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2016 Operations Conference & Exhibit
Opening Remarks

As prepared for delivery
Kenneth E. Bentsen, Jr., SIFMA president and CEO

Good morning. I'm Ken Bentsen, president and CEO of SIFMA. Thank you for joining us to address key issues impacting operations professionals as we look to the future of the financial services industry.

This is one of the most important events we do every year, namely because of how vital the operations role is in today's marketplace. Your work is integral to our members' fundamental goal of promoting robust financial markets that can drive capital formation, economic growth and investor opportunity. Strong operations processes help facilitate resilient markets, allow firms to innovate and grow, and support platforms that bring a variety of investment options to the public. Not to mention, operations professionals are looked to as critical problem solvers as the industry implements its greatest regulatory overhaul since the 1930's. As the industry moves forward with the implementation of multiple new rules, it is in the operations function where much of that work will be done.

It's important to recognize the significant role the financial services industry plays in promoting what many believe to be core American opportunities. Well-functioning 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.

SIFMA members connect users of capital with investors to provide financing for business formation, capital plant and equipment and critical infrastructure, fueling innovation and economic growth. It is the robustness and resiliency of the U.S. capital markets, with a deep investor base, that has provided stability and growth to the post-recession economy. And while sub-par compared to previous post-recession recoveries, it has set us apart from other regions. That is why other jurisdictions increasingly point to the U.S. markets, with its broad participation and diversification, as a system worth having.

As we take stock of the current state of the industry, certainly we have seen that proactive industry efforts and regulation have made our financial market system vastly safer and more resilient than it was at the onset of the financial crisis. But to be clear, notwithstanding our rebound from the recession, U.S. economic growth does remain subpar and one must consider that the balance between seeking financial stability and economic growth may well be, and I believe is, out of balance. Excessive regulation in search of de-risking a world based on risk and reward may well be tamping down capital formation and growth.

Regulatory Coherence:

The concept of regulatory balance is at the core of SIFMA's advocacy efforts, especially as we consider the seemingly never-ending changes to capital requirements and other prudential regulation.

Since the crisis, the industry has fundamentally reshaped itself, making structural changes to corporate and technological practices, decreasing leverage substantially, and more than doubling capital levels and significantly increasing liquidity to provide buffers against unexpected losses. Resiliency will increase even more as capital and liquidity requirements are fully implemented, and resolvability will be greatly enhanced by new TLAC requirements.

As regulators move forward with new standards and rulemakings, globally through the Basel Committee on Bank Supervision, the Financial Stability Board and prudential regulators here in the U.S., there needs to be a concerted effort to study the coherence of the new rules, to ensure they are complimentary and not in conflict, and do not create unnecessary redundancies that result in fragilities in market operation.

Regulatory Burden:

There must also be a regulatory balance as we consider the costs and demands of new rules on the industry.

For example, the consolidated audit trail, or CAT, is an initiative that I'm sure is familiar to most of you and is one that will require significant resources from the industry. SIFMA supports the regulatory goals of the CAT, but it must be designed from the outset to replace outdated reporting systems that will become redundant, and the costs of developing the CAT must be equitably distributed among CAT users and CAT reporters. Moving forward, industry input will be critical to developing a CAT that can accomplish regulatory goals and protect sensitive information without imposing an outsized burden on our member firms.

Policy makers must also be careful not to put an undue burden on the industry by requiring firms to step into the role of regulators or impose expensive new mandates with little consideration of cost or utility. Although SIFMA's members support the government's objective to improve tax compliance through measures such as FATCA and cost basis reporting, it must be recognized that firms are spending billions to build sophisticated new systems as accountability for tax information reporting and even collection is shifted largely to our member firms. This recent trend of leveraging the compliance offices of our member firms creates a new and increasing burden.

DOL:

Another regulatory initiative that will require significant resources from the industry, and operations professionals in particular, is the Department of Labor's new fiduciary rule. As my colleague Randy Snook discussed yesterday, the DOL rule is likely to bring fundamental changes to the business practices of many firms. Customer service models are likely to evolve as fee-based and other arrangements are prioritized. The rule will require foundational changes to current systems and processes in order to comply with the best interest contract exemption and meet new disclosure requirements. Over a year ago, SIFMA began working with operations, compliance and ERISA staff of member firms on the process of implementing the rule and we continue this work to provide a forum to discuss practices for compliance.

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Industry Leadership - Cybersecurity

SIFMA members are leading other important initiatives to promote a robust and resilient marketplace. Perhaps the most important issue facing the industry as a whole is cybersecurity. Cyber threats are increasing in frequency and sophistication, and this is a top priority for the industry. This is truly an issue where the industry, regulators and policymakers are aligned in a common goal to protect sensitive client information and the integrity of our nation's critical infrastructure. A robust public-private partnership is the most effective way to mitigate cyber threats.

As various regulators consider their cybersecurity guidance to the industry, coordination across agencies and across borders is essential to avoid conflicting or needlessly redundant rules that could be counterproductive to this goal. Coordinated rules streamline operations and compliance, ensuring that firms can maximize resources and attention to the vital task of monitoring for and responding to cyber threats – instead of diverting those resources to comply with a multitude of different rules that aim to accomplish the same goal.

This is true on a global scale – it is important that different countries and authorities tackling cyber risks do not create rules that inadvertently force global businesses to fragment their technology systems. This would impede competition and innovation to the detriment of investors. We are advocating for global regulatory initiatives which (1) are risk-based; (2) are flexible, recognizing there is no one-size-fits-all approach; and (3) add value rather than "check the box."

SIFMA is committed to providing regulators and policymakers with the insight and expertise of our members as we all work towards our common goal of a resilient financial system. For our part, SIFMA and our members have been focused on a variety of initiatives:

- Over the past 18 months we have developed a range of tools and recommendations to help our members better defend against cyber threats, including recommendations specific to small firms and for defense against insider threats.
- As a sector we have developed and enhanced our incident recovery protocols and enhanced industry wide information sharing.
- SIFMA leads the industry in an annual test of backup systems to further promote resilient operations.
- We have organized a series of exercises bringing together our members firms, policy makers, law enforcement and regulators to practice how they would respond to cyber incidents and exercise our crisis response plans – including the successful Quantum Dawn 3 simulation held last September.
- Further, we have worked with Federal regulators and law enforcement to help firms access threat intelligence and request technical assistance in the event of a cyber incident.
- Recent legislation signed into law will allow us to more easily share information and we remain engaged with government officials and regulators tasked with creating a cyber information sharing network with the U.S. and with other nations.
- Finally, we are working closely with our regulators and policy makers so both we and they understand our recovery capabilities. This is an issue which at its core is investor protection, and will remain a priority. The insight and expertise of operations professionals is critical to this mission.

Other Industry-Led Efforts (T+2, Market Structure/Treasury RFI)

In addition to cybersecurity, SIFMA members are leading other important initiatives. Yesterday's program addressed the industry's effort, led by SIFMA, ICI and DTCC, to shorten the settlement cycle for equities and fixed income trades to two days by September 5, 2017. A shorter settlement cycle will yield many benefits including helping to mitigate operational and systemic risk and aligning the U.S. with other markets around the globe.

SIFMA members also remain focused on market structure in order to enhance market resiliency for investors. Most recently, we responded to the U.S. Department of Treasury's request for information on the state and evolution of the Treasury market.

SIFMA supports increasing official sector access to data on U.S. Treasury market transactions, as this is necessary to help the agencies carry out regulatory functions, develop a more comprehensive understanding of U.S. Treasury market activity and improve Treasury's ability to oversee market liquidity, resiliency and efficiency. SIFMA's dealer and asset manager members provided their substantive input in comment letters, and SIFMA also commissioned a paper by Promontory that examines and describes the basic functions of the Treasury market and the unique—and vitally important – role it plays in our financial system.

There are many more issues that SIFMA is closely following, working with our members, policy makers and regulators to share your voice. Your continued engagement with SIFMA is critical to this effort, so I thank you once again for taking time away from your families and day jobs to join us here in Florida.

Before we get started with today's robust program, I'd like thank all of the SIFMA staff who have made this event such a success. I'd also like to thank the many expert speakers for sharing their time with us today. Finally, I'd like to recognize our sponsors for their help in making this important event possible.

I now have the privilege of introducing today's first featured speaker, Lisa Dolly. Lisa is chief executive officer for Pershing, a BNY Mellon company.

In addition to her role as CEO, she is also the chair of Pershing's Executive Committee and a member of the BNY Mellon Operating Committee. She's been with Pershing for over 25 years and was most recently the chief operating officer of the firm. Previously, she was responsible for the firm's managed investment business and Lockwood Advisors, Inc. and has held leadership positions in nearly every area of the firm. She is a great industry leader, and I have the opportunity to work with Lisa in numerous capacities, including when she served as chairperson of the SIFMA's Operations and Technology Steering Committee.

Please join me in welcoming Lisa Dolly.