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Mr. Zhong Li
IOSCO General Secretariat
International Organization of Securities Commissioners (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Submitted via consultation-2015-03@iosco.org

Re: Mechanisms for Trading Venues to Effectively Manage Electronic Trading Risks and Plans for Business Continuity

Dear Mr. Li,

FIAⁱ welcomes the opportunity to submit comments on the International Organization of Securities Commissions Consultation: Mechanisms for Trading Venues to Effectively Manage Electronic trading Risks and Plans for Business Continuity.

We greatly appreciate IOSCO's work in developing recommendations and sound practices to manage electronic trading risks and business continuity planning. Electronic trading has become an integral tool for an increasingly large percentage of market participants and markets. Risk management and system safeguards particularly focusing on electronic trading have been a major focus of our members for the last several years. FIA, the FIA Principal Traders Groupⁱⁱ and the FIA European Traders Associationⁱⁱⁱ (collectively FIA) have taken a collaborative approach to these issues bringing together exchanges, brokers and traders to share expertise, to consider best practices and develop thoughtful guidelines for considering automated trading development and operation.

In reviewing IOSCO's recent consultation, several areas that are addressed have been subject to one or more FIA papers. Recently, in March of this year, FIA issued a Guide on the Development and Operation of Automated Trading Systems. The 46-page Guide addresses a broad range of risk and security issues relevant to automated trading systems and presents the best and most current approaches in the following areas: pre-trade risk controls, post-trade analysis, co-location, disaster recovery/business continuity, automated trading system development and support, security, trading system operations, documentation of policies, and procedures and systems. The Guide draws on and updates prior FIA studies. Importantly, we believe it addresses principles highlighted in the IOSCO consultation such as managing external risks to critical systems including pre-trade controls, post-trade monitoring of trading, ability to suspend trading and ability to halt trading. This may be one of the only principles-based papers addressing many aspects of electronic trading produced for the industry by the industry; it

emphasizes that all industry players have responsibilities in keeping trading systems safe and sound.

The IOSCO consultation also targets Business Continuity Planning and recommends regulators should require trading venues to establish, maintain and implement as appropriate a BCP. We strongly support the need for BCP testing at least once a year. For over a decade, the U.S. futures industry has conducted a disaster recovery test each fall to assess industry-wide preparedness to respond to business disruption. The test, which was first established by FIA after the terrorist attacks in 2001, typically involves conducting a mock trading session on one weekend. The test focuses on disaster recovery back-up connectivity and functionality between exchanges, clearinghouses and member firms. In 2014 the test was successfully conducted among 24 domestic and international futures exchanges, clearinghouses and swap execution facilities as well as 62 clearing/non-clearing firms. Participation involved firms that handle the vast majority of volume on the participating exchanges, indicating that the test covered a critical mass of the industry. It helped identify the type of problems that might disrupt trading during a real-life disaster. Testing was orchestrated from alternative work sites as well as disaster recovery data centers. Firms also tested alternate personnel sites located throughout the U.S. as well as Frankfurt, London, Madrid, Montreal, Paris, Toronto and Winnipeg.

In the past, firms have indicated that the test helped them in such areas as exercising their own business continuity/disaster recovery plans, identifying internal single points of failure, testing other in-house applications and systems at the same time, tightening up and documenting their business continuity procedures, and better understanding the need for cross training employees. Exchanges and clearinghouses recognized the same benefits and indicated that the test also helped them improve test scripts and plans for future tests. As in the past, FIA continues to liaise and communicate with our equity counterparts at the Securities Industry and Financial Markets Association ("SIFMA") as both industry groups have conducted somewhat similar testing on common dates for several years and many firms are members of both associations. Both groups are now more focused on preparing for cyber incidents and considering how the test might include such an episode into the industry-wide test. FIA stands ready to share more information about the FIA industry-wide test with IOSCO and its members upon request.

Thank you for the opportunity to share our views.

Respectfully yours,

A handwritten signature in black ink that reads "Walt L. Lukken". The signature is written in a cursive, slightly slanted style.

Walt L. Lukken
President and Chief Executive Officer

Attachment: FIA: [Guide on the Development and Operation of Automated Trading Systems](https://fia.org/sites/default/files/FIA%20Guide%20to%20the%20Development%20and%20Operation%20of%20Automated%20Trading%20Systems.pdf)

<https://fia.org/sites/default/files/FIA%20Guide%20to%20the%20Development%20and%20Operation%20of%20Automated%20Trading%20Systems.pdf>

ⁱ FIA is the leading trade organization for the futures, options and cleared swaps markets worldwide. FIA's membership includes clearing firms, exchanges, clearinghouses and trading firms from more than 25 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. As the principal members of derivatives clearinghouses worldwide, FIA's member firms play a critical role in the reduction of systemic risk in the global financial markets. FIA and its affiliates FIA Europe and FIA Asia make up the global alliance FIA Global, which seeks to address the common issues facing their collective memberships.

ⁱⁱ FIA PTG is an association of more than 20 firms that trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated, and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. FIA PTG advocates for open access to markets, transparency, and data-driven policy.

ⁱⁱⁱ FIA EPTA is an association of European principal traders formed in June 2011 under the auspices of the FIA. FIA EPTA members consist of 25 principal trading firms that provide significant amounts of liquidity to European regulated markets and multilateral trading facilities (MTFs). FIA EPTA members deal on own-account using proprietary capital and do not have clients or act as deposit takers in any form. FIA EPTA members are authorized by various EU national competent authorities and/or supervised by the regulated markets on which they trade, and are further subject to EU and national conduct of business regulation.