

EXECUTIVE SUMMARY

2021 was a year of contrast for US market regulators. The Commodity Futures Trading Commission (CFTC) was without a confirmed agency Chair (until December 15) and vacant Commissioner seats (as many as three), which led to a minimalist agenda, while the Securities and Exchange Commission (SEC) was extremely active with a confirmed Chair Gary Gensler and full slate of Commissioners. The Archegos blowup, the GameStop/meme stock events, a review of 2020's treasury market volatility, and various crypto events were all of significant interest to Congress and in scope for SEC Chair Gensler to weigh in on, creating pressure on the SEC to act and Chair Gensler's commitment to do so. SEC staff is working toward concrete proposals on these issues, and we expect proposals in 2022. In addition to Rostin Behnam being confirmed as CFTC Chair, four new CFTC Commissioners have been nominated and should be approved by the Senate in Q1 2022, so we expect more leadership and activity from the CFTC in the coming year. Digital asset regulation and guidance from the Administration, particularly on how the SEC and CFTC could potentially work together, the aggression of each agency, and the resulting commercial impact to this industry, will be an important thing to watch.

In response to growing concerns around the functioning of the Treasury market in March 2020, and calls for increased central clearing, FIA PTG published a white paper in July 2021. The paper outlined the benefits of central clearing, the limitations of the current client clearing model, and recommended changes designed to expand clearing access to a wider range of market participants. Since the publication of the paper FIA PTG has met over ten times with representatives of the SEC, Federal Reserve and Treasury to discuss the paper. We will continue advocacy on this important topic in 2022.

In addition to our work on Treasury market structure, we filed 10 letters on a wide variety of topics including: the Consolidated Audit Trail; Regulation ATS; TRACE reporting; exchange data center concerns; and various tax initiatives. We continued our efforts to support our members as they navigated the ongoing impact of the pandemic on remote work as well as plans to eventually return to the office.

In 2022, we look forward to continuing to promote the vital role professional liquidity providers play in today's markets, as well as related advocacy.

2021 HIGHLIGHTS

- Submitted or contributed to ten letters to regulators, policymakers and exchanges.
- Published one white paper.
- Filed one Amicus Brief.
- Maintained FIA PTG representation on three CFTC Advisory Committees as well as various 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:
 - Eight virtual meetings with SEC Commissioners and staff members.
 - Two virtual meetings with Federal Reserve staff.
 - One virtual meeting with Treasury staff.

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 – 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. Use Twitter and elink to advance FIA PTG positions and advocacy goals.
3. Work with FIA consultant to upgrade FIA PTG website.

FIA PTG ADVOCACY

Regulatory Initiatives

Committee Participation

- FIA PTG members continue to participate on the CFTC TAC. There were no TAC meetings in 2021.
- FIA PTG has a representative on the CFTC EEMAC and participated in the June 3 and September 15 meetings.
- FIA PTG has a representative on the CFTC MRAC and participated in the February 23 and July 13 meetings.
- FIA PTG has a representative on the CFTC AAC and participated in the June 9 meeting.

Commodity Futures Trading Commission

- On October 25, Graham Harper, DRW, presented and answered questions on the FIA PTG white paper on central clearing in Treasury Markets on a panel at the CFTC Global Markets Advisory Committee (GMAC).

Securities and Exchange Commission

- On February 8, FIA PTG submitted a [comment letter](#) to the SEC opposing the [proposed amendment](#) to the National Market System Plan Governing the Consolidated Audit Trail by the Plan Participants.
- On February 12, FIA PTG submitted a [letter](#) to the SEC providing additional comments regarding market access concerns with the Nasdaq Carteret data center.
- On March 1, FIA PTG filed a [comment letter](#) in support of the SEC's [proposed rule](#), Regulation ATS for ATSS that Trade U.S. Government Securities, NMS Stock, and Other Securities; Regulation SCI for ATSS that Trade U.S. Treasury Securities and Agency Securities; and Electronic Corporate Bond and Municipal Securities Markets.
- On May 3, FIA PTG filed a [comment letter](#) to the SEC in support of the Cboe Voluntary Compression Service for Market Makers [Proposal](#).
- On May 12, FIA PTG filed a [comment letter](#) to the SEC in opposition to the [CAT Revised Funding Model Proposal](#).
- On August 17, the FIA PTG Treasury Market Structure Committee met with SEC Commissioner Crenshaw to discuss our white paper on clearing in Treasury markets.
- On August 18, the FIA PTG Treasury Market Structure Committee met with SEC Division of Trading & Markets staff to discuss our white paper on clearing in Treasury markets.
- On August 24, the FIA PTG Treasury Market Structure Committee met with SEC Commissioner Lee to discuss our white paper on clearing in Treasury markets.
- On August 26, the FIA PTG Treasury Market Structure Committee met with SEC Commissioners Roisman and Peirce to discuss our white paper on clearing in Treasury markets.
- On September 3, the FIA PTG Treasury Market Structure Committee met with SEC Chairman Gensler to discuss our white paper on clearing in Treasury markets.
- On September 30, the FIA PTG Treasury Market Structure Committee met with SEC Chief

Economist Wachter to discuss our white paper on clearing in Treasury markets.

- On November 22, the FIA PTG Equity Market Structure Committee met with the SEC Division of Trading & Markets staff. Topics covered included CAT funding proposal, flexible tick sizes, round lot reform, competing SIP framework and shortening settlement cycle to T+1.
- On December 9, a subset of the FIA PTG Treasury Market Structure Committee met with SEC Chairman Gensler to discuss his thoughts on Treasury market structure reform.

OTHER

- On February 3, FIA PTG, along with over two dozen trade groups, submitted a [joint-trade letter](#) opposing the NY Stock Transfer Tax.
- On February 22, FIA PTG submitted a [letter](#) to FINRA supporting proposed enhancements to TRACE reporting for US Treasury Securities.
- On March 11, FIA PTG and FIA EPTA filed a [joint response](#) to the UK HM Treasury [Call for Evidence](#) on the Overseas Financial Services Framework.
- On March 25, the FIA PTG Treasury Market Structure Committee met with FICC staff to discuss their current client clearing offering.
- On April 19, FIA PTG and SIFMA jointly filed an Amicus Brief in the *NYSE Group v. SEC* petition for review of a final order of the SEC.
- On July 19, FIA PTG published a white paper on central clearing in the Treasury market – “[Clearing a Path to a More Resilient Treasury Market.](#)”
- On August 5, the FIA PTG Treasury Market Structure Committee met with FICC staff to discuss our white paper on clearing in Treasury markets.
- On August 25, the FIA PTG Treasury Market Structure Committee met with US Treasury staff to discuss our white paper on clearing in Treasury markets.
- On September 2, the FIA PTG Treasury Market Structure Committee met with DC Federal Reserve Board staff to discuss our white paper on clearing in Treasury markets.
- On September 9, FIA PTG hosted an ICE Clear US Risk Model 2.0 Overview meeting.
- On September 28, FIA PTG hosted a CME Span 2 Margin Methodology Overview meeting.
- On October 4, FIA PTG joined nine trade associations in a [letter](#) raising concerns about the impact S. 2621, the Modernization of Derivatives Tax Act, may have on derivatives markets and the end-users that rely on them.
- On October 5, the FIA PTG Treasury Market Structure Committee met with NY Federal Reserve Board staff to discuss our white paper on clearing in Treasury markets.
- On December 13, FIA PTG filed a [comment letter](#) on the ICE Futures Europe [proposed messaging rule](#).

FIA PTG OUTREACH

New Media

- Continued to grow the FIA PTG Twitter page to 1,929 followers by yearend, earning more than 17,823 impressions, or 49 impressions per day.
- Weekly elink earned over 1,569 views.

Conferences

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

OTHER INITIATIVES

- Continued to contribute to the FIA Training initiative.
- Contributed to the FIA Exchange Risk Controls Survey/Repository project.

ORGANIZATIONAL EVENTS

- Elected Officers, Executive Committee and Nominating Committee Members.
- Hosted six virtual members meetings of the group.
- Hosted ten virtual networking calls for the group.

ADVOCACY GOALS – 2022

1. Continue educating policymakers, prioritizing regulators, then relevant legislators and staff.
2. Continue pursuit of additional worthwhile representation opportunities on regulatory advisory committees, panels, and roundtables.
3. Continue to work with exchanges (ICE and CME Group) on the implementation of margin models.
4. Continue to work with other like-minded trade associations where appropriate on issues of mutual interest.
5. Continue 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. Possible legislative initiatives could include:
 - a. CFTC Reauthorization (House and Senate).
 - b. Legislation on cryptocurrencies/digital assets.
 - c. Legislation related to equity market structure/high profile related events from 2021.
 - d. Legislation reacting to Treasury market volatility in 2020 or directing the Administration to change regulation over the sector.
 - e. Financial transaction tax (with particular focus on the “Build Back Better” bill).
 - f. Other relevant legislation to derivatives/securities regulation.
6. Continue pursuing specific regulatory initiatives including:
 - a. Continue monitoring 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 for 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 on FIA PTG's suggested changes to equity market structure, including Regulation NMS (SEC).
- e. Monitor for rule proposals related to new registration requirements for principal trading firms (Treasury, CFTC and SEC).
- f. Monitor CCP recovery and resolution developments – including variation margin gains haircutting, waterfall, default auctions, and other issues (CFTC).
- g. Continue to monitor for any developments on transaction tax (Administration) and carried interest (Treasury).
- h. Monitor regulatory developments in digital asset markets and consider engagement where appropriate (CFTC, SEC and Administration).

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