



Operational Considerations for Clearing 24/7

The FIA Operations Americas Division held a workshop in May to consider the practical implications of clearing 24-hours-per-day/7-days-a-week in the current ecosystem. Trading hours have been expanding for several decades and now the industry is contemplating extending clearing hours to accommodate weekend trading in certain products. FX and Crypto trading are examples of markets currently trading 24/7.

The panel identified operational questions that would need to be addressed if the industry were to move to 24/7 clearing including post-trade processing, staffing, risk management, collateral, and banking. Panelists included:

CHAIR:

Kyle Tobolik, Vice President - Futures & Derivatives Clearing Operations,
J.P. Morgan Chase

PANELISTS:

Jeff Arnold, Managing Director, COO, ABN AMRO Clearing USA

James Deighton, Managing Director, Futures Electronic Trading, Wells Fargo Securities

Linda Haven, Managing Director, Financial Institutions, BMO Bank N.A.

Joseph McGlawn, Head of Clearing, Cboe Digital

Brian Sayers, Executive Director, Post-Trade Services & Risk, CME

Jonathan Schlamp, Senior Vice President Commodities & Global Markets, Macquarie
Futures USA

On the positive side, 24/7 would eliminate challenges experienced with holiday processing and allow market participants to react to global events occurring on weekends and holidays. Firms will have two more days when systems are available to “catch up” if needed. Market participants would be better able to manage risk by responding to weekend geo-political events in real-time rather than waiting until the markets open on Monday.

Further understanding of institutional, fund manager, professional trader, and retail client demand for clearing 24/7 is essential. Will clearing members have access to clients’ operational staff 24/7? Will they be able to respond to margin calls or be willing to prefund accounts? Setting expectations with clients will be key; for example, the same level of service that is available on a weekday may not be provided on Saturday or Sunday.

Setting the Stage

Some CCPs already offer weekend trading and even have a proven track record of no downtime. Other CCPs have historically traditional hours—for example, a 4:00 p.m. market close, 7:00 p.m. clearing deadline and weekend closures.

- What does 24/7 Clearing mean? Are all services offered every hour of every day? Or could it mean that some processes are still run on business days, treating off-hours/weekend trading in the same way holidays are treated today?
- Is 24/7 clearing appropriate for all products/markets?
- Would legal updates be needed to all existing client documentation?

Post-Trade Processing

Most FCMs operate batch-processing systems, further complicating the support of around-the-clock clearing.

- How would regulatory reporting requirements change? Would they also move to 24/7? If regulatory reporting timelines remain unchanged, it would reduce the amount of work needed to be done on weekends.
- What sort of **technology** will be required to support 24/7 clearing? Automation may well be a key. If more is automated, the stress on humans could be lowered; however, exception handling is a skilled position that likely cannot be fully automated.
- Most new product releases and testing are conducted over weekends. How would this happen in a 24/7 environment?

Staffing

Staffing was seen as the biggest challenge when implementing 24/7 clearing. The panel discussed varying models of staffing that could be used to support 24/7 clearing: offshoring, rotating shifts, follow-the-sun.

- Would the back office need to be fully staffed or could clearing be handled with a skeleton crew?
- Senior managers would have to be on call 24/7 to make judgement calls. If not, are they willing to delegate the responsibility to staff working non-traditional hours?
- With the adoption of more automated trade flows, will the specialized labor required across the industry be available and willing to work nights / weekends?

- Although there are examples of professions where 24/7 work hours are expected--surgeons, ER doctors, firefighters--these fields are highly specialized, and entrants understand the hours they will need to work when they choose this profession. Can finance adapt to this model?
- How much of the staffing issue is a US-EMEA based view of workweek. In certain areas of the world, Saturday workdays are normal.

Risk Management, Collateral & Banking

It was generally agreed that new operating procedures would have to be established for weekend trading to adapt to the schedules of key partners. Risk parameters and margin obligations may have to be viewed differently since 24/7 clearing reduces the time when markets are closed and risk profiles recalibrated.

- If cash cannot move over the weekend because of banking limitations, firms will be responsible for payments which may curb their willingness for 24/7 clearing. Who bears the risk: broker, CCP or client?
- It's possible to 'pre-fund' or have increased intraday margin. Will firms make weekend or overnight margin calls? Will clients accept being liquidated if they exceed their account max?
- Will the anticipated expansion of payment rails, such as Fedwire, help ease the cash flow issues?
- Global banking cooperation will be required for all currencies.
- Would firms accept collateral like bitcoin? How will non-cash collateral be dealt with in off-hours? Will higher capital requirements be required up front?

Additional Thoughts

The industry should work together to analyze the impact of 24/7 trading on the clearing cycle. The industry also should consider the ways new technology such as AI and tokenization could provide solutions that would make clearing 24/7 more feasible.

Implementation of 24/7 Clearing

The panel agreed that 24/7 clearing should be implemented in phases, perhaps starting with 23/7 clearing. The business date could continue to roll to Monday for all trading until demand is more clearly understood.

The panel concluded by saying that the futures and options industry is resilient and that all 24/7 challenges could be addressed by technology, expertise, and innovation.