January 14, 2011

U.S. Tri-Party Repo Task Force
c/o Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

Re: Request for Comments – Operational Arrangements Working Group, Three-Way Trade Confirmation and Settlement Window Proposal

U.S. Tri-Party Repo Task Force,

On behalf the members of the Global Fixed Income Committee of FIX Protocol Ltd. (FPL), thank you for the opportunity to comment on the concepts outlined in the *Three-Way Trade Confirmation & Settlement Window Implementation Proposal*.

Current Use of FIX for Fixed Income

FPL is a volunteer organization dedicated to developing and maintaining the Financial Information eXchange ("FIX") Protocol, a series of messaging specifications for the electronic communication of trade information. FPL's Global Fixed Income Committee (GFIC) consists of representatives from the broker-dealer, the buy-side and vendor community which includes Bloomberg, Omgeo and TradeWeb named in the Operational Arrangements Working Group's document as being interested in facilitating communication of trade details and matching. Through the collaborative efforts of many market participants, GFIC has driven development of the protocol to meet fixed income business, market and technical requirements. Beginning with the introduction of FIX version 4.4 in 2003 and through numerous enhancements over the years, the Protocol currently offers robust messages and technical specifications that firms utilize today to request quotes, place orders, execute trades, provide allocations and account information, and affirm/confirm trade details. The messages have been designed by traders and technologists specifically to accommodate complex fixed income transactions including repos and collateral management.

Members of GFIC who are active participants in the tri-party market closely examined the three workflows illustrated in the Working Group's proposal. In doing so we noticed that in Workflows 1 and 2, the allocations are indicated to be transmitted verbally. While not widely publicized, the fact is that many of the larger market participants currently utilize FIX to support trade and post-trade activities in fixed income instruments. FIX is being used as a standard messaging protocol for buy and sell-side firms to interface with trading platform vendors such as Bloomberg and TradeWeb, as well as for direct bi-lateral communication between counterparties. Similarly, FIX supports middle office functions and is currently a popular method of submitting allocations to Bloomberg, Omgeo and TradeWeb. A great benefit of FIX is that it is a non-proprietary standard protocol freely available in the public domain, and therefore not affiliated with a specific commercial entity.

FIX as a Common Standard

The purpose of this letter is to highlight the integral role we believe FIX messaging must play in the Workflows being created to support tri-party repo activities. Particularly in light of the condensed timeframes in which counterparties will be required to exchange and agree on trade details, electronic messaging will become increasingly important. Given that many market participants are currently FIX-enabled, we expect that FIX will be the standard protocol of choice for front and middle office activities; that is, FIX formats will be used widely for pre-trade, order, trade execution, and allocations messages.

We understand that a variety of fields have been identified by the Working Group as mandatory matching fields, and additional fields may be required to properly transmit the data needed to support clearing bank activities. It is possible that some of that data will be proprietary to each clearing bank. GFIC has mobilized its technology subcommittee for the purpose of identifying any gaps that may exist in current messages versus new requirements, and the group will take steps to modify the message formats and specifications as necessary. The matching vendors Bloomberg, Omgeo and TradeWeb have agreed to work with the technology subcommittee with the goal of creating standard FIX messages that can be sent and received by the dealers, cash investors and vendors to facilitate the proposed tri-party regulations. We are hopeful that the Working Group will insist that the clearing banks also join this effort to streamline the process by accepting the allocations messages from cash investors (as illustrated in Workflow 2) using the FIX standard, particularly in cases where allocations are being driven from the investors' front end systems. However, we do recognize that clearing and settlement messages communicated between the dealers and their chosen clearing bank will be a variation of what is in place today (assumed to be proprietary formats), while custodians' and investment managers' back offices may prefer SWIFT formats or 15022/20022 standards which are often utilized to support back office securities processing activities.

Implementation Concerns

We believe the timeframes proposed in the Working Group's document are aggressive both for submission of allocations and implementation of electronic messaging. While it is not within the purview of the Protocol to be concerned with the rules of engagement regarding the timing of allocations, it is worth noting that our buy-side constituents are skeptical whether the business process can support the desired morning window for submission. The implementation timeframes, however, are within the scope of FIX's concern, and we therefore seek clarification from the Working Group as to the expected timeframes for implementation of each aspect of the electronic messaging components, particularly in Workflows 2 and 3.

GFIC's practical view of the proposal is that whether communication is to be direct among counterparties including the clearing bank or involve a vendor, cash investors with any significant volume will need to support electronic messaging from the onset, as Workflow 1 will be extremely difficult to support operationally. (The same may be true in Workflows 2 and 3 as well, but the proposal is vague regarding the available methods of Confirmation Communication from the Clearing Banks to the Cash Investor.) With that in mind, cash investors with a large number of transactions must be fully prepared to communicate electronically as soon as these workflows are required for tri-party participation.

Next Steps

To circumvent the need to program for a variety of proprietary protocols and to avoid redundant effort and rework in the future, our goal is to ensure that common FIX messaging standards are supported by the appropriate parties from the beginning stages of implementation. To accomplish this, current FIX messages must be modified in time to allow market participants sufficient time to make any programming changes necessary to accommodate new information requirements and matching fields.

To that end, we respectfully request that the Task Force and its Operational Arrangements Working Group consider the importance of the FIX Protocol in this space, and invite the FPL organization into the planning process at this early stage before final decisions are made. This will ensure that the FIX messages are modified appropriately to support the data requirements, and that this technology-savvy group of significant tri-party participants are better prepared for tri-party repo infrastructure reform.

We are available to meet with the Working Group or select members to discuss message flows and data requirements. Thank you in advance for your consideration of the use of FIX to facilitate communications among tri-party participants and in support of a more efficient process. Please contact Mary Lou Von Kaenel, Jordan & Jordan, at 212 652 4483 or e-mail marylou@jandj.com to arrange a meeting.

Sincerely,

Mary Lou Von Kaenel

Ric Elvir
Co-Chair, FPL Global Fixed Income Committee

Mary Lou Von Kaenel
GFIC Business Practices Sub-committee Chair

cc: Courtney Doyle, FPL Operations Director