

EXECUTIVE SUMMARY

2016 was an active year for FIA PTG, with members weighing in on 13 regulatory comments over the course of the year. The CFTC's proposed regulation of automated trading (Reg AT) was the dominant issue of 2016, prompting two comment letters, Congressional testimony, and a variety of media interviews. FIA PTG members' advocacy for principles-based risk controls in general, and our work on the issue of source code access in particular, earned the group a reputation as a valuable thought leader on the proposed regulation.

On the equities front, 2016 was the year of the speed bump. FIA PTG presented comprehensive and detailed arguments against allowing intentional delays in protected quotes. However, the SEC nevertheless approved IEX's exchange application, approving a de minimis delay in protected quotes, FIA PTG weighed in on two subsequent latency-introducing proposals from exchanges. In each set of comments, FIA PTG emphasized the need for comprehensive reform in equity market structure to eliminate costly complexity.

After establishing the group as a thoughtful voice on liquidity in Treasury markets in 2015, FIA PTG continued this work in 2016, submitting detailed comments to the Treasury Department on the challenges and opportunities presented by the evolution of Treasury market structure.

This advocacy work earned FIA PTG media coverage in outlets worldwide, from Chicago to New York and from London to Mumbai. 2017 brings with it a new Congress, a new President, and new regulators. FIA PTG will continue our advocacy work while also increasing our focus on educating new policymakers.

2016 HIGHLIGHTS

- Added one member firm.
- Submitted 13 comment letters to regulators:
 - CFTC: Comment letter in response to the CFTC's Swap Dealer De Minimis Preliminary Report.
 - CFTC: No-action relief request regarding the terms of the exclusion from the Swap Dealer determination for certain swaps entered into by a Floor Trader.
 - SEC: Comment letter on IEX's Amended Exchange Application.
 - CFTC: Contributed to FIA Regulation AT Comment Letter.
 - SEC: Comment letter on the SEC's Notice of Proposed Commission Interpretation Regarding Automated Quotations under Regulation NMS and IEX's Amended Exchange Application.

- Treasury: Responded to Treasury Department Request for Information on Evolving Treasury Market Structure.
- CFTC: Contributed to Industry Regulation AT Comment Letter filed in connection with the reopened comment period.
- CFTC: Comment letter in support of proposed change to ICE US block trade FAQs.
- SEC: Comment letter opposing proposed changes to NYSE MKT's CUBE auction fees.
- SEBI: Contributed to the FIA comment letter in response to the Discussion Paper on Strengthening of the Regulatory Framework for Algorithmic Trading & Co-Location published by the Securities and Exchange Board of India ("SEBI").
- SEC: Comment letter in support of SEC Disclosure of Order Handling Information proposal.
- SEC: Comment letter opposing the Chicago Stock Exchange's proposed Liquidity Taking Access Delay.
- SEC: Comment letter opposing the Nasdaq Stock Market's proposed Extended Life Priority Order Attribute.
- Distributed 9 press releases, 6 blogs, and 1 Quick Byte mini-blog.
- Earned more than 12,000 web page views.
- Expanded social media presence through Storify and Twitter. Grew Twitter followers by 45% to 1238, earning nearly 220,000 impressions.
- Collaborated with FIA on CFTC Regulation AT and SEBI Automated Trading market structure Comment Letters.
- Official FIA PTG Representation on 2 CFTC Advisory Committees:
 - Energy and Environmental Advisory Committee (EEAC).
 - Market Risk Advisory Committee (MRAC).
- Participation on CFTC Technology Advisory Committee (TAC).
- Created 5 new working groups to address short- and long-term priorities
- FIA PTG Members conducted:
 - 3 meetings with Members of Congress and legislative staff, including serving as a witness at 1 House Agriculture Committee hearing.
 - 5 meetings with CFTC Commissioners and staff members including participating in a Roundtable on Regulation AT.
 - 1 meeting with representatives from the Bank of England.
 - 1 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; and
- Promote cost-effective, transparent access to U.S. and non-U.S. markets.

ADVOCACY GOALS - 2016

1. Continue to build relationships with the CFTC and SEC Chairs and Commissioners, particularly since several new officials will be assuming these roles either before or after the 2016 Presidential election.
2. Continue educational efforts with staff at the CFTC and SEC both generally about our sector of the marketplace, as well as specifically on issues of importance to our group.
3. Continue to expand relationships with the primary self-regulatory organizations, including NFA and FINRA.
4. Continue working with other financial regulators on topical issues, such as US Treasury, New York Fed, and the Federal Reserve as needed.
5. Continue to develop group positions on Treasury market structure and equity market structure reform for dissemination to policymakers.
6. Since the legislative agenda will be light this year given the Presidential election, maintain key Capitol Hill relationships by updating the relevant Committees on our interactions with the regulators and our positions on regulatory matters of interest.
7. Specific regulatory initiatives including:
 - Regulation AT (CFTC)
 - Treasury market structure (Treasury, Fed, CFTC, SEC)
 - Rules related to disruptive trading practices (CFTC, Exchanges, and SEC)
 - Rules related to broker-dealer and FINRA registration requirements for proprietary trading firms (SEC)
 - Rules related to changes to Regulation NMS (SEC)
 - Continued monitoring of the SEC's Equity Market Structure Advisory Committee and potential opportunities for engagement
 - Rules related to registration of individuals engaged in the development or supervision of algorithms (FINRA)

- Rules related to central trading of futures including DCM Core Principle 9, futures block sizes, and EFRPs (CFTC)
- New regulation and oversight of HFT and/or automated trading systems not mentioned above (CFTC and SEC)
- Fair access to centrally traded and cleared OTC markets

OUTREACH GOALS – 2016

1. Increase twitter following to 2,000
2. Continue to develop relationships with media covering Treasury markets
3. Continue to post regular blog/quick bytes content
4. Publish regular Whiteboard papers
5. Conduct 2 media roundtables or editorial board meetings
6. Build resources for FIA PTG members including interview preparation and panel speaking

FIA PTG ADVOCACY

Legislative Initiatives

- FIA PTG representatives met with Republican staff of the House Agriculture Committee and Republican and Democrat staff of the Senate Agriculture Committee in February to educate the staff on our concerns with Regulation AT.
- FIA PTG representatives met with Republican staff of the House Agriculture Committee and Republican and Democrat staff of the Senate Agriculture Committee in June to update and discuss our concerns with Regulation AT.
- Richard Gorelick (RGM) served as a witness at the House Agriculture Committee hearing “Examining the CFTC’s Proposed Rule: Regulation Automated Trading” held on July 13.

Regulatory Initiatives

Committee Participation

- FIA PTG members continue to participate on the CFTC Technology Advisory Committee (TAC). Richard Gorelick attended and spoke on FIA PTG concerns with Regulation AT at the February 23 TAC meeting.
- FIA PTG has a representative on the CFTC Energy and Environmental Advisory Committee (EEAC) and participated in the Committee’s only meeting this year held on February 25.
- FIA PTG has a representative on the newly created CFTC Market Risk Advisory Committee (MRAC) and participated in the April 26 and June 27 meetings.

CFTC

- On January 27 FIA PTG submitted a [comment letter](#) in response to the CFTC's [Swap Dealer De Minimis Preliminary Report](#).
- FIA PTG representatives had a call with the CFTC Automated Trading Systems Group on February 8 to discuss Regulation AT.
- On February 10 FIA PTG submitted a [no-action relief request](#) regarding the terms of the exclusion from the Swap Dealer determination for certain swaps entered into by a Floor Trader.
- FIA PTG members met with all CFTC Chairman/Commissioners' offices as well as the rule-writing team led by Sebastian Schott in the Division of Market Oversight on February 24 to discuss Regulation AT.
- FIA PTG members met with CFTC officials including Commissioner Bowen and her staff, Eileen Flaherty (DSIO), Vince McGonagle (DMO), Sebastian Schott (DMO), Dan Busca (DMO) and Sayee Srinivasan (Chief Economist) in Boca during the FIA Conference in March.
- FIA PTG contributed to the [FIA Regulation AT Comment Letter](#) filed on March 16.
- FIA PTG members participated on various panels at the [CFTC Roundtable on Regulation AT](#) held on June 10.
- FIA PTG members met with CFTC officials including Commissioner Bowen's staff and members of the Division of Market Oversight in Washington on June 22 to discuss Regulation AT.
- FIA PTG contributed to the [Industry Regulation AT Comment Letter](#) filed on June 24 in connection with the [reopened comment period](#) and signed by FIA, MFA, ISDA and SIFMA AMG.
- On August 1 FIA PTG submitted a [comment letter](#) in support of a proposed change to ICE US block trade FAQs.

SEC

- On March 3 FIA PTG submitted a second [comment letter](#) to SEC on IEX's [Amended Exchange Application](#).
- On April 14 FIA PTG submitted a [comment letter](#) on the SEC's [Notice of Proposed Commission Interpretation Regarding Automated Quotations under Regulation NMS](#) and IEX's Amended Exchange Application.
- On August 10 FIA PTG submitted a [comment letter](#) opposing [proposed changes](#) to NYSE MKT's CUBE auction fees.
- On September 23 FIA PTG submitted a [comment letter](#) in support of [SEC Disclosure of Order Handling Information](#) proposal.
- On October 13 FIA PTG submitted a [comment letter](#) opposing the Chicago Stock Exchange's proposed [Liquidity Taking Access Delay](#).
- On December 23 FIA PTG submitted a [comment letter](#) opposing the Nasdaq Stock Market's proposed [Extended Life Priority Order Attribute](#).

Treasury

- FIA PTG created a Working Group to respond to the [Treasury Department Request for Information on Evolving Treasury Market Structure](#). On April 22, [FIA PTG submitted a response](#) to the RFI.

OTHER

- FIA PTG representative met with officials from the Bank of England on April 22.
- FIA PTG contributed to the FIA [comment letter](#) filed on August 31 in response to the [Discussion Paper on Strengthening of the Regulatory Framework for Algorithmic Trading & Co-Location published by the Securities and Exchange Board of India \(“SEBI”\)](#).

FIA PTG OUTREACH

Highlighted Media Outreach

- FIA PTG representatives conducted a variety of interviews, briefings, and background discussions with reporters in 2016, with outlets including:
 - Financial Times
 - Wall Street Journal
 - Bloomberg
 - Crain’s Chicago Business
 - Risk
 - FOW
 - Politico
- Additional highlights:
 - Roundtable discussion with 12 reporters at Boca on topics including Regulation AT, IEX, and liquidity in Treasury markets.
 - [WSJ Editorial](#): Another Last-Minute Regulation – run after conversation about our primary concerns with Reg AT.
 - [Tabb Forum](#): What’s the Big Deal About Source Code (republished our blog and video).

New Media

- Continued to grow the FIA PTG Twitter page by 45% from 850 followers at the beginning of 2016 to 1238 followers, earning nearly 220,000 impressions, or 600 impressions per day.
- The FIA PTG website drew 12,300 page views, with users spending an average of 2:13 minutes viewing each page.
- [Storify](#) earned 1,500 views—a 50% increase from 2015
- Continued FIA PTG Blog. Posted the following pieces this year:
 - [First things first: risk controls](#)
 - [Protect Source Code to Protect Innovation in Markets](#)
 - [Transparency in Treasury Markets](#)

- [What's the big deal about source code?](#) (with video)
- [Back to school on HFT](#)
- [New action on CFTC automated trading rules](#)
- Continued FIA PTG Quick Bytes, a format to provide a brief, timely response to current news:
 - [SEC Access Fee Pilot](#)

Conferences

- Members moderated and/or participated on various panels at FIA Boca, FIA Law & Compliance, FIA Futures & Options Expo and FIA IT Division programs.
- Conducted media training for interested firms and crafted resource kit on speaking on panels as well as conducting media interviews

Press Releases

- Moved to a new press release distribution tool that allows us to track metrics.
- The 16 press releases, blogs, and ICYMLs combined for a total of 5,011 emails sent.
 - Unique open rate: 28.5%
 - Unique click rate: 10.4%
 - Forwards: 1,041 forwarded emails by 238 users.
- [FIA comments on CFTC's proposed rule on automated trading](#)
- [FIA PTG comments on Treasury market structure](#)
- [Industry groups urge focus on risk controls in CFTC's proposed rule on automated trading](#)
- [Nasdaq sponsoring FIA's Innovators Pavilion](#)
- [FIA PTG responds to CFTC Swap Dealer De Minimis Exception Final Staff Report](#)
- [FIA announces 18 companies selected for Innovators Pavilion](#)
- [Money.Net wins FIA innovator competition](#)
- [CFTC Source Code Proposal Raise Grave Concerns](#)

Highlighted Media Coverage

- [Law360](#): CFTC Algo Code Review Plan Raises Due Process Concerns
- [ET](#): Algo rules could catch commodities trades
- [ET](#): Industry criticises CFTC's plans for new automated trading rules
- [Law 360](#): Algorithmic Trading Rules Too Broad, Industry Groups Say
- [Politico Pro](#): CFTC's Massad defends algorithmic trading rule, underscores privacy concerns (*subscription only*)
- [ET](#): SEC faces opposition to planned share trading rules change
- [Bloomberg](#): IEX Outduels Citadel, NYSE as 'Flash Boys' Exchange Approved
- [The Trade](#): Derivatives associations urge CFTC to split RegAT
- [AgriPulse](#): Traders' 'secret sauce' threatened by CFTC plan, House Ag told
- [Iowa Public Television](#): Trading Firms Question Proposed CFTC Rules
- [Economic Times](#): Sebi to work on algo rules with 'open mind': Chairman
- [FOW](#): CFTC Likely to Pull Back on Reg AT
- [ET](#): Investors' long wait for Indian exchange listings nears end

- [Bloomberg BNA](#): Massad Steps Back From Proposed Automated Trading Controls (*subscription only*)
- [Bloomberg BNA](#): CFTC to Consider Changes to Automated Trading Proposal (*subscription only*)
- [FOW](#): Data Protection is Key Concern with New Reg AT
- [Politico Pro](#): Futures Industry Association rejects CFTC's source code provision(*subscription only*)
- [Bloomberg](#): Flash Boys Get Relief in U.S. Plan to Obtain Trading Codes (*subscription only*)

OTHER INITIATIVES

- Continued to work with CME to create test symbols.
- Continued to closely monitor developments in Europe concerning direct market access from the US (third country access).

ORGANIZATIONAL EVENTS

- Added one Member Firm.
- Elected Executive Committee and Nominating Committee Members.
- Hosted 6 meetings of the group.
- Hosted 2 Diversity Working Group luncheons.

PROPOSED ADVOCACY GOALS - 2017

1. Particular emphasis on relationship building in 2017, with a focus on the CFTC and SEC Chairs, Commissioners, and staff because many new people will assume key roles given the results of the Presidential election. This will involve more group meetings with policymakers in 2017 versus 2016.
2. Continue educational efforts with staff at the CFTC, SEC, Treasury, other agencies, and Congress about (1) generally, our sector of the marketplace, and (2) specifically, on issues of importance to our group.
3. Begin a significant education effort on “alternative”/“non-bank” liquidity providers: the importance of alternative liquidity to various markets, market resiliency, market quality, etc. Work with other sectors of the market to develop a coalition on these issues.
4. Continue to expand relationships with the primary self-regulatory organizations, including NFA and FINRA.
5. Continue to develop group positions on Treasury market structure and equity market structure reform for dissemination to policymakers.
6. Maintain existing and develop new Capitol Hill relationships by updating the relevant Committees on our interactions with the regulators and our positions on regulatory matters of interest. Most key Committee leaders will remain in place, with a few exceptions.

7. Monitor and potentially advocate on issues related to tax policy (60/40, financial transaction tax, etc.), HFT, market structure, and others.
8. Specific regulatory initiatives including:
 - Regulation AT (CFTC)
 - Treasury market structure (Treasury, Fed, CFTC, SEC)
 - Rules related to disruptive trading practices (CFTC, Exchanges, and SEC)
 - Rules related to broker-dealer and FINRA registration requirements for proprietary trading firms (SEC)
 - Rules related to changes to Regulation NMS (SEC)
 - Continued monitoring of the SEC's Equity Market Structure Advisory Committee and potential opportunities for engagement
 - Rules related to registration of individuals engaged in the development or supervision of algorithms (FINRA)
 - Rules related to central trading of futures, including DCM Core Principle 9, futures block sizes, and EFRPs (CFTC)
 - New regulation and oversight of HFT and/or automated trading systems not mentioned above (CFTC and SEC)
 - Fair access to centrally traded and cleared OTC markets
 - Capital requirements for SDs and MSPs and discussion of capital requirements for proprietary trading firms (CFTC, SEC, and Prudential Regulators)
 - Position limits and aggregation of positions (CFTC)
 - Margin on uncleared swaps compliance (CFTC, SEC, Prudential Regulators)
 - CCP recovery and resolution – margin haircutting, waterfall, other issues (CFTC)
 - Transaction tax discussions (Trump Administration)
 - MAT process revisions (CFTC)

PROPOSED OUTREACH GOALS – 2017

1. Continue distributing press releases on important content.
 - Maintain open rate above 28%.
2. Continue to post regular blog/quick bytes content.
3. Increase twitter following by 30%.
4. Increase Storify views by 10%.
5. Produce one video with the help of FIA.
6. Conduct 2 media roundtables or editorial board meetings
7. Provide training for interested FIA PTG members on interview preparation and panel speaking.