

## EXECUTIVE SUMMARY

As 2019 came to a close so too did the FIA Principal Traders Group's (FIA PTG) first decade of advocacy work. Since inception in January 2010 we have successfully established ourselves as a "go to" resource for regulators and policymakers as well as media on a wide variety of industry topics. During this time, we have worked to emphasize the important role of the liquidity provider while constantly looking at issues that may impact the function, fairness and stability of markets. We have produced best practice recommendations and white papers on topics ranging from risk controls for automated trading to liquidity to market structure and filed over 100 letters on a broad range of topics across asset classes.

This year we continued to build on our relationships with the US regulatory agencies through over one dozen meetings with Commissioners and staff. The topics discussed included: automated trading regulation; various market structure issues including artificial latency mechanisms; the impact of the leverage ratio and support for the move from CEM to SA-CCR; swap execution facility (SEF) issues including the proposed Commodity Futures Trading Commission (CFTC) SEF rule, post-trade name give-up consultation and Floor Trader Swaps Exclusion; and digital assets.

In addition, we filed 16 letters on a wide variety of topics including: SEF rule proposals; speed bumps and other market structure impacting exchange proposals; the supplemental leverage ratio calculation methodology; the Consolidated Audit Trail (CAT); reporting of corporate bond block trades; Central Counterparty (CCP) default auctions; and digital assets. And finally, after seven years of advocacy, we asked for and received from the CFTC no-action relief to clarify the existing Floor Trader Swaps Exclusion which facilitates our members providing liquidity on SEFs without having to register as Swap Dealers.

In 2020, FIA PTG will continue to be a strong voice on market structure issues across all asset classes, as well as to continue to advocate for fair and open access to markets, transparency, principles-based regulation and data-driven policy.

## 2019 HIGHLIGHTS

- Submitted or contributed to 15 comment letters and one no-action letter to regulators, policymakers and exchanges.
- Earned 8,295 page views, drawing over 3,300 viewers.
- Continued to grow social media presence through Twitter and eLink.
- Expanded FIA PTG representation to three CFTC Advisory Committees:
  - Energy and Environmental Advisory Committee (EEAC).
  - Market Risk Advisory Committee (MRAC).

- Agriculture Advisory Committee (AAC)
- Maintained presence on CFTC Technology Advisory Committee (TAC) through member firm representation.
- Continued to develop and expand relationships with other trade associations and industry groups including: Securities Industry and Financial Markets Association (SIFMA), Managed Funds Association (MFA), Modern Markets Initiative (MMI) and Treasury Market Practices Group (TMPG).
- FIA PTG Members participated in:
  - 14 meetings with CFTC and Securities and Exchange Commission (SEC) Commissioners and staff members.
  - One media roundtable.

## **MISSION OF THE FIA PRINCIPAL TRADERS GROUP**

- Provide a forum for proprietary trading firms to identify and discuss issues confronting the PTG community;
- Define common positions on public policy issues and advance the group's collective interests through the FIA;
- Improve public understanding of the constructive role played by proprietary trading firms in the exchange-traded equities and derivatives markets; and
- Promote cost-effective, transparent access to U.S. and non-U.S. markets.

## **ADVOCACY GOALS – 2019**

1. Pursue additional representation opportunities on regulatory advisory committees, panels and roundtables.
2. Set up introductory meetings with incoming CFTC/SEC/Treasury personnel, as changes at senior positions are expected
3. Continue efforts on Capitol Hill to inform Members and Member offices of our regulatory positions with respect to possible legislative initiatives, as well as actions by the regulatory agencies they oversee. As for expected legislative initiatives, efforts from the previous Congress on the following issues will likely carry over, including:
  - CFTC Reauthorization (House and Senate)
  - Legislation related to the protection of algorithmic source code
  - Supplemental Leverage Ratio
  - Legislation on cryptocurrencies/digital assets
  - Possible legislation related to equity market structure
  - Other relevant legislation to derivatives/securities regulation
4. Specific regulatory initiatives including:
  - Monitor for rule proposals and oversight developments related to automated trading (CFTC, SEC and Exchanges).

- Continue to engage with regulators on rule proposals introducing artificial latency mechanisms (CFTC, SEC and Exchanges).
- Monitor for rule proposals related to changes in Treasury market structure, including the clearing and settlement processes. (Treasury, Federal Reserve, CFTC, SEC).
- Continue to engage with the SEC on FIA PTG's suggested changes to equity market structure, including Regulation NMS.
- Develop advocacy positions on suggested changes to equity options market structure.
- Continue to engage with the CFTC on rule proposals related to swap execution/market structure.
- Monitor for rule proposals related to new registration requirements for principal trading firms (Treasury, CFTC and SEC).
- Continue to engage with Prudential Regulators on proposed changes to the Supplemental Leverage Ratio requirements.
- Monitor CCP recovery and resolution developments – including variation margin gains haircutting, waterfall, and other issues (CFTC).
- Monitor for any developments on transaction tax (Administration).
- Monitor regulatory developments in digital asset markets and consider engagement where appropriate (CFTC, SEC, Administration).

## OUTREACH GOALS – 2019

1. Continue to grow social media following.
2. Use Twitter and eLink to advance FIA PTG positions and advocacy goals.
3. Migrate to new FIA website without disruption.

## FIA PTG ADVOCACY

### Regulatory Initiatives

#### Committee Participation

- FIA PTG members continue to participate on the CFTC TAC and participated in the March 27 and October 3 meetings.
- FIA PTG has a representative on the CFTC EEAC and participated in the April 27 and November 7 meetings.
- FIA PTG has a representative on the CFTC MRAC and participated in the June 12, September 9 and December 11 meetings.
- On March 8, FIA PTG submitted a letter to the CFTC nominating Rob Creamer to represent FIA PTG on the CFTC AAC. On March 29, Rob Creamer was appointed to the CFTC AAC and participated in the April 11 meeting.

#### CFTC

- On February 15, FIA PTG [responded](#) to the CFTC Request for Input on Crypto-Asset Mechanics and Markets.

- On March 12, FIA PTG members attending the FIA Boca Conference met with CFTC Chairman Giancarlo, Commissioners Behnam and Quintenz and Directors Zaidi and Kulkin. Topics discussed included the SEF rule proposal, Floor Trader Swaps Exclusion, impact of leverage ratio constraints and speed bumps.
- On March 13, FIA PTG submitted a [comment letter](#) to the CFTC in opposition to ICE Futures U.S. proposed passive order protection (speed bump).
- On March 14, FIA PTG submitted a [comment letter](#) to the CFTC raising concerns with three aspects of the swap execution facility (SEF) rule proposal: impartial access; execution methods and straight-through-processing.
- On March 14, FIA PTG submitted a [comment letter](#) urging the CFTC to prohibit the practice of post-trade name give-up in cleared swaps.
- On June 14, FIA PTG submitted a [no-action request](#) to the CFTC Division of Swap Dealer and Intermediary Oversight (DSIO). The relief requested would clarify that a floor trader could (i) enter into swap transactions that are not executed on or subject to the rules of a Designated Contract Market (DCM) or SEF or that are not cleared by a Derivatives Clearing Organization (DCO); and (ii) negotiate terms for such swap transactions in addition to price and quantity terms, but could still rely upon the relief available under the Floor Trader Swaps Exclusion with respect to those transactions that meet all the requirements set forth therein.
- On June 18, representatives from FIA PTG met with CFTC DSIO Director Kulkin in Chicago. Director Kulkin explained the process his Division will use to address FIA PTG's recent Floor Trader Swaps Exclusion no-action request.
- On June 27, the CFTC DSIO [granted the no-action relief](#) that FIA PTG had [requested](#).
- On October 29, members of FIA PTG met with CFTC Chairman Tarbert in Chicago. The topics discussed included: automated trading regulation; market data; digital assets; transition from CEM to SA-CCR; and the FCM model.
- On October 30, members of FIA PTG met with CFTC Commissioner Berkovitz in Chicago to discuss remaining obstacles to SEF market participation.

## SEC

- On January 22, FIA PTG filed a [comment letter](#) urging the U.S. Securities and Exchange Commission (SEC) to reject the Investors Exchange (IEX) Discretionary Peg Order Proposal.
- On March 1, FIA PTG filed a [second comment letter](#) with the SEC responding to the IEX response to our previous comments and again urging the SEC to reject the IEX Discretionary Peg Order Proposal.
- On July 11, representatives from FIA PTG met via phone with David Saltiel, SEC's Head of the Office of Analytics and Research, to discuss the Congressionally mandated SEC study on "algorithmic trading."
- On July 17, FIA PTG filed a [comment letter](#) with the SEC opposing the Cboe Global Markets (Cboe) EDGA proposal to introduce Liquidity Provider Protection.
- On October 17, four representatives from FIA PTG traveled to Washington, D.C. for meetings with the SEC. They met with staff from the Division of Trading and Markets and Division Director Redfean, Commissioner Roisman, and Commissioner Peirce. The topics discussed included: market structure and suggested changes; market data fees; access fee pilot; speed bumps; and the New York Stock Exchange (NYSE) Mahwah antenna.

- On October 21, FIA PTG filed a [second comment letter](#) with the SEC again opposing the Cboe EDGA proposal to introduce Liquidity Provider Protection.
- On December 10, FIA PTG filed a [comment letter](#) with the SEC supporting the proposed Rescission of Effective-Upon-Filing Procedure for NMS Plan Fee Amendments.
- On December 17, FIA PTG filed a [letter](#) with the SEC supporting a recent SIFMA letter raising additional CAT liability and access issues.

## OTHER

- FIA PTG continued to liaise with the FIA European Principal Traders Association (FIA EPTA) on issues of common interest, notably European regulation and European market structure changes.
- On January 31, FIA PTG submitted an email to ICE Futures U.S. summarizing our concerns with introducing a speed bump into futures markets.
- On February 1, FIA PTG [responded](#) to the Brasil, Bolsa, Balcão (B3 Exchange) public consultation on a change to the rule for registration of cross orders in the exchange environment.
- On February 28, representatives of FIA PTG had a call with representatives of the B3 Exchange to discuss our [comment letter](#).
- On March 14, FIA PTG submitted a [comment letter](#) to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency strongly supporting the proposed moved from CEM to SA-CCR without further delay.
- On June 11, FIA PTG [responded](#) to the Financial Industry Regulatory Authority (FINRA) Request for Comment on a Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination.
- On August 9, FIA PTG [commented](#) in response to the client participation questions in the CPMI-IOSCO discussion paper on CCP default auctions.

## FIA PTG OUTREACH

### Highlighted Media Outreach

- Hosted a media roundtable at the FIA Boca Conference where representatives from the FIA PTG Executive Committee met with reporters from the Wall Street Journal, Bloomberg, Risk, P&L, Business Insider and GlobalCapital. Speed bumps were the main topic discussed.

### New Media

- Continued to grow the FIA PTG Twitter page by 5% from 1,760 followers at the beginning of 2019 to 1855 followers by yearend, earning more than 132,500 impressions, or 363 impressions per day.
- The FIA PTG website drew 8,295 page views, drawing over 3,300 viewers.
- elink earned over 1,500 views.

- Blog
  - [The Time for Reform is Now](#)
- Continued FIA PTG Quick Bytes, a format to provide a brief, timely response to current news:
  - [Responded](#) to the CFTC's Division of Market Oversight statement on the ICE Futures U.S. Passive Order Protection functionality.

## Conferences

- Members moderated and/or participated on many panels at FIA Boca and FIA Futures & Options Expo Conference programs.

## OTHER INITIATIVES

- Contributed to the FIA Training initiative.
- Initiated quarterly calls with ICE/NYSE and FIA PTG members to discuss initiatives each group is working on.
- Provided support in the preparation of materials for the November 13 FIA APAC PTG China Roundtable with representatives from the China Securities Regulatory Commission (CSRC), the Shanghai Futures Exchange (SHFE) and the China Futures Association (CFA).
- On November 7, hosted an ICE/NYSE presentation for FIA PTG members on the exchange's plans to expand their equity exchange pre-trade risk controls.

## ORGANIZATIONAL EVENTS

- Elected Officers, Executive Committee and Nominating Committee Members.
- Hosted 6 in-person meetings of the group.
- Hosted 3 networking social events for members.

## ADVOCACY GOALS – 2020

1. Continue pursuit of additional worthwhile representation opportunities on regulatory advisory committees, panels and roundtables.
2. Continue efforts on Capitol Hill to inform Members and Member offices of our regulatory positions with respect to possible legislative initiatives, as well as actions by the regulatory agencies they oversee. As for expected legislative initiatives, efforts from the previous Congress on the following issues will likely carry over, including:
  - CFTC Reauthorization (House and Senate).
  - Legislation related to the protection of algorithmic source code.
  - Legislation on cryptocurrencies/digital assets.
  - Possible legislation related to equity market structure.
  - Other relevant legislation to derivatives/securities regulation.

3. Specific regulatory initiatives including:
  - Monitor for rule proposals and oversight developments related to automated trading (CFTC, SEC and Exchanges), with particular focus on the activities of the CFTC, given the Chairman's goal of proposing a new rule on this topic in 2020.
  - Continue to engage with regulators on rule proposals introducing artificial latency mechanisms (CFTC, SEC and Exchanges).
  - Monitor for rule proposals related to changes in Treasury market structure, including the clearing and settlement processes. (Treasury, Federal Reserve, CFTC and SEC).
  - Continue to engage with the SEC on FIA PTG's suggested changes to equity market structure, including Regulation NMS.
  - Continue to engage with the CFTC on rule proposals related to swap execution/market structure.
  - Monitor for rule proposals related to new registration requirements for principal trading firms (Treasury, CFTC and SEC).
  - Continue to engage with Prudential Regulators on proposed changes to the Supplemental Leverage Ratio requirements.
  - Monitor CCP recovery and resolution developments – including variation margin gains haircutting, waterfall, default auctions and other issues (CFTC).
  - Monitor for any developments on transaction tax (Administration) and carried interest (Treasury).
  - Monitor regulatory developments in digital asset markets and consider engagement where appropriate (CFTC, SEC and Administration).

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