

## MISSION

### The mission of the Principal Traders Group is to:

- Provide a forum for proprietary trading groups 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 groups in the exchange-traded derivatives markets; and
- Promote cost-effective, transparent access to U.S. and non-U.S. markets.

## TOP ISSUES 2012

### Top Issues List – 2012

1. Fair access to centrally cleared OTC markets;
2. Rulemaking for defining and establishing requirements for swap dealers;
3. Tax policies which impact PTGs;
4. Communication/Education on current market issues, with emphasis on:
  - a) Providing facts and addressing rumors about professional trading and high-frequency trading techniques;
  - b) How the current market structure benefits the average investor; and
  - c) The underlying causes of volatility in recent years.

## ADVOCACY

### FIA PTG Actions – 2012 Highlights

*Here is a list of some of the accomplishments of the group in 2012:*

#### Legislative Initiatives

- Visited with members of the House and Senate Agriculture Committees in January.
- Sponsored a Chicago fundraiser for Illinois Representatives Dold and Schock in May.
- Visited with members of the House Financial Services Committee in November.

#### Regulatory Initiatives

- Contributed to FIA Washington's comment letter on the SEC Consolidated Audit Trail.
- FIA PTG Members met with Commissioner O'Malia in Boca during the FIA Conference in March.
- Submitted comment letter to the CFTC on Swap Block Thresholds.
- Submitted comment letter to the CFTC on Clearing Requirement Determination.
- Filed a joint FIA PTG & FIA EPTA response supporting the IOSCO Consultation Paper on technological challenges for market surveillance.
- Requested and received from the CFTC limited "no-action" relief from Swap Dealer registration.
- Created Notional Value Computation Working Group which filed a letter with the CFTC recommending the methodology to be used when computing the notional value of swaptions.

### FIA PTG Outreach

- Members continue to participate on the CFTC Technology Advisory Committee ("TAC").
- Members were appointed to CFTC TAC Subcommittee on Automated and High Frequency Trading.
- Members met with SEC staff in November as a follow-up to the SEC's Market Technology Roundtable.
- Met with representatives from the editorial department of *The Wall Street Journal* and Bloomberg, Dow Jones and *Financial Times* reporters.
- Spoke with reporters and bloggers to influence media coverage by *Washington Post*, Reuters, Streetwise Professor, and other outlets.
- FIA PTG issued statements on the following topics:
  1. Disruptions that occurred in the U.S. equity markets on August 1, attributable to Knight Capital;
  2. Senate Banking Committee Meeting on September 20 entitled "Computerized Trading: What Should the Rules of the Road Be?";
  3. SEC's Market Technology Roundtable On October 2; and
  4. Federal Reserve Bank of Chicago's research paper concerning market safety and risk controls in high-speed markets.

## FIA PTG OUTREACH

## FIA PTG OUTREACH (cont'd)

- Members moderated and/or participated on various panels at FIA Boca, FIA NY Expo, FIA Futures & Options Expo and FIA IT Division Conferences.
- Jim Overdahl continued to represent the group as its spokesperson.

### Sample Articles

- Online debate sponsored by *The Economist* available at: <http://www.economist.com/debate/overview/224>
- Op-Ed in *USA Today* available at: <http://www.usatoday.com/story/opinion/2012/09/26/fast-trades-market-liquidity/1596111/>
- Reuters article on HFT and grain markets available at: <http://business.financialpost.com/2012/11/19/high-speed-traders-jolt-u-s-grain-trade/>
- SEC roundtable statement in Politico's financial newsletter available at: <http://www.politico.com/morningmoney/1012/morningmoney744.html>

## OTHER INITIATIVES

### Other Initiatives

- Created Block Trade Working Group to work with CME on alternate market structure models to better facilitate the increased demand for block trades in the treasury quadrant.
- Worked with FIA EPTA to produce a joint "Software Development and Change Management Practices at Trading Firms" white paper. [http://www.futuresindustry.org/downloads/Software\\_Change\\_Management.pdf](http://www.futuresindustry.org/downloads/Software_Change_Management.pdf)
- Entered into a contract with FTI Consulting to provide Media Relations Support.
- Created a set of High Frequency Trading ("HFT") Talking Points, Leave-Behind and Elevator Pitch documents.
- Hosted a webinar to educate members on how the CFTC Swap Dealer Definition Applies to Principal Traders.
- Created CME Board Election Candidate Review Working Group to vet the six class B candidates and provide recommendations to FIA PTG member firms.
- Entered into a contract with Delta Strategy Group to provide Government Relations Support.
- The Implied Functionality Working Group continued discussions with CME and ICE regarding the use of implieds.
- Worked with FIA EPTA to support their "Market Integrity Framework: Best Practices to Preserve Market Integrity" white paper: [http://www.futuresindustry.org/epta/downloads/EPTA-Market-Integrity-Framework\\_072012.pdf](http://www.futuresindustry.org/epta/downloads/EPTA-Market-Integrity-Framework_072012.pdf)
- Worked closely with CME to preserve historical member margin treatment post implementation of CFTC Regulation 39.13(g) (8) (ii) – Customer Initial Margin Requirements.
- Created an Exchange Risk Controls Survey Working Group which together with FIA EPTA published and distributed an updated survey to both futures and securities exchanges globally.
- Created Securities Clearinghouse Risk Management Practices Working Group to gather information from DTCC and OCC about the practices they employ in connection with their risk management oversight of clearing firms.
- Created ISO/AT9000 Standards Working Group.
- Continued working with 4 largest futures exchanges to sponsor a Volatility Study.
- Provided members with municipal, exchange and regulatory updates throughout Hurricane Sandy.
- Sponsored weekly meetings with FIA PTG member firms to assist them in understanding CFTC rules related to swap dealer and floor trader registrations, October 12 and December 31 phases of Dodd Frank Act and related action items. Included Delta Strategy Group, outside counsel and representatives of the National Futures Association, CME Group and IntercontinentalExchange as needed. Offering firms the opportunity to collaborate with their peers as well as industry experts proved very valuable and will continue in 2013.

### Organizational Highlights

- Added one and lost three Member Firms.
- Elected Executive and Nominating Committee Members.
- Hosted 7 meetings of the group.
- Hosted 3 lunches with members to solicit member feedback on their experience with FIA PTG and their priorities for 2013.

## ORGANIZATIONAL HIGHLIGHTS

## TOP ISSUES 2013

### Proposed Top Issues List - 2013

1. Fair access to centrally cleared OTC markets;
2. Implementation of Dodd-Frank market structure changes;
3. Regulation and oversight of electronic trading;
4. Tax policies which impact PTGs;
5. Communication/Education on current market issues, with emphasis on:
  - a) Providing facts and addressing rumors about professional trading and high-frequency trading methods;
  - b) How the current market structure benefits the average investor; and
  - c) The underlying causes of volatility in recent years.