



FIA IDXX 2019

INTERNATIONAL DERIVATIVES EXPO

JUNE 3-5, 2019
THE BREWERY | LONDON

CONFERENCE RECAP

KEY THEMES OF THE 2019 INTERNATIONAL DERIVATIVES EXPO

A Message from Walt Lukken.....	2
Cross-Border Issues and Market Fragmentation	4
The Impact of Brexit	6
Politics of the EU in an Election Year	7
Sustainability and ESG Issues	9
One-on-One with LSEG's David Schwimmer	11
Focus on Diversity	12
New Directions in Technology	13
Futures for Kids Gala	15



CONFERENCE RECAP



At IDX, FIA President and CEO Walt Lukken reflects on the power of markets to enact positive change.

A MESSAGE FROM WALT LUKKEN

The International Derivatives Expo, now in its 12th year, is FIA's flagship event in Europe. IDX brings together industry leaders, technology vendors and government policymakers to discuss current trends in derivatives trading and clearing.

Two key themes stood out at this year's IDX conference: the uncertainty of the political and regulatory environment in Europe, and the impact of Environmental, Social and Governance (ESG) investing strategies on derivatives markets. The conference also featured several panels on technology issues, a one-on-one with London Stock Exchange Group CEO David Schwimmer, and a keynote address from author and 30% Club founder Helena Morrissey on the benefits of diversity in senior management.

This year's conference attracted some 1,800 people from over 450 companies in the derivatives industry. In addition, more than 40 companies showed off their products and services in the exhibition hall, giving conference attendees an opportunity to explore the latest developments in technology and product innovation.

As always, IDX showcased how derivatives markets allow businesses around the world to manage unwanted price risk so they can focus on their core commercial activities—whether it's manufacturing, agriculture, or energy. Our markets help discover prices of essential goods and services so businesses can rely on these benchmarks with confidence in making investment and risk management decisions.



FIA IDX 2019
INTERNATIONAL DERIVATIVES EXPO
3-5 JUNE | LONDON

The cleared derivatives industry clearly can't solve all the world's problems. But amid a host of economic uncertainties in 2019, policymakers and the public must recognize that our markets can be and should be a major component of the solution. At a time when we need big solutions to big problems, we need to bring the power of markets to the markets of power.

FIA has a long and proud history of using its conferences like IDX to showcase our support of derivatives markets as a force for positive change, and to provide a public forum for dialogue on the critical issues facing our industry.



Walt Lukken
President & Chief Executive Officer, FIA



Robert Ophèle, chairman of French markets regulator Autorité des Marchés Financiers, delivers a keynote address at IDX.

CROSS-BORDER ISSUES AND MARKET FRAGMENTATION

One of the top attractions of IDX is that it provides an opportunity for the derivatives industry to hear senior government officials discuss top issues of the day.

At this year's IDX conference, FIA invited Robert Ophèle, chairman of French markets regulator Autorité des Marchés Financiers, to give a [keynote address](#). Ophèle emphasized the importance of making European capital markets more dynamic, attractive and competitive, and called on fellow regulators to take a more "agile" approach to their work. He also urged EU leaders to centralize financial sector supervision by giving the European Securities and Markets Authority more authority and more flexibility.

Also at IDX, Chris Giancarlo, the chairman of the U.S. Commodity Futures Trading Commission, [previewed](#) several proposed rulemakings to alter the agency's cross-border swaps framework, including two proposals related to a new registration framework for non-U.S. derivatives clearing organizations, and one proposed rulemaking that would adjust registration thresholds for swap market participants. Giancarlo said these proposals are meant to avoid "overlapping and confounding cross-border regulation and market fragmentation, high regulatory cost and constraints on economic growth."

Disagreements emerged, however, on the topic of clearinghouse supervision. Patrick Pearson, head of the financial market infrastructure unit at the European Commission,

defended the EU position that it must have oversight of non-EU clearinghouses that are systemically important to the European financial system. Europe has a long tradition of deferring to other regulators in many areas, he said, but when it comes to clearinghouses, EU regulators have to be involved in the supervision of any clearinghouses that have an impact on the stability of the euro. "A CCP default means major disruptions with impact on payment systems, and systems through which the central banks conduct their monetary policy," Pearson said.



BBC political editor Laura Kuenssberg said that “the debate has been hardening” around the terms of the U.K.’s exit from the European Union, and how political leadership in the nation should evolve in the coming months.

THE IMPACT OF BREXIT

To give IDX attendees an expert view on the U.K. government’s position on Brexit, FIA invited Laura Kuenssberg, the BBC’s political editor, to give a keynote presentation.

Kuenssberg commented that not even the politicians in the U.K. have a good sense of how to get out of the “Brexit maze” and warned the debate has been “hardening” on both sides, making it even harder to reach a compromise on the terms of the U.K.’s withdrawal from the EU. “It would be foolish to make any hard predictions [about Brexit] given the fabric of the debate and the way the fabric of British politics has moved in the last six months or so,” Kuenssberg said.

This political uncertainty is naturally creating regulatory uncertainty, as policymakers are waiting to see how leadership in the U.K. develops this summer before acting. Kay Swinburne, an outgoing member of the European Parliament for Wales, said in a panel discussion that “equivalence decisions will be put on ice” for the near-term until global policymakers “know where Brexit is heading and what the future relationship will be between one of the world’s largest financial centers and the EU it’s leaving.” She added that regulators “will not want to make any major equivalence decisions in order not to pre-empt and prejudice the outcome of their future relationship.”



As FIA's flagship event in Europe, IDX provided a unique opportunity for market participants to hear various views on the future of oversight in the region.

POLITICS OF THE EU IN AN ELECTION YEAR

While the political challenges associated with Brexit were a common source of discussion, equally popular at IDX were conversations about the importance of this year's European Parliament elections and potential implications for the future of EU financial regulations.

The politics of the EU took center stage at an IDX panel discussion titled "European Regulation: Where Do We Go From Here?" Policymakers and industry representatives across Europe explored a host of key issues including EMIR, CCP recovery and resolution, IFR, benchmarks and a review of MiFID II.

Natalie Pettinger Kearney, deputy head of the EU regulatory and public affairs group at Freshfields Bruckhaus Derringer, said that past politicking and delays were in part caused by miscommunication between the European Council and the European Parliament. And unfortunately, these challenges are likely to become even more pronounced in the near-term given the two-thirds turnover in Parliament, she predicted.

In the current environment, any European regulatory or legislative acts quickly become political, said Thea Utoft Høj Jensen, managing director and head of financial services Brussels for FTI Consulting. She noted that disagreements surrounding pension scheme arrangements clearing derivatives is a prime example of something that "was supposed to be technical and then turned political," resulting in continued delays. "It was very difficult in the broader context of having to get the right people in the room to make these discussions, but also to make the decision of going forward," Utoft Høj Jensen said.

The most challenging aspect for regulators in the current environment may be the importance of helping policymakers see the big picture both in Europe and in the complex global financial system, said Patrice Aguesse, head of the market regulation division of France's Autorité des Marchés Financiers.

"So far most regulation has been siloed, and that's a key point," he said. "We need to have a holistic view, and it's not easy."



IDX held a dedicated panel on the topic of ESG with speakers discussing the growing role of listed derivatives markets.

SUSTAINABILITY AND ESG ISSUES

The topic of Environmental, Social and Governance (ESG) issues was a core focus of many discussions at IDX.

“Capital is beginning to flow to ESG investments as awareness of these societal problems becomes more heightened,” said FIA’s President and CEO Walt Lukken in his opening remarks at the conference. “Our markets need to play an important role in advancing ESG issues.”

Mark Beeston, founder and managing partner of fintech investment firm Illuminate Financial, predicted that the transition to a low-carbon economy will be one of the biggest forces impacting derivatives markets for many years to come. “We’re about to see fundamental changes in consumer behaviour around carbon and everything related to it,” Beeston said at IDX. “That’s going to wash all the way through our financial products.”

Speaking on the exchange leaders panel, Matthew Chamberlain, the chief executive officer of London Metal Exchange, talked about how his exchange is addressing demands for responsible sourcing of metals. Traditionally LME’s standards were limited to metallurgical quality, but that has now changed, he explained. “What we’re being challenged to do now by our customers, our members and overwhelmingly by our staff, is go beyond that and say that standards apply to the ethical conditions under which things are produced.”

IDX 2019 also featured a dedicated panel on the impact of ESG on listed derivatives, just as FIA’s Boca 2019 conference did in March. Robbert Booij, chief executive officer, Europe at

ABN AMRO Clearing Bank, applauded FIA for featuring the topic on the conference agenda. The transition to sustainable markets is the bank's number one strategic priority, and he called on exchanges to address ESG issues in their services.

He said the exchanges on the panel recognised the needs, challenges and opportunities that lie ahead. Georgina Hallett, LME's chief of staff, who has been leading the exchange's work on responsible sourcing of metals, said growing attention on ESG issues has prompted the exchange to take action. LME is currently consulting with the market on its proposals regarding responsible sourcing.

Nasdaq and Eurex have been taking a different approach, developing index futures that reflect the growing demand for ESG products from investors. Alessandro Romani, vice president and European head of derivatives products at Nasdaq, commented that Scandinavian society has paid strong attention to ESG issues for some time and "the seeds were there for this to happen." The exchange has supported that interest in a number of ways, including reporting guidelines for listed entities in the Nordic markets as well as a portal for ESG data.

Eurex, meanwhile, went live earlier this year with ESG Stoxx Index Futures, including a low-carbon version of the Euro Stoxx 50 and a Climate Impact Index Futures. Vassilis Vergotis, Eurex's head of strategy and product design for equity, index and digital assets, said around 60% of trading in the new instruments comes from pension funds and other clients.



David Schwimmer, the chief executive officer of the London Stock Exchange Group, talks about his plans for growth.

ONE-ON-ONE WITH LSEG'S DAVID SCHWIMMER

This year was the first to have David Schwimmer, the chief executive officer of the London Stock Exchange Group, as a speaker at the conference. The former investment banker, who joined the exchange group in April 2018, sat down for a one-on-one interview with FIA's Walt Lukken and talked about his top priorities as CEO.

Schwimmer was especially bullish about the prospects for CurveGlobal, LSEG's interest rate futures exchange, which has seen its trading volume pick up recently. He acknowledged that many other attempts have been made to break into the interest rate futures market without success, but he said CurveGlobal is benefiting from the market's desire to have more competition.

He also talked about the importance of technology to the market infrastructure business and called it the "key disruptive risk" to LSEG's business model. When asked if he was interested in buying another exchange, Schwimmer said there were too many obstacles to cross-border exchange mergers, but he added that the exchange is willing to make a "strategic" acquisition in other areas of the business.



IDX 2019 featured a keynote presentation from Helena Morrissey, the author of “A Good Time to be a Girl” and founder of the 30% Club that advocates for gender balance on boards and in senior management.

FOCUS ON DIVERSITY

FIA continued its commitment to addressing the important topic of diversity through specific questions at various panels across IDX, as well as seeking greater diversity among the speakers on the event’s program.

IDX 2019 featured a keynote presentation from Helena Morrissey, the author of “A Good Time to Be a Girl” and founder of the 30% Club that advocates for gender balance on boards and in senior management.

Morrissey delivered “a message of hope” in her keynote address, stating that efforts like FIA’s diversity initiative are proof that the financial industry is serious about addressing the very real challenges for women and minorities. Given the challenging political environment, it is more important than ever to think differently about how we solve problems and encourage cooperation, she said.

“We struggle to listen to each other, particularly those we don’t agree with,” Morrissey said. “It’s difficult to do but it is absolutely essential to make progress on diversity of thought.”



Representatives from firms and vendors discuss the future of operations technology.

NEW DIRECTIONS IN TECHNOLOGY

Another theme of the conference was the application of new technologies to the trading and clearing of derivatives. The program tackled this topic in three ways: a panel discussion on blockchain, a showcase for innovative fintech startups, and a panel discussion on the future of operations.

The blockchain discussion focused on the challenges of bringing this technology into production, and featured industry leaders talking about specific examples in cross-border payments and collateral management. The fintech showcase highlighted innovations in areas such as data transfer, microservices, smart contracts, best execution and trade reporting. The operational discussion featured experts from BNP Paribas, Deutsche Bank and Goldman Sachs sharing their insights on how the industry can improve operational efficiency through greater technological collaboration.

Throughout these discussions, the emphasis was on finding practical solutions, particularly in post-trade processing. Several participants commented that in the past technology spending tended to focus on front-office functions such as trading, but there is now an increasing interest in the clearing firm community to overhaul the core processes in the middle and back office. Many of these processes are duplicated across the industry, and greater standardization and collaboration could lead to substantial cost savings.

Regulation was also cited by several speakers as a major driver for change. For example, new trade reporting regulations in Europe are forcing the industry to provide more

information to both regulators and their clients. That is requiring clearing firms to capture, collect and organize real-time data across their organizations, several speakers said.

Still another driver is the venture capital community, which is looking for opportunities to invest in capital markets fintech. Independent venture capital firms such as Illuminate Financial are connecting startups with banks with the goal of finding specific areas that are ripe for innovation.

“What we need to do is make sure that technology spend is actually getting spent on where we need change rather than just the maintenance of the legacy environment,” said Mark Beeston, founder and managing partner of Illuminate Financial. “These markets have more issues that need resolving than ever before. That’s one of the great advantages of MiFID and Dodd Frank. They are the gift that keeps on giving to the fintech community.”



(Left) Emma Davey shows off her twist on the Kilt Challenge. (Right) Emma Davey greets Pat Kenny from CQG, who will take on the Kilt Challenge in 2020.

FUTURES FOR KIDS GALA

The annual IDX Gala Dinner in aid of [Futures for Kids](#) returned to the Honourable Artillery Company for an evening of fun and fundraising.

FIA's Chief Commercial Officer Emma Davey unveiled her "No-So-Kilt Challenge," choosing to don tartan trousers and a tuxedo jacket rather than the more conventional kilt. Tribute was also paid to former FIA colleague and fellow FFK trustee Bernadette Connolly, who sadly passed away last summer.

The event raised some £120,000 for [FFK](#), helping the industry's charity reach a milestone of over £3 million donated since its founding to support underprivileged children around the world.

FIA thanks the following companies for sponsoring IDX 2019.

Platinum Sponsors



Gold Sponsors



Silver Sponsors



Bronze Sponsors



Contributing Sponsor



Partners





FIA IDX 2019
INTERNATIONAL DERIVATIVES EXPO
3-5 JUNE | LONDON

FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore, and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry.

FIA's mission is to:

- support open, transparent and competitive markets,
- protect and enhance the integrity of the financial system, and
- promote high standards of professional conduct.

Visit us online at FIA.org



BRUSSELS

Office 621
Square de Meeûs 37
1000 Brussels, Belgium
Tel +32 2.791.7571

LONDON

Level 28, One Canada Square
Canary Wharf
London E14 5AB
Tel +44 (0)20.7929.0081

SINGAPORE

Level 18, Centennial Tower
3 Temasek Avenue
Singapore 039190
Tel +65 6549.7333

WASHINGTON

2001 Pennsylvania Avenue NW
Suite 600
Washington, DC 20006
Tel +1 202.466.5460