

EXECUTIVE SUMMARY

In 2015, policy makers initiated a variety of discussions on market structure, conducting studies, producing reports, and holding public roundtables. FIA PTG was an active participant in these discussions, whether through direct member participation or through comment letters and media outreach.

FIA PTG's work spanned a variety of markets and regulators, firmly establishing the group as a thought leader on market making and automated trading, regardless of asset class.

We maintained regular contact with the CFTC, participating in advisory committee meetings and meeting with Commissioners and staff ahead of the release of proposed rules on automated trading. Although FIA PTG only began working on equity market issues in 2014, by 2015 we produced a white paper on simplifying equity market structure that was cited by SEC Commissioner Louis Aguilar in his analysis on *U.S. Equity Market Structure: Making Our Markets Work Better for Investors*. FIA PTG members also met with representatives from the Department of the Treasury, the Federal Reserve, the New York Fed, the CFTC, and the SEC to discuss liquidity and volatility in treasury markets.

FIA PTG's advocacy and messaging emphasized the need for data-driven analysis and a principles-based approach to policy making to ensure transparent, accessible, and competitive markets.

2015 HIGHLIGHTS

- Added two member firms
- Submitted 10 comment letters to regulators:
 - SEC: Comment letter in support of certain provisions of equity market structure petition filed by BATS Global Markets
 - SEC: Comment letter to the Equity Market Structure Advisory Committee on the trade-through rule
 - FINRA: Comment letter on registration of associated persons who develop algorithmic trading strategies
 - New York Federal Reserve Senior Supervisors Group: Comment letter on assessing the risks of algorithmic trading
 - SEC: Comment letter on FINRA membership exemption for certain exchange members
 - CFTC: Request for interpretation of floor trader swap transactions
 - FINRA: Comment letter on trading activity fee proposal

- SEC: Conditional letter of support for proposed rule change by BATS
- SEC: Comment letter to the Equity Market Structure Advisory Committee on locked and crossed markets
- SEC: Comment Letter on IEX Application for Registration
- Distributed 8 press releases, 5 blogs, 4 Quick Byte mini-blogs, and 1 Whiteboard analysis
- Launched re-designed website and earned nearly 11,000 page views
- Expanded social media presence through Storify and Twitter. Grew Twitter followers to 850, earning more than 182,000 impressions
- Released 2 position papers:
 - *Simplifying U.S. Equity Market Structure*
 - *Response to the Joint Staff Report on the U.S. Treasury Market on October 15, 2014*
- Collaborated with FIA on a white paper: *Guide to the Development and Operation of Automated Trading Systems*
- Official FIA PTG Representation on 3 CFTC Advisory Committees:
 - Global Markets Advisory Committee (GMAC)
 - Energy and Environmental Advisory Committee (EEAC)
 - Market Risk Advisory Committee (MRAC)
- Participation on CFTC Technology Advisory Committee (TAC)
- Created 10 new working groups to address short- and long-term priorities
- FIA PTG Members conducted:
 - 6 meetings with Members of Congress and legislative staff, including 2 briefings for the New Democrat Coalition
 - 12 meetings with CFTC Commissioners and staff members
 - 4 meetings with SEC Commissioners and staff members
 - 5 meetings with other regulators including Treasury and FINRA
 - 2 media roundtables

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 - 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

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

FIA PTG ADVOCACY

Legislative Initiatives

- FIA PTG representative participated in the New Democrat Coalition EMS briefings in January and March.
- FIA PTG representatives met with Representative Scott Garrett, staffs of Senator Mark Kirk and Representative French Hill in DC, and members of Senate AG Committee staff in June.

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 has a representative on the CFTC Global Markets Advisory Committee (GMAC) and participated in the May meeting.
- FIA PTG has a representative on the CFTC Energy and Environmental Advisory Committee (EEAC) and participated in the February and July meetings.
- FIA PTG has a representative on the newly created CFTC Market Risk Advisory Committee (MRAC) and participated in the April, June and November meetings.
- FIA PTG members appeared on the Fed Roundtable on Treasury Market Structure.

CFTC

- FIA PTG members met with CFTC Chairman Timothy Massad, Commissioners Mark Wetjen and Sharon Bowen and Division of Market Oversight Director Vince McGonagle in Boca during the FIA Conference in March.
- FIA PTG representatives met with CFTC Automated Trading Systems Group in DC in March to discuss the ATS Concept Release.
- FIA PTG representatives met with CFTC Commissioner Mark Wetjen in Chicago in June.
- FIA PTG submitted a request for a CFTC interpretative letter on the floor trader swaps exclusion in June.
- FIA PTG representatives met with CFTC Commissioner Chris Giancarlo in Chicago in June.
- FIA PTG representatives met with CFTC Commissioner Bowen's chief of staff, Director of Division of Market Oversight Vince McGonagle and Chairman Massad's chief of staff in DC in June. Discussions focused on pre-trade risk controls and registration as part of the expected proposed rulemakings for automated trading.
- FIA PTG representatives met with CFTC DSIO Director Eileen Flaherty, Commissioner Giancarlo's staff, and Chairman Massad and his staff in September regarding the automated trading proposal that is expected to be issued this fall. Specifically, members raised three issues: floor trader registration, self-match, and risk controls.

SEC

- FIA PTG representatives met with the Counsel to SEC Chair White, the SEC Deputy Director of Trading and Markets, and the SEC Office of Derivatives Policy in DC in March.
- EMS Working Group also hosted calls with ICE/NYSE, NASDAQ and BATS to discuss their proposals for EMS reform. We followed the BATS meeting by submitting a [comment letter](#) on their proposal to the SEC in March.
- SEC hosted first meeting of its Equity Market Structure Advisory Committee (EMAC) in May. The meeting focused on Rule 611 of SEC Regulation NMS, the "Trade-through Rule". FIA PTG submitted our [Simplifying US Equity Market Structure](#) paper which contained specific suggestions on the topic to the comment file for the meeting.

- Created SEC FINRA Required Membership Rule Working Group to draft a [comment letter](#) in response to this proposed rulemaking which was submitted in June.
- FIA PTG representatives met with Counsel to SEC Commissioner Piovowar in DC in June.
- On September 11 FIA PTG filed a [letter](#) of conditional support with the SEC for a [proposed rule change by BATS](#) regarding expedited suspension proceedings and preventing layering and spoofing. BATS subsequently withdrew the proposed rule and eventually resubmitted a revised proposal that incorporated feedback from FIA PTG.
- SEC hosted the second meeting of its Equity Market Structure Advisory Committee (EMAC) in October. The meeting focused on Rule 610 of SEC Regulation NMS the “Access Rule”. FIA PTG submitted our [Simplifying US Equity Market Structure](#) paper which contained specific suggestions on the topic to the comment file for the meeting.
- On November 6 FIA PTG submitted a [comment letter](#) to SEC on IEX’s Exchange Application.

Treasury

- Jim Overdahl met with various US Treasury policy officials in March to discuss a variety of topics related to HFT. Topics included the functions of electronic market makers, the role of order cancellations, co-location, market structure, and managing messaging traffic as well as spoofing, quote stuffing and market maker obligations.
- Jim Overdahl met with Elaine Buckberg at the Treasury Department in August to offer industry assistance to Treasury policymakers on the role of automated trading systems in Treasury markets.
- FIA PTG representatives met with Secretary Counselor Antonio Weiss in September to discuss the recently issued report on the events of October 15.
- Created Joint Report Response Working Group which on October 15 released [FIA PTG Responds to Policy Recommendations in Joint Staff Report on the U.S. Treasury Market on October 15, 2014](#).

FINRA

- FIA PTG representatives met with FINRA staff in March to discuss FINRA’s recent proposal to require registration of APs involved in the design, development or significant modification of algorithmic trading strategies, as well as SEC’s recent proposed rulemaking to remove the exemption from FINRA membership for most proprietary trading firms.
- Created FINRA Algo AP Registration Proposal Working Group to draft a [comment letter](#) on the proposal, which was submitted in May.
- Created FINRA TAF Exemption Proposal Working Group to draft a [comment letter](#) on the proposal, which was submitted in June.
- FIA PTG representatives met with FINRA staff in June to discuss the SEC’s recent rulemaking proposal to subject most BDs to FINRA membership and how the application and examination processes might be modified to best accommodate.

FIA PTG OUTREACH

Highlighted Media Outreach

- FIA PTG representatives conducted a variety of interviews, briefings, and background discussions with reporters in 2015, with outlets including:
 - *Wall Street Journal*
 - *Financial Times*
 - *Bloomberg*
 - *Reuters*
 - *Politico*
 - *Risk*
 - *Automated Trader*
 - *CNBC*
 - *Market Watch*
 - *Bloomberg BNA*
- Additional highlights:
 - Roundtable discussion with reporters at Boca on topics including cybersecurity, leverage ratios, market fragmentation, the FIA PTG paper on complexity, as well as our work on automated trading recommendations with media from the *Wall Street Journal*, *Politico*, *Bloomberg*, and *Financial Times*.
 - Developed contacts among media covering Treasury markets and held a roundtable briefing on the role of principal traders in these markets.
 - Filmed interviews with Lothian for a video on automated trading standards.

New Media

- Continued to grow FIA PTG Twitter page from 348 followers at the beginning of 2015 to 850 followers, earning more than 182 thousand impressions, or nearly 500 impressions per day.
- Redesigned FIA PTG website drew 10,704 page views, with users spending an average of 2 minutes viewing each page.
- Launched [Storify](#) to showcase positive media stories, reports, and social media. Earned 1000 views.
- Continued FIA PTG Blog. Posted the following pieces this year which earned 920 views:
 - [Consensus on Equity Market Reform](#)
 - [Crowdsourcing Excellence in Automated Trading](#)
 - [Addressing Complexity from the Trade-Through Rule](#) (also published in Tabb Forum)
 - [Regulations Must Evolve with Markets](#)
 - [What IS a Self-Trade, Anyway?](#) (most popular article on FIA PTG's site)

- Launched FIA PTG Quick Bytes, a format to provide a brief, timely response to current news:
 - [Fed Governor Calls for Public Discussion of Treasury Market Structure](#)
 - [In Treasury Markets, an Amplified Role for Principal Traders](#)
 - [Fear of the Unknown](#)
 - [Previewing the CFTC's Rules on Automated Trading](#)

Conferences

- Members moderated and/or participated on various panels at FIA Boca, FIA Law & Compliance, FIA Futures & Options Expo and FIA IT Division programs.
- Additional Highlights:
 - Matt Haraburda and Keith Fische spoke at the FinTech Exchange: Financial Markets and Trading Innovation in April.
 - Rob Creamer spoke on *The Role of the Principal Trader in Today's Markets* at the Terrapin Trading Show in June.
 - Jim Overdahl spoke at the Illinois Institute of Technology Stuart School of Business Conference on High Frequency Trading and Algorithmic Trading about the current regulatory framework for HFT in November.

Press Releases

- In-Case-You-Missed-It on Commissioner Giancarlo's announcement of Rob Creamer's membership on the CFTC Energy and Environmental Markets Advisory Committee (EEMAC)
- Release: [Simplify Markets by Eliminating Trade-Through Rule and Ban on Locked and Crossed Markets](#)
- Release: [FIA PTG Submits Comments to the SEC Equity Market Structure Advisory Committee on Trade-Through Rule](#)
- Release: [FIA PTG Comment Letter to the SEC Regarding Exemption for Certain Exchange Members](#)
- Release: [FIA PTG Statement on the Joint Staff Report on the U.S. Treasury Market on October 15, 2014](#)
- Release: [FIA PTG Responds to Policy Recommendations in Joint Staff Report on the U.S. Treasury Market on October 15, 2014](#)
- Release: [FIA PTG Comments on Locked and Crossed Markets in Letter to SEC Equity Market Structure Advisory Committee](#)
- Release: [FIA PTG Responds to CFTC's Proposed Automated Trading Rule](#)

Highlighted Media Coverage

- *Traders Magazine*: [FIA Says Eliminate Trade Through Rule and Locked Market Ban](#)
- *Politico Morning Money*: [White House drops its strange plan to tax 529s – The problem with Apple's blowout quarter](#)

- *Financial Times*: [Virtu hopes time can heal HFT furor](#)
- *Automated Trader*: [SEC to Open Debate on Order Protection Rule](#)
- *Automated Trader*: [Dealing With Swaps](#)
- *Bloomberg BNA*: [SEC's Off-Exchange Registration Proposal To Draw Response from Futures Trade Group](#)
- *Financial Times*: [Small Investors Focus of Trading Shake-Up](#)
- *Reuters*: [Smart software key to fate of CME options pits as futures closure looms](#)
- *Financial Times*: [Is a Lack of Liquidity in Bond Markets Surprising?](#)
- *Financial Times*: [US exchanges urged to act in HFT debate](#)
- *Financial Times*: [Incentives in futures markets attract scrutiny](#)
- *Wall Street Journal*: [The New Bond Market: Regulators Scramble to Keep Up](#)
- *Financial Times*: [US regulator signals bid to curb high-speed trading](#)
- *Bloomberg*: [High-Speed Trades Will Face CFTC Policies to Curb Disruption](#)
- Risk: [All-to-all liquidity 'is not the panacea' - FIA panel](#)
- Risk: [US Treasury calls for more transparency in cash markets](#)
- FOW: [Traders Warn on Electronic Trading Rules](#)
- FOW: [Enforcement is Hurting US Markets - Panel](#)
- P&I: [Panelists at FIA conference debate regulatory effects on Treasury market](#)
- *Wall Street Journal*: [High-Speed Traders Face New CFTC Scrutiny](#)
- *Bloomberg*: [High-Speed Trading Would Face U.S. Scrutiny in New CFTC Plan](#)

OTHER INITIATIVES

- Published [Whiteboard paper](#) on frequent batch auctions in January.
- In January the Equity Market Structure Working Group published a second [position paper](#) offering recommendations for simplifying the US equity markets by eliminating the trade-through rule (Rule 611) and the requirement to avoid displaying locked and crossed markets (Rule 610.d).
- FIA Market Technology Division Automated Trading Subcommittee, with significant input from FIA PTG, published [FIA's Guide to the Development and Operation of Automated Trading Systems](#) in March.
- Contributed to [FIA's May 22 letter](#) to the Senior Supervisors Group at the Federal Reserve Bank of New York in response to their report on algorithmic trading.
- FIA PTG met with Eurex in June to discuss upcoming launch of Eurex SMP technology and related charges.
- Continued to work with CME to create test symbols and other means of testing while remaining in compliance with CME Rule 575. Phase One test symbol launched July 19. CME issued amended Q&A on October 9 confirming that orders entered into the market for testing purposes, with the intention of having them filled, are permissible.
- FIA PTG continued to closely monitor developments in Europe concerning direct market access from the US (third country access).
- Created joint FIA PTG/EPTA Cybersecurity Working Group and issued global regulatory review spreadsheets for internal use in October and November.

- Created SMP Technology Standards Working Group.
- Created New Member Recruiting Working Group.
- Created CFTC Reauthorization Working Group.
- Created Diversity Working Group.
- Along with FIA, created Self-Match Working Group.
- FIA Global hosted webinar on Basel III and the Supplementary Leverage Ratio for FIA PTG members.
- FIA Global hosted webinar on FIA CCP Risk Review Tool for FIA PTG members.
- FIA PTG hosted Disruptive Trading Presentation by Ken Raisler of Sullivan and Crowell in April.
- Compliance Networking Group held a meeting and networking event in February; and a call in May.
- Compliance Networking Group hosted Disruptive Trading Presentation by Cliff Histed of K&L Gates in October.
- FIA PTG established a relationship with the Treasury Market Practices Group: had introductory call in February; follow-up call in May to discuss their consultative White Paper on automated trading in Treasury markets; and a call in October to discuss the Joint Regulators Report on October 15, 2014.
- Created a Media Interview Tips Guide.

ORGANIZATIONAL EVENTS

- Added two Member Firms.
- Elected Officers, Executive Committee and Nominating Committee Members.
- Hosted 6 meetings of the group.
- Hosted 4 2015 Goals & Projects sessions.
- Hosted one Focus Group luncheon.
- Hosted summer and holiday parties.

PROPOSED 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.

Specific regulatory initiatives including:

- Reg 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

PROPOSED 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