



SIFMA Market Structure Conference

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As Prepared for Delivery

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Good morning, and welcome to SIFMA's 15th Annual Market Structure Conference. Thank you for joining us at this important event as we will be discussing a range of issues that are particularly timely given the recent public focus on the equity markets.

Our goal today is to discuss the best path forward for the equity markets.

- We acknowledge that the equity markets have become increasingly complex and fragmented.
- There's agreement that market infrastructure should be more resilient.
- We know that the mechanism for disseminating market data should be revisited.
- And we acknowledge that increased transparency and disclosure about order routing and execution practices would benefit investors and market participants.

At the same time, the recent public conversation has landed on some very valid questions.

- What is the market impact of the increasing volume of message data traffic?
- Do the number of order types add to market complexity and provide advantages/disadvantages to certain market participants?
- How is price discovery impacted by the increasing number of market centers?

All of these factors have sparked a discussion about the fairness of the markets. Questions about fairness can impair investor trust and confidence in the markets.

As leaders in this area, it is critical for us to lead in developing workable market solutions. Investor trust and confidence in the equity markets, in the secondary markets, is essential to an efficient financial system that drives economic growth in our country. And robust investor participation in the equity markets is critical to their success.

It enables Americans to achieve financial security, and makes it easier for companies to access the capital they need to grow and create jobs.

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Now, the current equity market structure is the result of a number of factors that have developed over the last two decades.

Initiatives such as Regulation ATS and Regulation NMS created a regulatory imperative for competition and automation in the equity markets.

In addition, technological advancements have dramatically changed the business models and practices of market participants. These factors have spurred a tremendous amount of innovation that has made the U.S. equity markets extremely efficient and liquid.

At the same time, however, the markets operate at extremely high speeds through a complex network of trading venues. This is clearly not the structure we would have built if we were starting from scratch, and we should be pushing ourselves to see if we can do things better.

SIFMA has repeatedly called for a comprehensive review of equity market structure... Considering all aspects of the markets, both regulatory and business practices.

The recent public commentary shows the importance of acknowledging the complexity of the modern equity markets and the perils of over generalizing any conclusions or potential solutions. At the same time, we are now at a point where our industry should take the lead to identify specific business and regulatory enhancements for the markets.

We agree with SEC Chair Mary Jo White's recent testimony that any reform of the markets should be the result of a thoughtful, data-driven approach that relies on empirical evidence

Over the course of today's robust program, our experts will address the major questions and associated considerations surrounding equity market structure.

For example, we'll consider the current construct for distributing market data and the differences between the SIPs and the private data feeds.

SIFMA raised concerns in this area, including the speed differences between public and private market data feeds, in our December 2013 letter to the SEC (and we look forward to working with regulators and exchanges on this issue).

Another question we will consider is, do we have the right incentives in place to ensure a healthy balance of exchange and off-exchange trading? There has been a lot of discussion about the interplay between the need to limit market impact and the need to provide accurate price discovery.

SIFMA has supported FINRA's efforts to increase transparency in this area, and we'll consider whether additional transparency is needed.

Another key issue on today's program is whether the markets are too complex. In the quest to create competition and promote innovation, have we added unnecessary complexity that makes the markets less resilient? What role does regulation play in this debate?

For instance, is market fragmentation an unintended effect of regulation, and does the proliferation of trading venues enhance or diminish market stability?

These equity market issues cannot be solved with a quick fix or a one-size-fits-all solution. SIFMA and its members are committed to finding ways to improve the current market structure.

We believe such improvements should be viewed through the lens of enhancing trust and confidence in the marketplace. By enhancing stability, ensuring fairness, improving transparency and disclosure, we can improve Trust and Confidence.

Today's program furthers this conversation and I believe brings us closer to identifying an appropriate regulatory and business response and alternatives.

Before we get started, I'd like to recognize our sponsors, whose generous support has helped make today possible.

Thank you to our platinum sponsors, Fidelity Capital Markets and KCG; our gold sponsors, Davis Polk, Goldman Sachs, Liquidnet and Sidley Austin; and our silver sponsors, BATS and Citadel.

It is now my pleasure to our first speakers of the day, a Q&A with SEC Commissioner Michael S. Piowar and CNBC's Bob Pisani.

Commissioner Piowar was sworn in as a Commissioner in August 2013. Previously, he was the Republican chief economist for the U.S. Senate Committee on Banking, Housing, and Urban Affairs under Senators Mike Crapo and Richard Shelby. Commissioner Piowar's first tenure at the SEC was in the Division of Economic and Risk Analysis, as a visiting academic scholar and as a senior financial economist.

And I'm sure most of you know that Bob Pisani is CNBC's "On-Air Stocks" Editor. Bob is widely respected for his coverage of the financial markets and especially equity market structure issues. We're glad he could be here with us today.

He has been a CNBC reporter since 1990 and has reported on Wall Street and the stock market from the floor of the New York Stock Exchange for more than a decade.

Please join me in welcoming SEC Commissioner Michael Piowar and CNBC's Bob Pisani.