SIFMA Listed Options Symposium
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Opening Remarks
As prepared for delivery

Good afternoon. Thank you for joining us today to address the state of the listed options market. SIFMA is pleased to provide a forum in New York City for thought leaders from across the marketplace to share insight and ideas, and engage in a healthy listed options market structure debate.

Listed options are a critical component of our country's capital market system and a versatile financial risk management tool that can help investors achieve their financial goals. As we take stock of the listed options marketplace today, SIFMA's mandate is to help preserve the benefits of these important tools for retail and institutional investors as the financial system evolves in response to regulation and other market structure factors.

Top of mind for most in the listed options marketplace today is displayed liquidity – how to maintain and increase the depth of liquidity is at the top of SIFMA's listed options agenda, it's a key theme during today's Symposium.

The reality is that we are operating in an environment where regulation and other factors, including the cost of capital and the proliferation of for-profit exchanges, have contributed to a market structure that while well-intended, is hampering liquidity. Note that just five years ago, there were five exchange groups operating eight options exchanges. Today, that number has nearly doubled, to 15 options exchanges. Competition is certainly positive; however, we know that eight of the 15 exchanges command less than 5% of total consolidated market share. We believe that this fragmentation of liquidity may be adding complexity and cost to listed options infrastructure, and therefore is actually dis-incentivizing quoting on the exchanges. Further, there are challenges to market making, stemming from the large number of outstanding strikes, which hovers just below 900,000. That is a staggering 30 times the number of strikes listed thirty years ago in 1987.

For our part, SIFMA is advocating for a series of changes to enhance liquidity and maintain the flexibility and benefits that listed options provide to all investors. First, we believe a plan needs to be developed to reduce the number of strikes. Many of these strikes have zero open interest, and one could argue make little economic sense. A smarter strike listings program, under the auspices of the

OCC, would promote the creation of a data-driven solution to the strikes listing program. A new program with fewer strikes would promote tighter and deeper quotes, thereby benefiting the end investor.

During 2017, SIFMA began to examine certain rules impacting OCC clearing members due to the unintended consequences surrounding the settlement and clearance of listed options. We will continue to work with our members to examine the universal give-ups policy that is in place at several exchanges. This policy permits executing brokers to designate any clearing firm to execute their transactions, regardless of whether a formal agreement is in place or not. This practice may be incorporating added risk to the system and is a critical issue that we will review in 2018.

These are just a few of the questions and issues that are on SIFMA's radar as we work with our members to advocate for a robust listed options marketplace. It is vital that we all work together, across firms, exchanges, regulators and all market participants, to address these challenges head on. That's why we're all here today – to share ideas and expertise. Today's speakers will dive deeper into these issues and the future of the listed options market.

I'd like to take this opportunity to thank our speakers, as well as our sponsors for helping to make this event possible.

- Thank you to our gold sponsors, Aplomb Strategies, OCC and Oppenheimer,
- Our silver sponsors, Cboe, imc and Nasdaq, and
- Our bronze sponsor, Dash Financial Technologies,
- As well all of SIFMA's strategic partners that support us throughout the year.

With that, it is now my pleasure to introduce our featured speaker, Henry Schwartz, who is founder and president of Trade Alert LLC.

Henry has held trading and management roles with Bank of America, Bear Stearns, Salomon Brothers and the Hull Group, and made markets on the CBOE and AMEX floors in the US, and EUREX and MONEP overseas. Prior to founding Trade Alert, he led the electronic market-making group at Bank of America.

We're glad he's here today to share his data-driven look at recent trends and current issues in today's options markets.

Please join me in welcoming Henry Schwartz.