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**SIFMA Operations Conference & Exhibit**
**Opening Remarks: Wednesday, April 30, 2014**
***As Prepared for Delivery***
**Kenneth E. Bentsen, Jr.**
**SIFMA President and CEO**

Good morning. I'm Ken Bentsen, president and CEO at SIFMA. First, let me thank you for taking time from your busy schedules to attend and make this conference a success. I want to recognize our Operations and Conferences teams, as well as our Operations & Technology Steering Committee for their hard work in creating such a dynamic event. I also want to thank our sponsors for their generous support, which has helped to make this event possible.

As you meet here today, we are all abundantly aware of the changing landscape within the financial services industry. Operations professionals in particular know firsthand the tumultuous period our industry has been through and the significant transformation that is occurring as a result. Because of the crisis, the industry has come under tremendous scrutiny and unprecedented new regulation, not always without fault. In fact, the industry's contribution to society and the economy has come under question.

The industry has responded 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 ability to facilitate capital formation and drive economic growth. Your work as operations professionals creates a resilient marketplace that is foundational to investor confidence. That's why this event is so important – it enables the industry, regulators and solution providers to come together and identify best practices for moving forward.

It's important to recognize and educate stakeholders that the industry has already 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.

We know that:

- Capital levels have increased by over 70% to $1.5 trillion as capital requirements have dramatically increased and are subject to annual stress tests.
- Leverage has been reduced from 15X to 10X
- Cash and cash equivalent holdings have increased by over 40% to $2.5 trillion and forthcoming liquidity rules will further enhance that
- Commercial paper is no longer a major source of funding
- Firms have closed or spun off proprietary trading businesses and are now subject to a ban on such activity
- The derivatives market has been fundamentally changed
- The US has established a resolution and recovery process for large firms, and Europe and Asia are in the process of adopting similar regimes

Financial institutions, now more than ever, are seeking to ensure the right processes and policies 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. Firms will look to operations professionals as solution providers who can put these new policies into practice.

It is important for policymakers to 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 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. Further, policy makers also increase operational costs when they put firms in the position of executing regulation on behalf of the government, as we have seen in Cost Basis and FATCA, and will likely see with CAT and other initiatives. 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.

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. But, when our regulators roll out complex new rules with vague guidelines, which they sometimes do, it creates operational challenges that can hinder compliance and disrupt efficient market functioning. Any disruptions to the markets or confusion regarding compliance will ultimately find its way to the detriment of the client.

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, Treasury's Cost Basis and FATCA, and FINRA's Conflict of Interests and CARDS initiatives and the recently re-proposed Broker Recruitment Compensation plan, 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 operations, legal and compliance questions, but the cost benefit balance and importantly the impact on privacy and protection of customer data. Any 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 operational risk or increase consumer costs, which together could deter investors from participating in the financial markets.

As I mentioned earlier, we believe that well thought out rules promote investor participation and provide the necessary architecture for ensuring fair and transparent markets, so that the industry may fulfill its role of intermediating capital and credit between investors and end users.

We support a uniform fiduciary standard of conduct for brokers and investment advisers when providing personalized investment advice to retail clients. Investors deserve to have their best interests put first, and advisors who are performing the same function should be held to the same standards. Additionally, as my colleague Randy Snook mentioned yesterday, SIFMA has long called for a comprehensive review of equity market structure to ensure it serves the best interests of market participants, including investors. While we are concerned about cost and risk of redundancy, we support the concept of the CAT, which has the potential to provide important transparency and risk management benefits if done correctly, and our Board recently endorsed the move to shorten settlement cycles to T plus 2 in an effort to reduce operational risk.

We also must move beyond focusing on the last crisis, and begin to focus on future risks and issues that left unaddressed can undermine investor confidence.  Policy makers and market participants learned from Hurricane Sandy.  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, 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 response. Even more important, and more threatening is Cybersecurity.

There's no question that the industry has made cybersecurity a top pritoriy and is 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, and we are planning a follow-up drill for 2015.

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.

The industry's ability to allocate capital and credit, with relative ease and efficiency, is one of the most important drivers of capital formation, investor opportunity and economic growth in our country. This activity is directly contingent on investors, and the public, having trust in the financial system. Moving forward, market participants must redouble their commitment to put investors first and strengthen the resiliency of our industry. That is our charge, and operations professionals are the backbone of this effort.

In closing I want to thank our speakers, panelists and all of you who have taken the time and effort in making this year's program so successful.

It is now my pleasure to introduce Admiral Mike McConnell, now Vice Chairman of Booz Allen Hamilton, where his primary roles include serving on the firm's Leadership Team and leading Booz  Allen's rapidly expanding cyber business.

Mike joined Booz Allen after he retired from the Navy in 1996 as a Vice Admiral. He led the firm's Information Assurance business and the firm's Intelligence business focused on policy, transformation, homeland security, and intelligence analytics, before rising to the position of senior vice president.

In 2007, Mike left Booz Allen upon being appointed the second Director of National Intelligence. He served as the Director for two years under Presidents Bush and Obama, where he managed the expansive national Intelligence Community – an organization of over 100,000 people, and an annual global enterprise budget of over $47B – and had extensive interactions with the White House, the President's Cabinet, Congress, international leaders, and the US business community.

In 2009, Mike returned to Booz Allen as an executive vice president to lead the firm's Intelligence business. In 2011 he was elevated to his current position as Vice Chairman of the firm.

Mike's career has spanned over 40 years focused on international development and foreign intelligence issues. His 29-year distinguished career as a US Navy intelligence officer included significant assignments that impacted national security issues. In addition to having been awarded many of the nation's highest military awards for meritorious service, Mike's has twice received the nation's highest award for service in the Intelligence Community, once by President Clinton and once by President George W. Bush. He has also served as the Chairman and CEO of the Intelligence and National Security Alliance (INSA). He is the 2011 recipient of INSA's William Oliver Baker Award, which is awarded annually for sustained and excellent service in intelligence and national security.

Ladies and gentlemen, please join me in welcoming Mike McConnell.