



FIX PROTOCOL LTD. And FUTURES INDUSTRY ASSOCIATION

Statement of Understanding

The financial services industry, through initiatives such as straight-through processing (STP), is demanding greater efficiency in the futures and options transaction life-cycle. This demand is being met by leveraging new technologies and by increasing the use and reliance on standards. FIX Protocol Ltd. (FPL) and the Futures Industry Association (FIA) agree to work together to ensure FIX is futures and options compliant in order to be available for adoption as an industry-wide standard for the exchange-traded derivatives marketplace.

This document outlines the steps and conditions that both FPL and FIA agree are necessary in order to achieve this goal.

Background

The Futures Industry Association is the national trade organization for the futures industry. Its membership includes more than 40 of the largest futures commission merchants. FIA estimates that its members are responsible for more than 80 percent of all public customer business executed on U.S. contract markets. The FIA Standards Working Group is a committee of the FIA Information Technology Division. It was formed to study ways of improving the development and use of standards within the futures and options industry. This effort is focused on standardizing communications in the post-trade processing area between clearinghouses and brokerage firm back offices. Members of the Working Group include representatives from firms, exchanges, clearinghouses, vendors, the FIA and FPL.

FPL is a non-profit organization that owns the intellectual property rights of the Financial Information eXchange protocol (FIX), which is provided for free in the public domain. FIX is a globally recognized messaging standard that enables the electronic communication of pre-trade and trade messages between financial institutions, primarily investment managers, broker/dealers, and exchanges. An entire industry of order management systems, network services, and software service providers have grown out of the evolution of FIX as the front office messaging standard. FIX presently exists in two syntaxes: "tag=value" format, and XML format (FIXML). The FIXML format is currently based on XML definitions (DTDs) that are unique to the FIX protocol. Within FPL, the Global Derivatives Committee has been tasked to ensure that FIX provides coverage for derivatives trading across the trade process.

Points of Understanding

- FPL and the FIA believe that agreeing on common business meaning of information, common message scenarios covering the securities, futures and options industry processing chain and the use of a common XML standard will enable end-to-end

straight-through processing of securities messages between the various players, whatever the network or networks used.

- The FIA Standards Working Group will work with FPL's Global Derivatives Committee. A representative from the FIA will serve on the Global Derivatives Committee (GDC). The GDC, under the FPL umbrella, will be accountable both to FPL (as to proper representation of participants, process, disclosure, and FIX compatibility issues) and to the FIA Standards Working Group (as to strategic direction, implementation of derivatives instruments and transaction/order types, and prioritization).
- The GDC will maintain balanced representation among all derivatives counterparties, exchanges, ATS/ECN's and technology vendors. All participants will have an equal vote and an opportunity to express suggested enhancements.
- The GDC will be governed by the GDC Steering Committee. This steering committee will initially be made up of appointments by the GDC Chair and will subsequently be determined by election as the committee grows.
- The GDC has created three subcommittees: Technology, Education & Marketing and Business Practices. These groups will have representation of the FIA and GDC.
 - The Technology focus group will deal with design and implementation issues and provide rapid response to inquiries from GDC participants. This group will serve on the Global Technical Committee in order to ensure that derivatives-related issues are addressed in the protocol enhancement process. Nominees from this focus group will serve on the Global Technical Steering Committee.
 - The Business Practices focus group will continue the efforts currently underway at the FIA and the GDC to determine appropriate business practices for electronic trading in additional sectors of the global derivatives market.
 - The Education & Marketing Committee will work to increase awareness of FIX for derivatives trading in an effort to educate the marketplace and encourage adoption.

- FIA will provide the GDC with the support of its staff and membership. FIA will continue to ensure that the senior derivatives business people among its members are apprised of and involved in the development of electronic trading protocols. FIA will also continue its education and advocacy efforts with respect to the protocols.

The above Statement of Understanding was developed on the basis of meetings and discussions involving various industry leaders, including representatives of FPL and the FIA. The undersigned officials of these respective organizations represent that they are authorized to approve the points of understanding set forth hereinabove:

By: _____
Michael O'Connor
Chair of the Global Steering Committee
FIX Protocol Ltd.

By: _____
John M. Damgard
President
Futures Industry Association