

ASIFMA/Q15/ATF/FIX Asia Pacific Equities IOI Charter Frequently Asked Questions (FAQ)

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The following frequently asked questions (FAQs) are designed to help market participants understand and adhere to the ASIFMA/Q15/ATF/FIX Asia Pacific Equities IOI Charter (the Charter), which is available on the ASIFMA website (<https://www.asifma.org/resource/asia-pacific-ioi-charter/>).

The Charter is not a legal document, and it does not encourage, nor does it regulate communications between brokers or between clients about potential bids and should not be interpreted in a way that would override the provisions of any applicable laws, codes or other regulatory requirements.

1. Can a non-ASIFMA member (or a firm which is not a member of Quorum 15, FIX, or ATF) become a signatory to the Charter?

Yes. The Charter is open to all market participants who issue IOIs and recipients that react to them.

2. Can a market participant that only issues/reacts to IOIs in individual or several individual markets become a signatory to the Charter?

Yes, provided that the market participant is adhering to the Charter in the relevant markets. It should be made clear on the ASIFMA website and Due Diligence Questionnaire that adherence is limited to the relevant markets.

3. How can a market participant become a signatory to the Charter?

To become a signatory of the Charter, interested firms may send an email to Ichao@asifma.org to confirm that it has implemented the appropriate internal policies, monitoring and supervision, and training of relevant staff in order to adhere to the practices noted in the Charter. Upon confirmation, ASIFMA will include the firm on the ASIFMA website (link above).

4. If a client (which allows its flow to be issued as an IOI) sends order flow to its broker but the broker decides not to issue an IOI, is the client not adhering to the spirit of “send to receive”?

No, provided that the client had indicated to the broker that the flow could be issued as an IOI. Brokers are expected to communicate to their clients if they are turned off from receiving others' IOIs and why that is the case.

5. Can a broker's facilitation desk issue P:1 IOIs?

No. P:1 IOIs are related to client flow. House IOIs can only be issued as H:1/H:2/H:3 IOIs.

6. Can a broker not adhere to the 15-minute refresh time at the request of a client?

No. Signatories should adhere to the Charter.

7. Does the 15-minute refresh rule apply for out of time-zone markets which are not live?

No. The 15-minute refresh rule only applies to markets which are live.

8. What is the concept of “send to receive”?

According to the Charter, “Clients that do not allow their orders to be issued as an IOI should not expect to receive IOIs (C:1/C:2/P:1) from brokers, except for House flow (H:1/H:2/H:3)”.

Brokers may default clients in for IOIs as part of their execution service. Clients may indicate to their broker whether, by default, their orders can be issued as an IOI, or not. Generally, clients that are “default in” can reasonably expect to receive IOIs. Clients that are “default out” should *not* expect to receive IOIs.

Where clients are “default in”, they are trusting their broker to advertise their flow to help them achieve their execution goals. Brokers maintain full discretion.

- General market practice is for brokers to have a minimum threshold for automatically sending IOIs. Note there is no industry standard, brokers may set these minimums in terms of %ADV, notional value or other parameters, brokers typically set this minimum to avoid too much noise on IOIs.
- Brokers will typically cap the IOIs, and may unilaterally decide not to IOI stocks at their discretion; but neither of these count against the client for the ‘send to receive’ principle.

It is expected that clients that are “default in” may, on an order-by-order basis, instruct their broker not to issue an IOI they would otherwise have sent. Such clients can still expect to receive IOIs, provided that their instructions to the broker are not unreasonably restrictive and are in the spirit of “send to receive”.

- Generally, the market practice is that clients that instruct their broker to suppress actionable IOIs (e.g., over USD 200K or 3% of ADV) from their orders less than ~10-20% of the time are still adhering to the spirit of “send to receive” and can reasonably expect to receive IOIs
 - Note: *De minimis* orders and those where the broker elects not to issue an IOI at its own discretion should not be factored into such calculations.
- If a client is deemed not to be adhering to the spirit of “send to receive”, the client can expect to be notified and should expect to have a discussion with their broker to better understand how to adhere to “send to receive”.

The table below shows example scenarios re: whether a client should be receiving other clients’ IOIs

Client instruction re IOIs	Should client be receiving other clients’ IOIs?
1. Unconditional opt-in (agree to show all flow)	Yes
2. Agree to show majority of flow, except specific markets	Yes
3. Agree to show majority of flow, but with notional or ADV caps applied	Yes
4. Agree to show all flow but occasionally opt out on an order-by-order basis (10-20%)	Yes
5. Only agree to show IOI on an order-by-order basis	No
6. Agree to show flow only to top tier clients	No

9. If a firm is unable to adhere to certain aspects of the Charter, can it still become a signatory if such is disclosed in the Due Diligence Questionnaire (completed questionnaires are available on request; the template is available on the ASIFMA website)?

Firms that are unable to fully adhere to the Charter may not become a signatory. However, the Charter is designed as a working document; any difficulties regarding adhering to the Charter can be raised bilaterally to ASIFMA and anonymously tabled for discussion amongst signatories to conclude whether it would be against the spirit of the Charter. The Charter and the FAQ may be amended based on these conclusions.

10. Does the Charter apply to primary markets?

No. The Charter is only applicable to the secondary equities market.

11. Does IB scraping, or similar, fall within the scope of the Charter? If so, are there any specific rules covering IOIs generated in this form?

No, currently it is outside the scope. Current IB scraping technology has inherent limitations which may ultimately lead to reduced IOI quality and non-compliance with the Charter (and the high standards of IOIs it requires).

Examples of limitations:

- IB, Bloomberg messages etc are often ad-hoc, therefore the IOIs scraped from them will be as well. We cannot ensure scraped IOIs are up to date.
- Scraping technology is imperfect and may have false positives, displaying some non-IOI messages as IOIs.
- Messaging systems like IB are not equipped with the same checks that our IOI generation systems have, increasing the chance of errors.
- There is currently not a way for member firms to track which messages are scraped, or by whom, therefore it is impossible to audit quality.

We understand clients may still request to enable this technology, and it is at the brokers' discretion if they enable this.

12. How is the Charter enforced?

ASIFMA is not an SRO, nor is the Charter a legal document. ASIFMA and its IOI WG will periodically review the industry's IOI practices together with Charter signatories to identify any inappropriate behavior or any areas where the Charter should be revised. As noted, firms encountering uncertainties, difficulties or issues with adhering to the Charter should raise such on a bilateral basis to ASIFMA for discussion. Signatory firms which are deemed by the majority of signatories to be contravening the Charter and its guidance may be removed from the ASIFMA website.