



2017 Leaders and Experts Forum

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Opening Remarks

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Good morning. I'm Randy Snook, Executive Vice President, Business Policy and Practices at SIFMA. I'm pleased to welcome you to the "2017 Leaders & Experts Forum: Successfully Managing Regulatory Investigations and Enforcement Matters in the New Regulatory Landscape and Big Data-Driven Age."

Before we begin, I'd like to give special thanks and recognition to our co-hosts at Bates Group. Thank you for your partnership in putting this conference together.

I'd also like to thank all of today's speakers, especially Michael Osnato, the recently departed Chief of the Complex Financial Instruments Unit in the SEC's Division of Enforcement and Leonard Amoruso, partner at Murphy & McGonigle, for engaging later this afternoon in a keynote fireside chat. Finally, I thank our sponsor for the program today: Murphy & McGonigle. We appreciate your generous support for this event.

This is a very timely event. You will hear about FINRA's recently released 2017 regulatory and examination priorities letter, and how to be prepared in regulatory investigations and enforcement matters, including best practices as well as pitfalls to avoid. You'll also gain insight into how regulators are using big data more and more to carry out their priorities and missions overall, and how to be prepared in this big data age.

There is no question that the financial services industry will continue to become more reliant on big data.

Just as a math teacher once told their students, "Numbers are your friend," big data has become a trusted companion in financial services business practices, particularly on the regulatory front. Today, we are focusing on the intersection of big data and the regulatory front. As regulators, such as FINRA and the SEC, adopt more big data-driven initiatives to identify trends and behaviors in customer and broker activity, SIFMA's firms too will evolve to embrace this trend.

That brings me to a few considerations I want to emphasize about big data in particular. First, it is important that financial firms stay on the same page as regulators when it comes to understanding their own big data. Firms will need to continue to enhance their own capabilities to analyze and understand their own data.

That way, they will not only be well-prepared in meeting regulatory requirements and requests for data, but will also be able to proactively spot and mitigate potential bad behavior.

Second, while big data can serve as a useful tool, security and privacy concerns remain. As the recent election taught us, every server, database, or campaign email exchange could be the next target of a cyber hack. In the age of heightened attacks, it is important to have as many safeguards in place to protect sensitive data.

These concerns were rightly raised throughout the debate over FINRA's proposal for the Consolidated Automated Risk Data System (CARDS) as well as around the SEC's Consolidated Audit Trail (CAT) program, which, when complete, will be the world's largest data repository for securities transactions, tracking approximately 58 billion records of orders, executions, and quote life-cycles for equities and options markets on a daily basis, and will include information about the customers behind trades.

Any large database of sensitive information is bound to be a potential target for bad actors, so it is important that the industry continues to raise questions internally and to regulators about how we can improve safeguards to prevent cyber hacks and breaches. This applies to firms *and* regulators alike, as noted in the Board of Governors of the Federal Reserve System's Inspector General's September 2016 report on data management and security challenges facing the Federal Reserve.

Simultaneously, we should be carefully considering the type of data that is shared. Before firms simply turn over massive volumes of customer and trading data, we should be asking:

Do regulators need all the information they are asking for or can they achieve their objective with less? Are we giving away too much Personally Identifiable Information (or PII)?

At today's conference, we will explore the pros and cons of big data, better understand the use of big data from the regulatory perspective, and explore ways that our firms can better prepare for sharing big data with regulators in connection with investigations and enforcement matters,

We have a great program ahead of us today in what will no doubt be an ongoing discussion on the evolving role of big data in investigations and enforcement matters for years to come.

And now it is with great pleasure that I introduce our first panel entitled "Regulatory Investigations and Enforcement- Priorities, Investigations & Responses."

Please join me in welcoming moderator Ben Index, Partner at Morgan Lewis & Bockius and his five panelists.