

EXECUTIVE SUMMARY

In 2020, against the backdrop of the global pandemic and unprecedented volatility and volumes, the FIA Principal Traders Group (FIA PTG) continued to advocate on behalf of its members on a broad range of market structure issues across multiple asset classes including futures, equities, government securities, cleared swaps and corporate bonds. In addition to our market structure advocacy work, other topics addressed included the risks associated with electronic trading, the importance of timely trade reporting, the market impact of financial transaction taxes, the value of client participation in CCP default auctions and opportunities for streamlining audit trail requirements. FIA PTG used comment letters, regulatory advisory committee participation, meetings with regulators and media as well as conference panel participation to promote its positions on these topics.

This year we continued to build on our relationship with the Commodity Futures Trading Commission (CFTC) through over one dozen meetings with Commissioners and staff. The topics discussed included: the impact of the pandemic on financial markets; electronic trading regulation; and post-trade name give-ups in swap markets. We also met with the economists at the Federal Reserve responsible for the Financial Stability Report published in May to help them become better informed on the role of principal trading firms in today's markets.

In addition, we filed 14 letters on a wide variety of topics including: post-trade name give-ups for swaps; capital requirements for Swap Dealers; reporting of swap block transactions; electronic trading risk principles; equity market order types, periodic auctions and other market structure impacting exchange proposals; exchange wireless connections; and market data infrastructure.

To support our members as they initially transitioned to a work-from-home environment and then contemplated how to manage returning to office, we created a Returning-to-the-Workplace Issues Working Group. Participants in this Working Group met monthly to share challenges and issues related to both working from home and eventually returning to the office. Finally, as 2020 came to an end we closed the book on seven years of working with the CFTC on rules to mitigate the risks of electronic trading. In December, the CFTC finalized Electronic Trading Risk Principles.

In 2021, FIA PTG will continue to be a strong voice on market structure issues across all asset classes, while continuing to advocate for fair and open access to markets, transparency, principles-based regulation and data-driven policy.

2020 HIGHLIGHTS

- Submitted or contributed to 14 letters to regulators, policymakers and exchanges.
- Maintained FIA PTG representation on three CFTC Advisory Committees as well as numerous Advisory Committee Subcommittees:
 - Energy and Environmental Markets Advisory Committee (EEMAC).
 - Market Risk Advisory Committee (MRAC).
 - Agriculture Advisory Committee (AAC)
- Maintained presence on the 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:
 - 13 meetings (many virtual) with CFTC Commissioners and staff members.
 - 1 virtual meeting with economists at the Federal Reserve.

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.
- Promote cost-effective, transparent access to U.S. and non-U.S. markets.

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:
 - a. CFTC Reauthorization (House and Senate).
 - b. Legislation related to the protection of algorithmic source code.
 - c. Legislation on cryptocurrencies/digital assets.
 - d. Possible legislation related to equity market structure.
 - e. Other relevant legislation to derivatives/securities regulation.

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

OUTREACH GOALS – 2020

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 February 26, July 16 and December 14 meetings.
- FIA PTG has a representative on the CFTC EEMAC and participated in the March 24, May 7 and Oct 16 meetings.
- FIA PTG has a representative on the CFTC MRAC and participated in the July 21 meeting.
- FIA PTG has a representative on the CFTC AAC and participated in the April 22 and September 24 meetings.

Commodity Futures Trading Commission

- On January 9, representatives of FIA PTG met with the CFTC Division of Market Oversight (DMO) to discuss principles for risk management of electronic trading.
- On February 26, a representative from FIA PTG, along with members of the FIA Audit Trail Working Group provided an overview of its recommendations to streamline existing CFTC audit trail requirements at the CFTC TAC meeting. The four recommendations are designed to streamline existing requirements for efficiency and to eliminate redundancies, thus providing several benefits to industry participants.
- On March 2, FIA PTG filed a [comment letter](#) with the CFTC supporting the Commission's proposal to prohibit the practice of post-trade name give-up for swaps that are anonymously executed on a Swap Execution Facility and are intended to be cleared.
- On March 3, FIA PTG filed a [comment letter](#) with the CFTC supporting the finalization of the capital requirements for Swap Dealers with a handful of suggested modifications for non-bank Swap Dealers.
- On March 17, members of FIA PTG Executive Committee participated in a call with CFTC Chairman Heath Tarbert on the state of the markets. Chairman Tarbert assured the call's participants that there are no plans to close the markets, and that the CFTC is staying in close touch with its fellow financial regulators on market developments.
- On March 25, members of FIA PTG Executive Committee had a call with CFTC Commissioner Brian Quintenz to discuss the COVID-19 pandemic's impact on financial markets. Executive Committee members provided input to the Commissioner on what they are seeing in the markets and what can be expected going forward.
- On April 8, representatives of FIA PTG completed a series of joint trade association calls with the CFTC in support of the proposal to prohibit post-trade name give-up (PTNGU) on SEFs. FIA PTG joined representatives from MFA, Investment Company Institute (ICI), SIFMA AMG, and Healthy Markets in calls with Chairman Heath Tarbert and Commissioners Brian Quintenz, Rostin Behnam, and Dan Berkovitz, as well as staff from DMO.
- On May 6, members of FIA PTG spoke with the CFTC's DMO to discuss the latest effort by the Commission to propose a rule regarding electronic trading.
- Also in May, representatives of FIA PTG had three separate calls with CFTC Chairman Heath Tarbert and Commissioner Brian Quintenz on the agency's plan to propose principles for electronic trading. Representatives of FIA PTG also had a joint call with CME and ICE Futures US to discuss the electronic trading principles.
- On May 22, FIA PTG filed a [comment letter](#) with the CFTC opposing proposed amendments to delay the reporting of block transactions in swaps for 48 hours.
- On June 3, representatives of FIA PTG spoke with CFTC Commissioner Brian Quintenz to discuss the Commission's plan to propose a rule for Electronic Trading Risk Principles.
- On August 24, FIA and FIA PTG filed a [joint comment letter](#) in support of the CFTC's Electronic Trading Risk Principles.

Securities and Exchange Commission

- On January 21, FIA PTG filed a [comment letter](#) urging the U.S. Securities and Exchange Commission (SEC) to reject the Investors Exchange (IEX) Discretionary Limit Order Type Proposal.

- On April 23, FIA PTG filed a [second comment letter](#) with the SEC encouraging the Commission to disapprove the IEX Discretionary Limit Order Type Proposal.
- On April 27, FIA PTG filed a [comment letter](#) with the SEC encouraging the Commission to closely scrutinize the unfairly discriminatory and anti-competitive latency advantage provided to the Wireless Connections covered by the New York Stock Exchange (NYSE) Proposal to Amend the Schedule of Wireless Connectivity Fees and Charges.
- On June 3, FIA PTG filed a [comment letter](#) in response to the SEC's Market Data Infrastructure Proposal.
- On August 25, FIA PTG filed a [comment letter](#) with the SEC opposing the Cboe BYX Periodic Auction Proposal.
- On September 18, FIA PTG filed a [comment letter](#) with the SEC in support of the Cboe Proposed Rule Change Relating To Adopt Compression Orders.
- On September 25, FIA PTG filed a [second comment letter](#) with the SEC on the Amended NYSE Proposal to Amend the Schedule of Wireless Connectivity Fees and Charges.
- On December 8, FIA PTG filed a [comment letter](#) with the SEC supporting Nasdaq BX's proposal to limit the number of option strikes listed for trading on the exchange.

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 March 29, FIA PTG, along with FIA and FIA EPTA issued a [statement](#) opposing short selling bans.
- On June 26, FIA PTG submitted a [comment letter](#) in response to the Brazilian Market Structure Reform consultation.
- On July 7, the FIA PTG Executive Committee had a call with the team of economists at the Federal Reserve who were responsible for the [Financial Stability Report](#) published in May that was critical of principal trading firms (PTFs) and called them "particularly problematic" during times of market stress. It was a good introductory conversation. We agreed to continue the dialogue with the staff so they can be better informed on the role PTFs play in the marketplace.
- On October 6, FIA and FIA PTG joined over two dozen trade groups in sending [letters](#) of opposition to the New Jersey legislature, highlighting concerns about legislative proposals that would impose a tax on high-quantity processors of financial transactions.

FIA PTG OUTREACH

New Media

- Continued to grow the FIA PTG Twitter page to 1,892 followers by yearend, earning more than 48,519 impressions, or 138 impressions per day.
- Weekly elink earned over 1,510 views.

Conferences

- Members moderated and/or participated on panels at FIA Law & Compliance and FIA Futures & Options Expo virtual conference programs.

OTHER INITIATIVES

- Continued to contribute to the FIA Training initiative.

ORGANIZATIONAL EVENTS

- Elected Executive Committee and Nominating Committee Members.
- Hosted 1 in-person meeting and 5 virtual meetings of the group.

ADVOCACY GOALS – 2021

1. Meet and educate new policymakers, prioritizing regulators, then relevant legislators and staff. Introduce our group, what our members do and the issues we care about (tailored to the particular focus/jurisdiction of the policymaker).
2. Continue pursuit of additional worthwhile representation opportunities on regulatory advisory committees, panels and roundtables.
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 possible legislative initiatives, efforts from the previous Congress not completed or new legislative ideas from the current Congress could include:
 - a. CFTC Reauthorization (House and Senate).
 - b. Legislation on cryptocurrencies/digital assets.
 - c. Legislation related to equity market structure.
 - d. Legislation reacting to Treasury market volatility in 2020 or directing the Administration to change regulation over the sector.
 - e. Related legislation on more aggressive regulation for money market funds.
 - f. Financial transaction tax.
 - g. Possible use of the Congressional Review Act, which is a mechanism for Congressional reversal of the prior administration's executive/regulatory actions finalized during the last 60 days of the prior Congressional session.
 - h. Other relevant legislation to derivatives/securities regulation.
4. Specific regulatory initiatives including:
 - a. Monitor for rule proposals and oversight developments related to automated trading (CFTC, SEC, Federal Reserve Board, and Exchanges).
 - b. Continue to engage with regulators on rule proposals introducing artificial latency mechanisms (CFTC, SEC and Exchanges).

- c. Continue development of positions and monitor for rule proposals related to changes in Treasury market structure, including the clearing and settlement processes. (Treasury, Federal Reserve, CFTC and SEC).
- d. Continue to engage with the SEC on FIA PTG's suggested changes to equity market structure, including Regulation NMS.
- e. Monitor for rule proposals related to new registration requirements for principal trading firms (Treasury, CFTC and SEC).
- f. Continue to engage with Prudential Regulators on proposed changes to the Supplemental Leverage Ratio requirements.
- g. Monitor CCP recovery and resolution developments – including variation margin gains haircutting, waterfall, default auctions and other issues (CFTC).
- h. Monitor for any developments on transaction tax (Administration) and carried interest (Treasury).
- i. Monitor regulatory developments in digital asset markets and consider engagement where appropriate (CFTC, SEC and Administration).

OUTREACH GOALS – 2021

1. Continue to grow social media following.
2. Continue to use Twitter and elink to advance FIA PTG positions and advocacy goals.
3. Work with FIA consultant to upgrade FIA PTG website.