



SIFMA Tech

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Luncheon Opening Remarks

As Prepared for Delivery

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SIFMA President and CEO

Good afternoon. I'm Ken Bentsen, president and CEO at SIFMA. First, I want to thank you for taking time from your busy schedules to attend this conference & exhibition and make it a success. I want to recognize our Technology and Conferences teams for their hard work in creating such a dynamic event that enables industry leaders and solution providers to connect and address key issues facing technology professionals. I also want to thank our sponsors for their generous support, which has helped to make this event possible.

Over the past five years, the financial services sector has fundamentally reshaped itself into one that is safer, sounder, and more resilient. With a little more than half of the Dodd-Frank rule making completed, regulators have produced well over 20,000 pages of new regulations. This has required our industry to adjust and in some cases change business models and divest of certain business and product lines, substantially increase capital both in terms of quantity and quality, while spending billions of dollars to dramatically increase compliance functions, training, and building out and incorporating new systems and technologies.

Financial institutions, now more than ever, are seeking to ensure the right policies and technologies are in place to facilitate a strong culture of compliance that permeates throughout their firms. This not only helps identify and address problems before they escalate, but also is a crucial way to build confidence with clients, investors, regulators and the public at large. Technology professionals are looked to more and more as solution providers who can help financial institutions accomplish these goals and succeed in the new regulatory environment.

It is equally important that policymakers recognize that these new rules are not free of cost. Dodd-Frank and other regulatory initiatives have piled on greater responsibilities and added new levels of complexity. Firms are spending billions to meet new technology requirements, enhance and increase compliance functions, build new systems, train employees and customers, and amend and add new documentation to ensure strict compliance with the new regulatory framework. Additionally, while often well meaning, we are witnessing a pattern of regulators proposing additional rules with new regulatory costs and complexities that are not clearly or sufficiently justified, and in many cases ultimately at the expense of investors.

For example, policy makers and regulators must consider that these additional new rules such as the Department of Labor's ERISA re-proposal, SEC's CAT and SCI, and FINRA's Conflict of Interests and CARDS initiatives, will have to be absorbed by the firms, and ultimately their customers through additional costs and/or reduced services and choice.

Further, regulators have embarked on new trends towards data mining as a tool for regulation and enforcement, such as CAT and CARDS, and SIFMA has urged regulators to carefully consider not just the various technology, legal and compliance questions, but the cost benefit balance and importantly the impact on privacy and protection of customer data. Any significant breach in data protection or overstep of consumer privacy would have a chilling effect on investor confidence and stifle our industry's ability to drive economic growth.

It is vital that policymakers review the costs and benefits of new rules to ensure they will not add unnecessary risk or increase consumer costs, which together could deter investors from participating in the financial markets. To be fair, we recognize that regulators are often given a difficult task. It's not easy to create new regulatory architecture from scratch on top of an already complex regulatory structure and in some cases with less than clear statutory guidance.

Market participants and policymakers must also look beyond addressing the last crisis and focus on market operating resiliency and investor confidence.

Policy makers and market participants learned valuable lessons from Hurricane Sandy regarding crisis response protocols. While in almost all cases the industry responded well to an extremely difficult situation, we learned that policy makers and market participants could be better coordinated, and SIFMA's Operations, Technology, Business Continuity, Equities, and Fixed Income committees have worked with other market participants and our regulators to establish more robust protocols to improve planning and incident response.

Even more important, and more threatening is Cybersecurity. SIFMA's leadership and our members have made cybersecurity a top priority and we are dedicating significant resources to protect the integrity of our markets and the millions of Americans who use financial services every day. Our industry is working closely with our regulators in seeking to protect and prepare for the risks associated with cyber attacks. Last July, working with many of our member firms, the exchanges and our regulators, SIFMA simulated an attack on the equity markets and has worked to develop protocols around information sharing and response.

But we recognize that the threat grows every day and we must do more, and as a result we have undertaken an enhanced effort, led by our board, and in close coordination with other industry trade groups and our regulators. Importantly, this enhanced effort is one where the industry and regulators, should be, and are, working closely together at the front end to take all necessary pre-cautions and preparations to respond with a uniform approach among all participants, as opposed to competing protocols, standards and rules. It is a model of cooperation that, executed correctly, can result in well thought out standards and practices, hopefully with efficient results.

SIFMA is also calling on Congress to take action on cybersecurity. We know that a strong public-private partnership is the most effective way to address cyber threats and protect the financial

markets. SIFMA is advocating for Congress to pass legislation that removes some of the red tape and makes it easier for the private sector and government agencies to work together and share information that promotes resiliency of our markets.

Further, there has been a lot of discussion regarding the current state of the U.S. equity markets. There is no question that investors, particularly retail investors, have benefitted from much better execution since the adoption of Reg NMS in 2006. Few, if any, would argue for going back to the previous market structure. But at the same time, the continued evolution of our market structure has raised legitimate investor concerns that left unattended could undermine investor confidence. Recognizing this, SIFMA and its members called for a holistic review of the U.S. equity market structure. Specifically, we suggested that markets may have become too fragmented and many market participants' roles had materially changed, necessitating the need for a full review. Further, SIFMA's members have launched our own review of the current market structure, looking at issues involving transparency, governance and fragmentation and we look forward to sharing our views with policymakers and the public in the near future.

Our members believe that well thought out rules promoting investor protection and participation, and providing the necessary architecture for ensuring fair and transparent markets are critical to investor confidence and the ability of our industry to fulfill its role of intermediating capital and credit between investors and end users.

Financial services play an important role in the prosperity of Americans and the growth of the U.S. economy. The securities industry employs over 870,000 people across the country. This year alone, businesses have accessed over \$650 billion through the corporate bond markets – capital that is used to grow and invest in new plant and equipment and create jobs. In fact, US businesses raise 80 percent of their funding through the capital markets. Communities across the U.S. have accessed over \$114 billion in capital through the municipal bond markets in 2014– money that is used to fund critical infrastructure projects such as roads, schools and hospitals. Our deep and liquid equity markets help entrepreneurs raise the capital needed to expand and hire – last year alone, 330 companies completed IPOs in the US, accessing over \$82.9 billion in funding.

The industry has responded to the heightened scrutiny and regulatory push with its own effort to promote policies and practices that improve risk management and enhance trust and confidence in the financial system. We support responsible business practices and regulation that protects investors without constricting the industry's and the nation's ability to facilitate capital formation and drive economic growth. Your work as technology professionals helps to create this resilient marketplace that is foundational to investor confidence and economic growth.