

# Automating Give-Up Agreements

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# Background

FIA Futures Services Division and FIA Chicago initiated a project to study the operational issues raised in execution brokerage in August 2004.

# Background contd

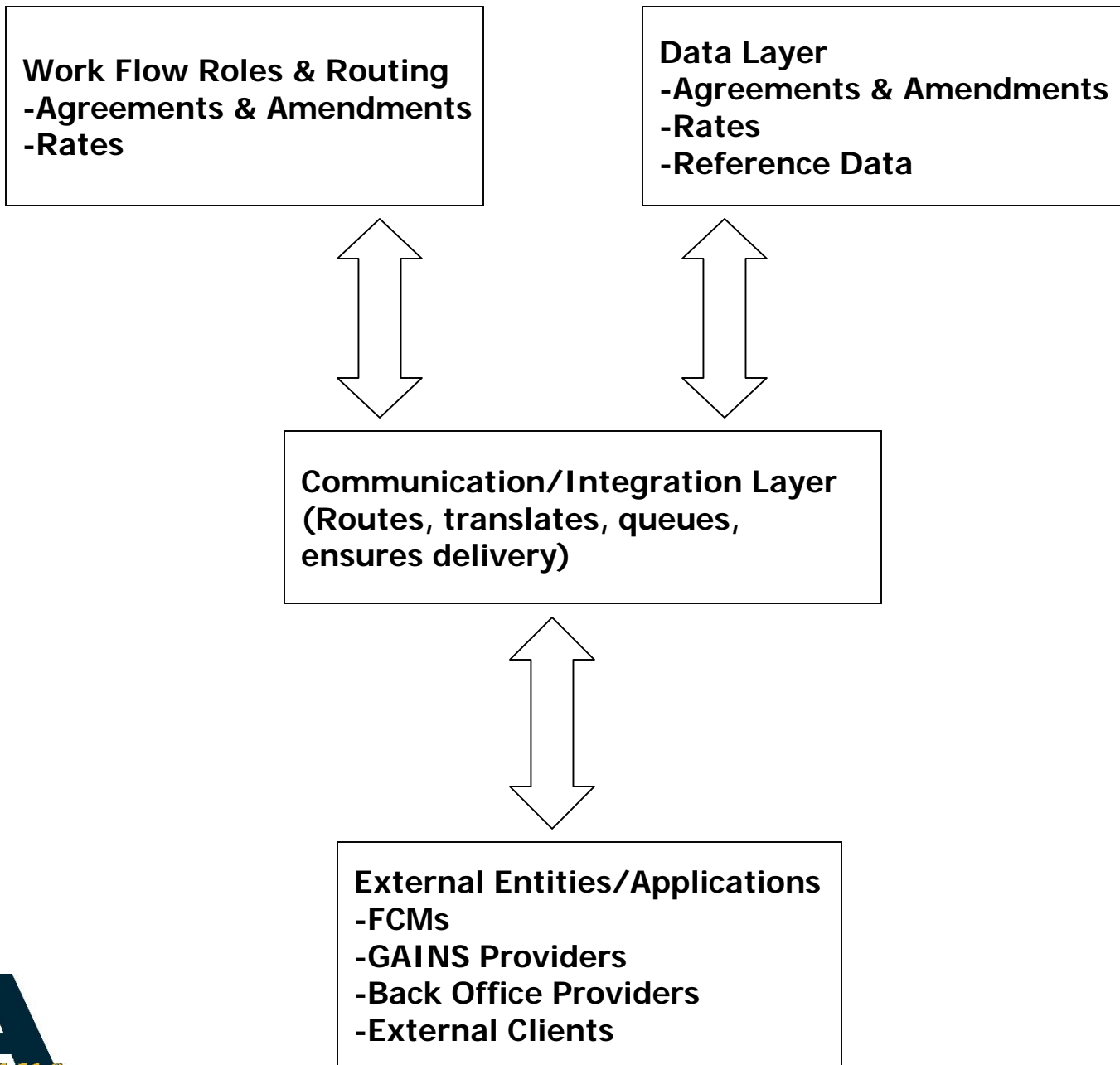
- One of the recommendations from the study was to create a database to centralize give-up agreements and accept electronic agreements with electronic signatures.

# Operational Considerations

- An operations committee was formed to discuss all aspects of Give Up Agreements and their impact on operations including
  - trade processing
  - settlements
  - billing
  - client statements
  - clearing

# Legal Considerations

- A committee of FIA Law & Compliance drafted a protocol agreement and adherence letter
- The U.K. Futures and Options Association and the Managed Funds Association have participated in this process.



# PHASE 1 PRIORITIES

Develop a browser-based accessible Give-up Agreement system that would:

1. Accommodate amendments in the terms and conditions.
2. Provide robust processing capacity and functionality,
3. Enable all parties to the give-up agreement to be identified and cross referenced.
4. Provide interface/download/reconciliation capacity to ensure complete integration with FCM/Exchange/Client systems.

# PHASE 1 PRIORITIES

Develop a browser-based accessible Give-up Agreement system that would:

5. Offer significant storage capacity
6. Record date agreement was executed as well as dates agreement was amended, documenting identities of parties initiating original as well as amended agreements.
7. Confirm acceptance by all parties whether the document is original or amended.

# PHASE 1 PRIORITIES

Develop a browser-based accessible Give-up Agreement system that would:

8. Be flexible, providing information retrieval/reporting tools to search rates, rates, participants and dates.
9. Provide for clear definitions for GAINs and ATOM.
10. Include disaster recovery capability.

# SOFTWARE PROVIDERS

- Six providers have expressed an interest in developing an electronic give up agreement system:
- Some initial quotes included license fees plus open ended implementation/development and maintenance costs

# Funding Models

- Access fee
- Guarantees to support financing
- Activity fee to support ongoing maintenance and support

# BENEFITS

- 6 -20 month payback
- Savings of
- \$1.5 million annually starting in second year
- Staff time reduced by 80%
- Add certainty to the collection process

**FIA**  
*50 years*

# Twenty One Requirements

**Project Scope:** The ultimate Electronic Give Up System will provide a global STP solution for give-up processing that includes electronic execution of give-up agreements and accommodates modifications in the agreement; stores give-up agreements; contains a rate monitoring system that allows rate changes to be agreed among parties and sends notifications. It will also interface with back office service providers, as well as firm and exchange system software. The system may ultimately contain risk management capabilities.

The system should:

- Be web-based and menu driven using prompting logic for navigation through various template options.
- Secure—password protection for each give-up agreement
- Accommodate amendments to the agreement.
- Provide access to all parties named in the agreement

# Twenty One Requirements Continued

- Provide robust processing capacity and functionality, enabling multiple G/U participants tied to large central/core FCM relationships/customers to be identified and cross-referenced.
- Provide multicurrency capacity.
- Provide “state of the art” communication functionality. It must provide interface/download/reconciliation capacity to ensure complete integration with FCM/Exchange/Client systems.
- Have significant storage capacity
- Provide historical data re dates of original as well as amendment dates and should include identities of parties initiating original as well as amended agreements.
- Provide confirmation of acceptance by all parties whether the document is original or amended.

# Twenty One Requirements

## Continued

- Provide document management capability so that a firm can access agreements by customer, by broker, by firm, etc.
- Provide an audit trail so that person who made the change can be identified.
- Provide functionality for rate changes and have capability for parties to acknowledge and agree on rate changes. Rate changes should be automated. When rates are agreed, they should flow through the system. Also, system should have a field for “effective date” for rate changes.
- Identification of client account numbers along with clearing member and execution broker (s) identifiers. System must capture all accounts for an advisor even if they are not listed in the agreement. All contact details must be included as well as billing methodology, bill to clearer via GAINs or invoice, bill customer direct (if the business agrees to include this menu item as an option)

# Twenty One Requirements Continued

- Provide a notification system for parties to be notified when the agreement is posted and when changes have been made.
- Be flexible re information retrieval/reporting tools as to all key elements (Rates, participants & dates).
- Provide for clear definitions re GAINs & ATOM.
- Include a disaster recovery capability.
- Build the system for the primary business objectives.
- Include position risk logic for later phases.
- Include existing agreements in the system's database