3
- Limit – executable at mid, far touch or outside spread

This gap analysis is based on a meeting of the EMEA Business Practices Subcommittee (17th November 2016) at which the AFME/IA paper plus an initial proposal for mapping to FIX was discussed.

The definitions of C1, C2, P1, H1, H2, H3, as taken from the AFME/IA Framework document, are as follows:

C:1 A client should be able to seek verification (from IOI publisher's management/compliance) that, for any C:1 IOIs received, there was a corresponding live client order for at least the advertised size prior to the IOI being generated. Resulting trades are expected to be of a riskless nature.

C:2 A client should be able to seek verification (from IOI publisher's management/compliance) that, for any C:2 IOIs received, there was a corresponding live client order for at least the advertised size prior to the IOI being generated. Resulting trades are expected to be of a riskless nature.

P:1 Post-execution, a client should be able to seek verification (from IOI publisher's management/ compliance) that, for any P:1 IOIs received and executed against, there was by time of the execution, an opposing specific client order. Resulting trades are expected to be of a riskless nature. If the anticipated client order does not materialise, and the broker elects to commit capital, this must be disclosed prior to execution.

H:1 Brokers will be responsible for ensuring that the size of the IOI reflects the actual house position in the relevant business unit and should not inflate the size of the IOI. The presumption is that there is no intent to immediately replace the position without notification, however,

brokers may provide additional granularity to the category and may offer bilateral post trade commitments. Brokers will also offer clients a feedback mechanism.

H:2 Brokers will be likely be sourcing liquidity and therefore may advertise the size of IOI they wish; however, clients can expect the broker to honour the size of IOI shown. The presumption is that there is no intent to immediately unwind the position without notification, however, brokers may provide additional granularity to the category and may offer bilateral post trade commitments. Brokers will also offer clients a feedback mechanism.

H:3 No enforcement required

1.1.2 Scope of this Gap Analysis

This Gap Analysis covers the extension of tag 104 IOIQualifier to incorporate values required to meet the above requirements. Usage of existing fields/values has been explored and, though some overlap with existing values has been identified, it is the view of the Business Practices Subcommittee that new values to tag 104 are required to meet the requirements in a clear and unambiguous manner.

It should be noted that though the AFME/IA proposal is EMEA-driven, there is nothing in principle to prevent their framework from being adopted in other regions and so the GTC should consider these changes in light of potential global adoption.

1.2 Proposed enhancements to FIX

1.2.1 Modified FIX Message types

No changes requested.

1.2.2 Modified FIX fields

It is requested that a number of new values be added to the IOIQualifier(104):

- c Outside spread
- N Client natural block
- H Client natural working
- U Unwind

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- [J-\[tbd\]](#) Position wanted
- [K-\[tbd\]](#) Market making

2 Business Workflow

2.1 Categorisation of IOIs in Terms of Price

Though not part of the AFME/IA proposal, a number of buy side firms have expressed a desire to be able to have IOIs categorized in terms of price. The specific requirement is to distinguish between IOIs that are priced at mid, far touch or outside the spread. As per the table below, it is the view of the Business Practices Subcommittee that the first two of these can be met using existing values of 104, but the third requires a new value:

Usage	FIX Semantics
Mid	Existing value 104 IOIQualifier = Y (At the Midpoint)
Far touch	Existing value 104 IOIQualifier = Q (At the Market/Current Quote)
Outside spread	New value 104 IOIQualifier = c[tbd] (Outside spread)

2.2 Categorisation of IOIs Using the AFME/IA Framework

The Business Practices Subcommittee has attempted to map values of tag 104 to the 6 AFME/IA Framework values. The intention has been to use existing values where possible, only looking for new values where use of an existing value was felt to be stretching it beyond its original intent. As can be seen from the proposal below, this has resulted in a request for new values in almost all cases:

Usage	FIX Semantics
C1 client natural block	New value 104 IOIQualifier = N[tbd] , suggest "N" (Client natural block)
C2 client natural working	New value 104 IOIQualifier = H[tbd] , suggest "H" (Client natural working)
P1 potential client	Existing value 104 IOIQualifier = I (In touch with)
H1 unwind	New value 104 IOIQualifier = U[tbd] , suggest "U" (Unwind)
H2 position wanted	New value 104 IOIQualifier = J[tbd] , suggest "J" (Position wanted)
H3 market making	New value 104 IOIQualifier = K[tbd] , suggest "K" (Market making)

Notes:

- The new values in the table above are proposals only; final values will be assigned by the GTC.
- We are proposing not to use 103 IOINaturalFlag to represent any of the AFME/IA values, relying on 104 instead.

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- We will request the GTC to add accompanying text in the FIX repository that ties the 104 values to the AFME/IA categories.

It is worth pointing out that the initial proposal, which was developed by a smaller group of sell side and vendor firms, made greater use of existing values as below, though this initial proposal was modified by the Business Practices Committee as per the above.

Usage	FIX Semantics
C1 client natural block	Existing value 104 IOIQualifier = "R" (Ready to trade)
C2 client natural working	Existing value 104 IOIQualifier = "W" (Indication - working)
P1 potential client	Existing value 104 IOIQualifier = I (In touch with)
H1 unwind	New value 104 IOIQualifier = U ^[tbd] , suggest "U" (Unwind)
H2 position wanted	New value 104 IOIQualifier = J ^[tbd] , suggest "J" (Position wanted)
H3 market making	Existing value 104 IOIQualifier = "P" (Taking a position)

3 Issues and Discussion Points

None

4 Proposed Message Flow

There are no proposed changes to any message flows.

5 FIX Message Tables

There are no proposed changes to any messages.

6 FIX Component Blocks

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There are no proposed changes to any component blocks.

7 Category Changes

None

Appendix A - Data Dictionary

Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
104	IOIQualifier	Change	Char	<p>Code to qualify IOI use. (See Volume : "Glossary" for value definitions)</p> <p>Valid values:</p> <p>A=All or None (AON) B=Market On Close (MOC) (held to close) C=At the close (around/not held to close) D=VWAP (Volume Weighted Average Price) E=Axe - Indicates that a quote is an Axe, without specifying a side preference. F=Axe on bid - Indicates that a quote is an Axe, with a preference to execute on the bid side. G=Axe on offer - Indicates that a quote is an Axe, with a preference to execute on the offer side. I =In touch with</p> <p><u>Elaboration: With reference to the AFME/IA Framework for Indications of Interest, this is to be used to denote IOIs of type P1 - Potential. Post-execution, a client should be able to seek verification (from IOI publisher's management/compliance) that, for any P1 IOIs received and</u></p>	@Qual	

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Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
				<p><u>executed against, there was by time of the execution, an opposing specific client order. Resulting trades are expected to be of a riskless nature. If the anticipated client order does not materialise, and the broker elects to commit capital, this must be disclosed prior to execution.]</u></p> <p>L=Limit M=More Behind O=At the Open P=Taking a Position Q=At the Market (previously called Current Quote) R=Ready to Trade S=Portfolio Shown T=Through the Day V=Versus W=Indication - Working Away X=Crossing Opportunity Y=At the Midpoint Z=Pre-open</p> <p><u>tbd_c = Outside spread</u> <u>[Elaboration: The IOI is identifiable outside the current bid/offer.]</u></p> <p><u>tbd_N = Client natural block</u> <u>[Elaboration: With reference to the AFME/IA</u></p>		

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Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
				<p><u>Framework for Indications of Interest, this is to be used to denote IOIs of type C1 - Client Natural (Block). A client should be able to seek verification (from IOI publisher's management/compliance) that, for any C1 IOIs received, there was a corresponding live client order for at least the advertised size prior to the IOI being generated. Resulting trades are expected to be of a riskless nature.]</u></p> <p>td-H = Client natural working [Elaboration: With reference to the AFME/IA Framework for Indications of Interest, this is to be used to denote IOIs of type C2 – Client Natural (Working). A client should be able to seek verification (from IOI publisher's management/compliance) that, for any C2 IOIs received, there was a corresponding live client order for at least the advertised size prior to the IOI being generated. Resulting trades are expected to be of a riskless nature.]</p> <p>td-U = Unwind [Elaboration: With reference to the AFME/IA Framework for Indications of Interest, this is to be used to denote IOIs of type H1 - Unwind. Brokers will be responsible for ensuring that the</p>		

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Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
				<p>size of the IOI reflects the actual house position in the relevant business unit and should not inflate the size of the IOI. The presumption is that there is no intent to immediately replace the position without notification, however, brokers may provide additional granularity to the category and may offer bilateral post trade commitments. Brokers will also offer clients a feedback mechanism.]</p> <p>ebd = Position wanted [Elaboration: With reference to the AFME/IA Framework for Indications of Interest, this is to be used to denote IOIs of type H2 – Position Wanted. Brokers will be likely be sourcing liquidity and therefore may advertise the size of IOI they wish; however, clients can expect the broker to honour the size of IOI shown. The presumption is that there is no intent to immediately unwind the position without notification, however, brokers may provide additional granularity to the category and may offer bilateral post trade commitments. Brokers will also offer clients a feedback mechanism.]</p> <p>ebd-K = Market making [Elaboration: With reference to the AFME/IA</p>		

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Tag	FieldName	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
				Framework for Indications of Interest, this is to be used to denote IOIs of type H3 – Market Making, no enforcement is required.]		

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Appendix B - Glossary Entries

Appendix C - Abbreviations

Term	Proposed Abbreviation	Proposed Messages, Components, Fields where used

Appendix D - Usage Examples