

EXECUTIVE SUMMARY

For members of FIA PTG, 2017 may be remembered as the year of the speed bump, as it was filled with a variety of proposals to introduce artificial latency mechanisms to equity market exchanges. Nearly a third of FIA PTG's advocacy letters were comments to regulators about the problems, complexity, and costs introduced by these artificial latency mechanisms. FIA PTG evaluated and responded to each proposal individually, but urged the Securities and Exchange Commission (SEC) to impose a moratorium on new types of artificial delays until it is able to complete a comprehensive review of Reg NMS.

2017 also saw the start of the Trump administration, bringing with it new leadership at the SEC, the Commodities Futures Trading Commission (CFTC), Treasury, and other regulators. FIA PTG built relationships through 14 regulatory meetings and another 11 with members of Congress and their staffs. The meetings covered a variety of topics, including swap market structure, capital requirements, regulation of automated trading (Reg AT), equity market structure, treasury market structure, and liquidity.

FIA PTG worked to expand and direct discussions of liquidity through blog posts, infographics, and media interviews. Along with FIA PTG's other media efforts, this helped to drive more than 10 thousand web site views from 4,300 unique visitors. FIA PTG continued to expand its social media presence as well, producing content for Twitter, LinkedIn and Periscope.

In 2018, FIA PTG will continue to be a strong voice on liquidity issues both publicly and behind the scenes. As regulators prepare to consider cryptocurrencies in greater depth, FIA PTG is preparing to contribute thought leadership to relevant advisory committees. Swap market structure, complexity in equity markets, and automated trading will also be on the agenda as FIA PTG continues to advocate for thoughtful, principles-based policies.

2017 HIGHLIGHTS

- Submitted or contributed to 20 comment letters to regulators and policymakers:
 - SEC: Submitted a second comment letter opposing the proposal by the Chicago Stock Exchange to introduce a new type of speed bump.
 - SEC: Filed a comment letter opposing CHX's proposed Liquidity Enhancing Access Delay (LEAD).
 - CFTC: Contributed to the FIA's CFTC Rule 1.31 Recordkeeping Requirements Comment Letter.
 - SEC: Filed a comment letter opposing NYSE's proposed Delay Mechanism.
 - SEC: Filed a second comment letter urging the Commission to reject Nasdaq's proposal to introduce a new priority for displayed orders, the Extended Life Priority Order Attribute (ELO).

- SEC: Filed a comment letter in response to Acting Chairman Piwowar's request for input on Reg NMS, as the regulation is being reviewed under Rule 610 of the Regulatory Flexibility Act.
- SEC: Filed a comment letter in support of CBOE's proposed rule change clarifying the responsibility for ensuring compliance with open outcry priority and allocation requirements, and trade-through prohibitions.
- CFTC: Contributed to the FIA's Regulation AT Comment Letter.
- CFTC: Contributed to the FIA's Swap Dealer Capital Comment Letter and followed up with its own comment letter.
- SEC: Filed a second comment letter opposing CHX's proposed Liquidity Enhancing Access Delay (LEAD).
- SEC: Filed a comment letter supporting SIFMA's comment letter opposing the proposed CAT pricing structure.
- SEC: Filed a second comment letter opposing the proposed CAT pricing structure.
- SEC: Filed a comment letter urging the Commission to reject Nasdaq's proposal to introduce the Midpoint Extended Life Order (MELO).
- SEC: Filed a comment letter urging the Commission to reject IEX's Crumbling Quote Remove Fee proposal.
- CFTC: Contributed to FIA's Project KISS Comment Letter.
- Congressman Duffy: Joined FIA, the Modern Markets Initiative (MMI), the International Swaps and Derivatives Association (ISDA), and the U.S. Chamber of Commerce in expressing support for Congressman Sean Duffy's legislation to protect access to source code.
- SEC: Filed a comment letter raising cybersecurity concerns with the consolidated audit trail (CAT) reporting requirement set to start on November 15, 2017.
- FSA: Contributed to the FIA Japanese High Speed Trading Regulations Comment Letter.
- SEC: Filed a comment letter supporting SIFMA's comment letter opposing the proposed Nasdaq PHLX Intellicator Analytic tool.
- Distributed 9 press releases, 4 blogs, and 3 Quick Byte mini-blogs.
- Earned more than 10,700 page views, drawing nearly 4,300 viewers.
- Expanded social media presence through Twitter, Storify, LinkedIn, and Periscope.
- Maintained FIA PTG representation on 2 CFTC Advisory Committees:
 - Energy and Environmental Advisory Committee (EEAC).
 - Market Risk Advisory Committee (MRAC).
- Maintained presence on CFTC Technology Advisory Committee (TAC) through member firm representation.
- Created 3 new working groups to address short- and long-term priorities
- FIA PTG Members conducted:
 - 11 meetings with Members of Congress and legislative staff.
 - 13 meetings with CFTC and SEC Commissioners and staff members.

- 1 meeting with Treasury staff members.
- 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 – 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)

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.

FIA PTG ADVOCACY

Legislative Initiatives

- FIA PTG Executive Committee members met with Kevin Edgar, House Financial Services Committee (HFSC); Jimmy Ballard, Legislative Assistant, Rep. Rodney Davis (R-IL); Andy Taylor, Deputy Chief of Staff, Rep. Sean Duffy (R-WI); Tyler Williams, Senator Thom Tillis (R-NC); Ammon Simon, Legislative Counsel, Senator Ben Sasse (R-NE); Rep. Bill Foster (D-IL); Paul Balzano, House Ag Committee; Rep. Randy Hultgren (R-IL); and Joe Fawell, Tax Policy Director, and Rep. Peter Roskam (R-IL) in February. Topics discussed included tax policy (1256, financial transaction tax, etc.) and the Financial CHOICE Act.

- FIA PTG members met with Bill Hulse, Legislative Assistant, Rep. Randy Hultgren (R-IL) in June.
- On Oct 11, FIA PTG joined FIA, the Modern Markets Initiative (MMI), the International Swaps and Derivatives Association (ISDA), and the U.S. Chamber of Commerce in [expressing support](#) for Congressman Sean Duffy's legislation to protect access to source code.

Regulatory Initiatives

Committee Participation

- FIA PTG members continue to participate on the CFTC Technology Advisory Committee (TAC). The CFTC TAC did not meet in 2017.
- FIA PTG has a representative on the CFTC Energy and Environmental Advisory Committee (EEAC). The CFTC EEAC did not meet in 2017.
- FIA PTG has a representative on the CFTC Market Risk Advisory Committee (MRAC) and participated in both the April 25 and June 20 meetings.

CFTC

- FIA PTG Executive Committee members met with CFTC Acting Chair Chris Giancarlo in February. Topics discussed included swap market structure, capital requirements and regulation of automated trading (Reg AT).
- FIA PTG members met with CFTC officials including Sayee Srinivasan (Chief Economist), Chris Giancarlo (Acting Chairman), and Amir Zaidi (Director of Market Oversight) in Boca during the FIA Conference in March.
- FIA PTG contributed to the [FIA 1.31 Recordkeeping Requirements Comment Letter](#) filed on March 20.
- FIA PTG contributed to the [FIA Regulation AT Comment Letter](#) filed on May 1.
- FIA PTG contributed to the [FIA Swap Dealer Capital Comment Letter](#) filed on May 15 and followed up with [its own comment letter](#) on May 24.
- FIA PTG contributed to the [FIA Project KISS Comment Letter](#) filed on Sep 28.
- FIA PTG Members traveled to Washington in October for meetings with Chairman Giancarlo, Commissioner Quintenz and Commissioner Benham. Discussions focused on swaps, specifically the de minimis threshold as well as exempting cleared swaps from the de minimis calculation.

SEC

- On January 17, in response to an SEC request for additional comments, FIA PTG submitted a [second comment letter](#) opposing the proposal by the Chicago Stock Exchange to introduce a new type of speed bump.
- FIA PTG Executive Committee members met with David Saltiel and other personnel from the SEC's Division of Trading and Markets and the Division of Economic and Risk Analysis and SEC Acting Chair Michael Piowar in February. Topics discussed included equity market structure and reporting.
- On March 13, FIA PTG filed a [comment letter](#) with the SEC opposing CHX's proposed Liquidity Enhancing Access Delay (LEAD).

- On March 24, FIA PTG filed a [comment letter](#) with the SEC opposing NYSE's proposed Delay Mechanism.
- On March 30, FIA PTG filed a [second comment letter](#) with the SEC urging the Commission to reject Nasdaq's proposal to introduce a new priority for displayed orders, the Extended Life Priority Order Attribute (ELO).
- On April 5, FIA PTG filed a [comment letter](#) with the SEC in response to Acting Chairman Piwowar's request for input on Reg NMS, as the regulation is being reviewed under Rule 610 of the Regulatory Flexibility Act.
- On April 13, FIA PTG filed a [comment letter](#) with the SEC in support of CBOE's proposed rule change clarifying the responsibility for ensuring compliance with open outcry priority and allocation requirements, and trade-through prohibitions.
- On June 16, FIA PTG filed a [second comment letter](#) with the SEC opposing CHX's proposed Liquidity Enhancing Access Delay (LEAD).
- On June 22, FIA PTG filed a [comment letter](#) with the SEC supporting [SIFMA's comment letter](#) opposing the proposed CAT pricing structure.
- FIA PTG members met with personnel from the SEC's Division of Trading and Markets and SEC Commissioner Kara Stein's staff in June.
- On July 28, FIA PTG filed a [second comment letter](#) with the SEC opposing the proposed CAT pricing structure.
- On Sep 19, FIA PTG filed a [comment letter](#) with the SEC urging the Commission to reject Nasdaq's proposal to introduce the Midpoint Extended Life Order (MELO).
- On Sep 21, FIA PTG filed a [comment letter](#) with the SEC urging the Commission to reject IEX's Crumbling Quote Remove Fee proposal.
- On Oct 23, FIA PTG filed a [comment letter](#) with the SEC raising cybersecurity concerns with the consolidated audit trail (CAT) reporting requirement set to start on November 15, 2017.
- FIA PTG Members traveled to Washington in October for a meeting with Chairman Clayton's staff (Jamie Klima and Jeff Dinwoodie) where we walked through our outline of high level equity market structure talking points, focusing on complexity and fragmentation. This was followed by a meeting with Division staff (TM Office of Analytics and Research, DERA, OCIE). The meeting was well attended by staff (20 staff from the various divisions present and more on the phone), and the points we raised were the same as the meeting with the Chairman's staff. Those present asked a substantial amount of questions, many of them focused on our comments around market fragmentation.
- On Dec 19, FIA PTG filed a [comment letter](#) with the SEC supporting [SIFMA's comment letter](#) opposing the proposed Nasdaq PHLX Intellicator Analytic tool.

Treasury

- FIA PTG members met with Sarah Hammer, Director of the Office of Financial Institutions Policy and her staff in June.

OTHER

- FIA PTG contributed to the FIA Japanese High Speed Trading Regulations [Comment Letter](#) filed on Nov 22.

FIA PTG OUTREACH

Highlighted Media Outreach

- FIA PTG representatives conducted a variety of interviews, briefings, and background discussions with reporters in 2017, with outlets including:
 - Gabriel Rubin and Andrew Ackerman of WSJ
 - Philip Stafford, Greg Meyer, Rob Wigglesworth, Nicole Bullock of FT
 - Richard Hill of Bloomberg BNA
 - Sam Agini of FN
 - Patrick Temple West of Politico
- Interview topics included:
 - Regulation of automated trading
 - Brexit
 - Speed Bumps and Equity Market Structure
 - Cryptocurrencies
- Media roundtable at Boca with representatives from Lothian, Bloomberg, Politico, and WSJ

New Media

- Continued to grow the FIA PTG Twitter page by 25% from 1238 followers at the beginning of 2017 to 1546 followers, earning more than 185,000 impressions, or 510 impressions per day.
- The FIA PTG website drew 10,700 page views, drawing nearly 4,300 viewers.
- Periscope Video of the [FIA Expo panel on cryptocurrencies](#) earned more than 1500 views.
- Created LinkedIn Showcase page for FIA PTG, attached to FIA LinkedIn Page.
- [Storify](#) earned 1200 views.
- Continued FIA PTG Blog. Posted the following pieces this year:
 - [What is liquidity?](#)
 - [What is a liquidity provider?](#)
 - [Diversity in liquidity provision](#)
 - [Measuring and Optimizing Liquidity](#)
- Continued FIA PTG Quick Bytes, a format to provide a brief, timely response to current news:
 - [The Leverage Ratio: A Threat to Liquidity?](#)
 - [A summary of equity market structure discussions](#)
 - [Liquidity Infographic](#)
- Created [MiFID II External Resources for FIA PTG Firms](#) page.

Conferences

- Members moderated and/or participated on various panels at FIA Boca, FIA Law & Compliance, FIA Futures & Options Expo and FIA IT Division programs.

Press Releases

- The 9 press releases, 4 blogs, and 3 Quick Bytes published this year combined for a total of 6427 individual emails sent.
 - Unique open rate: 29.2%
 - Unique click rate: 7.5%
 - Forwards: 1,039 forwarded emails by 310 users.
- [FIA PTG recommends repealing order protection rule and enhancing best execution requirements](#)
- [FIA and FIA PTG oppose overly prescriptive regulation of automated trading](#)
- [FIA launches third annual Innovators Pavilion](#)
- [Amazon Web Services and Nasdaq to sponsor FIA Innovators Pavilion](#)
- [FIA announces 20 fintech startups chosen for Innovators Pavilion](#)
- [FIA Recommendations to Streamline CFTC Regulations and Enhance Market Integrity](#)
- [FIA receives ASAE 2017 Power of A Honors for Innovators Pavilion](#)
- [Industry groups support Protection of Source Code Act](#)
- [TellusLabs Named FIA Innovator of the Year](#)

Highlighted Media Coverage

- FT: [From ranchers to fund managers, 'algos' cause a stir](#)
- Pensions & Investments: [Traders have long way to go in use of AI, panelists say](#)
- Bloomberg: [A Bitcoin ETF May Be The Next Big Thing On U.S. Exchanges](#)
- Automated Trader: [Amazon Web Services and Nasdaq to sponsor FIA Innovators Pavilion](#)
- Profit & Loss: [Keeping Pace with Innovation](#)
- HFM Week: [Industry groups slam 'overly prescriptive' Reg AT](#)
- Head of Trading: [FIA And FIA PTG Oppose Proposed Regulation Of Automated Trading](#)
- Profit & Loss: [Industry Bodies Criticise Reg AT Rules \(Again\)](#)
- Markets Media: republished blog on: [The Leverage Ratio: A Threat to Liquidity?](#)
- Markets Media: republished our blog: [What is Liquidity?](#)

OTHER INITIATIVES

- Continued to closely monitor MiFID II developments in Europe concerning direct market access from the US (third country access).
- Began working with FIA Japan Principal Trading Group on matters related to the Japanese High Speed Trading Amendment.
- Contributed to the FIA Training initiative.

ORGANIZATIONAL EVENTS

- Elected Officers, Executive Committee and Nominating Committee Members.
- Hosted 6 meetings of the group.
- Hosted 3 networking social events.

ADVOCACY GOALS – 2018

1. Continued emphasis on relationship building in 2018, with a focus on new senior staff members and Commissioners at the primary agencies (SEC and CFTC) and Treasury.
2. Continue educational efforts for policymakers on Capitol Hill and at the regulatory agencies/departments about the principal trading market sector in general and about particular issues of interest to our group.
3. Pursue additional representation on regulatory advisory committees of interest to members.
4. Continue efforts on Capitol Hill to inform Members and Member offices of our regulatory positions.
5. Specific regulatory initiatives including:
 - Regulation AT (CFTC) and any other new rules and oversight of automated trading (CFTC and SEC)
 - Rules related to changes in Treasury market structure (Treasury, Fed, CFTC, SEC)
 - Rules related to broker-dealer and FINRA registration requirements for principal trading firms (SEC)
 - Rules related to changes to equity market structure including Regulation NMS (SEC)
 - Engagement with the SEC as the Equity Market Structure Advisory Committee transitions to a roundtable format
 - Monitor the regulatory developments of cryptocurrencies and consider engagement where appropriate (CFTC, SEC, Administration)
 - Engage the CFTC on upcoming proposals related to swap dealer registration
 - Fair access to centrally traded and cleared OTC markets
 - Capital requirements for Swap Dealers and Major Swap Participants and discussion of capital requirements for principal trading firms (CFTC, SEC, and Prudential Regulators)
 - Position limits and aggregation of positions (CFTC)
 - CCP recovery and resolution – variation margin gains haircutting, waterfall, other issues (CFTC)
 - Monitor any developments on transaction tax (Administration)
 - MAT process revisions (CFTC)

OUTREACH GOALS – 2018

1. Continue writing and distributing press releases on important content
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2. Continue to post regular blog/quick byte content.
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4. Find new medium for collecting and distributing news highlights as Storify closes.
5. Produce at least 1 infographic on key topic.
6. Conduct 2 media roundtables or editorial board meetings
7. Provide training for interested FIA PTG members on interview preparation and panel speaking.