



## **SIFMA Listed Options Symposium**

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Opening Remarks

*As prepared for delivery*

Good afternoon and thank you for joining us. We're pleased to provide this forum for thought leaders to take stock of the listed options market. Listed options are a vital component of our country's capital market system and a versatile financial risk management tool that can help investors achieve their financial goals.

Promoting resiliency in the equity capital markets is a driving theme of the work SIFMA is doing with our members. The U.S. capital markets are the backbone of capital formation and economic growth in this country. Investor confidence and in turn participation in the investment process provides the liquidity that fuels robust markets and provides financial opportunity. Indeed, resilient capital markets inspire confidence to take good risks. It remains critical that an investor's ability to transact not be hampered by market disruptions.

That's why SIFMA has been working with our members on key initiatives to enhance market resiliency. Cybersecurity has been a key focus. There's no question that cyber attacks are increasing in frequency and sophistication. SIFMA has been and continues to develop a range of tools and recommendations to help our members better defend against cyber threats, including resources for small firms and roundtables to address insider threats; enhancing incident recovery protocols and promoting industry wide information sharing; and organizing a series of exercises and drills.

Importantly, SIFMA has also been promoting regulatory coordination when it comes to cybersecurity. SIFMA is advocating for coordination across agencies and across borders, to avoid conflicting or needlessly redundant rules that could be counterproductive to our shared goal.



Market stability is a regulatory imperative just as much as it is a business imperative. In fact, at SIFMA's recent Annual Meeting, Securities and Exchange Commission chair Mary Jo White identified market resiliency as one of the SEC's top priorities, and named Regulation SCI as one of its most important successes in this effort. SIFMA is working closely with regulators to provide the industry's voice as we work towards this shared goal. SIFMA supports Reg SCI, which is designed to test and strengthen the technology infrastructure of the U.S. securities markets. Recently, broker-dealers participated in their first round of mandated Reg SCI testing with the exchanges, FINRA, and other organizations, and SIFMA played a critical role in coordinating the test.

SIFMA also leads an annual industry-wide business continuity test every October. This is a critical exercise that highlights our industry's ability to operate through a significant emergency using backup sites, recovery facilities and backup communications capabilities across the industry.

SIFMA is also working with our members to enhance protocols for opening, closing and reopening the markets in case of a crisis scenario. We play a critical role in facilitating communication between the exchanges, the industry, and regulatory officials in the case of a systemic incident.

Market resiliency that spurs investor confidence is particularly important in the listed options market, where self-directed, individual investors drive most of the order flow. Consider that there are over 833,000 options series listed and available for trading, as compared to 8,700 listed equities, and that much of these options transactions are initiated through online trading platforms and tools. Investors in this marketplace expect a high degree of certainty that the infrastructure in place is going to be resilient and that markets will function efficiently during normal trading hours.

Clearly we support enhancements in the listed options market that strengthen infrastructure and improve resiliency.



SIFMA has done considerable work with the exchanges to ensure that the rules that govern erroneous trades are consistent across all options exchanges, and do not result in unintended consequences for investors. SIFMA strongly supported phase one of this regulatory effort, which created for the first time a harmonized set of rules among the exchanges.

Completion of the next regulatory phase will allow the market to respond more expeditiously should a large-scale trading error occur. Providing a single source of theoretical value will allow the exchanges to quickly derive the proper value of an option, and in turn make rulings in a timely fashion, recognizing that many market participants have hedged positions that could be affected should a trade break or adjustment occur.

SIFMA has also supported the Options Clearing Corporation's Options Exchange Risk Control Standards Policy to reduce the risk of errors or unintended activity that could cause or contribute to a financial loss to market participants and the OCC. While the OCC's proposal to create risk control standards across four broad categories was withdrawn prior to SEC approval, the exchanges have essentially all adopted new functionality that was consistent with the proposed requirements. SIFMA will continue to promote these standards to ensure that all new listed-options exchanges are held to the same standard.

Over the course of this afternoon's program, expert speakers will dive further into the most pressing issues for the listed options market. Before we get started, I'd like to take this opportunity to once again thank our speakers for their time, and our sponsors for making this event possible.

It is now my pleasure to introduce our first featured speaker, Gregg Berman. Gregg is currently director of research for the market integrity, monitoring and surveillance unit of Citadel Securities in Chicago, where he focuses on market structure as well as the integrity and quality of markets.



Prior to joining Citadel, he was a principal at Ernst & Young. From 2009 to 2015, he served at the Securities and Exchange Commission, where he established the Office of Analytics and Research in the division of trading and markets. Mr. Berman covered a wide array of areas with a particular focus on market structure data, analytics, and associated rules and regulations.

Before his tenure at the SEC, he was a founding partner of RiskMetrics Group and co-managed a number of multi-asset hedge funds within ED&F Man. He is a physicist by training and holds degrees from Princeton University and the Massachusetts Institute of Technology. We're thrilled he's with us today to share his views on listed options.

Please join me in welcoming Gregg Berman.