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Daniel A. Doscas, Chair of the Global Fixed Income Committee of FIX Protocol Limited, Speaks with The Bond Market Association About the FIX Certification Program

What is the FIX Certification Program?

The FIX Certification Program aims to create a level playing field between counterparties in disseminating information. The program lends itself to an understanding that if I provide a certified message to one counterparty, this same certified message can be distributed by me to several counterparties. The certification process provides an opportunity for a “one-to-many” solution. Firms will have an opportunity to view on a web site which of their counterparties are certified for which product and which portion of the trade life cycle. By providing a level playing field in FIX message usage we create an opportunity in streamlining the trade process, potentially adding liquidity to the marketplace and furthering opportunities in straight through processing. Of course, how each individual firm chooses to use this program and the protocol itself is determined by the businesses and their relationships with their counterparties.

Why is the FIX Certification Program Necessary?

The FIX Certification Program addresses a key concern: cost to entering into a FIX protocol dialog with your counterparties. One of the ways that we mitigate the cost, which can either be capital commitment, or support and maintenance costs from either your vendor or your internal resources, is to agree on a standard way of communicating between counterparties



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for fixed-income products – the FIX Certification Program. By agreeing through the use of the Certification Program on the proper use of FIX messages, we hope to reduce managing multiple variations of FIX 4.4.

As an example, FIX provides users the opportunity through the FIX Protocol Limited (‘FPL’) web site to request and add what are called User Defined Tags (UDT). These tags are specifically added by individual firms to satisfy specific requirements which are not present in the

current specification. An unfortunate by-product of UDT implementation is that not all firms use these tags, therefore counterparties may be required to provide differing support for each counterparty. The Certification Program hopes to reduce the need for UDT within fixed-income.

What Will Be Discussed at the Bond Market Association Educational Sessions?

To date, the Certification Program is a group of about 20 to 24 individuals that really have been working feverishly on putting together the program. The Bond Market Association's Lunch & Learn February 19th is our first foray into the public domain. We look forward to having many of the participants there, which will provide an opportunity for Q&A, to understand what our thinking is behind the program, what some of the drivers are in more detail, where we're looking for the program to go, and where we think the opportunity for expansion will be. For example, we are also including session layer testing for FIX which will go back to 4.0 through 4.4. The session layer of FIX protocol provides messages for log-in, log-off, encryption, etc. By including the session layer certification we hope to create critical mass for the program and we're looking to expand from there maybe to equities, derivatives, whatever products the Steering Committee decides.

The FPL Lunch & Learns which we've been conducting at The Bond Market Association over the last three or four years have been a tremendous asset to hone the education, the knowledge, and access the resources that we've used in the past to develop things like the plain language documents. They're a continuation of our excellent relationship with TBMA and the Association's Technology Committee which

oversees numerous industry-wide e-commerce infrastructure initiatives in the bond industry.

How Will the Program Be Made Available?

The FIX Certification Program will be provided by FPL to its member firms, via particular vendors, or "certifiers."

What Vendors Have Been Chosen?

On February 11th, FPL announced that Aegis Software, B2BITS, Brook Path Partners, Inc., Javelin Technologies, Inc., and TransactTools have been chosen to be certifiers for the FIX Certification Program.

Why Did FPL Choose to Outsource the Initiative?

FPL is an industry organization and a volunteer initiative, and can't really provide the Certification Program service itself. The certifiers are professional service providers who have been in the industry for several years, and have established either web-based solutions or client-server applications, tools that can monitor the results of the testing and report on the testing and post the results on a public web site for interested parties.

By outsourcing to professional firms it provides the industry with a place to go without dedicating resources to testing a standard protocol. It also allows FPL with the opportunity to further provide value added services to its member firms.

What Were the Key Attributes You Were Looking For When Choosing These Vendors?

Most importantly, obviously, is the vendor's industry expertise in testing and "certification." How long they've been in the industry? What services do they currently provide? What is their level of expertise within the financial community -- not only in fixed-income? We're also looking to expand the program to many more providers.

Does this Program Facilitate Online Trading?

The FIX Certification Program will facilitate the electronic trading process if firms are engaged in electronic trading. The greater opportunity in automating manual processes such as price discovery, real-time trade execution reporting, faxing allocation breakdowns, or dual key entry, which help reduce errors and risk to firms and impact to the P&L, are steps that we, meaning FPL and the Bond Market Association want the industry to take in order to move towards a more efficient marketplace.

This is all part and parcel of the fixed income community's initiative via FPL and The Bond Market Association to assist with the infrastructure of the market. It's not one or two firms that are driving it. It's the entire community that is pushing things forward, which to me is a very positive step.

What Role do Test Scripts Play?

The test scripts will provide the benchmark for the Certification Program. The test scripts will be based on the specifications in 4.4 and they can range from offerings, pre-trade negotiations, trade executions or post-trade settlements, whatever the FIX global committee decides should be the products or processes that

go first. To that end, much like we've done with the certifiers, we've engaged the firm Brook Path Partners to develop these certification test scripts. Brook Path provided a tremendous amount of leadership in the Certification Program and FIX overall, both on the equity side and the fixed-income side, including buy side and sell side firms. So they have a great deal of experience with the development of the protocol and with the development of the Certification Program.

Could You Explain the Benefits of the Certification Program to Straight-Through-Processing and FPL's Test Scripts?

Absolutely. Straight-Through-Processing, or STP, is really a means to automating the post-trade process and mitigating risk through the reduction of errors and trade fails. By establishing industry agreed upon standard message formats FPL is hoping to actually remove the messaging technology from the STP equation. By eliminating the messaging technology, firms can focus on receiving real-time execution reports and allocation breakdowns in a quick and timely manner.

How Will You Determine Who Gets the Test Scripts?

We may choose multiple vendors who could provide multiple solutions to the Certification Program. We certainly don't want to eliminate the development application, but we do want to stick to the strictest specifications as they are written right now in FIX 4.4, thereby leveling the playing field for all participants who want to enter into the program. So if we have more than one certifier, more than one certifier will receive these certification test scripts.

What's Next?

Beginning with our certification working group meetings, we will work closely with Brook Path Partners on developing those test scripts. We're expecting a three to six month BETA testing period.

What Will Happen During the BETA Testing Period?

The BETA period will include things like legal discussions between the certifiers, FPL, and potential clients of the Certification Program, vetting out the test scripts, actually testing the test scripts at each of the potential certifier sites to see and perform a benchmark. This period will also involve determining the rate of success that will be needed and the benchmark for scoring a success depending on what products and which portion of the trade lifecycle. It will explore whether vendors differ in reporting, and also how many clients want to participate in the BETA program.

If the BETA period moves faster than we anticipate, we'll go into "production" sooner. But that doesn't mean that we won't be in production even in the BETA period. So if we have clients that are interested in entering, we'll certainly engage those once we feel that the certifiers are ready and the test scripts are ready. Nearly half of the respondents agree that, for this year, electronic trading across all markets will be 10 to 20 percent of total trading.

For more information regarding the FIX Protocols initiative contact Elisa Nuottajarvi of The Bond Market Association, or visit www.fixprotocol.org.