

EXECUTIVE SUMMARY

The FIA Principal Traders Group (FIA PTG) once again this year focused much of our advocacy activities on market structure proposals. FIA PTG responded to proposals from both regulators and exchanges through comment letters and meetings. Towards the end of the year, as a couple of these proposals were finalized, we began to transition our efforts towards implementation and providing members with whatever support is needed.

Cybersecurity and market resiliency are additional areas where FIA PTG was active this year. In addition to responding to regulatory proposals, towards the end of the year we launched a Cyber Working Group to discuss recent cyber incidents impacting the industry and to establish lines of communication in advance of any future events.

FIA PTG continued advocacy efforts in connection with the funding of the Consolidated Audit Trail (CAT). In addition to commenting on another revised funding proposal, we shared our concerns with Congressional staff through meetings as well as an essay on the implications of the recently finalized funding model. We expect to continue and expand these efforts in early 2024.

FIA PTG continues to monitor the digital asset regulatory landscape and stands ready to provide input and expertise when needed.

In 2024, we look forward to continuing to promote the vital role professional liquidity providers play in today's markets.

2023 HIGHLIGHTS

- Submitted 16 letters to regulators, policymakers and exchanges.
- Published one essay.
- Participated in 15 meetings with regulators, policymakers and exchanges.
- Participated in the coordination of the 2023 CCP Global – International Default Simulation (“2023 CIDS”) exercise - the first multi-CCP default simulation exercise.
- Continued 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), CCP Global, 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:
 - Six meetings with SEC Commissioners and staff members.
 - One meeting with CFTC Commissioners and staff members.
 - Two meetings with Treasury staff.
 - Three meetings with members of Congress and their staff.
 - Two meetings with exchange leadership teams.
 - One meeting with state regulators.
 - Numerous meetings in connection with FIA PTG participation on CFTC Advisory Committees and Subcommittees.
- 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 – 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.
2. Use Twitter and elink to advance FIA PTG positions and advocacy goals.

FIA PTG ADVOCACY

Committee Participation

- FIA PTG has a representative on the CFTC EEMAC and participated in the February 28, June 27 and November 13 meetings.
- FIA PTG has a representative on the CFTC MRAC and participated in the March 8, July 10 and December 11 meetings.
- FIA PTG has a representative on the CFTC AAC and participated in the April 5, July 19 and December 14 meetings.
- FIA PTG has a representative on the CFTC GMAC and participated in the February 13, July 17 and November 6 meetings.

Commodity Futures Trading Commission

- On March 14, FIA PTG members attending the FIA Boca Conference met with CFTC Chair Rostin Behnam for a general discussion.

Securities and Exchange Commission

- On January 17, FIA PTG submitted a [comment letter](#) to the SEC opposing the [proposed addition of IntelligentCross ATS to the FINRA Alternative Display Facility](#).
- On February 15, FIA PTG submitted a [letter](#) in support of SIFMA's request that the SEC extend its comment period on recent equity market structure reform proposals.
- On March 8, FIA PTG filed a [second comment letter](#) with the SEC opposing the [proposal to add IntelligentCross ATS as a new entrant to the Alternative Display Facility](#).
- On March 8, FIA PTG filed a [comment letter](#) in opposition to [Nasdaq's proposed rule change to amend Rule 4702 to establish new "Contra Midpoint Only" and "Contra Midpoint Only with Post-Only" order types](#).
- On March 31, FIA PTG filed a [comment letter](#) in response to the SEC's proposed equity market structure proposals.
- On June 5, FIA PTG filed a [comment letter](#) in response to the [SEC's cybersecurity risk management rule proposal for broker-dealers](#).
- On June 13, FIA PTG filed a [comment letter](#) in opposition to the [SEC's proposal to expand Reg SCI to broker-dealers](#).
- On July 14, FIA PTG filed a [comment letter](#) with the SEC again opposing the latest [Consolidated Audit Trail Funding Proposal](#).
- On July 21, representatives from the FIA PTG Equity Market Structure Committee met with SEC Commissioner Hester Peirce's staff to answer questions about the [Consolidated Audit Trail Funding Proposal](#).
- On July 25, representatives from FIA PTG travelled to Washington DC for in-person meetings at the SEC. The group met with SEC Commissioner Jaime Lizarraga's staff and discussed tick sizes, Reg SCI, and BD registration, as well as the scope and cost of CAT along with the lack of transparency surrounding its use. They also met with SEC Commissioner Hester Peirce and members of her staff and discussed issues with CAT, the burdens of applying Reg SCI to Principal Trading Firms (PTFs) and the group's recommendations to ensure that tick sizes are appropriately tailored to market needs without requiring securities to change tick sizes too often. Finally, the group met with SEC Commissioner Mark Uyeda's staff and discussed broker-dealer registration, clearing in Treasury markets, and issues with the CAT.
- On September 13, representatives from FIA PTG met with SEC Commissioner Caroline Crenshaw to discuss concerns with the [SEC's dealer definition proposal](#).
- On October 31, FIA PTG submitted a [third comment letter](#) to the SEC opposing the [proposed addition of IntelligentCross ATS to the FINRA Alternative Display Facility](#).
- On November 3, FIA PTG met with the Securities and Exchange Commission's (SEC) Division of Trading & Markets to discuss the SEC's proposals for [Reg SCI](#) and [cybersecurity](#).
- On November 17, FIA PTG filed a [comment letter](#) in opposition to the [Nasdaq PHLX Contra Midpoint Only Order Proposal](#).
- On November 30, FIA PTG filed a [comment letter](#) with the SEC in support of the [FINRA US Treasury Trade Dissemination Proposal](#).
- On December 12, FIA PTG filed a [second comment letter](#) on the [SEC's dealer definition proposal](#).

OTHER

- On January 30, FIA PTG joined over 100 trade associations in submitting a [letter](#) to the Federal Trade Commission requesting a 60-day extension of the comment period to respond to their [non-compete proposal](#).
- On February 28, FIA PTG joined over 250 trade associations in a [letter](#) to all members of Congress raising concerns with the [FTC Non-Compete Clause Rulemaking](#) which proposes to ban virtually all non-compete agreements.
- On March 8, FIA PTG filed a [comment letter](#) with FINRA in support of their [proposal to exempt transactions by PTFs from the Trading Activity Fee](#) if the firm is a member of the exchange.
- On March 14, FIA PTG members attending the FIA Boca Conference met with CME Group Chair Terry Duffy and members of his management team to discuss the recent partnership with Google and other exchange topics.
- On April 3, FIA PTG filed a [comment letter](#) in opposition to the TMX [proposed amendment to introduce Alpha-X and Alpha DRK and amend Alpha's order processing delay](#).
- On April 19, FIA PTG filed a [comment letter](#) in opposition to the [FTC proposed ban on non-compete clauses](#).
- On June 13, FIA PTG's Digital Assets Committee held a virtual meeting with the Illinois Department of Financial & Professional Regulation (IDFPR) to discuss crypto legislation akin to New York's BitLicense.
- On June 28, FIA PTG's Market Access Committee met with representatives from ICE/NYSE to discuss the ongoing power shortage at the Mahwah Datacenter.
- On July 25, representatives from FIA PTG travelled to Washington DC for in-person meetings at Treasury. The group discussed the SEC's proposed Treasury central clearing mandate, dealer registration, and equity market proposals.
- On July 25, representatives from FIA PTG travelled to Washington DC for in-person meetings on Capitol Hill. The group met with Congressman Bill Foster (D-IL-11) and discussed issues with the SEC Treasury clearing, equity market structure and dealer registration proposals, as well as the issues surrounding the governance and budget of CAT. The group also met with staff from the House Financial Services Committee to discuss the equity market structure proposals and CAT.
- On July 31, FIA PTG and FIA EPTA jointly filed a [comment letter](#) supporting IOSCO's efforts to develop a consistent global regulatory framework for digital assets.
- On September 20, representatives from FIA PTG met with the House Financial Services Subcommittee on Capital Markets as they prepared for an oversight hearing with SEC Chair Gary Gensler. The meeting focused on the recently approved [CAT funding structure](#) and the [SEC's dealer definition proposal](#).
- On December 4, representatives from the FIA PTG Treasury Market Structure Committee met with Brian Smith, Deputy Assistant Secretary for Federal Finance, U.S. Department of the Treasury for a wide-ranging discussion of the Treasury markets.
- On December 8, FIA PTG published an essay, [Making the Case for Congressional Oversight over Consolidated Audit Trail Funding](#).

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, CoinDesk, Financial Times, John J. Lothian & Company, Risk.net, Thomson Reuters and Wall Street Journal.

New Media

- Continued to grow the FIA PTG Twitter page to over 2,000 followers.

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 Institute for Financial Markets (IFM) operations certification program.
- Continued to contribute to the FIA Exchange Risk Controls Survey/Repository project.
- Contributed to the [FIA Best Practices for Exchange Volatility Control Mechanisms](#) paper published in September.

ORGANIZATIONAL EVENTS

- Elected Officers, Executive Committee and Nominating Committee Members.
- Hosted 6 virtual members meetings of the group.
- Hosted 10 virtual networking meetings for the group.

ADVOCACY GOALS – 2024

1. Continue educating policymakers, including regulators, relevant legislators, and staff.
2. Continue pursuit of additional worthwhile representation opportunities on regulatory advisory committees, panels, and roundtables.
3. Continue to work with equity and futures exchanges 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 positions on 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, Consolidated Audit Trail, and treasury mandatory clearing.
 - c. Financial transaction tax.
 - d. Legislation aimed at “excessive speculation” in derivatives markets.
 - e. Legislation related to artificial intelligence.
 - f. 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 on the SEC’s equity market structure proposals (SEC).
 - d. Engagement regarding other SEC proposed rules including dealer registration (SEC).
 - e. Monitor CCP recovery and resolution developments – including variation margin gains haircutting, waterfall, default auctions, and other issues (CFTC, IOSCO).
 - f. Monitor developments in policies for cybersecurity risks (SEC, CFTC)
 - g. Monitor for any developments on transaction tax (Administration) and carried interest (Treasury).
 - h. Monitor for regulatory developments regarding artificial intelligence (CFTC, SEC, and Administration)
 - i. Monitor regulatory developments in digital asset markets and consider engagement where appropriate (CFTC, SEC, and Administration).

OUTREACH GOALS – 2024

- 1. Continue to grow social media following.
- 2. Use Twitter and elink to advance FIA PTG positions and advocacy goals.