

EXECUTIVE SUMMARY

In 2014, FIA PTG was actively engaged with lawmakers, regulators, and members of the media on issues surrounding transparent, accessible, and competitive markets.

FIA PTG continued our advocacy work with regulators on issues including central trading of futures, centrally traded and cleared swaps, and automated trading. Notably, FIA PTG expanded our work on automated trading into equity market issues. FIA PTG members have strengthened relationships with SEC regulators and established our group as a valuable contributor to policy discussions on equity market structure.

The public conversation on automated trading was driven in large part by the publication of *Flash Boys* by Michael Lewis. Through meetings with policy makers, comment letters, testimony, and public relations efforts, FIA PTG worked to ensure that policy decisions on automated trading are driven by data and analysis rather than anecdotes and headlines.

2014 HIGHLIGHTS

- FIA PTG Executive Committee member represented FIA PTG at a Congressional roundtable on equity market structure.
- FIA PTG Chairman participated in two CFTC TAC meetings.
- Expanded public outreach through Twitter, blog, and Whiteboard series.
- Published “Reforming Equity Market Structure” op-ed in The Hill's Congress Blog.
- Submitted 3 comment letters to regulators:
 - FINRA Wash Sale Proposal
 - Structuring Pilot Programs at the SEC
 - Market Surveillance at the CFTC
- Released position paper on equity market structure.
- FIA PTG Members participated in:
 - 8 meetings with Members of Congress and legislative staff.
 - 4 meetings with CFTC Commissioners and staff members.
 - 4 meetings with SEC Commissioners and staff members.
 - 5 meetings with other regulators including Treasury and FINRA.

- Editorial Board meeting with the *Wall Street Journal*.

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.

TOP ISSUES LIST – 2014

1. Expand presence in equities space including establishing FIA PTG as a resource for regulators, legislators, and media
2. Fair access to centrally traded and cleared OTC markets
3. Tax policies that impact FIA PTG members
4. Communication/Education on current market issues, with emphasis on:
 - Providing facts and addressing rumors about professional trading and high-frequency trading techniques
 - How the current market structure benefits the average investor
 - The underlying causes of volatility in recent years
5. Specific regulatory initiatives including:
 - Rules related to central trading of futures including DCM Core Principle 9, futures block sizes, and EFRPs (CFTC)
 - Wash sales rules (CFTC, SEC, and FINRA)
 - New regulation and oversight of HFT and/or automated trading systems (CFTC and SEC); and Regulation SCI (SEC)

FIA PTG ADVOCACY

Legislative Initiatives

- FIA PTG representatives met with members of the Subcommittee on Capital Markets of the House Financial Services Committee in February in advance of the Committee's Equity Market Structure hearing scheduled for later that month.
- FIA PTG representatives participated in the New Democrat Coalition HFT briefing in April.
- FIA PTG representatives met with staff of the Senate Agriculture and Banking Committees in May. Discussions centered on equity market structure and upcoming hearings on HFT.
- FIA PTG Executive Committee member represented FIA PTG at a roundtable on equity market structure hosted by Congressman Scott Garrett(R-NJ) in July.
- FIA PTG representatives met with Kevin Edgar, Senior Counsel and members of the House Financial Services Capital Markets staff in July. Discussions centered on regulatory developments in Europe and our ongoing equity market structure discussions with the SEC.
- FIA PTG member hosted a reception for Congressman Scott Garrett (R-NJ) in Chicago in July.
- FIA PTG representatives met with Congressman Bill Foster (D-IL) in July for a detailed discussion on equity market structure reform.
- FIA PTG member hosted a coffee for Congressman Randy Hultgren (R-IL) in Chicago in October.
- FIA PTG representatives met with Russ Behnam, Senior Counsel of the Senate Agriculture Committee in November. Discussion focused on lack of liquidity on SEFs and outstanding changes needed to make Floor Trader an effective registration category.

Regulatory Initiatives

Committee Participation

- FIA PTG members continue to participate on the CFTC Technology Advisory Committee (TAC) and CFTC TAC Subcommittee on Automated and High Frequency Trading.
- FIA PTG member was invited to join CFTC Global Markets Advisory Committee (GMAC).
- FIA PTG nominees for CFTC Energy and Environmental Advisory Committee and CFTC Market Risk Advisory Committees are currently being considered.

CFTC

- FIA PTG Chairman participated in February CFTC TAC meeting as a panelist presenting the FIA response to the CFTC Concept Release.
- FIA PTG members met with CFTC Commissioner Scott O'Malia in Boca during the FIA Conference in March.
- FIA PTG representatives met with Acting CFTC Chairman Mark Wetjen in Chicago in April. Discussions at this informal meeting centered on the heightened focus on HFT as a result of "Flash Boys".
- FIA PTG Chairman participated in June CFTC TAC meeting as a panelist on the HFT's impact on derivatives markets and the CFTC's market surveillance program panels.
- FIA PTG representatives met with CFTC Chairman Tim Massad and CFTC Commissioner Chris Giancarlo's staff in July shortly after the two commissioners took office. Discussions focused on remaining issues regarding Floor Trader registration, which would allow FIA PTG firms to provide liquidity in cleared swaps executed on DCMs/SEFs without registering as Swap Dealers.
- FIA PTG submitted a joint comment letter with FIA in response to the CFTC's request for ideas on how to develop a 21st century surveillance system.
- FIA PTG representatives met with CFTC Commissioner Chris Giancarlo and his staff and CFTC Commissioner Mark Wetjen and his counsel in November. Discussions focused on remaining issues regarding Floor Trader registration, batch auctions, cross border registration issues and EU Direct Market Access concerns.

SEC

- FIA PTG representatives met with SEC Division of Trading and Markets staff, including Acting Director John Ramsay in January to discuss two rules recently filed with the SEC, one by CBOE concerning CBSX Trading Permit Holder Eligibility, and the other by FINRA concerning Wash Sales.
- FIA PTG representatives met with Gregg Berman, Associate Director of the SEC Office of Analytics and Research, Dave Shillman, Associate Director of SEC Division of Trading and Markets, and their staffs in February. Discussion focused on equity market structure.
- FIA PTG representatives met with SEC Commissioner Michael Piwowar and his staff in April. Discussions focused on equity market structure, HFT and upcoming tick size pilot.
- FIA PTG submitted a letter to the SEC on structuring pilot programs in advance of the release of the SEC Tick Size Pilot Program.
- Assisted FIA EPTA in responding to MiFID II Discussion and Consultation Papers.
- FIA PTG representatives met with SEC Chair Mary Jo White's staff, SEC Commissioner Kara Stein's staff, Stephen Luparello, SEC Director, and senior members of his Division of Trading and Markets staff and in July. Discussions focused on equity market structure reform, Regulation SCI, registration and disruptive trading ahead of proposed rulemaking.
- FIA PTG filed a letter with the SEC in November supporting a letter on option break-up fees filed by individual FIA PTG member firms.

Treasury

- FIA PTG Executive Committee members met with Officials from the Treasury Department's Office of Financial Institutions Policy in February. Discussion centered on an introduction to FIA PTG, media perceptions and complaints they were hearing about HFT, maker-taker models and trading on SEFs.
- Officials from the Treasury Department's Office of Financial Institutions Policy met with two FIA PTG member firms in Chicago in April.
- FIA PTG representatives met with various US Treasury policy officials in November. Topics included the market events of October 15 (particular point of focus), batch auctions, equity market structure issues and SEFs.

FINRA

- FIA PTG representatives had a call with FINRA staff in January to discuss its recently filed wash sales proposal and the comment letter FIA PTG filed in response.
- FIA PTG Compliance Networking Group had an open call with Tom Gira, Executive Vice President, Market Regulation at FINRA and his staff in April to discuss order marking.

FIA PTG OUTREACH

Media Outreach

- FIA PTG Executive Committee members met with *Wall Street Journal* editorial board in July.
- Jim Overdahl continued to represent the group, engaging with reporters and bloggers to influence media coverage.
 - Contacts include *Politico*, *The Wall Street Journal*, *New York Times*, *Businessweek*, *Reuters*, *Bloomberg News*, *Automated Trader*, *Financial Times*, *Risk* magazine, *The Hill* and *The Streetwise Professor* blog.
- Arranged media interviews for FIA PTG Chairman at FIA Boca with *Bloomberg Businessweek* and *Wall Street Journal*.
- Developed and implemented reputation management strategy for responding to Michael Lewis' latest book "Flash Boys".
- Published "[Reforming Equity Market Structure](#)" op-ed in *The Hill's* Congress Blog in conjunction with the release of FIA PTG Equity Market Structure Position Paper.

New Media

- Established FIA PTG Twitter page in June which had 335 followers by year-end and approximately 60,000 views.
- Established FIA PTG Blog in August. Have posted the following pieces this year:
 - [Market Facts; Not Fiction](#)
 - [Driving Market Decisions with Data](#)
 - [Cutting through the Noise: The Only Question that Matters on Market Structure](#)
 - [Equal and Instant Access to Government-Released Data](#)
- Launched FIA PTG Whiteboard in December to demonstrate how the application of data and rigorous analysis can illuminate the complex questions and issues confronting our industry.
 - First Whiteboard Paper: [Unintended Consequences of Frequent Batch Auctions as a Market Design](#)

Conferences

- Members moderated and/or participated on various panels at FIA Boca, FIA Law & Compliance, FIA Futures & Options Expo and FIA IT Division programs.
- Continued end-user initiative which included attending and speaking at the Commodity Markets Council (CMC) annual meeting in January and the New Risk in Energy conference in April.

Press Releases

- [FIA PTG Discusses Automated Trading Risk Controls at CFTC TAC Meeting](#)
- [FIA PTG Statement on the Release of "Flash Boys", a book by Michael Lewis](#)
- [Key Takeaways from HFT Discussion at CFTC Meeting](#)
- [FIA and FIA PTG Comment on Modernizing CFTC's Surveillance Systems](#)
- [FIA PTG Responds to SEC Chair Mary Jo White's Remarks on Equity Market Structure Issues](#)
- [FIA PTG Executive Committee Member Advocates for Transparent, Competitive Market Structure at Congressional Roundtable](#)
- [Response to the issuance of proposed rules by the Financial Industry Regulatory Authority \(FINRA\)](#)
- [FIA PTG Recommends Structural Improvements to Promote Accessibility and Transparency in Equity Markets](#)
- [New FIA PTG Whiteboard Series Will Examine Market Data](#)

Highlighted Media Coverage

- [CFTC will not target HFT in automated trading rules](#): The Trade, Feb. 11, 2014
- [Automated traders woo farm groups](#): Politico, Feb. 19, 2014
- [DC Market Structure Roundtable to Feature Who's Who of Wall Street](#), CNBC, July 28, 2014
- [FIA PTG releases new analytical series – Whiteboard](#), Automated Trader, Dec. 17, 2014

OTHER INITIATIVES

- FIA PTG met with Eurex in February to discuss the April 1 algo tagging requirement.
- Officials from the International Monetary Fund (IMF) met with two FIA PTG member firms in Chicago in November to discuss research they were doing into the Treasury price action of October 15.
- MDLA Working Group worked with CME to clarify and refine the CME's new market data pricing policy, including the implementation of a pay-per-user model for member firms beginning in 2015.
- Self-Match Prevention (SMP) Working Group continued discussions with CME on the development of Phase II of their SMP technology.
- Created Equity Market Structure Working Group to develop FIA PTG positions and talking points on proposed market structure reforms. Since inception the Working Group has created FIA PTG positions on equity market fairness, transparency and fragmentation and published an FIA PTG Equity Market Structure Position Paper.
- Terminated media contract with The Herald Group/Sobba Public and brought the function in-house.
- Continued to work with ISO/AT9000 Standards Working Group X9D Subcommittee which enables participation in the ISO/AT9000 project. In June it was decided that the work of this group would be put on hold to allow the FIA Market Technology Division Automated Trading Subcommittee, along with FIA PTG to draft the standard – this work is ongoing.
- Created Batch Auctions Working Group and developed FIA PTG position.
- FIA PTG hosted one-hour webinar with Gregg Berman, Associate Director of the SEC Office of Analytics and Research, on the SEC's Market Information Data Analytics System (MIDAS).
- FIA PTG members met with CME executives shortly after the release of new CME Rule 575 "Disruptive Practices Prohibited".
- Created joint FIA/FIA PTG Test Symbol Working Group to work with CME to create test symbols and other means of testing while remaining in compliance with CME Rule 575.
- Participated in ALS Ice Bucket Challenge.
- Supported FIA Futures Cares charity auction.
- Created FINRA Algo Guidance Working Group.
- FIA PTG continued to closely monitor developments in Europe concerning direct market access from the US (third country access). Developed use case template to gather scenarios applicable to FIA PTG members.

ORGANIZATIONAL EVENTS

- Added one and lost seven Member Firms.
- Elected Executive Committee and Nominating Committee Members.
- Hosted 6 meetings of the group.
- Executive Committee hosted 2 Focus Group lunches.
- Hosted SEF Luncheon with DSG
- Hosted Equity Market Structure Luncheon with DSG

PROPOSED ADVOCACY GOALS - 2015

1. Continue to build out relationship with the new CFTC leadership
2. Continue to expand relationships with the securities regulators, including the SEC and FINRA
3. Continue to develop group positions on equity market structure reform for dissemination to regulators, legislators, and the media
4. Specific regulatory initiatives including:
 - 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 central trading of futures including DCM Core Principle 9, futures block sizes, and EFRPs (CFTC)
 - Wash sales rules (CFTC, SEC, and FINRA)
 - New regulation and oversight of HFT and/or automated trading systems (CFTC and SEC)
5. Fair access to centrally traded and cleared OTC markets

PROPOSED OUTREACH GOALS – 2015

1. Enhance presence at conferences
2. Establish FIA PTG Speakers Bureau
3. Conduct Congressional briefing for new staff
4. Increase social media presence through twitter and blogs
5. Publish regular Whiteboard papers