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Mr Werner Bijkerk,
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
2806 Madrid
Spain
Via email to: market-integrity@iosco.org

12th August 2011

Dear Mr Bijkerk,

Regulatory Issues Raise by the Impact of Technological Changes in Market Integrity and Efficiency.

FIX Protocol Limited (FPL) is a non-profit industry membership association that owns, develops and promotes the FIX Protocol (FIX):

The FIX Protocol is a non-proprietary, free and open standard which is owned by a trust for the benefit of market participants and it is specifically those attributes which remove commercial conflict in how the protocol is developed and governed, and allows for greater transparency, consistency of information, easier oversight and corresponding reduction in systemic risks.

The FIX Protocol is the de-facto industry standard for the front office.

FPL has members covering all constituents of market participation from buy-side, sell-side, vendors, exchanges, MTFs and Regulators. Those members are active in over 35 countries around the world in developed, emerging and frontier markets:

FPL welcomes the opportunity to offer comments on how the FIX Protocol, as a non-proprietary, free and open industry standard can assist IOSCO members achieve the key principles and deliver more effective regulation to encourage both investor confidence and stability to markets. FPL also recognises that it is not the only standard used across the investment industry, a great deal of collaboration has taken place between FPL and other non-proprietary, free and open industry standards used every day around the world, as will be touched upon later to ensure that all market participants can be beneficiaries of the efficiencies. The collaboration between FPL and other industry standards organisations is outlined at the end of this document in appendix A

FPL's membership covers all sectors of the market including buy-side, sell-side, vendors, exchanges, MTFs and the regulatory community, and it is from those industry experts, combined with the governance processes around how FPL develops and manages standards, that many of the IOSCO principles can be aligned with what FPL is seeking to achieve.

Some recent FPL initiatives include, Surveillance initiative in conjunction with IIROC, Short Sale reporting and with ASIC, Buy-Side initiative to enhance venue identification, Risk Management initiative to standardise the risk controls viewed by market participants enabling greater transparency, a Fixed Income initiative looking at greater standardisation across the FI markets, FIX Inter-party latency working group enabling standardisation in latency measurement between trading venues, FIX ATDL introducing efficiencies into the configuration of algorithms as well as many other initiatives where solutions are developed for the market participants, by market participants avoiding commercial conflicts.

Before turning to address the specific questions, hopefully IOSCO will see that FPL is positioned as a neutral, non-profit industry standards body, free from commercial conflict, driven by members from all constituents of the investment markets and above all, delivering a non-proprietary, free and open industry standard which can be used by regulators and market participants around the world to address real business challenges.

Turning to the questions posed in the consultation document, you will understand that with such a broad base of members, it is not possible for FPL to answer all questions as there may be occasions where different sections of our membership may have a specific view which is not aligned with the balance of the industry participants and our neutral stance will become evident as we address the questions themselves.

Q1 – FPL members have commented that the increase in use of technology has enabled a greater number of instruments to be traded in a more efficient way on both lit and dark venues. The use of a protocol such as FIX which is the prominent protocol for the front-office and connectivity to new venues, makes it much easier to integrate new venues, whether lit or dark into your overall trading strategy and have clear oversight of your trading.

Q2 – FPL's neutrality does not allow us to have a specific view on whether any particular sector of the market should or should not be subject to registration/authorisation – however, what FPL can offer is that with regards to how such proprietary trading firms access markets is that the trading information, irrespective of what type of firm is trading in the market, either directly, or via a disclosed counterparty, can be made available in a standardised format such as FIX enabling transparent and consistent information to be used for oversight. Regulators such as IROCC in Canada and ASIC in Australia efficiently exploit the FIX standard for this purpose, following consultative collaboration with FPL to help achieve their oversight aims, while maintaining the efficiencies gained from the standard.

Q3 – As mentioned in the preamble, FPL members have already published a set of risk management best practice guidelines. These guidelines provide for a schedule of readily available characteristics of an order to be transmitted between market participants, and markets themselves, in such a way as to provide a clear and consistent understanding of what information is being passed between market participants and is available for supervisory and risk mitigation purposes. More information on the FPL risk initiative can be found in appendix B

Q4 FPL as a standards body naturally is in favour of a standardised approach which is adopted across the market and its participants; FPL is not able to offer further comment with regards to whether such regulation should be mandated, other than to say that without regulatory intervention, a best-practice code of conduct risks broad adoption.

Q5 – FPL does not have a specific view on this question.

Q6 – Surveillance and regulatory oversight is an area of increasing attention within the market and given that all electronic transactions have a series of unique identifying data fields, such data is by necessity available to provide practical surveillance and increased transparency. The use of FIX by IROCC and ASIC are examples of regulators capitalising on globally accepted standards as an efficient means to improve regulators' surveillance in a modern electronic trading environment. Regarding the second part of this question about who should bear the cost of such surveillance, one of the constant aims of FIX is to ensure that where possible, existing non-proprietary, free and open industry standards are used to minimise the cost to the industry and increase operational and risk.

Q7 - One of the key objectives of The Investment Roadmap developed through industry collaboration between non-proprietary, free and open industry standards bodies was to ensure that there was a standardisation of data flow throughout the whole investment lifecycle from issuer, through front office, into middle and back office, as well as regulatory supervision, and as such, greater adherence to proven, non-proprietary, free and open industry standards would ensure that the whole trade life cycle could become more efficient. – APPENDIX A

Q8 – FPL does not have a view on this question other than to note that whatever the entity trading or whatever the capacity, it is possible to track such information by use of standards such as FIX, which would also allow adequate supervision.

Q9 – FPL does not have a view on this question other than to offer that where a standard such as FIX is used throughout the investment process, the inclusion of an identifier to indicated the size or function of the market participant it is easier to re-construct a transaction or order as well as allowing easier supervision.

Q10 – FPL cannot comment on individual strategies.

Q11 – FPL members may wish to express their personal view on this topic, however, FPL as an organisation is not able to provide comment on this point.

Q12 – FPL does not have a specific view on this topic, however, initiatives such as the FIX Interparty Latency Working Group is an initiative to standardise the measurement of latency which will help to bring greater transparency and benchmark to offerings.

Q13 – FPL introduced an initiative in 2009 to address inefficiencies in the Financial Markets when it came to deploying algorithms, FIXatdl (FIX Algorithmic Trading Definition Language) was introduced as a way of taking the algorithmic parameters and standardising them in a computer readable format for ease of integration into market participant order and execution management systems. Should market operators be required to provide testing environments, then the use of the standard FIXatdl would make it easier and cheaper for algorithms to be tested.

Q14 – As mentioned in our pre-amble, FPL has recently launched a risk initiative which has looked at the way information surrounding a transaction can be used to apply risk parameters with the aim of reducing systemic risk and market dislocation.

In conclusion, FPL believes that regulatory oversight, transparency and market efficiency (and therefore systemic-risk reduction) can be enhanced through the use of non-proprietary, free and open protocol such as FIX. Practical examples already exist where the use of FIX has been used successfully as part of the overall regulatory process. FPL stands ready to provide neutral advice and understanding on such topics as required.

Yours faithfully

Stuart Adams

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Appendix A –

Progress through Collaboration: A New Investment Roadmap

Tuesday, October 12, 2010 – *FIX Protocol Ltd. (FPL), Financial Products Markup Language (FpML),* International Securities Association for Institutional Trade Communication (ISITC), Society for Worldwide Interbank Financial Telecommunication (SWIFT), XBRL (Extensible Business Reporting Language) US and Financial Information Services Division of SIIA (FISD), today published their updated Investment Roadmap.

The roadmap's purpose is to provide market participants consistent
direction when using financial services messaging standards by visually mapping the protocols to their appropriate business processes across asset classes.

The Investment Roadmap, initially introduced in 2008, lays the groundwork for moving towards one common business model, ISO 20022, while allowing the respective standards organizations to continue maintaining their existing protocols – FIX, ISO, FpML and XBRL (the newest addition).

The Investment Roadmap presentation and related FAQ are now publicly available for download from www.fixprotocol.org/investmentroadmap

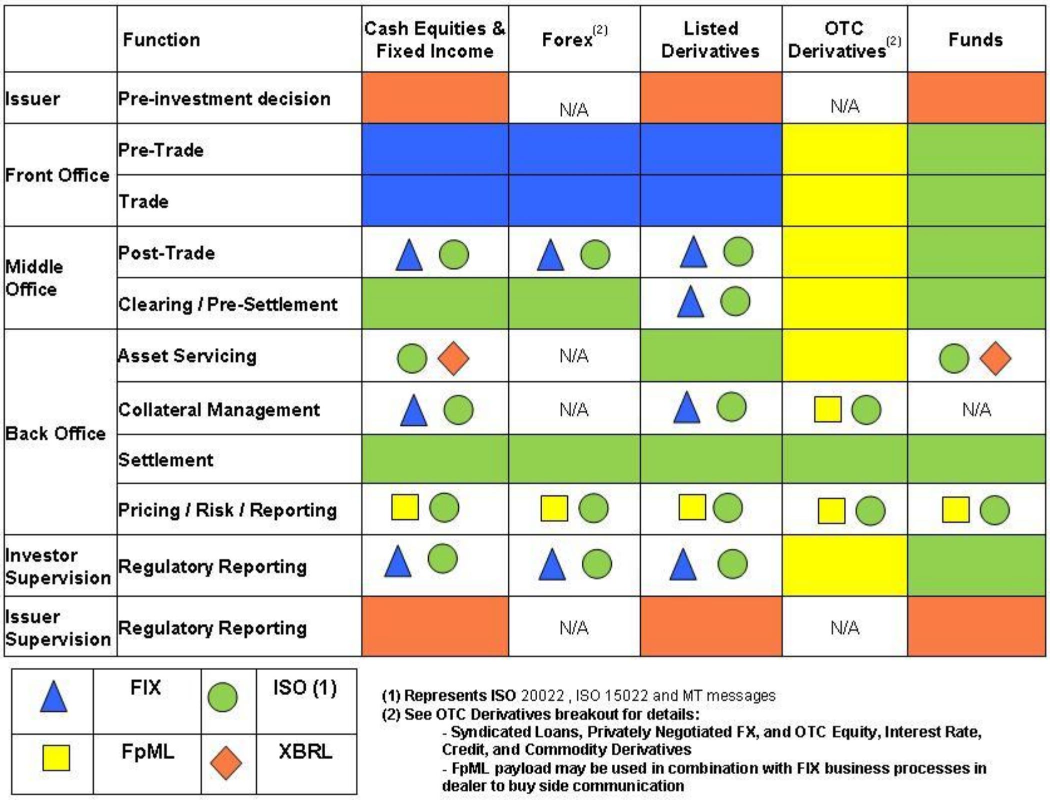
Commenting on this initiative, Gary Probert, Managing Director, Citi Securities and Fund Services, and Chair of ISITC, stated, "The Investment Roadmap is reflective of how, through the collaboration of industry associations, we are able to provide guidelines that can help bring best practices to the industry as a whole. ISITC members and the broader industry will benefit from the ISO 20022 developments outlined in the Roadmap which we are confident will improve STP across securities market processes."

Through collaboration and by leveraging the expertise of each of the standards organizations in their respective asset classes and business process areas, the group looks to improve interoperability, save costs of maintaining multiple syntaxes within the same area of the transaction lifecycle, provide stability, and decrease risk for the international financial services community. In addition to providing the industry with a view of the ways in which existing messaging standards are currently utilized, the Investment Roadmap defines an agreed path for future initiatives by identifying gaps as well as areas of overlap.

Gerard Hartsink, Senior Executive Vice President, ABN Amro, and Convenor of the ISO 20022 Registration Management Group (RMG), commented "The Investment Roadmap is an important step in the harmonization of the Securities industry using the ISO 20022 business model and domain specific syntaxes. It is an idea that can be leveraged by other business areas to support their plans for ISO 20022 interoperability and adoption."

The organizations will continue to meet on a regular basis to ensure the Investment Roadmap continues to accurately depict the current environment as well as future standards development.

Investment Roadmap – FIX, ISO, FpML, XBRL syntax (HIGH LEVEL)



Appendix B -

FPL RELEASES STANDARDIZED GUIDELINES FOR RISK MANAGEMENT
Association Members Form Risk Management Committee to Help Establish Industry Standards

NEW YORK, January 10, 2011 – FIX Protocol Ltd. (FPL) today announced the completion of an initial set of guidelines which recommends risk management best practices in electronic trading for institutional market participants.

In the third quarter of 2010, FPL launched a group to raise awareness regarding the implications of electronic trading on risk management and to develop standardized best practices for industry consideration. Over the last few months, the group, which consists of a number of senior leaders in electronic trading from the major sell-side firms, has been working on developing this set of guidelines to encourage broker dealers to incorporate a baseline set of standardized risk controls.

The objective of the guidelines is to provide information around risk management and encourage firms to incorporate best practices in support of their electronic trading platforms. In today's volatile marketplace, the automation of complex electronic trading strategies increasingly demands a rationale set of pre-trade, intra-day and pattern risk controls to protect the interests of the buy side client, the sell side broker and the integrity of the market.

The objective of applying electronic order risk controls is to prevent situations where a client, the broker and or the market can be adversely impacted by flawed electronic orders. "We believe it is important for the industry and our clients to establish core risk management standards in electronic trading for all institutional market participants," said Timothy Furey, Managing Director, Goldman Sachs.

The scope of the particular set of risk controls included in these guidelines is for electronic orders delivered directly to an algorithmic trading product, or to a direct to market (DMA) trading destination. The recommended risk controls included provide the financial services community with a set of suggested guidelines to follow that will systemically minimize the inherent risk of executing electronic algorithmic and DMA orders.

"It was agreed that although the majority of market participants currently apply their own internal risk checks, it would be beneficial to define some base standardization across the industry which would not only be helpful to the industry participants but be looked at positively by the regulatory bodies," said Neal Goldstein, Managing Director and US Head of Electronic Product Development, Nomura Securities

Further details can be found at
http://www.fixprotocol.org/documents/5537/FPLEquityRiskControls_final.pdf