

## EXECUTIVE SUMMARY

In 2022 the primary focus of the FIA Principal Traders Group (FIA PTG) was market structure reform engagement. As some of the most active participants in equity and treasury markets, input from FIA PTG and its members was welcomed by policymakers and regulators as they worked to develop market reform proposals. In addition to filing numerous comment letters, we met over a dozen times with the Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), Federal Reserve and Department of the Treasury. Comprehensive SEC rulemakings proposed this year covering registration, access, clearing and overall market structure, if finalized, could have significant impacts on the future structure, operations and participation in both equity and treasury markets.

There was also significant focus in Washington on digital assets. This ranged from the ongoing debate as to which regulator should govern this new asset class generally, to more specific discussions of how to regulate certain products like stablecoins. The FTX request to introduce a non-intermediated clearing model coupled with a novel margin model led to a roundtable, multiple congressional hearings as well as a CFTC request for public comment. FIA PTG was there for all of it.

Organizationally, four new CFTC Commissioners, all women, were confirmed together (unprecedented), and for the first time in many months we now have a full Commission. Two new SEC Commissioners were also confirmed in 2022. November election results shifted the balance of power in the House, with Republicans winning a narrow majority, while the Senate remained in Democratic control.

In 2023, we look forward to continuing to promote the vital role professional liquidity providers play in today's markets, as well as related advocacy.

## 2022 HIGHLIGHTS

- Submitted 14 letters to regulators, policymakers and exchanges.
- Participated in 25 meetings with regulators, policymakers and exchanges.
- Participated in one industry regulatory roundtable.
- Participated in one global industry workshop.
- Expanded FIA PTG representation on CFTC Advisory Committees:
  - Energy and Environmental Markets Advisory Committee (EEMAC).
  - Market Risk Advisory Committee (MRAC).
  - Agricultural Advisory Committee (AAC).

- Global Markets Advisory Committee (GMAC).
- Continued to develop and expand relationships with other trade associations and industry groups including: Alternative Investment Management Association (AIMA), CCP12, International Swaps and Derivatives Association (ISDA), Managed Funds Association (MFA), Modern Markets Initiative (MMI) Securities Industry and Financial Markets Association (SIFMA), SIFMA's Asset Management Group (SIFMA AMG), and Treasury Market Practices Group (TMPG).
- FIA PTG Members participated in:
  - Eight meetings with SEC Commissioners and staff members.
  - Four meetings with CFTC Commissioners and staff members.
  - Three meetings with Federal Reserve staff.
  - Two meetings with Treasury staff.
- Hosted 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.
- Promote cost-effective, transparent access to U.S. and non-U.S. markets.

## **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).

## **OUTREACH GOALS – 2022**

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 has a representative on the CFTC EEMAC and participated in the September 20 meeting.
- FIA PTG has a representative on the CFTC MRAC and participated in the September 28 meeting.
- FIA PTG has a representative on the CFTC AAC and participated in the December 7 meeting.
- For the first time, FIA PTG has a representative on the CFTC GMAC. There were no GMAC meetings in 2022.

## Commodity Futures Trading Commission

- On February 3, the FIA PTG Treasury Market Structure Committee met with staff from the CFTC Office of the Chief Economist to discuss central clearing and other issues in Treasury markets.
- On March 15, FIA PTG members attending the FIA Boca Conference met with CFTC Chairman Rostin Behnam for a general discussion.
- On May 11, FIA PTG filed a [comment letter](#) with the CFTC welcoming the competition and innovation introduced by the [FTX Request](#), but cautioning that existing regulatory principles must apply.
- On May 24, representatives of FIA PTG in DC for the [CFTC Staff Roundtable Discussion on Non-intermediation](#) met with CFTC Commissioner Kristen Johnson.
- On May 25, representatives from FIA PTG participated in the [CFTC Staff Roundtable Discussion on Non-intermediation](#).
- On May 25, representatives of FIA PTG in DC for the [CFTC Staff Roundtable Discussion on Non-intermediation](#) met with CFTC Commissioner Caroline Pham.
- On June 17, FIA PTG submitted nominations to the CFTC for representation on the MRAC and GMAC. Both nominations were selected.
- On August 25, FIA PTG submitted a nomination to the CFTC for representation on the AAC. The nomination was selected.
- On September 29, FIA PTG submitted a nomination to the CFTC for representation on the Technology Advisory Committee (TAC). The nomination process is ongoing.

## Securities and Exchange Commission

- On January 19, the FIA PTG Treasury Market Structure Committee met with SEC Chairman Gary Gensler to discuss central clearing in Treasury markets.
- On March 15, FIA PTG members attending the FIA Boca Conference met with SEC General Counsel Dan Berkovitz for a general discussion.
- On March 23, FIA PTG filed a [comment letter](#) with the SEC requesting the Commission eliminate the [public disclosure aspect of the security-based swaps proposal](#) and focus on regulatory reporting instead.
- On April 5, FIA PTG joined 24 trade associations in a [joint letter](#) to the SEC regarding the importance of sufficient comment periods in connection with regulatory proposals.
- On April 7, the FIA PTG Treasury Market Structure Committee met with SEC Chairman Gary Gensler again to discuss central clearing in Treasury markets.
- On April 11, FIA PTG filed a [comment letter](#) with the SEC supporting the [proposed move from T+2 to T+1 settlement](#). FIA PTG said the overall reduction of risk in the system resulting from shortening the settlement cycle to T+1 justifies the effort and costs associated with the initiative. However, we went on to say that shortening the settlement cycle further to T+0 would unnecessarily increase systemic risk.
- On April 21, FIA PTG filed a [comment letter](#) with the SEC again supporting the SEC's efforts to increase transparency, access and the resiliency of the Government Securities marketplace

by [eliminating the exemption of Government Securities alternative trading systems \(ATSs\) from compliance with Regulation ATS](#). The letter also encouraged the SEC to consider providing additional clarity regarding the intended scope of the new “exchange” definition across asset classes, and to further re-affirm the clear intent to only capture truly multilateral trading venues.

- On April 27, FIA PTG filed a [comment letter](#) with the SEC raising concerns with the [proposed short sale marking rulemaking](#). FIA PTG said that while we support innovation and transparency, this Proposal marks a significant and relatively undefined departure from long standing Regulation SHO.
- On May 27, FIA PTG filed a [comment letter](#) strongly opposing the [SEC's Further Definition of “As a Part of a Regular Business” in the Definition of Dealer and Government Securities Dealer proposal](#) and urged the SEC not to move forward with finalizing it.
- On June 24, FIA PTG filed a [comment letter](#) in support of the [FINRA Proposal to enhance TRACE reporting for US Treasury Securities](#).
- On July 14, the FIA PTG Treasury Market Structure Committee met with SEC Chief Economist Wachter and staff from the Division of Economic and Risk Analysis (DERA) and the Division of Trading & Markets (T & M) to discuss the [FIA PTG response](#) to the [SEC Dealer Definition Proposal](#).
- On July 26, the FIA PTG Treasury Market Structure Committee met with SEC Chairman Gary Gensler again to discuss central clearing in Treasury markets.
- On September 27, FIA PTG submitted a [comment letter](#) opposing an [SEC Proposal](#) that would generally require Association (FINRA) membership for any registered proprietary broker-dealer that effects securities transactions elsewhere than on a national securities exchange of which it is a member. Citing significant costs and limited benefits, FIA PTG suggested there were less burdensome alternatives to accomplish the underlying goals set forth in the Proposal.
- On November 28, the FIA PTG Equity Market Structure and Treasury Market Structure Committees met with SEC Commissioner Crenshaw to discuss dealer registration, Treasury market clearing mandates, and the upcoming SEC equity market structure rule proposals.
- On November 30, the FIA PTG Equity Market Structure and Treasury Market Structure Committees met with SEC Commissioner Peirce to discuss dealer registration, Treasury market clearing mandates, and the upcoming SEC equity market structure rule proposals.
- On December 6, the FIA PTG Equity Market Structure and Treasury Market Structure Committees met with SEC Commissioner Lizarraga’s staff to discuss dealer registration, Treasury market clearing mandates, and the upcoming SEC equity market structure rule proposals.
- On December 27, 14 members of FIA PTG filed a [comment letter](#) in response to the SEC [Proposed Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to U.S. Treasury Securities](#) (SEC Treasury Clearing Proposal).

## OTHER

- On January 6, the FIA PTG Treasury Market Structure Committee met with staff from the

FICC who provided an update on FICC activities in connection with the push towards an enhanced client clearing model for cash Treasuries.

- On February 1, the FIA PTG Treasury Market Structure Committee met with staff from the Federal Reserve Bank of Chicago to discuss central clearing in Treasury markets.
- On March 15, FIA PTG members attending the FIA Boca Conference met with CME Group Chairman Terry Duffy and members of his management team to discuss the recent partnership with Google and other exchange topics.
- On March 22, FIA PTG members had an introductory call with Sam Bankman-Fried from FTX to discuss [FTX Request](#).
- On April 18, FIA PTG members had a follow-up call with FTX leadership staff to discuss [FTX Request](#).
- On April 29, FIA PTG joined CCP12 and MFA in responding to follow-up questions on the International Organization of Securities Commissions (IOSCO) consultation on default management processes and auctions. FIA PTG, along with MFA, responded to questions specific to “client” participation.
- On June 30, the FIA PTG Treasury Market Structure Committee met with staff of the Chicago Fed to discuss our recent [comment letter](#) in response to the [SEC Dealer Definition Proposal](#).
- On July 12, the FIA PTG Treasury Market Structure Committee had an introductory meeting with new US Treasury Assistant Secretary for Financial Markets Joshua Frost.
- On July 13, representatives from FIA PTG participated in the CPMI-IOSCO Policy Standing Group industry workshop on CCP default management auctions.
- On July 15, FIA PTG filed a [comment letter](#) with The Brazilian Securities and Exchange Commission on their Block Trade Definition proposal.
- On July 20, members of the FIA PTG Treasury Market Structure Committee met with Pat Parkinson and Darrell Duffie to discuss the G30 [U.S. Treasury Markets Steps Toward Increased Resilience – Status Update 2022](#).
- On August 1, members of the FIA PTG Treasury Market Structure Committee met with members of the Federal Reserve Board and the Federal Reserve Bank of NY to discuss the [FIA PTG response](#) to the [SEC Dealer Definition Proposal](#) and to continue discussions on the feasibility of central clearing of US Treasuries.
- On August 26, FIA PTG filed a [letter](#) with the US Department of the Treasury supporting the implementation of real-time public reporting (with appropriate block trade thresholds) for all secondary market cash transactions.
- On September 7, members of the FIA Treasury and Equity Market Structure Committees met with representatives from FINRA to discuss the [SEC Proposal](#) to require broker-dealers to be FINRA members.
- On September 27, FIA PTG, along with CCP12, EACH, FIA, ISDA and MFA submitted a [paper](#) to IOSCO, addressing best practices for client participation in CCP default auctions.
- On September 30, members of the FIA PTG Treasury Market Structure Committee had a follow-up meeting with Pat Parkinson and Darrell Duffie to discuss the [SEC Treasury Clearing Proposal](#).

- On September 30, the FIA PTG Treasury Market Structure Committee met with representatives of FICC to discuss the [SEC Treasury Clearing Proposal](#).
- On October 3, FIA PTG filed a [letter](#) with FINRA supporting a [proposal](#) to shorten reporting times in corporate bonds, agency debt securities, asset-backed securities and agency pass-through mortgage-backed securities traded to-be-announced for good delivery.
- On October 19, the FIA PTG Treasury Market Structure Committee met with representatives from the Department of Treasury to discuss the [SEC Treasury Clearing Proposal](#).
- On December 16, FIA PTG submitted a letter to CME Group raising concerns with the potential relocation of the Aurora Data Center.

## 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 Bloomberg, Reuters, Financial Times, Risk, John Lothian Newsletter and Markets Media.

### New Media

- Continued to grow the FIA PTG Twitter page to 1,968 followers.
- Weekly elink earned over 1,300 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 Institute for Financial Markets (IFM) operations certification program launched late this year.
- Continued to contribute to the FIA Exchange Risk Controls Survey/Repository project.
- Completed upgrade of the FIA PTG website.

## ORGANIZATIONAL EVENTS

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

## ADVOCACY GOALS – 2023

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, CME Group, etc.) on matters of importance to the group.
4. Continue to work with other like-minded trade associations and companies 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. Legislation on cryptocurrencies/digital assets.
  - b. Legislation related to SEC regulatory proposals, including equity market structure, dealer registration, FINRA membership, and treasury mandatory clearing.
  - c. Financial transaction tax.
  - d. Legislation aimed at “excessive speculation” in derivatives markets.
  - e. Other relevant legislation to derivatives/securities regulation.
6. Continue pursuing specific regulatory initiatives including:
  - a. Monitor for rule proposals and oversight developments related to automated trading (CFTC, SEC, Federal Reserve Board, US Treasury, and Exchanges).
  - b. Engagement with regulators on rule proposals for introducing artificial latency mechanisms (CFTC, SEC, and Exchanges).
  - c. Engagement regarding the SEC’s Treasury market structure proposal (Treasury, Federal Reserve, CFTC, SEC, FICC).
  - d. Engagement on the SEC’s equity market structure proposals (SEC).
  - e. Engagement regarding other SEC proposed rules including FINRA membership and dealer registration (SEC).
  - f. Monitor CCP recovery and resolution developments – including variation margin gains haircutting, waterfall, default auctions, and other issues (CFTC, IOSCO).
  - g. Monitor for any developments on transaction tax (Administration) and carried interest (Treasury).
  - h. Monitor regulatory developments in digital asset markets, particularly in response to Terra Luna and FTX fallouts, and consider engagement where appropriate (CFTC, SEC, and Administration).

## OUTREACH GOALS – 2023

1. Continue to grow social media following.
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