SIFMA Fixed Income Market Structure Seminar
SIFMA Conference Center
May 24, 2016

Opening Remarks
As prepared for delivery
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Good afternoon. I'm Randy Snook, Executive Vice President, Business Policy and Practices at SIFMA, and I'm pleased to welcome you to this year's Fixed Income Market Structure Seminar. Before we begin, I'd like to thank all of today's speakers, especially Daleep Singh, Acting Assistant Secretary for Financial Markets at the U.S. Treasury, who will deliver the keynote address. I'd also like to thank the sponsors: MarketAxess, who is a platinum sponsor, EBS BrokerTec (Gold), Tradeweb (Silver), Trumid (Silver), Liquidnet (Contributor) and MTS Markets (Contributor). We appreciate your support of this event.

SIFMA has a central role in stimulating discussion on market structure with key stakeholders, as this seminar today does. We bring both buy and sell side voices to the table, providing input to regulators on issues that directly and indirectly impact market structure. As we look at market structure and regulation, it's important to clarify there are clear distinctions between the Treasury, corporate and equity markets. While there is an optimal market structure for each, there is no one-size-fits-all solution.

In our discussions today, I would like to reflect on three considerations for the market structure: 1) First, the nature of issuers and their different issuance objectives. When Treasury issues bonds, it is for a different reason than when a corporation issues bonds.

2) Second, each of the products issued, sold or purchased are ultimately owned by investors. Investors are not a homogenous group, and they have their own distinctions and unique investment objectives.
3) Third, we need to consider the role these investors play in the functioning of our capital markets and our economy. As we consider changes to market structure, we should keep this benefit in mind be it the IPO that provides liquidity to venture capital financing to the long-term bonds to buy plant and equipment on the asset backed financings for consumer loans.

One thing is very clear: there is change taking place in both infrastructure and in the profile of market participants. As is often the case, this change comes with a great deal of innovation and experimentation, and that can be a healthy process as markets and participants adapt. The official sector plays a key role in overseeing our markets and by necessity seeks input from the industry to better understand how they can foster healthy markets.

The U.S. capital markets are the largest and deepest in the world. Well-functioning capital markets recognize and drive capital to the best ideas and enterprises, and this efficient allocation of capital provides meaningful benefits to individuals, companies and society-at-large. The capital markets provide approximately 75% of financing for businesses in the U.S. and almost $1.5 trillion of corporate debt was issued last year. In order to preserve access to the markets and allow companies to grow, it is essential to balance the efforts to reduce systemic risk while still ensuring well-functioning markets and the efficient allocation of capital in the U.S.

As we seek to find the right balance of regulation and oversight, it is imperative that we design and calibrate policies that keep pace with, and appropriately govern, an evolving, inter-connected and technology-driven financial marketplace to meet the demands of both issuers and investors.

It is in this vein that the Treasury Department issued a request for information earlier this year on the evolution of Treasury market structure. The U.S. Treasury market plays a unique and fundamental role and has substantial implications for the U.S. dollar's status as global reserve currency, U.S. taxpayers, and the safety and soundness of U.S. financial markets. The U.S. Treasury security serves as the key tool to execute monetary policy and is considered the risk-free rate.

In addition, Treasury securities are essential for liquidity risk management, hedging, managing interest rate swaps and MBS risk and macro risk transfer. The key point, in our view, is that any change to the Treasury market structure should be done in a way which achieves the collective goal of maintaining the deep liquidity and maximizing the resiliency of the U.S. Treasury market while ensuring efficiency, orderly operation and fairness.

SIFMA supports increasing the access of market and prudential regulators to U.S. Treasury market transactions. The official sector must have access to the data necessary to carry out its various regulatory functions, to develop a more comprehensive understanding of U.S. Treasury market activity and to improve Treasury's ability to oversee market liquidity, resiliency and efficiency. Our members who make markets and manage risk, however, have concerns over releasing transaction or market information publicly. Why? We do not believe that increased reporting of Treasury transactions to the public would have any net positive effect on improving market functionality or liquidity, and may, in fact, inhibit primary dealers' ability to hedge around Treasury market auctions and the investing activities of large investors.

The Treasury market has seen an unprecedented level of issuance, the growth of electronic trading, including algorithmic trading, the entrance of new types of market participants, and the evolution of trading platforms. These trends as well as the special role Treasury Bonds play in our capital markets are examined in the Promontory white paper SIFMA commissioned.

Technology has and continues to change the way market participants interact and we know that today's Treasury market structure is highly electronic. However, electronic trading is making inroads in the corporate and municipal markets, and the potentially transformative use of market data is expanding the options and tools available for market participants. The second half of our seminar today will focus on this evolving landscape.

This innovation and modernization has been taking place but has accelerated over the last two or three years. We believe it is essential that regulators allow and encourage these market led solutions. Regulation needs to strike the right balance of promoting transparency and resiliency without impeding the ability of our markets to do their job of stimulating investment, economic growth and job creation.

Earlier this year, we conducted a survey of electronic bond trading platforms for U.S. corporate and municipal securities. The results showed us that fixed income market structure is evolving and adapting, and reflects a significant market focus on electronic trading as an emerging part of fixed income market structure. Platforms are investing in new technologies and finding innovative and creative ways in which to both aid price discovery and to enhance access to market liquidity. We will spend a few minutes before our last panel today to share a few highlights of this survey.

So with that backdrop on the agenda for today, we want to turn our attention to treasury market structure and I have the great pleasure to introduce our keynote speaker Daleep Singh, the Acting Assistant Secretary for Financial Markets at the U.S. Treasury, who is best positioned to set the stage for that discussion.

In his current role, Daleep is responsible for advising the Treasury Secretary on a broad range of policies in the areas of global finance, financial markets, debt management, and financial regulation.

Previously, he was the Deputy Assistant Secretary for Europe and Eurasia at the Department of the Treasury, within the Office of International Affairs. He also served as Director of Treasury's Markets Group, a role in which he advised senior policymakers on key developments in global markets.

Before joining Treasury in 2011, Daleep spent most of his career as an investment professional at Goldman Sachs and an asset manager, with a focus on interest rate products, currencies and emerging markets. He received his B.A. from Duke University and MBA/MPA from MIT and Harvard.

Please join me in welcoming Daleep Singh.