



SIFMA's Tech 2014

New York, NY

June 17-18, 2014

Remarks

As prepared for delivery

Randy Snook

Executive Vice President, Business Policy and Practices

Good morning. I'm Randy Snook, executive vice president of business policy and practices, and it is my pleasure to welcome you to this important industry event. Before we get started, I'd like to take this opportunity to thank all of our sponsors (listed here on this slide). Their generous support has made this event possible and I encourage you to spend time with them in the expo hall.

Good morning. I'm Randy Snook, executive vice president of business policies and practices at SIFMA. It is my pleasure to welcome you to day 2 of SIFMA Tech.

We are pleased to provide this forum where our members, regulators and solution providers can come together to explore the rapidly evolving role of technology in financial services and its impact on innovation, regulatory oversight and compliance, and importantly its impact on the resiliency of the financial system.

We are all abundantly aware of the changing landscape within the financial services industry. Over the past five years, we've seen a massive regulatory overhaul and an industry-wide push to enhance trust and confidence and encourage investor participation in the financial system.

Your work has been an integral part of this change as firms, regulators and all market participants attempt to harness the power of technology to comply with new regulation but, at the same time improve the client experience, and develop robust data security measures.



Yet while technology is enabling many positive advances in financial services, it may also introduce new risk to the resiliency of the financial system. Every innovative, new system or tool brings with it the possibility that something could go wrong; that a technological glitch could lead to widespread disruption of market activity; or provide a pathway for bad actors to access and manipulate sensitive and proprietary information.

That's why we're all here at this important event – to discuss how we can maximize the potential of technology while managing the risk inherent with these advances. Sound technology is essential to ensure efficient and resilient markets that drive investor confidence.

Without it, our industry can't do its job of facilitating capital formation, investor opportunity and protection and economic growth.

It's important that we get together at events such as this one to review the key issues facing technology professionals, and how we can balance innovation with risk management requirements. Working together, we can better identify and understand opportunities for improvement and risk factors that could lead to a weak link in the financial system. In just a few minutes we'll hear more on managing the rapid pace of change from Steve Daffron. Steve has been a leader in financial services technology issues and we're looking forward to hearing his unique perspective.

Regulatory oversight and compliance is a key focus for SIFMA as we review the benefits and risks of technology.

Technology demands are evolving as regulators and policy makers attempt to benefit from new ways to gather and analyze industry data and oversee market operations.

Advances in technology have the potential to streamline regulatory reporting. However, they also introduce the risk that a technological break down could constrict a market or make a firm noncompliant, which brings a heightened focus to data security.



We're just over half-way through the rule-writing process of the Dodd-Frank Act, which has established an entirely new regulatory structure to oversee derivatives markets and creates data reporting, central clearing, trading platforms and execution facilities for products that previously never existed – all of which are technology intensive.

Largely outside of Dodd Frank's directives are the equity markets. Regulations such as Regulation NMS and Regulation ATS have created a regulatory imperative for competition and automation in the equity markets.

While the tremendous amount of innovation has made the U.S. equity markets extremely efficient and liquid, it has also established a fast, complex structure that must be reviewed to ensure it is operating safely and in the best interests of investors and those that need capital. SEC Chair Mary Jo White just called for a market and regulatory structure review.

We are at the beginning stages of the long and complicated process for building the Consolidated Audit Trail, or CAT.

SIFMA supports the CAT concept as it will provide regulators with trade and order data they need to surveil the markets. In addition to data privacy and protection, we must see the elimination of older systems that become redundant to ensure that CAT itself is cost efficient for both the regulators and the regulated.

In addition, SIFMA has announced our support for a shift from T3 to T2 for U.S equities, corporate bonds and municipal bonds. We recognize that shortening the settlement cycle on a timeframe that is workable for all market participants could lead to a meaningful reduction in operational risk.



It would also enable more efficient allocation of industry capital, and streamline the clearing and settlement process.

Importantly, the move to T2 is a significant technological and operational change that must be implemented carefully to avoid any disruptions that could negatively impact investors, especially individual investors.

We will work with all market participants to ensure a deliberate, thoughtful plan that address key building blocks of shortening the settlement cycle.

As you've heard, recently FINRA has proposed a new concept called CARDS, which calls for the development of a new system to collect, on a regular basis, sensitive information regarding retail customer brokerage accounts, including customer profile information, account activity, and account balances and holdings.

While we acknowledge some changes from the initial proposal, SIFMA believes CARDS would be a massive and invasive regulatory intrusion with serious privacy and security implications for the general public with added technology costs and operational burdens for the financial industry.

We look forward to further addressing these concerns with FINRA and appreciate the open dialogue they have promoted in developing this concept.

Beyond regulation, firms are constantly looking to technology as a way to promote more efficient and effective business practices and enhance client service.

We often take for granted how easy it is and how much power the consumer has to make a trade or carry out a financial transaction. At the same time, firms have to place a heightened focus on internal controls to ensure any technological glitches don't have a negative impact on client experience.



Additionally, technology, especially in the social media space, is making it easier than ever for firms to have a direct line of communication to clients, potential employees, and the general public.

Tools such as Facebook, Twitter and LinkedIn are providing firms with new opportunities to promote their corporate identity and brand themselves distinctly from their competitors.

This direct access to stakeholders is a powerful way to communicate.

Of course, the flip side of all of this new opportunity is the potential for misuse, whether intentional or not. Today, our expert speakers will discuss how to utilize social media in a compliance friendly manner to improve client service and deliver bottom-line results.

As technology drives change in our industry, the overarching issue of cybersecurity and data protection is perhaps the most important challenge facing technology professionals today. Some firms are experiencing thousands of attempted cyber attacks every day. These have the potential to erode trust and confidence in the financial system.

New technology could provide a new doorway for attackers to gain access to sensitive, proprietary information, steal assets, or cause disruption in the markets.

Cyber is a growing and continuous risk for the industry. Preparedness is a top priority for SIFMA's board and its members and we are dedicating significant resources to better prepare and to protect the financial system and investors.

As part of this, last July, SIFMA held our Quantum Dawn 2 simulation that provided firms, government agencies and regulators, and exchanges to practice their cyber response procedures and identify ways to improve industry-wide protocols.



We are continuing to hold simulations, exercises, and drills to help the industry better prepare for these threats and protect the system and its customers. Cybersecurity has certainly been driving much of the conversation here at this event and will be a vital issue moving forward.

Once again, thank you all for joining us here today.

I encourage all of you to stay engaged with SIFMA so we can collectively address the impacts of technology. Your expertise as to what is happening in the marketplace today is vital to our effort.

Before we get started, I'd like to take a minute to once again thank our sponsors (listed here on this slide). Their generous support has helped make this robust event possible.

It is now my pleasure to introduce our next speaker, STEVE DAFFRON.

Steve Daffron is President and Chief Executive Officer of Interactive Data Corporation.

Steve most recently served as Global Head of Operations and Technology for Morgan Stanley and during his more than two decades on Wall Street has also held senior leadership positions at Renaissance Technologies, Citigroup and Goldman Sachs.

Previously, he was an officer in the U.S. Army serving in various command and staff positions around the world.

Steve has also provided valuable leadership and support for SIFMA, serving as the chair of SIFMA's Operations & Technology Steering Committee and guiding our engagement and advocacy on a range of critical operations, technology, and risk issues.

He is a graduate of the U.S. Military Academy at West Point and also holds a Master of Business Administration, Master of Arts, Master of Philosophy and Doctorate of Philosophy from Yale University.

Please join me in welcoming Steve Daffron.