2021 Outlook

Trends in the Capital Markets

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ABOUT SIFMA

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

OUR MEMBERS

SIFMA members provide access to capital so that ideas, businesses and savings can grow. America's capital markets are the strongest in the world, providing 72% of funding for economic activity in terms of equity and debt financing of non-financial corporations. Our members' combined businesses represent 75% of the U.S. broker-dealer sector by revenue and 50% of the asset management sector by assets under management.

2020–2021 Board Officers

2020 Chair	**JOSEPH E. SWEENEY** *President, Advice & Wealth Management, Products and Service Delivery* Ameriprise Financial, Inc.
2021 Chair	**JOHN F. W. ROGERS** *Executive Vice President* Goldman Sachs & Co.
Chair Elect	**THOMAS PLUTA** *Co-Head of Global Rates Trading* JP Morgan Chase & Co.
Vice-Chair	**JIM REYNOLDS** *Chairman & Chief Executive Officer* Loop Capital Markets LLC
Treasurer	**JAMES WALLIN** *Senior Vice President* AllianceBernstein
President and CEO	**KENNETH E. BENTSEN, JR.** *President and CEO* SIFMA

Our History

1912

SIFMA's first predecessor trade group, the Investment Bankers Association of America (IBA), was founded to be the voice of the investment banking industry.

1913

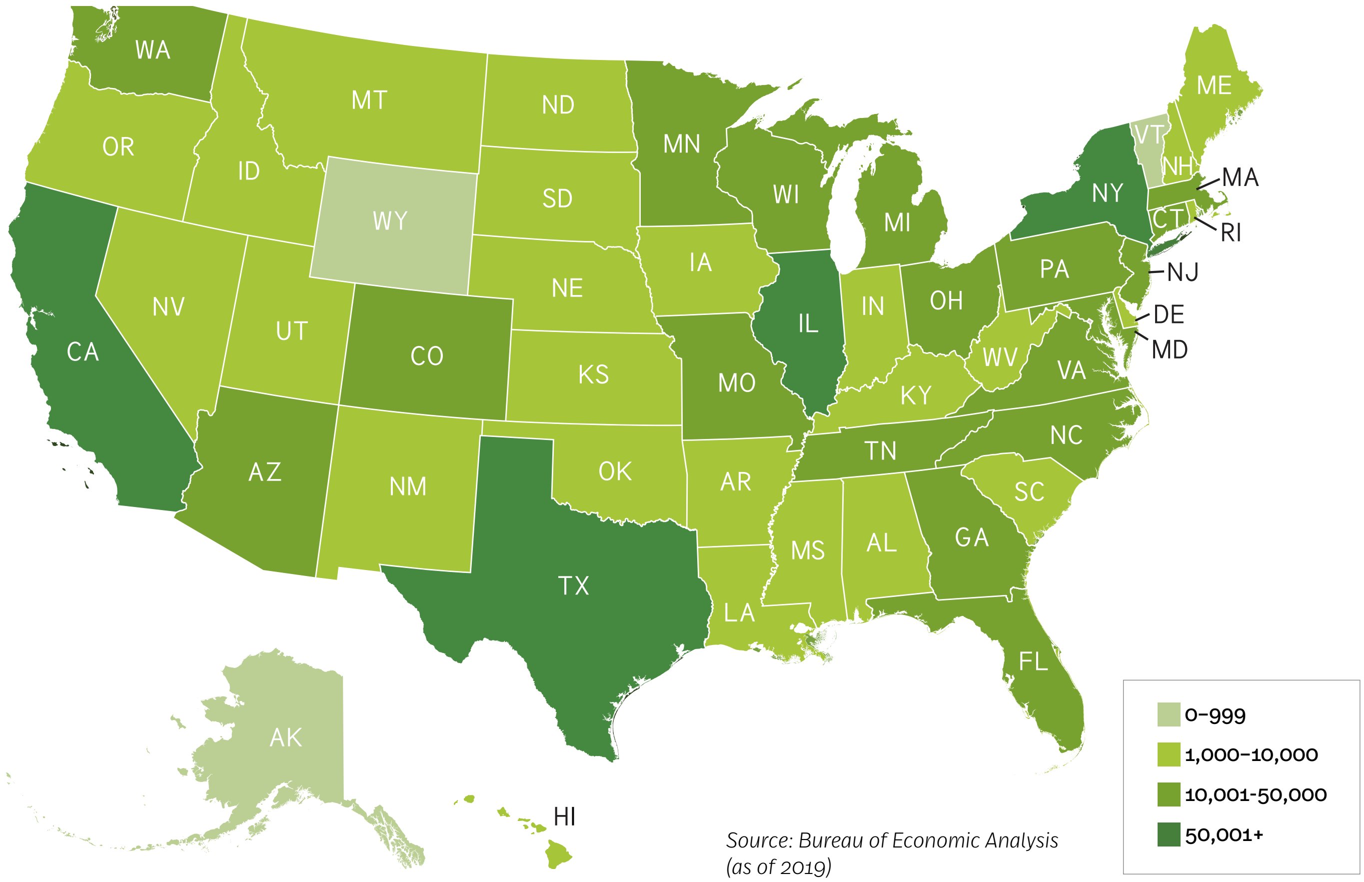
The Association of American Stock Exchange Firms (ASEF) was formed to represent the interest of the financial markets. An eventual merger in 1971 between the ASEF and IBA was a natural fit.

1914

The IBA creates our very first committee, the Education Committee. Our current organization is structured through approximately 33 standing committees, 30 forums and 8 advisory councils overseen by 6 Board subcommittees.

THE SECURITIES INDUSTRY

The securities industry has employees in every state, employing 952,000 individuals across the country (a 0.8% increase year-over-year).



Source: Bureau of Economic Analysis (as of 2019)

1971

IBA and ASEF merged to form the Securities Industry Association (SIA), as the industry recognized the need to formally combine efforts and establish one association representing all of Wall Street.

1976

IBA's Municipal Securities and Government Bonds Committees (established in 1918) incorporated as an independent organization, forming the Public Securities Association (PSA).

1997

PSA expanded over the years and changed its name to The Bond Market Association (TBMA) to reflect the organization's growing representation of the debt markets.

2007 – Present

Starting a new chapter but building on our shared history, the Securities Industry and Financial Markets Association (SIFMA) was created through the merger of SIA and TBMA.

MARKETS MATTER

Capital markets recognize and drive investment to the best ideas and enterprises. Coupled with the free flow of capital, innovation is an integral component for supporting job creation, economic development and prosperity. Markets facilitate investment from those who seek a return on their assets to those who need capital and credit to grow.

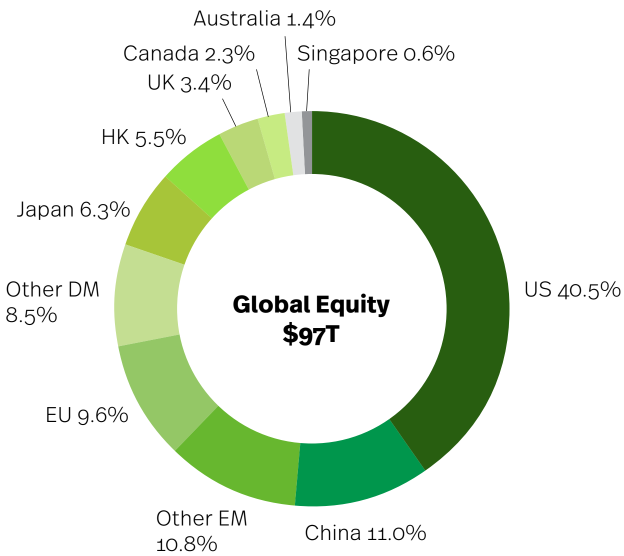
Clients benefiting from robust and efficient capital markets include investors, both individual and institutional, governments and corporations. Capital, raised through equity and debt, can be used to grow businesses, finance investments in new plant, equipment and technology and fund infrastructure. This grows the economy and creates jobs and wealth.

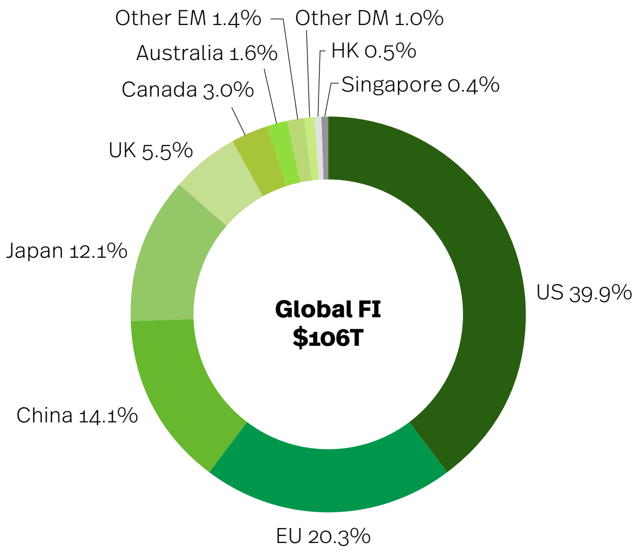
US CAPITAL MARKETS ARE THE LARGEST IN THE WORLD

The U.S. capital markets are the largest in the world and continue to be among the deepest, most liquid and most efficient.

Equities: U.S. equity markets represent 40% of the $97 trillion in global equity market cap, or $39 trillion; this is 3.7x the next largest market, China.

Fixed Income: U.S. fixed income markets comprise 40% of the $106 trillion securities outstanding across the globe, or $42 trillion; this is 2.0x the next largest market, the EU (excluding the U.K.).



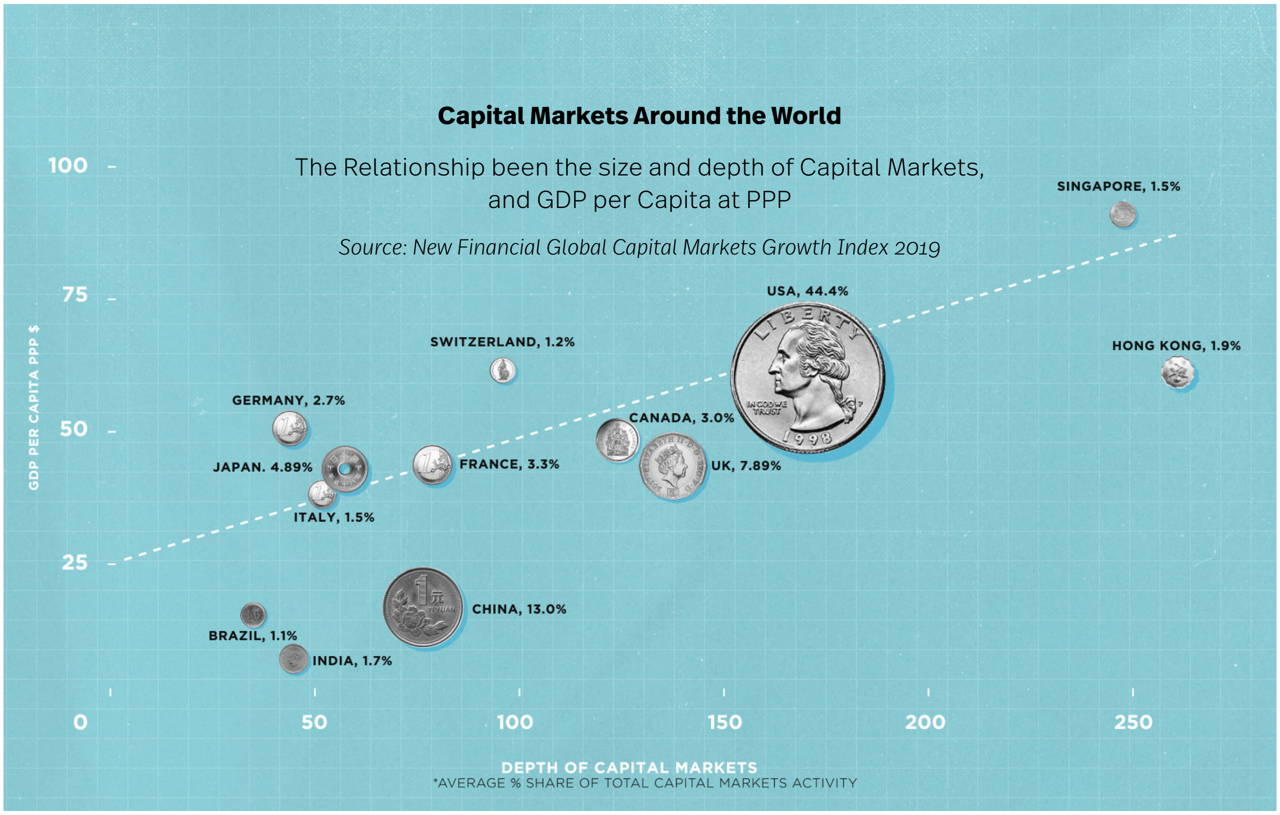


Source: World Federation of Exchanges (as of September 2020), Bank for International Settlements (as of March 2020)

Note: Equity = market cap, FI =fixed income, includes structured products = securities outstanding. EU = 27 member states, excluding the UK; FI = fixed income; EM = emerging markets; HK = Hong Kong; DM = developed markets

CAPITAL MARKETS DRIVE OPPORTUNITY

There is a clear relationship between capital market depth and GDP per capita when expressed as purchasing power parity. Higher GDP per capita means individuals have higher disposable income and the potential to save more. Deeper capital markets may help drive higher GDP per capita through the more efficient allocation of capital. As such, the U.S., with its deep capital markets, accounts for 44% of total global markets activity. Its markets drive high GDP per capita, which in turn provides individuals with economic opportunities.



Source: GFMA/New Financial report (as of 2017)

Note: The size of each bubble denotes the average % share of total capital markets activity in the 25 sectors of activity studied

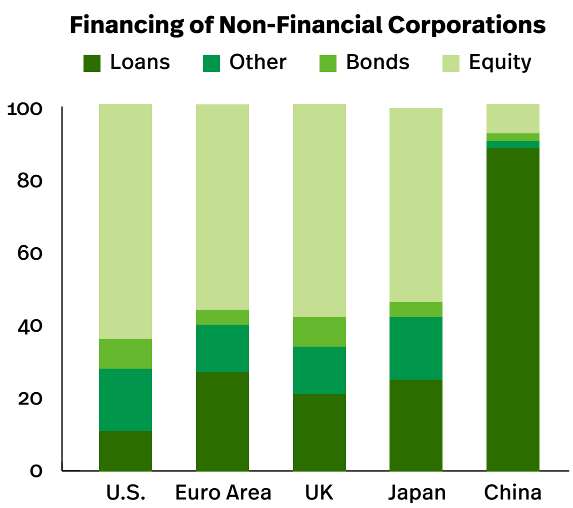
CAPITAL MARKETS FUEL ECONOMIES

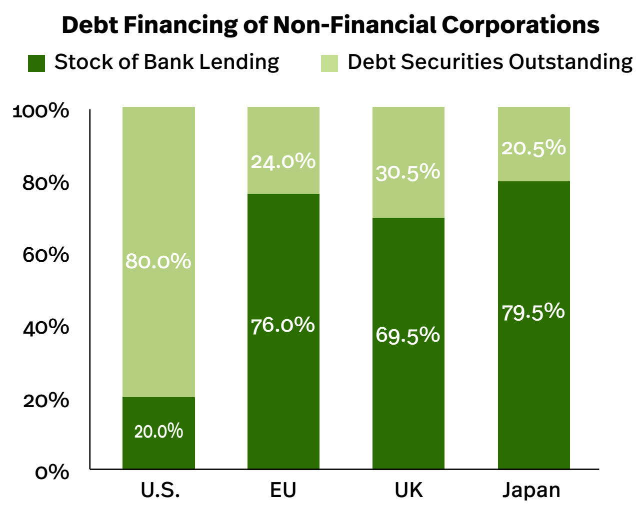
Capital markets are important because they finance economic activity, manage risk, and support growth and financial stability. In the U.S., capital markets fund 72% of economic activity, in terms of equity and debt financing of non-financial corporations.

Capital markets enable debt issuance, which is an efficient and steady form of borrowing for corporations and governments. The use of debt capital markets is more prevalent in the U.S. at 80% of the total (versus 20% bank lending), compared to only 20-30% in other regions (where commercial bank lending is more dominant at 70-80%). Capital markets can act as shock absorbers during times of economic or market turmoil. As such, capital markets form a stable source of fuel for companies and governments.

Through equities markets, companies raise capital for various business purposes (invest in growth, fund mergers and acquisitions, etc.) and provide retail and institutional investors access to wealth generation.

In short, U.S. capital markets are the bedrock of our nation's economic potential.





Source: Organization for Economic Co-operation and Development, European Central Bank, Bank of Japan, National Bureau of Statistics of China, Federal Reserve (as of 2019, China 2017)

Note: Euro Area = 19 EU-member states using the Euro; EU = 27 member states. Other financing = insurance reserves, trade credits and trade advances.

MARKET RESILIENCY

SIFMA's priority, on behalf of our members and the clients they serve, is to keep markets operational, resilient and efficient. The coronavirus pandemic (COVID-19) has been unsparing in its impact around the globe. Beyond the direct and severe impact to health and wellness, how we live and work has changed in ways many would have considered unthinkable, including market operations. Business continuity planning, cybersecurity and operational resilience remain among the top agenda items in board rooms across the industry.

BUSINESS CONTINUITY PLANNING

The financial services sector is critical infrastructure as defined by the U.S. Department of Homeland Security. Its assets, systems and networks, whether physical or virtual, are so vital to the U.S. that their incapacitation or impairment would have a debilitating effect on national and economic security and public health or safety. Now more than ever, amidst a global health crisis and with cyberattacks an ever-increasing risk, business continuity planning and constant testing and preparedness is essential. On behalf of our members, SIFMA plays a crucial role in helping coordinate the financial industry's business continuity planning (BCP) efforts.

SIFMA continues to closely monitor COVID-19 and its impact on the financial industry and the capital markets. The very pandemic scenario the industry contemplated in 2007 - and which has been used in business continuity planning exercises since - became real-world reality in 2020. When public health officials instituted mass closings, the industry was ready and SIFMA had a playbook to follow. From the outset of this crisis, SIFMA arranged coordination amongst financial firms, exchanges, industry utilities, regulators, government agencies and public sector emergency coordinators. Firms activated response protocols all while managing historic trading volumes. Despite significant obstacles, the industry kept the markets open and running, continued to serve and advise clients, and ensured timely clearance and settlement activities. This effort should provide confidence the industry can successfully navigate future turmoil or uncertainty, be it a natural disaster, health crisis, social unrest or otherwise.

> Keeping all U.S. financial markets open is essential to the well-being of the general economy and vital to maintaining and bolstering investor confidence, particularly once the economy recovers from the effects of this pandemic.
>
> **Joint Trades Statement**
> **March 20, 2020**

Principles for Operational Resilience

www.gfma.org/global-market-policies/cybersecurity-operational-resilience/
Operational resilience is extremely important for the public and private sectors to maintain confidence in the financial industry and to support financial stability and economic growth. The Basel Committee for Banking Supervision (BCBS) and the Federal Reserve will pursue a principles-based approach to operational resilience. SIFMA and our partners at the Global Financial Markets Association will continue to work with global standard setters as they develop the principles and also work towards global coordination and alignment among policymakers and supervisors on related policy outcomes, terminology and supervisory approaches.

CYBERSECURITY

Cybersecurity has been and remains a top priority for the financial services industry to ensure the security of customer assets and information and the efficient, reliable execution of market operations. Risk is heightened during times of uncertainty, including a global pandemic. An effective and efficient cybersecurity policy is achieved most easily through harmonized, risk-based global standards that leverage extensive investments already made. SIFMA is actively engaged in coordinating the effort to support a safe, secure information infrastructure, with cybersecurity resources which provide security of customer information and efficient, reliable execution of transactions. SIFMA continually works with industry and government leaders to identify and communicate cybersecurity best practices for firms of all sizes and capabilities and educate the industry on evolving threats and appropriate responses.

COVID-19 Guidance & Resources

www.sifma.org/covid-19

Initial Lessons Learned and Considerations for Managing a Global Pandemic: SIFMA and Protiviti discuss the range of issues and events accentuated by the global coronavirus pandemic and the financial industry's multifaceted and effective response thus far. This report identifies key lessons learned to date from managing this crisis, weighing the benefits and disadvantages of various responses and approaches, and provides key considerations that should be top of mind for business leaders as they strategize over how to build resilience and thrive in this new environment.

Return to Office: Considerations for the Financial Industry: In consultation with member participants, SIFMA has developed general, common considerations for financial firms as they plan for returning staff to the office to resume "normal operations" following the global coronavirus pandemic. The data collected to develop these considerations is the result of a survey of 60 firms and financial utilities which represent a broad cross section of the financial services industry including GSIBs, regional brokerages, retail and institutional firms, asset managers and service providers.

MARKETS TESTED

A Timeline for COVID-19

JANUARY	5	World Health Organization (WHO) publishes its first Disease Outbreak News on the new virus, "Pneumonia of unknown cause – China."
	Mid - January	SIFMA and the Financial Services Information Sharing and Analysis Center (FS-ISAC) host cross-sector calls on the pandemic.
FEBRUARY	21	Italy begins lockdown, starting in the Lombardy region.
		California lockdown – San Francisco and five other Bay Area cities are among the first in the nation to issue stay-at-home orders.
		SIFMA activates its Crisis Management Command Center to assist market response, disseminate vital information and facilitate market response and recovery actions.
	27	Various U.S. stock market indices including the NASDAQ-100, the S&P 500 Index, and the Dow Jones Industrial Average post their sharpest falls since 2008.
MARCH	3	Federal Reserve cuts interest rate – 50 bps.
	6	The Federal Financial Institutions Examination Council (FFIEC) issues guidance identifying actions that could potentially minimize the adverse impacts of the pandemic, with a focus on business continuity planning (BCP) and pandemic plans.
	9	Trading halts as market hits level one circuit breaker (trading was also halted on March 12).
		Financial Industry Regulatory Authority (FINRA) is one of the first regulatory bodies to issue relief through its "Pandemic-Related Business Continuity Planning, Guidance and Regulatory Relief" notice.
	11	WHO declares COVID-19 a pandemic. Industry/market participants move quickly to review and evaluate pandemic playbook and contingency plans, activate response protocols.
		U.S. imposes strict travel restrictions on passengers from Europe. UK and Ireland added to ban three days later.
		The U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) issues guidance on essential critical infrastructure workforce designation – SIFMA works with Treasury on financial services being included as essential.
	17	The UK Bank of England (BoE) and HM Treasury launch the COVID Corporate Financing Facility (CCFF), a lending facility, to provide liquidity to large firms.
	18	The European Central Bank (ECB) launches the Pandemic Emergency Purchase Program (PEPP), a €750 billion temporary asset purchase program of private and public sector securities.
		Malaysia issues its first lockdown order.
	19	California is the first state in the United States to issue a statewide stay-at-home lockdown, shelter-in-place orders/border closures around the globe.
	20	New York issues stay-at-home lockdown order.
	23	DTCC suspends all physical processing/securities repatriation services. NYSE temporarily moves to full electronic trading.
	24	The Government of India under Prime Minister Narendra Modi orders a nationwide lockdown for 21 days.
	27	The President of the United States signs $2T stimulus package.
APRIL	2	Coronavirus infection rate surpasses 1 million cases globally.
	3	The Small Business Administration's Paycheck Protection Program (PPP) goes into effect to provide relief for U.S. small businesses.
	8	China reopens Wuhan after a 76-day lockdown.
	28	US surpasses 1 million confirmed cases of COVID-19.
MAY	26	NYSE trading floor reopens after more than two months.

MARKETS TESTED

A Timeline of Major Regulatory Events

MARCH	16	The SEC issues guidance that it will not consider the home locations of investment personnel among the top 25 office locations firms are required to list on Form AD.
	19	FINRA grants temporary relief related to the physical inspections of specific branch offices.
	24	FINRA grants institutions relief from submitting branch office applications on Form BR for temporary locations and temporarily suspends the requirement to maintain an updated Form U4 with information regarding employment address. In it FAQs, FINRA states: “While broker-dealers are not relieved of their best execution obligations in these circumstances, FINRA notes that the reasonable diligence required for best execution is assessed in the context of the characteristics of the security and market conditions, including price, volatility, relative liquidity, and pressure on available communications.”
	25	SEC relaxes rule requiring board of directors to conduct in-person votes under the Investment Company Act. SEC also issues relief to allow registered investment advisers and exempt reporting advisers to file amendments to Form ADV or file reports on Form ADV part 1A, respectively, if impacted by coronavirus.
APRIL	3	SEC grants no-action relief from the manual signature requirements of Regulation S-T, as long as the signatory provides the manually signed signature page as promptly as possible.
	22	SEC eases enforcement action to broker-dealers who were unable to access their premises to allow additional time to transmit customer checks. The agency decides not to count physical securities in a quarterly securities count during April, May, and June of 2020, if the appropriate notifications were made to SEC, OCIR, FINRA and customers.

“

We are talking about a pandemic and the various exercises done around pandemics but it just underscores how important this ongoing exercising, training, tabletops – whether it is pandemics, whether it is cyber – all forms of operational resiliency and business continuity are so terribly important.

Kenneth E. Bentsen, Jr.
President and CEO, SIFMA

”

MARKET INSIGHTS

The emergence of the global pandemic COVID-19 in the first quarter of 2020 caused severe economic and market shocks. In an unprecedented move, federal, state and local governments purposely shut down economic activity to prevent the spread of the virus. Everything from restaurants to theme parks to manufacturing plants closed, and people holed up in their homes. The world as we knew it stopped.

2020: A TURBULENT YEAR FOR MARKETS

When federal, state and local officials initiated restrictions in mid-March to address the COVID-19 outbreak, markets reacted swiftly to the negative economic impact. Investors sought liquidity by closing out positions resulting in price pressure and asymmetric movements in the fixed income markets and dramatic price declines and volatility spikes in the equities markets. Equities closed the first quarter with their worst performance since the financial crisis. Additionally, volatility, as measured by the CBOE Volatility Index (VIX), elevated to historic highs. From a market structure perspective, markets remained open and functioning. The financial system and market infrastructure have been extraordinarily resilient, withstanding record high volumes and volatility.

In response to extreme market volatility in March, the Federal Reserve, Treasury Department and Congress implemented an unprecedented number of programs to support liquidity in various fixed income markets, coupled with fiscal stimulus. The Fed vowed (and continues to vow) to use all of its tools to maintain market liquidity and help the economic recovery. This bolstered investor sentiment in the equities markets, creating the Fed floor.

To date, volatility has settled, albeit still elevated to historical levels. Volumes in both equities and multi-listed options remain around 50% higher than normal levels. Much of this is attributed to the boom in retail investing. The portion of retail investing of total equities volumes is now estimated at 25%, versus around 10% historically.

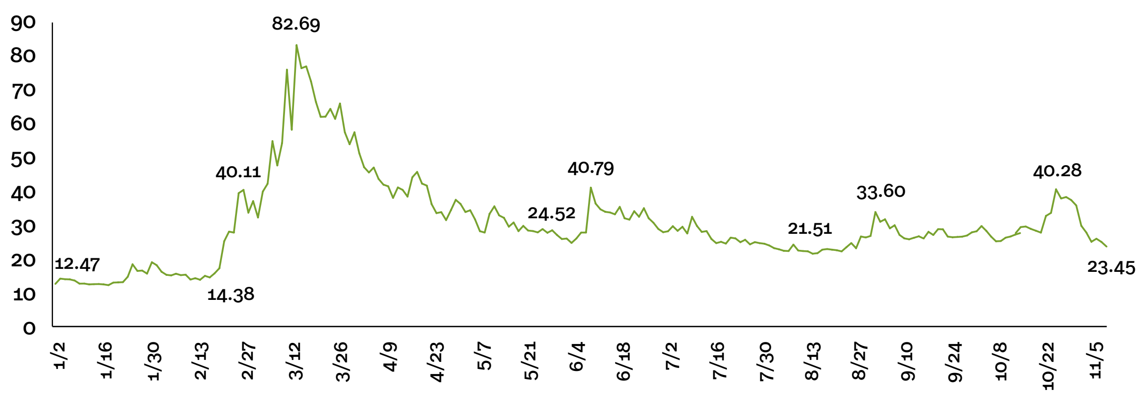
In multi-listed options volumes, around 50% of the growth in volumes this year is attributed to retail investors. While the sustainability of these retail volumes is still under debate, they made a significant contribution to the 2020 journey for volumes.

We highlight the following market metrics (as of November 11):

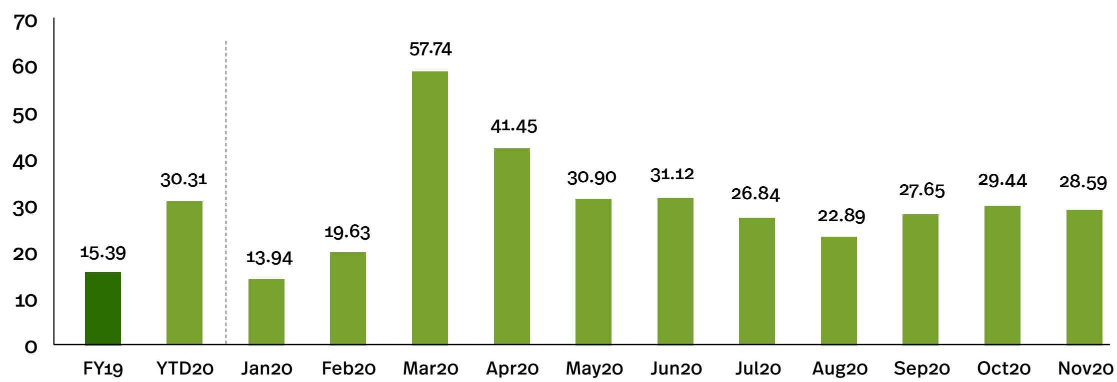
- **Volatility (VIX):** YTD average 30.31, +97.0% to FY19 average of 15.39 but -63.3% to the peak of 82.69
- **Equity ADV:** YTD 10.9 billion shares, +54.9% to FY19 average of 7.0 billion shares but -43.7% to the peak of 19.4 billion shares
- **Options ADV:** YTD 28.3 million contracts, +48.7% to FY19 average of 19.1 million contracts but -40.7% to the peak of 47.7 million contracts
- **Market Performance (versus the March trough):** S&P 500 +59.7%; Dow Jones +58.1%; Nasdaq +71.8%; and Russell 2000 +75.2%

> This is a completely new world, with the sharpest drop into recession on record.
>
> **Ellen Zentner**
> **Chief U.S. Economist, Morgan Stanley**
> **Chair, SIFMA's Economic Advisory Roundtable**

The VIX's 2020 Journey

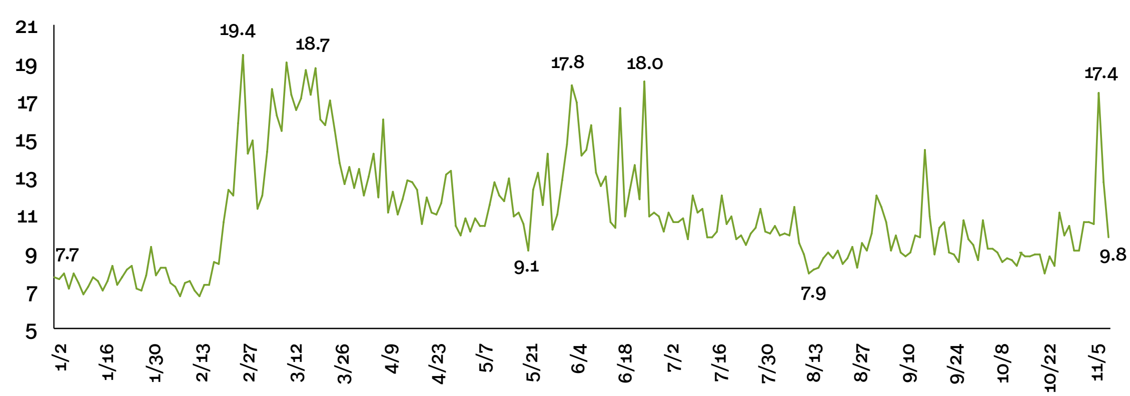


Average Monthly Volatility (VIX)

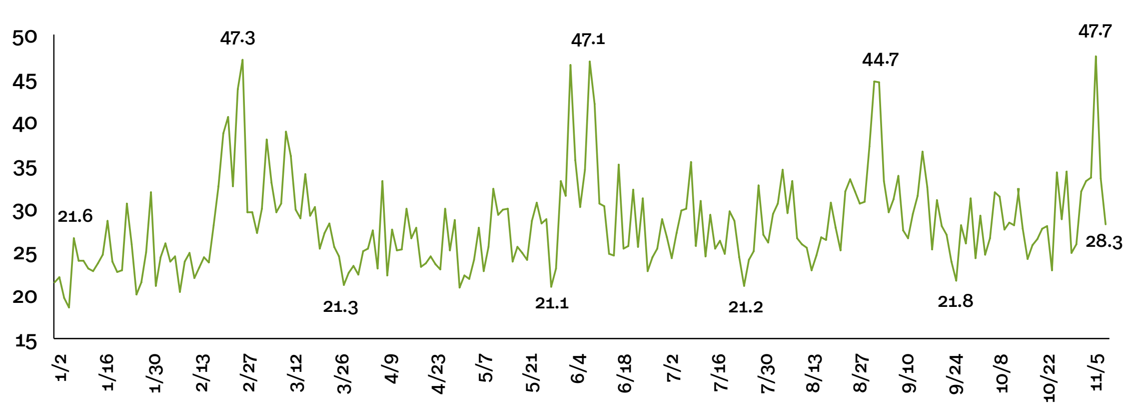


Source: Bloomberg, SIFMA estimates (as of November 11)

Equities 2020 Journey (ADV billion shares)



Options 2020 Journey (ADV million contracts)

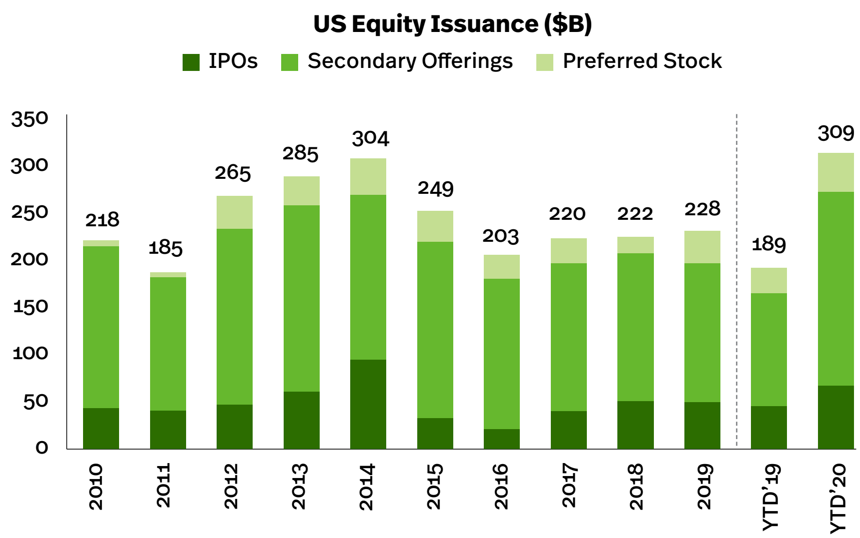


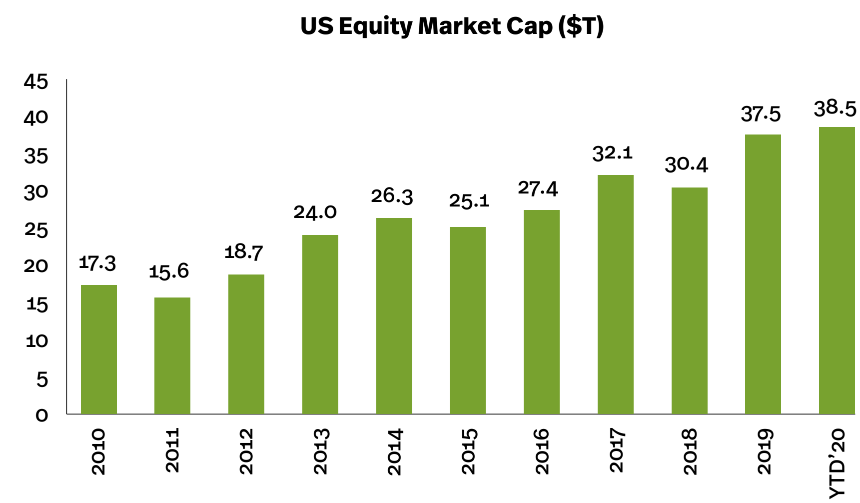
Source: Cboe Global Markets, SIFMA estimates (as of November 11)

EQUITIES ISSUANCE & MARKET CAP

Issuance: Total U.S. equity issuance was $228 billion in 2019, essentially flat Y/Y, and $309 billion YTD 2020 (through October), +63.4% Y/Y. IPOs totaled $49 billion in 2019, -2.1% Y/Y, and $66 billion YTD (through October), +46.9% Y/Y. Total issuance has declined at a -5.6% CAGR over the last five years, with IPOs experiencing a -12.2% CAGR.

Market Cap: Total U.S. equity market cap was $37.5 billion in 2019, +23.1% Y/Y, and $38 billion YTD (through October), +8.8% Y/Y. Market cap has grown at a +7.3% CAGR over the last five years.



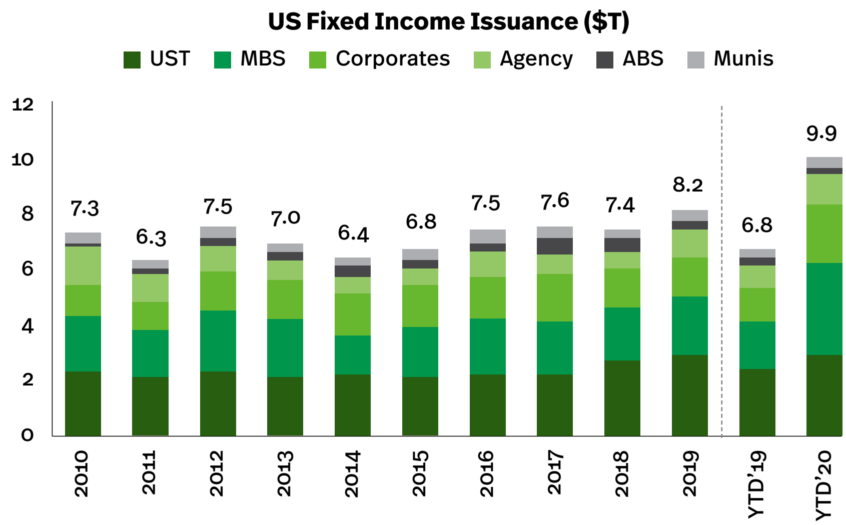


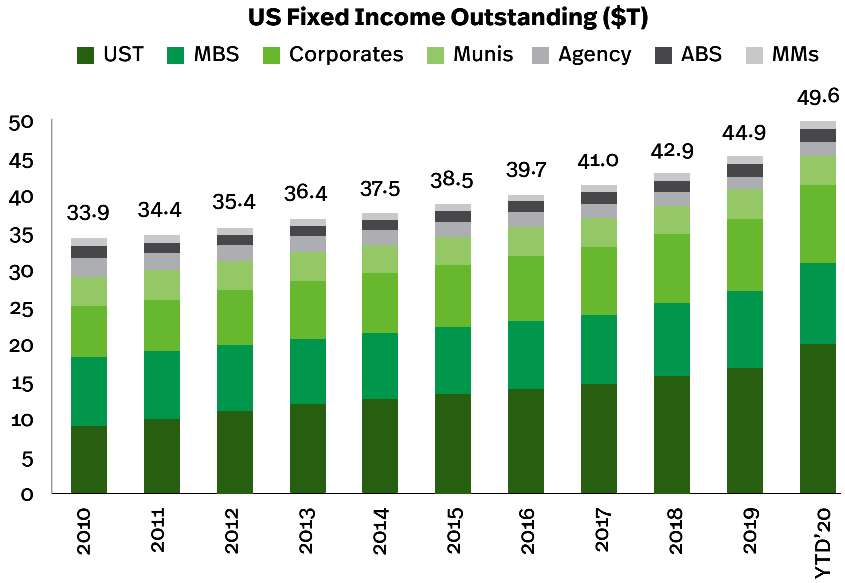
Source: Dealogic, World Federation of Exchanges (as of October 2020)

FIXED INCOME ISSUANCE & OUTSTANDING

Issuance: Total fixed income issuance was $8.2 trillion in 2019, +10.1Y/Y, and $9.9 trillion YTD 2020 (through October), +46.3% Y/Y. Issuance has increased at a +5.0% CAGR over the last five years.

Outstanding: Total fixed income outstanding was $44.9 trillion in 2019, +4.7% Y/Y, and $49.6 trillion YTD 2020 (through October), +13.2% Y/Y. Outstanding has grown at a +3.6% CAGR over the last five years.





Source: SIFMA (issuance as of October 2020, outstanding as of June 2020)

Note: Issuance is long-term instruments only

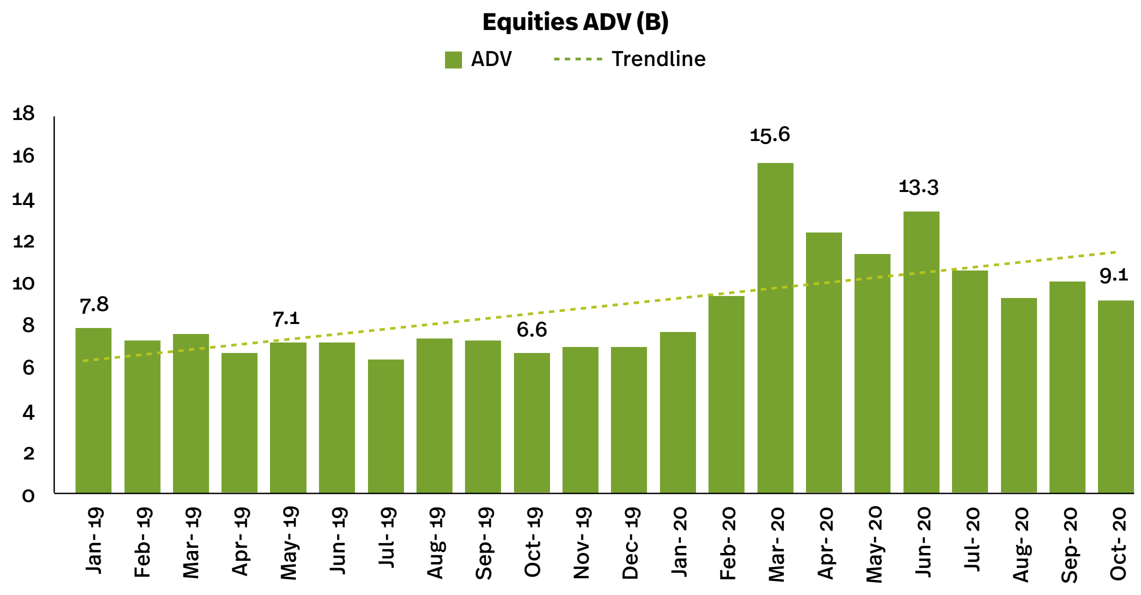
EQUITIES, OPTIONS & ETF MARKET VOLUMES

Investors in U.S. markets continue to enjoy narrow spreads, low transaction costs and fast execution speeds. There is also plenty of opportunity for price improvement, especially for retail investors.

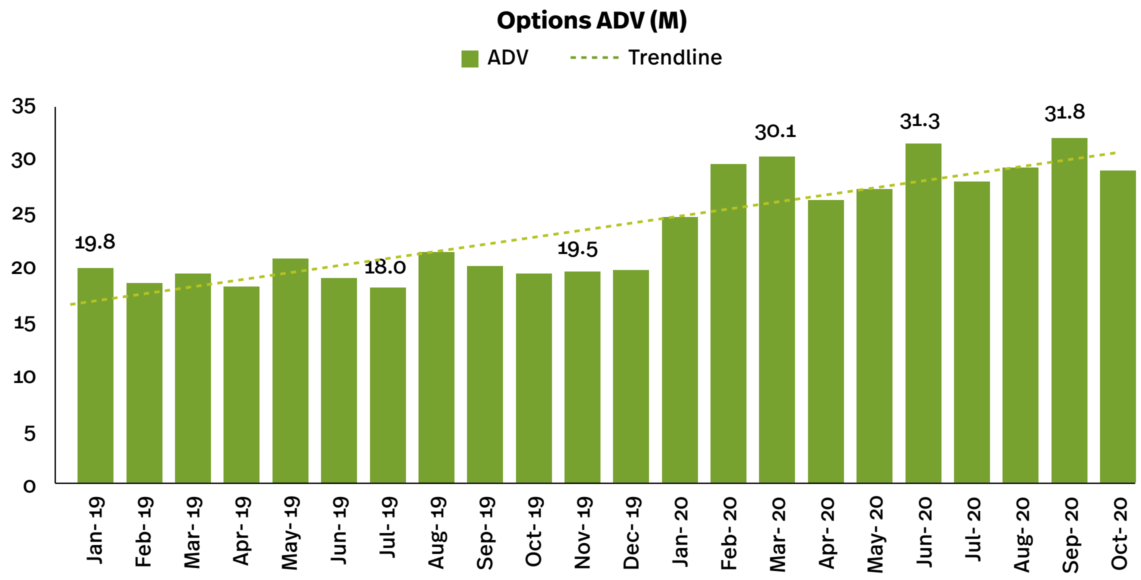
In this unusual year (through October), 10.9 billion shares traded on U.S. equity markets every day. This is compared to around 7.4 billion shares historically, +46.7%. ADV averaged 10.2 billion shares and 8.8 billion shares for the last 12 to 24 months, while the six month average was 10.6 billion shares.

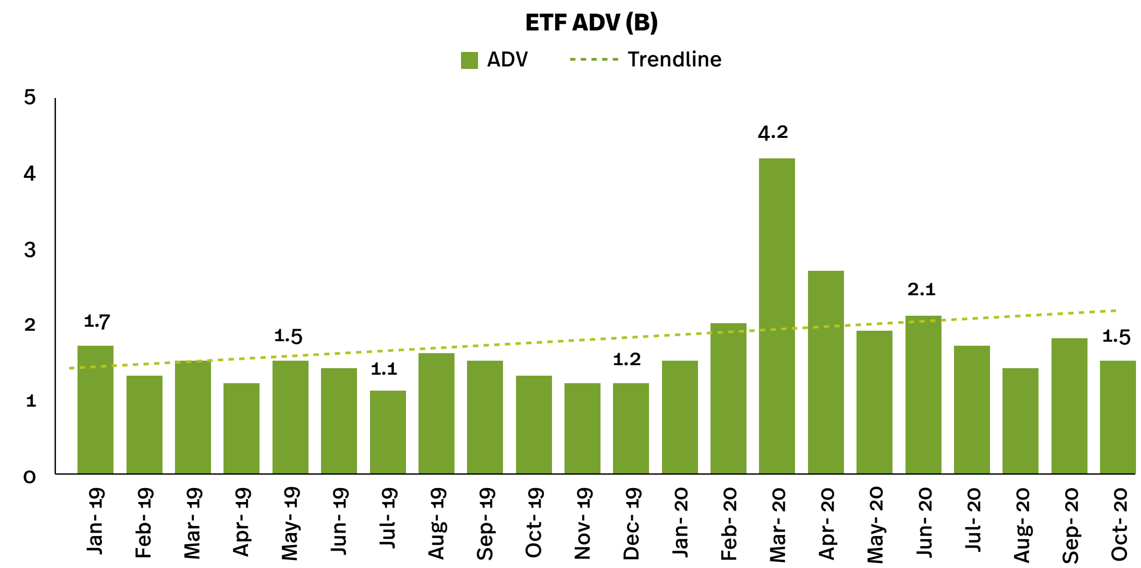
U.S. multi-listed options are also experiencing a record year (through October), with YTD ADV 28.6 million contracts, +47.4% Y/Y. This is compared to around 16.7 million contracts historically, +71.3%. ADV averaged 27.2 million contracts and 23.5 million contracts for the last 12 to 24 months, while the six month average was 29.3 million contracts.

ETF ADV was 2.1 billion shares (through October), +47.8% Y/Y. This is compared to around 1.4 billion shares historically, +54.2%. ADV averaged 1.9 billion shares and 1.7 billion shares for the last 12 to 24 months, while the six month average was 1.7 billion shares.



Source: Cboe Global Markets, OCC, SIFMA estimates (as of October 2020)



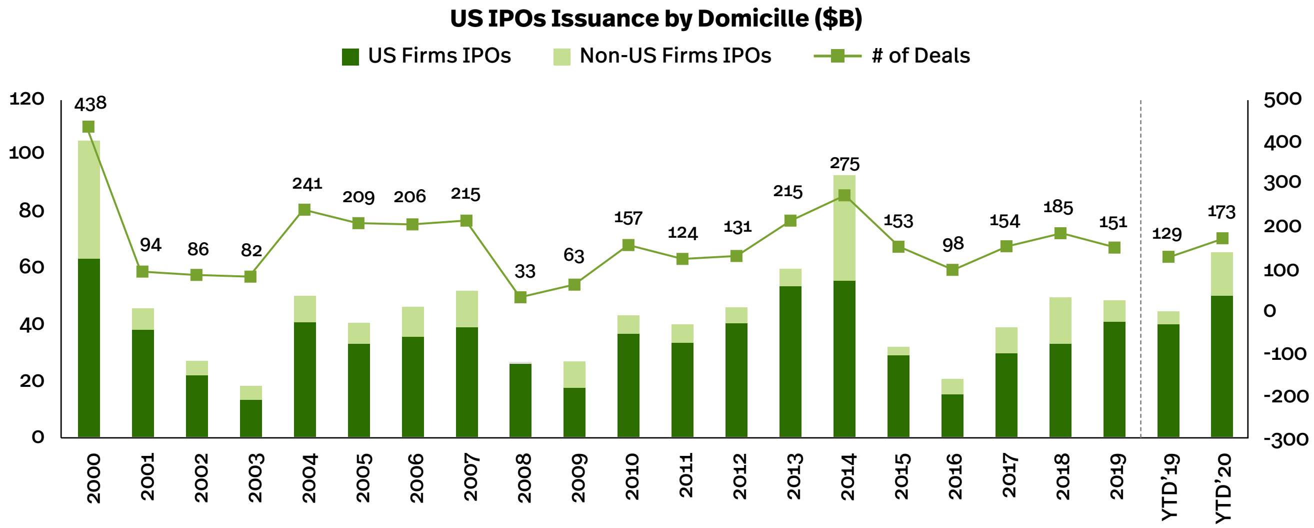


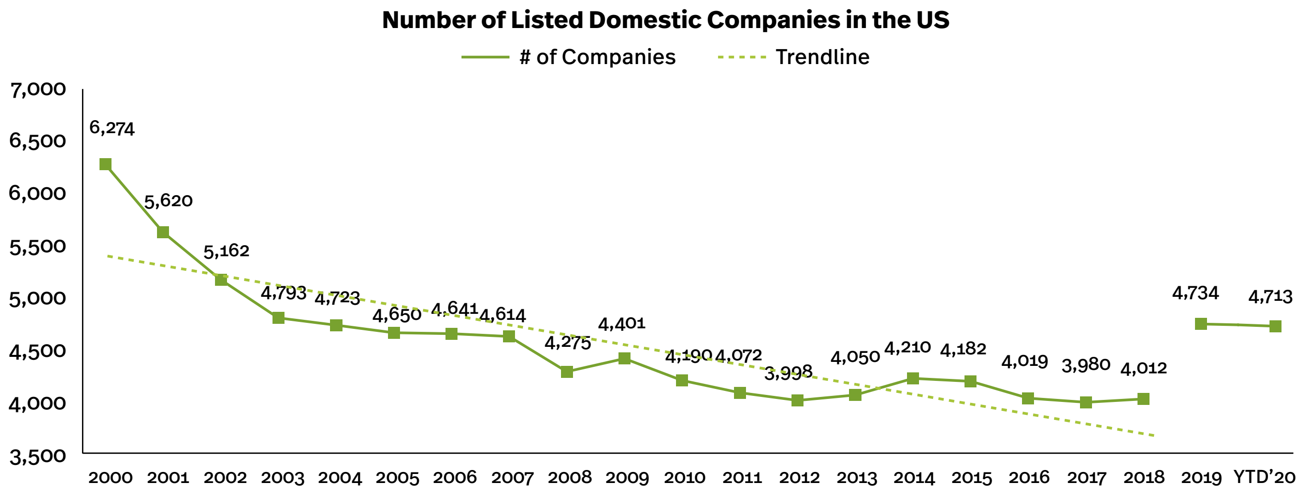
Source: Cboe Global Markets, OCC, SIFMA estimates (as of October 2020)

CAPITAL FORMATION

As of October 2020, IPOs totaled $66.0 billion, +46.9% Y/Y. Of this, $50.5 billion, or 76.5% of the total, was in U.S. domiciled firms, -13.2 pps Y/Y. The number of deals was 173 YTD, +34.1% Y/Y; U.S. domiciled deals was 130, +28.7% Y/Y.

The number of listed domestic companies was 5,153, down 25.5% since 2000 (6,917) but up 25.6% from the 2012 low (4,102).





Source: Dealogic, Bloomberg, SIFMA estimates (as of October 2020)

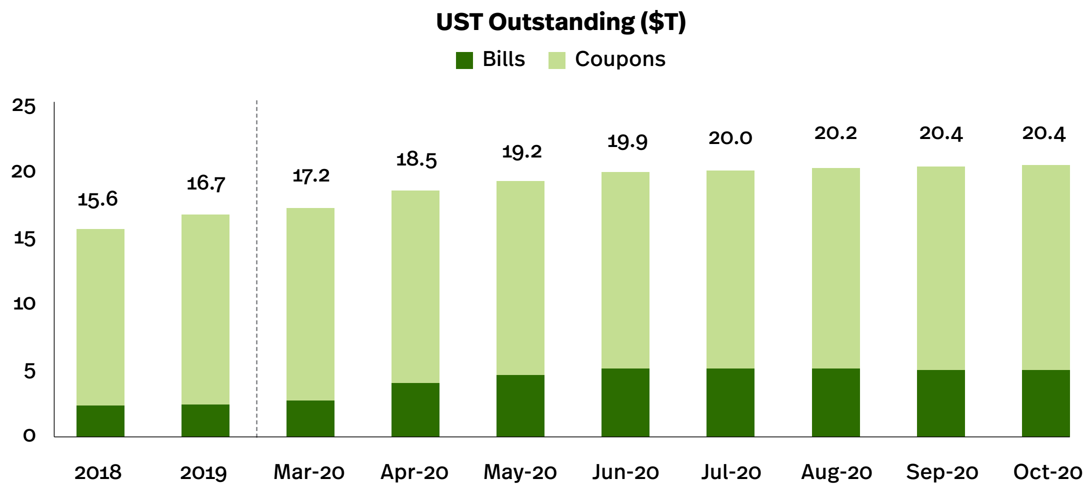
Note: Excludes BDCs, SPACs, ETFs, CEFs, & rights offers; U.S. domiciled companies listed on U.S. exchanges; listed companies' data prior to 2019 excludes NYSE preferred stocks.

UST ISSUANCE TO FUND COVID-19 STIMULUS

While the Fed liquidity programs, with the assistance of the Treasury, helped calm market turmoil, the government will eventually need to pay for these programs and the substantial fiscal stimulus that Congress has mandated (~$3 trillion). Expectations are that Treasury will have to continue upping the size of its borrowings in both the short and the long term to fund the market programs.

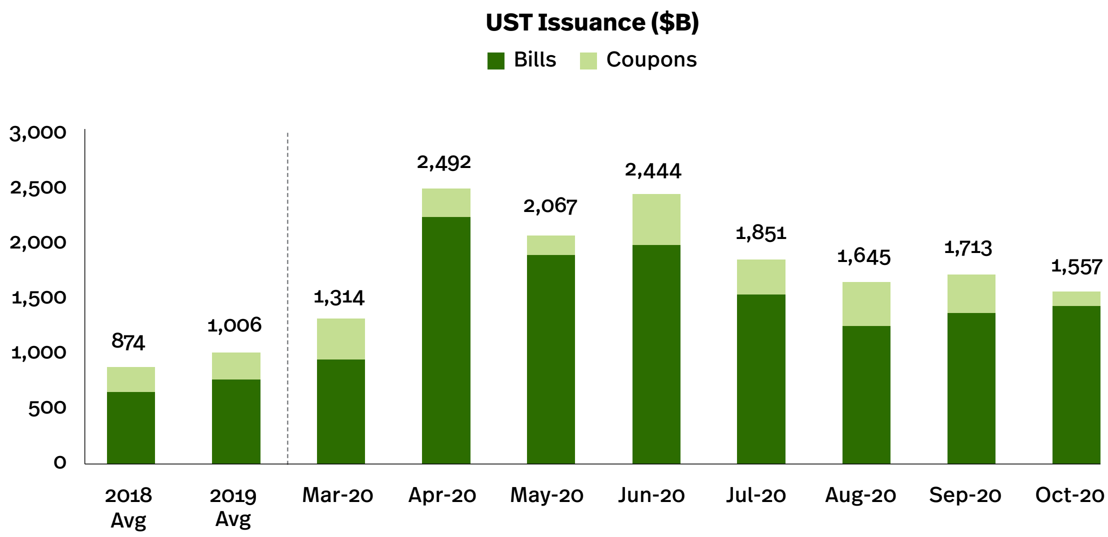
As of October 2020, there was $20.4 trillion in UST outstanding, +22.6% to the end of 2019. The increase is driven by issuance of bills, +106.3% since 2019, followed by a 13.4% increase in bonds and 8.1% increase in notes.

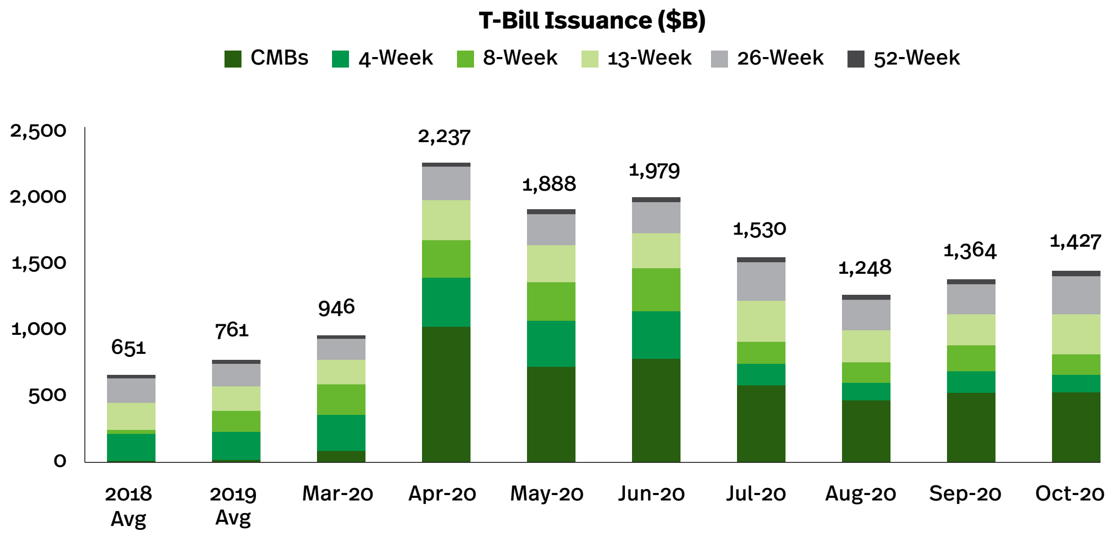
UST issuance YTD (through October) was $17.1 trillion, +69.5% Y/Y. Funding for the Fed programs and stimulus is driven by T-Bills, specifically cash management balances (CMB). T-Bill issuance YTD (through October) was $14.2 trillion, +85.9% Y/Y. CMB represent 33.1% of this total, at $4.7 trillion, +29.8x Y/Y.



Sources: US Treasury, SIFMA estimates (as of October 2020)

Note: All issuance includes T-Bills





Sources: US Treasury, SIFMA estimates (as of October 2020)

Note: All issuance includes T-Bills

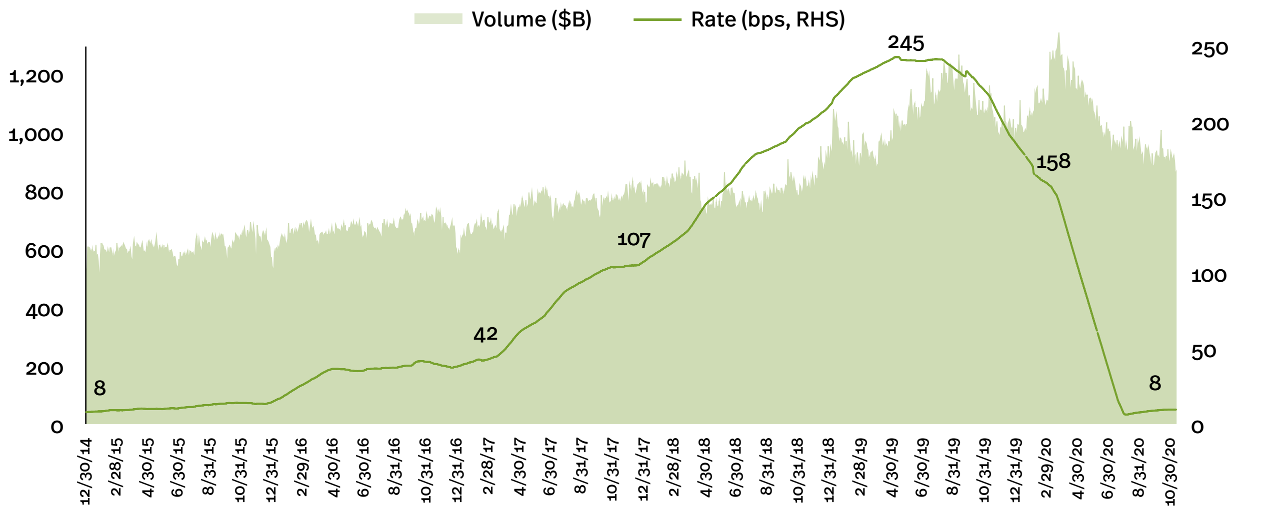
LIBOR TRANSITION UPDATE

The transition from the London Interbank Offered Rate (LIBOR) to alternative interest rate benchmarks is well underway, but much work remains[1]. In the U.S., the Alternative Reference Rates Committee (ARRC) is leading the transition away from LIBOR to the Secured Overnight Financing Rate (SOFR).

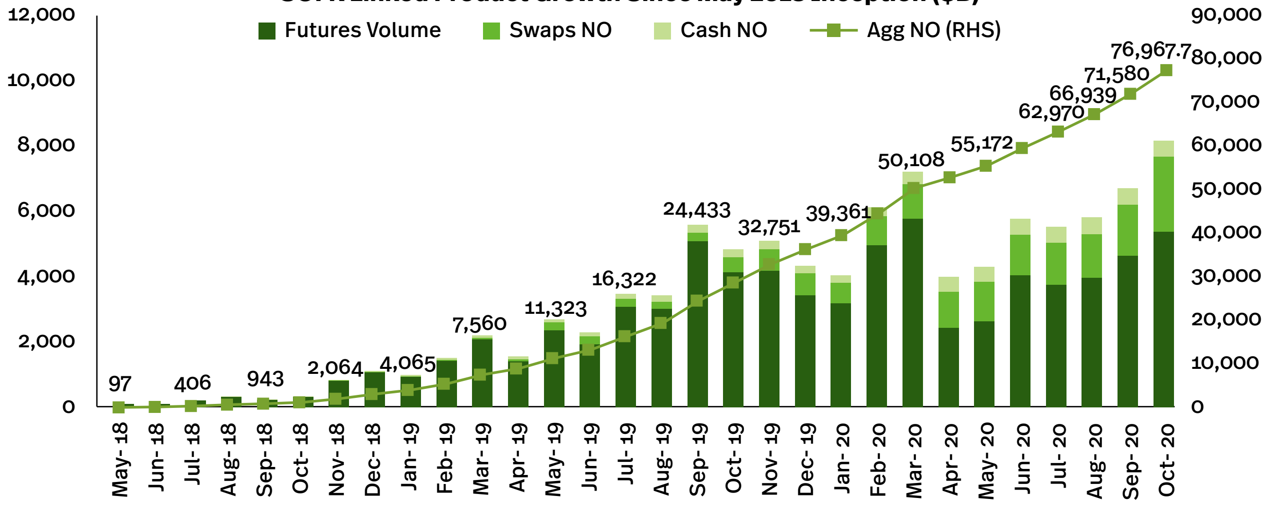
SOFR is based on the overnight repo markets, moving the reference rate from being based on ~$1 billion transactions per day (the most active tenor of LIBOR, three months) to the repo market with around $1 trillion transactions per day. Publication of the SOFR rate began in April 2018. Trading and clearing of SOFR-based swaps and futures began in May 2018.

As of October 30, the SOFR rate was 9.1 bps (90 day rolling average). Fed data puts volumes at $873 billion. Market volumes stand at $5.4 trillion for futures contracts, with an aggregate notional outstanding of $77.0 trillion for all SOFR related products.

Historical SOFR Volumes & 90-Day Rolling Average Rate



SOFR Linked Product Growth Since May 2018 Inception ($B)



Source: NY Fed, ARRC, CME Group, ICE, LCH, SIFMA estimates (as of October 2020)

[1] For more information, see Policy Viewpoints: Transitioning from LIBOR to Alternative Reference Rates

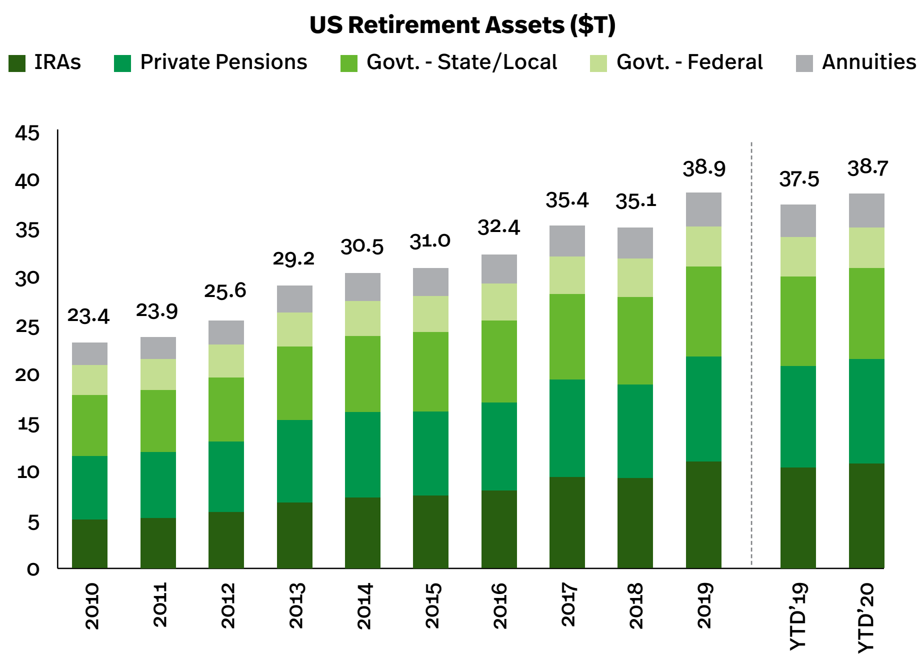
PRIVATE WEALTH MANAGEMENT

Financial institutions utilize their employee talent and product offerings to help individual investors, governments and corporations manage money. This includes managing individual investor retirement accounts; providing investment advice; and overseeing corporate and government retirement plans.

According to the Federal Reserve, 53% of households in the U.S. own stocks (or 68 million households, as of 2019). This figure shows stock ownership is greater than 1% of income earners, which is estimated at 1.3 million households. Fed data also states the median value of a households stock holdings is $40,000, representing 55% of total average household financial assets.

In the U.S., there are $38.9 trillion of retirement market assets, broken out across the following categories (as of June 2020):

- Private pensions, 27.9% ($10.8T); defined contribution $7.2T, defined benefit $3.5T
- IRAs, 27.9% ($10.8T)
- State and local government pensions, 24.4% ($9.4T)
- Federal government pensions, 10.8% ($4.2T)
- Annuities, 9.0% ($3.5T)
- Financial institutions further help investors purchase individual stocks or other securities, such as mutual funds ($16.8 trillion market) and ETFs ($4.4 trillion market)



Source: Federal Reserve Flow of Funds Accounts L.227, SIFMA estimates (as of June 2020)

Note: Pensions includes defined benefit and defined contribution plans held by private individuals; 403 plans are included in private pensions

Individual Investors' Use of Financial Advisors

www.sifma.org/individual-investors-use-of-financial-advisors

Industry studies estimate that professional financial advice can add 1.5- 4%* to individual investors' portfolio returns over the long-term, enabling clients to better meet their goals. Not surprisingly, the majority of this increase will come during periods of heightened volatility in the markets, when advisors step in and help their clients stay the course and keep their long-term objectives in sight. 2020 was no exception and will likely go down as one of the most volatile years on record.

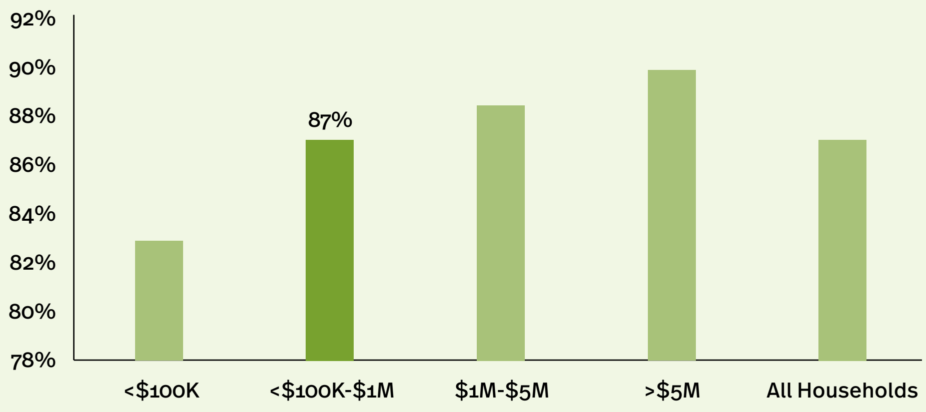
By measures of trustworthiness, dedicated relationships, and personalized advice, advisors are meeting investor standards according to the SIFMA-Cerulli Individual Investor research project. Financial advisors are a critical link in helping investors reach their financial goals. Research commissioned by SIFMA and conducted by Cerulli Associates explores the relationship between individual investors defined as households with $100,000 to $1,000,000 of investable assets and their financial advisors. It informs the industry on what is working well, but also sheds light on how financial advisors and firms can continue to enhance the retail client experience.

The research found that 87% of individual investors with $100K-1M in investable assets express satisfaction with their advisor; less than 1% report being dissatisfied.

Top reasons for individual satisfaction:

- Trustworthiness, honesty, dependability
- Overall relationship
- Knowledge, quality of advice

Advisor Satisfaction Ratings



Source: SIFMA-Cerulli Individual Investor Project

Note: As of 3Q19

**Sources: Russell Investments, Morningstar, Vanguard*

POLICY VIEWPOINTS

Robust and efficient capital markets bring capital to the best ideas and enterprises as well as bring investment opportunities to retail and institutional investors.

The historic success of the U.S. capital markets has been bolstered by a regulatory framework focusing on investor protection, transparency, safety and soundness. The U.S. market regulatory structure was first put in place over 85 years ago, and Congress and policymakers have continually reviewed and supplemented it to keep pace with market and technological developments and a changing national and global economy.

At SIFMA, we believe that public policy and financial regulation should support these key tenets:

- Ensure high standards of market integrity and investor protection
- Encourage pools of capital through private and public pensions
- Promote financial literacy and a strong retail investor culture
- Calibrate supervision and regulation with robust capital formation and growth

What follows are our viewpoints on several key issues facing the capital markets and financial industry today. To learn more about these and other topics, visit www.sifma.org/issues.

THE POST-COVID AGENDA

When the virus emerged in the first quarter of 2020, the financial sector quickly implemented business continuity plans and entered a prolonged period of extreme market volatility. At the peak, the industry was operating with approximately 90% of personnel working remote. Over the following several months, the industry and the markets adjusted to the impacts of the pandemic, making a range of changes to operating models, use of technologies and market activities.

Throughout the crisis, financial industry regulators provided the industry with emergency relief measures to ensure that the markets could continue to function effectively with most personnel working remote, travel restrictions, and increased volatility in the marketplace. While the level of remote working remains high, SIFMA believes regulators and the industry should develop rules and protocols for a post-COVID environment.

With vaccines in sight, now is the time to consider the “new normal.”

Modernizing the Delivery of Financial Communications

The COVID-19 pandemic has only magnified the shift to an internet-based world. The overall move to electronic delivery is not limited to investment-related documents. From health care explanations of benefits to income tax reporting, the trend toward electronic delivery is undeniable and for good reason. Delivering materials electronically provides individuals with real-time, up-to-date access to information, along with other online tools that can assist with financial management.

At a time when many in the country have moved their personal, professional, and educational lives online, the production and mailing of communications in paper form raises logistical and health concerns, and digital tools are increasingly being leveraged to protect public health and ensure continued access to information. SIFMA has long supported the electronic delivery of retirement and mutual fund disclosures and other investment-related communications. Investors from all demographics increasingly prefer to access information electronically and believe that doing so makes it easier to act on that information.

Electronic delivery can also make information more accessible in other languages and in specialized formats for those with disabilities. For financial services, the interactive nature of electronic access via links and embedded information can make investor action and engagement easier and more likely to occur. In fact, studies have found that 401(k) participants who interact with their plans’ websites tend to have higher contribution rates.

Electronic delivery is also more environmentally friendly than paper and significantly reduces production and shipping costs. It is important to note that paper communications would remain an option for those who prefer paper or do not have access to reliable internet service.

e-Delivery Discussion Paper

www.sifma.org/e-delivery
In this discussion paper, the Securities and Exchange Commission (SEC) is urged to update its rules and related guidance to allow the implementation of a digital approach establishing electronic delivery as the primary means for delivering investor communications. Any investor wishing to receive paper communications can continue to do so.

Dematerialization

Dematerialization refers to fully transitioning securities processing from physical certificates to electronic records.

The Depository Trust and Clearing Corporation (DTCC) issued a paper to build consensus among stakeholders on critical next steps to reduce, and ultimately eliminate, certificated U.S. securities. Dematerialization would reduce the risks and costs associated with manual processing and human touchpoints, as well as increase efficiency and resiliency across the industry at a time when automation is more important than ever. Less than 1% of assets serviced by DTCC, through the firm's subsidiary The Depository Trust Company (DTC), are still in physical form, but they represent $780 billion dollars in value.

SIFMA appreciates the work of the DTCC as our industry works to achieve full dematerialization in the U.S. financial markets. SIFMA is actively engaged with DTCC and other industry partners as we work to eliminate both the issuance and handling of physical securities, which will result in a more cost-effective, efficient, transparent, secure, competitive, and resilient marketplace. The COVID-19 crisis is a real-world example highlighting the need for change, as the processing of physical securities was disrupted and delayed, while handling certificates issued in paperless form were seamless. SIFMA will continue our deep engagement with the industry on this initiative.

Unique Considerations for Asset Managers

There is a need for regulatory modernization specific to asset managers. These issues include expanded and permanent relief for interfund lending and cross-trading, which would provide firms with additional tools to address market disruptions in the future. COVID-19 has also brought to light operational challenges associated with utilizing swing pricing, which is technically permitted under current regulations but not actually available without addressing certain marketplace practices. SIFMA and SIFMA's Asset Management Group (AMG) directly work with state and federal regulators regarding regulatory relief needs due to the health crisis. SIFMA advocates for the SEC to amend the relevant investor communications rules to allow for electronic delivery to become the default for all investor communications. SIFMA also believes that the SEC should permanently permit board meetings to be held virtually.

Future of Work

As firms develop reemergence plans, now is the time to think critically about how the "new normal" will drive the future of work. Lessons learned in the past several months should guide firms' assessment of which operational practices should remain in place going forward, and what metrics best demonstrate the ability to respond to a crisis and to operate efficiently, and whether certain business continuity initiatives should be accelerated or disregarded should be also part of the analysis.

Going forward, the industry should continue to collaborate with regulators to put in place critical regulatory relief during the pandemic, including forms of necessary relief that would promote working remotely, trading virtually, and extending the filing deadlines for statutory reports. This also means institutions should continue to pay close attention to any forthcoming regulatory guidance to stay current on new requirements.

As the industry does return to normal working arrangements, firms should work with regulators and infrastructure providers to identify opportunities to make permanent the more efficient operating models adopted during the pandemic.

There are many factors involved when making the decision to have staff return to the office, including safety, legal and liability concerns, employee sentiment and privacy, availability of rapid health screening and testing, human resources policies, local government directives and health care advisories as well as the practical and logistical issues around maintaining social distancing within the office. SIFMA has published Considerations for Return to Office, which each individual firm should use to make individual decisions regarding their strategy and tactics for the new operating environment. As this situation evolves and as firms start to execute their plans, other considerations will undoubtedly arise as firms better understand how returning staff to the office will work in practice and evaluate the resulting lessons learned.

> Today, as firms develop reemergence plans, now is the time to think critically about how the new normal will drive the future of work.
>
> **COVID-19: Initial Lessons Learned and Considerations for Managing a Pandemic**
> **SIFMA and Protiviti Report**
> **October 2020**

IMPROVING AMERICAN INFRASTRUCTURE THROUGH MUNICIPAL FINANCE

www.sifma.org/muni

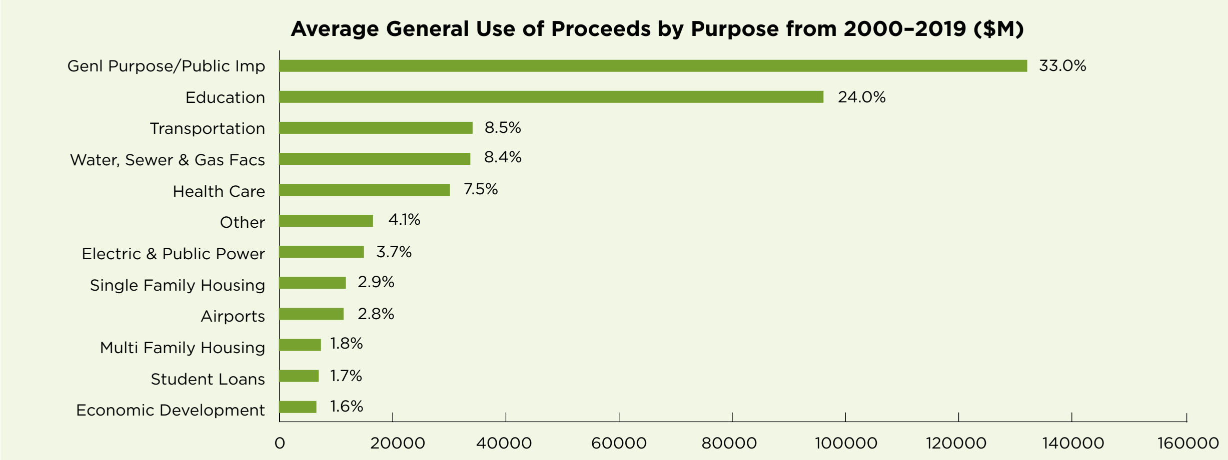
SIFMA and its member firms support the preservation of the tax exemption for municipal bonds as well as four main initiatives that help promote increased bond financing and fund important infrastructure-related projects while also saving taxpayer dollars:

1. Secure the passage of legislation permitting issuers to advance refund tax-exempt municipal debt;
2. Authorize a new direct payment bond program on a permanent basis;
3. Expand the volume cap and uses for Private Activity Bonds (PABs); and
4. Increase the annual limit on the amount of tax-exempt obligations that may be issued to qualify for the small issuer exception to the tax-exempt interest expense allocation rules.

The American Society of Civil Engineers (ASCE) estimates that the U.S. needs to invest $4.6 trillion in infrastructure by 2025 to replace failing facilities, maintain our global competitiveness, and supply the capacity needed by a growing economy and population. They also estimate that the failure to close this infrastructure investment gap brings serious economic consequences such as $3.9 trillion in losses to the U.S. GDP by 2025, $7 trillion in lost business sales by 2025, and $2.5 million lost American jobs in 2025. There is a clear pressing need to invest in our nation's infrastructure. With over 50,000 state and local governments and entities able to issue tax-exempt bonds for key infrastructure projects, these important municipal finance tools can ease the burden on the American taxpayer while also bolstering investment in critical public needs, enhancing the quality of life of all Americans. Proceeds directly fund infrastructure and governmental activities by reducing state and local government borrowing costs and providing an incentive for public investment in infrastructure and other facilities.

SIFMA supports a number of initiatives related to municipal finance, including reinstating the tax exemption for advance refunding bonds; authorizing a new direct pay bond program on a permanent basis as a supplement to, not a replacement for, tax-exempt bonds; permitting state and local governments to issue tax-exempt bonds for infrastructure projects with private participation in the same manner that they issue bonds for purely public projects, and also expanding the volume cap and permitted uses of private activity bonds (PABs); and expanding the number of "bank-qualified" bonds from the current limit of $10 million to $30 million with inflation adjustments for future years.

Municipal Bonds – Top Average General Use of Proceeds



EQUITY MARKET STRUCTURE AND MARKET DATA

www.sifma.org/equity-market-structure

The evolution of equity market structure – including pilot programs, capital formation, market data and self regulatory organization (SRO) structure – is a key priority for SIFMA.

Market data is information about current stock prices, recent trades, and supply-and-demand levels sold by national securities exchanges. Access to this information is essential to America's world-leading capital markets because retail investors and market professionals need the most complete and up-to-date market information possible to make informed investing and order routing decisions. Because exchanges control that information, they have enormous pricing power over the cost to access the data.

This data is distributed exclusively by exchanges in a two-tier system comprised of a public feed - the Securities Information Processor (SIP) - that distributes "best-priced" quotation and "last-sale" data for securities, and faster proprietary data products that include additional information, such as "depth-of-book" information that shows all other bid offers. Because exchanges control both tiers of information, they have enormous pricing power over the cost to access the data. As a result, the SIP has lagged proprietary data feeds in providing critical information at sufficient speeds and there have been massive increases in fees for market data in recent years.

In June 2020, the Securities and Exchange Commission and the U.S. Justice Department announced they would partner in efforts to review the fees the exchanges charge for data. SIFMA welcomes this initiative and believes the agreement should allow the SEC to determine whether exchange fees are subject to competition. SIFMA has long argued that these fee increases are inconsistent with the exchanges' actual costs in collecting and distributing market data and thus constitute an excessive mark-up over cost. The SEC is also developing a new single national market system plan governing the public dissemination of real-time consolidated equity market data for national market system (NMS) stocks. Known as the CT Plan, this will consolidate three current market data plans into a single plan to govern the distribution of equity market data, reducing duplication between the plans and eliminating exchanges' conflicts of interest as operators of the SIPs. In December 2020, the SEC announced its adoption of market data infrastructure rules under Regulation NMS. SIFMA strongly supports the SEC's unanimous approval of its infrastructure proposal, as it is a positive step to provide investors with critical additional market data and to address current conflicts of interests for exchanges between the SIP data and exchange proprietary feeds.

Market data reform should focus on promoting competition, supporting efficient markets, and providing a transparent and fair system for all investors.

FINANCING SUSTAINABILITY

www.sifma.org/esg

Environmental, Social, and Governance (ESG) refers to a broad range of non-financial factors on which socially conscious investors assess the sustainability and societal impact of their potential investments in a company. Environmental is how a company performs as a steward of nature; social is how they manage relationships with the communities where they operate; and governance is their leadership, executive pay, shareholder rights and more.

ESG is increasingly shaping the way investors choose to engage with companies and thus how companies do business around the world. As investors have shown an interest in putting their money where their values are, brokerage firms and mutual fund companies have significantly increased their offerings of exchange-traded funds (ETFs) and other financial products to support investor and client needs.

SIFMA and SIFMA's Asset Management Group (AMG) are working closely with our partners at the Global Financial Markets Association (GFMA) on issues like accelerating the evolution of capital markets' Climate Finance Market Structure (CFMS) and providing market insights as regulators around the world develop standards to support mobilization of capital for climate finance. SIFMA will continue to work on educational efforts regarding ESG investing in the U.S. and abroad.

A $100-150T Investment Need
Climate Finance Markets and the Real Economy

www.gfma.org

Climate change poses economic and financial risks to the global economy. In order to transition to a low carbon economy, climate finance market structure must grow at an unprecedented scale, speed, and geographic scope to meet the projected $100-150 trillion investment need.

Climate Finance Markets and the Real Economy - a report co-authored by SIFMA's global affiliate, the Global Financial Markets Association (GFMA), and Boston Consulting Group (BCG) - is a call to action for coordinated and concerted action by the public, social, and private sectors to significantly scale the climate finance market structure over the next three decades. These include a call for evolving our current market structure to address the advent and needs of climate finance and the creation of financial instruments and structures required to continue to serve the financing, investment and risk management needs for a broad set of market participants, as well as market wide sector, or individual corporate, and region-specific changes necessary to motivate investment. The report also highlights the role that capital markets and other participants must play to support transition pathways at the same time continue to serve their clients, investors, and the societies where they want to do business.

TRANSITIONING FROM LIBOR TO ALTERNATIVE REFERENCE RATES

www.sifma.org/libor

The financial industry and global regulators are transitioning from LIBOR to more robust alternative reference rates. LIBOR is the most commonly used benchmark for short-term interest rates, often referenced globally in derivative, bond and loan documentation. It is estimated that $200 trillion of financial contracts and securities are tied to USD LIBOR and that matters to everyone – small businesses, corporations, banks, broker dealers, consumers, and investors. Market participants are transitioning away from LIBOR, because it is based on relatively few transactions and relies heavily on expert judgment in determining the rate. The scarcity of underlying transactions makes LIBOR potentially unsustainable, as banks may eventually choose to stop submitting altogether. The transition from LIBOR to alternative interest rate benchmarks is well underway, but much work lies ahead.

The Financial Conduct Authority (FCA), the regulator of LIBOR, has announced it will no longer compel banks to submit LIBOR quotes after 2021, raising the possibility that LIBOR may be deemed unrepresentative and/or cease publication after that time. Indeed, the administrator of LIBOR, ICE Benchmark Administration, announced that it will consult on ceasing production of a number of flavors of LIBOR, including U.S. dollar LIBORs. In the U.S., regulators have supported a plan to stop using LIBOR on new transactions by the end of 2021 while backing a plan to allow many existing transactions to mature before LIBOR fully winds down in June 2023. This makes it imperative for financial market participants and end users to prepare for a time – coming in short order – when they will not be able to use LIBOR as a benchmark for new products, and will need to shift legacy instruments to alternative rates.

SIFMA and our partners at the Global Financial Markets Association (GFMA) were early proponents of global reform efforts with the November 2012 publication of Principles for Financial Benchmarks. Since that time, we have engaged with and are supportive of efforts by global regulatory bodies related to market standards and principles for benchmarks. In June 2017, the Federal Reserve's Alternative Reference Rate Committee (ARRC) selected the Secured Overnight Funding Rate (SOFR) as the rate that, in its consensus view, represents best practice for use in certain new U.S. dollar derivatives and other financial contracts.

SIFMA is committed to working in close cooperation with the industry, U.S. and global regulators, and trade associations as a member of the Federal Reserve's Alternative Reference Rate Committee (ARRC). Issues SIFMA is focused on include: legacy transactions, implementation of robust fallback provisions, and development of term rates in support of a successful transition to alternative reference rates.

The SOFR Primer

www.sifma.org/sofr-primer

In this primer from SIFMA Insights, we provide an overview of the LIBOR transition, with a focus on the proposed U.S. alternative reference rate, the Secured Overnight Financing Rate (SOFR). SOFR is based on the overnight repo markets, moving the reference rate from being based on ~$1 billion transactions per day (the most active tenor of LIBOR, three months) to the repo market with around $1 trillion of transactions per day. Publication of the SOFR rate began in April 2018; trading and clearing of SOFR-based swaps and futures began in May 2018.

IMPLEMENTING THE CONSOLIDATED AUDIT TRAIL

www.sifma.org/cat

The SEC and the self regulatory organizations (SROs) continue to develop a comprehensive Consolidated Audit Trail (CAT) that would enable regulators to track all activity throughout the U.S. for equities and options trades.

The CAT will allow regulators to link every order through its entire life cycle, including cancellations, modifications and executions, and the CAT database will link all orders with the account holder. As such, the CAT will enable regulators to conduct cross-market surveillance and market reconstruction by pulling together detailed trading data from all market centers.

SIFMA advocates for a secure system that expedites the retirement of duplicative systems, while promoting an inclusive governance structure and equitable funding model. SIFMA has expressed concerns around risks related to the collection of Personally Identifiable Information (PII) within the CAT and worked with the SEC and the SRO's as they make significant steps forward in holding the CAT to the highest security standards.

CAT Reporting Timeline – Key Dates

2010
SEC proposes a rule to develop CAT

2012
SEC Rule 613 is finalized

2016
CAT Plan is approved

~~Nov. 2017~~

Nov. 2018
SROs begin reporting

2019
March 18-June 27 – Consolidated Audit Trail Registration

September 30 – Connectivity testing begins

December 16 – Industry Testing Begins

~~Nov. 2019~~
~~Nov. 2020~~

2020
June 22 – Initial equities reporting for large broker-dealers and small broker-dealers that currently report to FINRA's Order Audit Trail System (OATS)

July 20 – Initial options reporting for large broker-dealers

~~Nov. 2019~~
~~Nov. 2020~~

2021
December 13 – Full equities and options reporting for large and small broker-dealers

July 11, 2022
Full customer and account reporting for large and small broker-dealers

DIGITALIZATION AND SECURITY TOKENS

www.sifma.org/security-tokens

U.S. capital markets have continued to innovate as technology has allowed for profound evolutions in market infrastructure, changing at times the very nature of American financial markets. Distributed ledger technology (DLT) and the potential benefit it may bring to the capital market ecosystem and infrastructure are a key topic of interest amongst market participants.

SIFMA and PricewaterhouseCoopers LLP published a paper, Security Tokens: Current Regulatory and Operational Considerations for Broker-Dealers and a Look Towards the Future. The paper provides a foundational understanding of how DLT and digital assets such as security tokens can offer new and cost-efficient methods of capital formation. It also describes the key operational challenges faced by U.S. broker-dealers hoping to adopt this technology and recommends where regulatory clarity would be helpful in addressing these challenges. SIFMA developed the paper in collaboration with its member working groups, and determined and identified the activities, requirements, and considerations for market participants engaging in operationalizing security tokens.

Security tokens are securities issued solely on DLT that satisfy the applicable regulatory definition of a security or financial instrument under local law and/or a token that represents on DLT underlying securities/financial instruments issued on a different platform, where such representation itself satisfies the definition of a security/financial instrument under local law. There are a number of issues across the lifecycle of a security to consider, some of which must be addressed by stakeholders and regulators for the market to fully develop. The goal is to embrace innovation that creates efficient market structures while still providing the same investor protections that we have built up over decades.

As the industry moves forward with the broader adoption of these assets and their supporting technology, SIFMA believes dialogue between industry participants and regulators will help support the further growth of the markets for the security tokens and the adoption of the technology that supports them.

> “The capital markets are always innovating as technologies develop and the structure of the markets evolves accordingly. Security tokens and related DLT are a prime example of emerging technologies which may have the ability to offer new and cost-efficient methods of capital formation. We hope this white paper assists market participants in understanding the potential impacts of security tokens on existing securities regulatory and operational frameworks in the United States.”
>
> Kenneth E. Bentsen, Jr.
> President and CEO, SIFMA

HELPING BUSINESSES AND INVESTORS MANAGE RISK

www.sifma.org/derivatives

Title VII of the Dodd Frank Act established a broad new regulatory regime for over-the-counter (OTC) derivatives, or swaps, which is profoundly affecting the financial markets and market participants. Sufficiently liquid and standard swaps are subject to mandatory clearing, which requires transactions to be submitted to a central counterparty. Further, certain cleared transactions are required to be executed on electronic trading platforms, such as swap execution facilities or designated contract markets. However, some swaps will appropriately remain bilaterally cleared and/or traded.

SIFMA believes that the Dodd-Frank Act took several important and necessary steps towards improving oversight and transparency in the swaps markets and supports the implementation of appropriate regulations that do not create undue costs or unduly limit the availability of these valuable risk management tools for American businesses.

Policymakers should consider the following to help achieve these objectives:

Regulatory Harmonization: The SEC and CFTC should continue to harmonize their final rules and regulations for swaps and security-based swaps.

SEC Title VII Implementation: The SEC's security-based swap dealer (SBSD) regime is poised to go live in October 2021, with the first SBSD registrations expected by November 1. SIFMA is working with members on identifying and addressing issues, and engaging with the SEC and FINRA as needed, in areas such as SBSD registration, supervision, compliance, recordkeeping, margin, capital and financial reporting, among others.

Cross Border Application of Title VII Rules: An overly broad application of Title VII rules will result in overlapping, duplicative or conflicting requirements that fragment markets, create competitive disadvantages, and foster opportunities for regulatory arbitrage. Consistent with the intent of Congress, U.S. regulators should apply Title VII rules only where there is a direct and significant connection to the U.S. and, where necessary, extraterritorial application of the rules should provide for substituted compliance in comparable jurisdictions.

Margin Requirements for Non-Centrally Cleared Derivatives: SIFMA continues to advocate for regulators to take an internationally coordinated and workable approach to the implementation of margin requirements for non-centrally cleared derivatives, in accordance with the globally agreed framework issued by the Basel Committee on Banking Supervision and IOSCO.

HELPING MORE AMERICANS SAVE FOR RETIREMENT

www.sifma.org/retirement-legislation

SIFMA supports the Securing a Strong Retirement Act of 2020 (SECURE Act), introduced by House Ways and Means Committee Chairman Richard E. Neal (D-MA) and Ranking Member Kevin Brady (R-TX). The bill represents important steps toward enhancing the private retirement system and increasing retirement savings. It includes provisions that will incentivize small business to offer retirement plans, enable older Americans to save more and hold on to their savings longer, and allow matching contributions for student loan payments.

Catch-up Contribution Limit: Many Americans have taken hardship loans or distributions from their retirement accounts to pay for living expenses during the coronavirus pandemic. The SECURE Act includes provisions that would index the IRA catch-up contribution limit for savers over 50 and raise the catch-up limit for those over 60.

Due to market volatility and economic turmoil attributable to COVID-19, individuals need the flexibility to be able to make additional contributions and make-up for the losses to their retirement savings from the pandemic. These workers, nearing retirement age, have less time to replenish their savings, and SIFMA supports a permanent increase for this limit to empower Americans to assess their financial security and re-build their savings. This proposal is included in both the Portman Cardin retirement package, as well as Chairman Neal's and Ranking Member Brady's SECURE Act.

Required Minimum Distribution (RMD) Relief: SIFMA supports improving RMDs to help retirement savings last longer for retirees. The Securing a Strong Retirement Act includes several provisions related to improving RMDs: increasing the RMD age to 75 and holding harmless RMDs for individuals with balances under $100,000.

The economic effects of the COVID-19 pandemic has caused a lot of financial uncertainty for many and their savings. In the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress recognized this uncertainty and included a freeze for RMDs for 2020. Retired Americans who have been saving their whole working lives should be allowed to let their money benefit from an economic recovery at a time when their health and financial security is at enormous risk. Our firms need as much time as possible to operationalize these changes to the RMD program and communicate with their clients about the options available to them. SIFMA supports a further RMD freeze for 2021 given the ongoing economic uncertainty of the pandemic.

Employer Match for Student Loans: Retirement savings is just one part of financial wellness. For many young people, paying student loans is a real challenge and a top priority. The IRS, through a private letter, authorized an employer to match an employee's retirement plan when they pay off their student loans, allowing an employee to pay off their loan while their employer helps them begin saving towards retirement. SIFMA supports allowing all employers to provide this match program, because the sooner the employee can start saving, the better set they will be for the future. There is bipartisan support to codify the IRA action via legislation: S. 1428: Retirement Parity for Student Loans Act and H.R 6276: Retirement Parity for Student Loans Act.

ENHANCING INVESTOR PROTECTION WHILE PRESERVING CHOICE

www.sifma.org/reg-bi

Regulation Best Interest – finalized by the Securities and Exchange Commission in 2019 and fully enforceable as of June 2020 – significantly and meaningfully upgrades the existing regulatory regime for broker-dealers, and directly enhances investor protection. SIFMA advocated for the creation of such a standard for over a decade.

The rule is specific with respect to the obligations brokers owe to their clients and the steps they must take to comply, including the obligation to eliminate, disclose and mitigate certain conflicts of interest. It is enhancing investor protections, while also preserving investor choice and access to investment advice.

Reg BI substantially exceeds the preceding FINRA suitability standard and is broader in scope than the now defunct DOL fiduciary rule. Reg BI applies across all customer accounts, not just retirement accounts, and will allow the SEC to enforce a common standard across the industry. Attempts by Congress to weaken Reg BI would hurt investor protections implemented by brokers.

Reg BI Implementation Survey

A survey of wealth management firms, conducted by SIFMA and Deloitte, regarding the implementation of the SEC's Regulation Best Interest found that as a result of the regulation, firms made changes to their business models and have prioritized the management of conflicts of interest, strengthened their compliance systems and procedures, and invested significant resources while providing meaningful protections. Across the 20 survey participants, approximately $114 million has been allocated to readiness efforts.

SAFEGUARDING INVESTOR PRIVACY

www.sifma.org/privacy-data-protection

SIFMA supports data privacy policies, which take into account existing, strong Federal rules under the Gramm-Leach-Bliley Act that ensure firms maintain privacy in their client relations and transparency in how data is being used and protected.

Data privacy is a top priority for financial firms. Investors are increasingly looking for transparency as they determine how their data is being used and how it is being protected. SIFMA supports a federal privacy framework that would preempt state law, as many of our firms function regionally, nationally, and globally. In financial services, the Gramm-Leach-Bliley Act, has served as the cornerstone for the industry's data privacy framework. Should there be a change to how data privacy is handled at the federal level, it is critical that any framework take into consideration how changes to privacy law would affect the Gramm-Leach-Bliley Act.

Privacy & Data Aggregation

Personal financial information is invaluable and the financial industry is committed to ensuring the safety of the clients we serve at every turn. SIFMA believes a federal privacy and data breach standard is necessary to best protect the personal financial data of all Americans. SIFMA is a founding member and serves on the Board of the Financial Data Exchange (FDX), a subsidiary of FS-ISAC tasked with developing technical solutions for secure data aggregation.

BUILDING THE INDEPENDENT CONTRACTOR MODEL

www.sifma.org/independent-contractor

SIFMA supports preservation of the independent contractor status in the financial services industry where independent broker-dealer and independent financial advisors can provide services to their retail and institutional clients.

The gig economy has changed the labor landscape in the United States drastically in recent years. Many of these workers are classified as independent contractors under the National Labor Relations Act (NLRA). There is debate as to whether this is an appropriate classification for those workers; however, in the financial services industry, many brokers and advisors choose to operate as independent contractors.

Independent broker-dealers (IBDs) and the nearly 160,000 individuals that affiliate with them as independent financial advisors (IFAs) serve millions of clients across the U.S. by providing investment advice and education. IFAs provide crucial advice on retirement planning, educational funding, and other life events retail investors in addition to offering other services and products, such as insurance and tax planning, that address their clients' financial well-being holistically.

Independent contractor status allows independent financial advisors to own and operate their own small business. Independent financial advisors also benefit from a decentralized business structure, which expands the accessibility of financial advice and planning in parts of the country that would otherwise not be served. Notably, independent financial advisors work in a highly regulated industry and are required by securities laws to associate with a broker-dealer to protect investors.

In 2019, California enacted a new worker classification law. It, however, avoided the unintended consequences of capturing traditional independent contractor models like ours by exempting the securities and insurance industries, realtors, doctors, and direct sales agents among others from the law's purview. We encourage lawmakers to exempt independent broker dealers and independent financial advisors from any legislation that would prevent financial services professionals from freely choosing to be independent contractors.

TAX POLICY SUPPORTING ECONOMIC GROWTH

www.sifma.org/tax

Taxes impact the savings and investment decisions of individuals and corporations and are a necessary means for funding the government. SIFMA believes reasonable taxation and economic growth are not mutually exclusive and encourages policy makers to consider both when contemplating changes to the tax code. Many of SIFMA's members are global taxpayers as well, therefore international standards for raising revenue should consider the highly regulated nature of the financial services industry. SIFMA's member firms are willing and prepared to help policymakers wade through the nuances and goals of their respective tax policy.

Capital Gains and Dividends: Dividends are payments made by a corporation to an individual who owns the corporation's stocks. Investors who receive dividends must pay taxes on them through their personal income taxes. The dividend tax paid by investors is the second time taxes are paid on that income, hence the dividend tax is a double tax. First, a corporation pays taxes on its profits and pays dividends from what remains. Once the dividend is received by an individual, the stockholder pays a second tax on that same money through their person income tax filing.

The U.S. has one of the highest tax burdens on dividends in the world. Of the 25 million tax returns with dividends, 63 percent are from taxpayers age 50 and older, and 68 percent are from returns with incomes less than $100,000. Increasing the dividend tax would make the U.S. system of double taxation on corporate profits and dividends worse and continue to hamper U.S. competitiveness. Increasing the dividend tax does nothing more than disincentivize investments in these dividend paying companies, which are often the most stable American strongholds that employ union employees, provide health care, and provide pensions for their employees. Devaluing an investment in these companies would reduce stock prices, ultimately hurting the overall value of companies and continuing to hamper any chance they have at being competitive.

Financial Transaction Tax: A financial transaction tax (FTT) is essentially a sales tax on investors. They tax trades in the amount of a fraction of a percent, and the costs are passed along to investors and savers. Taxing savings and retirement vehicles runs counter to many longstanding policies promoting savings and economic growth, and the negative impact on the world's most liquid market is of further detriment to all investors.

FTTs in general reduce the return on investment savings and could require many middle- and lower-income citizens to significantly delay their retirement. For example, a Vanguard analysis shows the cost to an individual saving for retirement, who invests $10,000 per year over 40 years in a balanced portfolio of actively managed stocks (60%) and bonds (40%), with a 10-basis point FTT imposed on purchases of securities would be some $36,000–more than 3 ½ years of annual savings. Moreover, in jurisdictions where FTTs have been implemented, they have consistently lowered trading volumes and hurt liquidity.

> "A Financial Transaction Tax, or FTT, would tax middle class savers, including pension funds, 401ks and IRAs. At a time when market development, efficiency and competition are driving the cost of investing toward zero, it makes little sense to increase the cost through what is essentially a sales tax. Further, the threat such a tax poses to the efficiency of the U.S. capital markets is real. It begs the question, what's the point?"
>
> **Kenneth E. Bentsen, Jr.**
> **President and CEO, SIFMA**
> **February 18, 2020**

EXAMINING THE INTERPLAY OF FINANCE AND INTERNATIONAL POLICY

www.sifma.org/international-policy

Modern capital markets operate in an inherently cross-border framework. SIFMA supports an open, rules based, global economy in which financial services can do its part to boost exports, investment and global economic growth.

Data: In the 21st century, the ability to transfer data across borders and locate servers where needed is crucial for U.S. financial services firms operating globally. Unfortunately, many countries have implemented data localization policies that hinder the free flow of data, imposing economic costs both on the industry and the GDP of countries pursuing such regulations. The United States-Mexico-Canada Agreement (USMCA) included a prohibition on forced data localization, which also granted regulators necessary access. Future trade and investment agreements should include provisions to ensure the free flow of data.

U.S.-China Economic Relationship: SIFMA supports efforts to open China's financial markets to U.S. and other non-Chinese participants. This was a key component of the U.S. and China's Phase One trade agreement and SIFMA believes that China should fully deliver on this commitment with the following actions: remove the foreign equity cap in the life, pension, and health insurance sectors and allow wholly U.S.-owned insurance companies to participate in these sectors; and eliminate foreign equity limits and allow wholly U.S.-owned services suppliers to participate in the securities, fund management, and futures sectors.

U.S.-UK Trade and Regulatory Cooperation: A future U.S.-UK trade agreement offers an unprecedented opportunity for putting financial services at the heart of a new economic relationship while enhancing the economic benefits to both countries. The future relationship between the U.S. and UK in financial services, through a trade and investment agreement, should aim to have four key characteristics: ensure that both economies maximize opportunities for exports and cross-border investment in financial services, integrating the U.S.-UK market in financial services and strengthening the competitive advantage of the industry in both the UK and U.S.; be forward looking and transparent and designed to tackle regulatory frictions early in the rule-making process; strengthen the UK and U.S. as leading influencers of the future international financial regulatory agenda as rule setters; and help re-define how trade and investment agreements are conceived, by fully integrating services and addressing truly 21st century challenges arising from modern technology and cross-border operations.

PRUDENTIAL REGULATION OF THE CAPITAL MARKETS

www.sifma.org/prudential-regulation

Prudential regulation requires financial firms to control risks, hold adequate capital and liquidity, and have in place workable recovery and resolution plans. It is essential that our regulatory regime accounts for the vital role the capital markets play in providing credit and financing the real economy.

SIFMA supports appropriate regulation of the capital markets and their participants by both market regulators, who have decades of experience in promulgating rules and supervising the marketplace, as well as prudential regulators. Unfortunately, too often these prudential rules treat capital markets activities as riskier than commercial lending activities without evidence to support this position taken by the prudential regulators. U.S. prudential rules generally impose significantly higher capital and liquidity costs on banking entities with significant capital markets operations. This has increased costs to financial firms and the economy as a whole and reduced market depth for a wide variety of corporations and other end-users, particularly during periods of economic stress. This has also had another effect: transforming U.S. banking regulators into the most impactful supervisor of the capital markets superseding the oversight role traditionally played by the SEC and CFTC. This has created distortions in the capital and liquidity requirements between market and prudential regulators as well as lessened the efficiencies by increasing costs to end users.

US Risk-Based Capital and Global Basel Standards: There remains substantial capital markets regulations in the form of the Basel end package which will be promulgated only by the U.S. federal banking regulators. The impact of these new regulations is not fully known as the U.S. has yet to publish a notice of proposed rulemaking (NPR) for the Fundamental Review of the Trading Book including Credit Valuation Adjustments or the revisions. However, should the Basel Framework be largely adopted in the U.S., it is expected that capital requirements in terms of Risk Weighted Assets will dramatically increase. It is critical that the U.S. banking supervisors carefully review and analyze the implication of such a needlessly conservative and frankly unduly complex rule on the efficiency and function of the U.S. capital markets.

Non-Bank Financial Intermediation: In November 2020, the Financial Stability Board (FSB) published its Holistic Review of the March Market Turmoil and an accompanying work program on non-bank financial intermediation (NBFI) that will take place between 2021 and 2022. The work program will focus on areas including resiliency of money market funds (MMFs) and open-ended funds, government and corporate bond markets, the impact of post-financial crisis prudential regulation, and margining practices of CCPs. SIFMA will actively engage with key domestic and international policymakers on the issues raised by the work program.

> “Banks entered the current crisis in a much stronger position than they did the global financial crisis… We at the Federal Reserve concluded that our banks would generally remain well capitalized under a range of extremely harsh hypothetical downside scenarios stemming from the COVID event.”
>
> **Randal K. Quarles**
> **Vice Chair for Supervision and Chair of the Financial Stability Board**

COMMUNITY

Being part of and creating community requires an understanding that diversity and inclusion in the financial services industry is an issue of utmost importance. Financial industry leaders, regulators, and corporate stakeholders play a pivotal role in shaping organizational culture to achieve a more inclusive and effective workforce.

Our society also has an extreme need for financial literacy, an issue that has broad implications for our communities and the larger economy. At SIFMA, we are committed to tackle this issue from the ground up, empowering the next generation with an understanding of the market economy and teaching good financial habits that when taught young can last a lifetime.

FOSTERING A DIVERSE & INCLUSIVE FINANCIAL INDUSTRY

SIFMA and its members strive to provide firms across the financial services industry with the resources needed to achieve, expand and promote workforce, client, and supplier diversity and inclusion. Through SIFMA's Diversity & Inclusion Advisory Council, we assist member firms in developing their diversity initiatives to increase inclusion in the workplace and in their efforts to market to diverse customers. For more than 20 years, the Council has conducted a benchmark survey and encourages more of our member firms to participate.

While this clearly is a work in progress for the industry, having conversations and working towards a more diverse and inclusive future is imperative. As such, SIFMA's Diversity & Inclusion Council has identified six pillars to concentrate the industry's efforts around diversity and inclusion initiatives:

Metrics and Measurement

Measure and demonstrate progress in the financial services industry, through improved D&I metric reporting and providing more industry transparency.

Diversity and Inclusion Training

Build the cultural competence of leaders, including unconscious bias training.

D&I Business Opportunity

Attract diverse clients and diverse suppliers.

Talent Acquisition

Recruit, nurture and retain a diverse workforce by implementing strategies to cultivate pipelines and expand targeted recruiting efforts.

Leadership Development

In addition to recruiting and retention, there also needs to be a focus on Leadership Development to advance more women and people of color into senior roles.

Community Outreach and Engagement

Increase financial literacy across schools. Identify diverse rising talent through programs targeting secondary schools and accredited colleges and universities.

SIFMA recognizes that achieving diversity is an evolutionary process that requires an ongoing commitment to diversity policies and practices, as well as regular assessments to evaluate the effectiveness of workforce and employment practices, business practices and supplier diversity, and transparency of organizational diversity and inclusion.

Diversity and inclusion in the financial services industry remains a SIFMA Board priority and of utmost importance. SIFMA looks forward to continuing our leadership role in the future.

> I'm excited to be coming in as Vice Chair at SIFMA. A big part of my agenda is really going to be to enlighten our member firms. They say they want to figure this out, they want to do better. I know there is an amazing number of [diverse] people that want to work in this industry. We just need to connect the dots and that's going to be my focus.

Jim Reynolds
Chairman & Chief Executive Officer, Loop Capital Markets LLC
Vice-Chair, 2021 SIFMA Board of Directors

THE SIFMA FOUNDATION

For more than 40 years, the SIFMA Foundation has strengthened economic opportunities for individuals of all backgrounds by increasing their understanding of the benefits of the global capital markets. Through a robust portfolio of dynamic, rigorous online educational programs that introduce young people to the financial industry and emphasize asset allocation, long-term planning, diversification and problem solving, the SIFMA Foundation has leveled the playing field for 20 million youth to participate in the global marketplace and become the next generation of financial professionals.

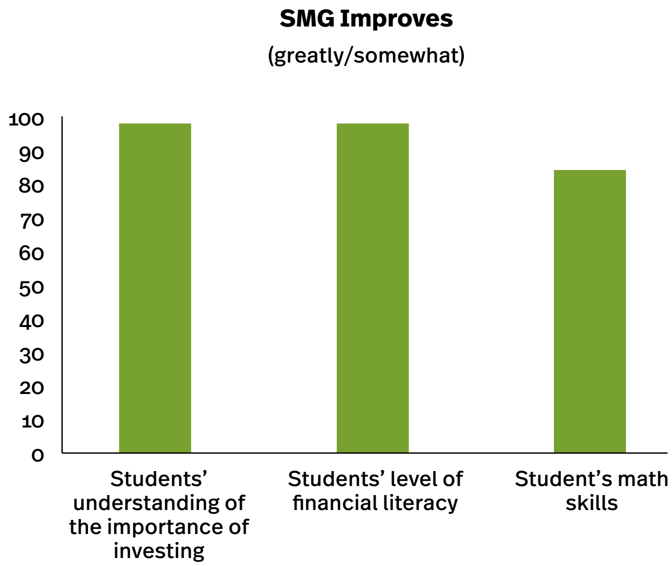
Year after year, SIFMA member firms' critical support enables the SIFMA Foundation to cultivate a pipeline of diverse young talent for the sector by equipping elementary through high school teachers to engage their students firsthand in personal finance and the capital markets, prepare them for college and the workplace, and motivate them to explore jobs and careers in the financial sector. In addition, the SIFMA Foundation promotes financial education best practices and thought leadership through multi-sector partnerships, including 13,000 industry professionals who support as volunteers through Invest It ForwardR and every member of Congress through the Capitol Hill ChallengeTM. With its suite of acclaimed programs, the SIFMA Foundation has advanced financial capability for 600,000 students each year, including 300,000 girls and 200,000 students of color.

> Students who participated in The Stock Market Game™ scored significantly higher on mathematics and financial literacy tests than their peers who did not participate.
>
> **Learning Point Associates**
> **Independent Study**

The SIFMA Foundation honored champions of Financial literacy - Tom James of Raymond James and Charlotte McLaughlin of PNC Capital Markets - at the 2019 Tribute Dinner in New York City.

Teachers consistently speak about the positive influence SIFMA Foundation programs have on their students. The educational impact of the SIFMA Foundation's Stock Market Game™ (SMG) is unmatched, with proven increases in student engagement and class participation and improved academic performance and financial behavior. An independent study by Learning Point Associates found Stock Market Game students scored significantly higher on mathematics and financial literacy tests than their non-SMG peers. They also found that SMG teachers reported the program motivated them to better plan for their own financial future and engage in financial planning, research, and use of investment products and services.

The SIFMA Foundation offers a variety of volunteer and community engagement activities for financial professionals, in-person and online. From visiting classrooms to judging student essays, the SIFMA Foundation has a volunteer opportunity just right for you. Sign up today and discover specific ways you can bring your passion and expertise into classrooms.



Source: The Stock Market Game Teacher Survey

94% of Stock Market Game teachers were satisfied or extremely satisfied with their SMG experience.

RESOURCES

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Key Resources

Advocacy & Resources
Comment letters, white papers, articles and more on market policy and regulation
www.sifma.org/resources

SIFMA Insights
Thoughtful and unique views on the markets, the industry and the economy
www.sifma.org/insights

SIFMA Research
Data and reports on the capital markets and securities industry
www.sifma.org/research

SIFMA SmartBrief
A daily, concise news briefing on news impacting the capital markets
www.sifma.org/smartbrief

Podcasts & Blogs
Musings from the intersection of public policy and financial markets
www.sifma.org/news

My Profile
Update your profile to receive important information and event updates
https://my.sifma.org

OUR COMMITTEES

SIFMA is a member-driven organization. On behalf of our industry's one million employees, SIFMA's committees share their views on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We engage with policymakers and regulators through comment letters, testimony, research and more. SIFMA's committee structure includes 33 standing committees, 30 forums and 8 advisory councils overseen by 6 Board subcommittees.

Committees

Asset Management

- SIFMA AMG Government Affairs Committee
- SIFMA AMG International Regulatory Committee
- SIFMA AMG Operations Committee
- SIFMA AMG Steering Committee
- SIFMA AMG U.S. Regulatory Committee

Capital Markets

- Corporate Credit Committee
- Equity Markets and Trading Committee
- Listed Options Trading Committee
- Municipal Securities Committee
- Primary Markets Committee
- Prime Brokerage and Securities Lending Committee
- Rates and Funding Committee
- Securitization Committee
- Swap Dealer Committee

Government Relations & Communications

- Federal Government Representatives Committee
- International Policy Committee
- State Regulation & Legislation Committee

Legal & Compliance

- Amicus & Litigation Advisory Committee
- Anti-Money Laundering (AML) & Financial Crimes Committee
- Compliance & Regulatory Policy Committee
- Technology & Regulation Committee

Operations & Technology

- Business Continuity Planning Committee
- Cybersecurity Committee
- Operations & Technology Steering Committee

Private Client & Wealth Management

- Arbitration Committee
- ERISA/Retirement & Savings Committee
- Private Client Services Committee
- Private Client Legal Committee

Prudential & Capital

- Accounting & Capital Committee
- Federal Tax Committee
- Prudential Committee
- State Tax Committee
- Tax Compliance and Committee

Councils

- SIFMA Advisory Council
- Communications Council
- Diversity & Inclusion Advisory Council
- General Counsels Committee
- Muni Swap Index Advisory Council
- SIFMA AMG MAC Advisory Council
- Regional Firms Advisory Council
- TBA Guidelines Advisory Council

Forums

Asset Management Group

- SIFMA AMG CCO and Enforcement Forum
- SIFMA AMG Collateral Operations Forum
- SIFMA AMG Counterparty Risk Forum
- SIFMA AMG Custodian Operations Forum
- SIFMA AMG Derivatives Forum
- SIFMA AMG ETF Forum
- SIFMA AMG Fixed Income Market Structure Forum
- SIFMA AMG Operational Risk Forum
- SIFMA AMG Securitization Forum
- SIFMA AMG Tax Forum

Capital Markets

- MBS Operations Forum
- Municipal Legal Forum
- Retail Fixed Income Forum
- Swap Dealer Compliance Forum

Legal & Compliance

- Electronic Communications & Records Forum
- Employment Lawyers Forum
- Privacy & Data Protection Forum

Operations & Technology

- Banking Services Management Forum
- Blockchain Forum
- Clearing Firms Forum
- Corporate Actions Forum
- Credit and Margin Forum
- Customer Account Transfer Forum
- Insider Threat Forum

Private Client & Wealth Management

- Senior Investor Protection Forum

Prudential & Capital

- Capital Forum
- Foreign Bank Forum
- Governance, Resiliency and Resolution Forum
- Liquidity Forum
- Regulatory Capital and Margin Forum

The GFMA Partnership

www.gfma.org

The Global Financial Markets Association (GFMA) is an extension of its regional association members: AFME in Europe, ASIFMA in Asia and SIFMA in the United States. GFMA's mission is to provide a forum for global systemically important banks to develop policies and strategies on issues of global concern within the regulatory environment.

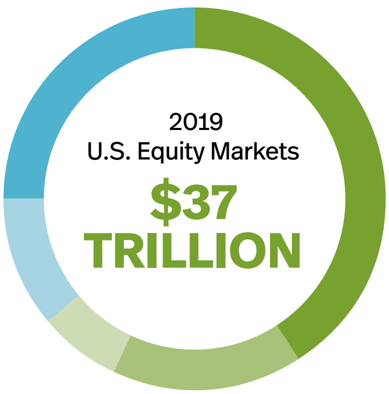
CAPITAL MARKETS FACT BOOK

www.sifma.org/fact-book

The SIFMA Capital Markets Fact Book is an annual reference containing comprehensive data on the capital markets, investor participation, savings and investment, and securities industry.

In 2019, the securities industry raised $2.1 trillion of capital for businesses through corporate debt and equity issuance activity in the United States.

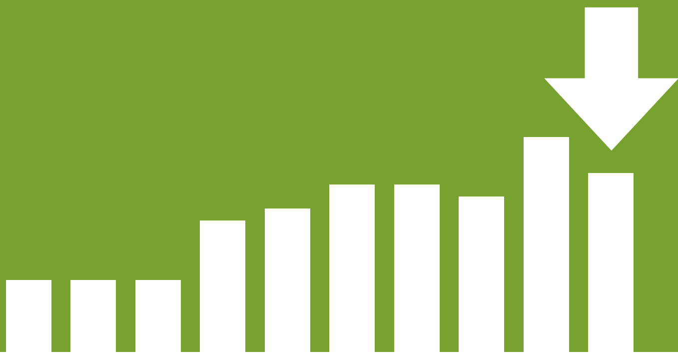
EQUITY MARKETS



U.S. equity markets **39% ($37 trillion)** of the **$95 trillion** in global equity market cap, or **3.9x** the next largest market, the EU (ex-U.K.)

U.S. issued **$228 billion** in equities, **+2.9% Y/Y** but still down **24.9%** from the 2014 peak

U.S. IPOs totaled **$49 billion, -2.1% Y/Y** but still down **47.8%** from the 2014 peak



In 2019, the securities industry raised

$2.1 TRILLION

of capital for businesses through debt and equity issuance activity in the United States. Results were mixed across asset classes, with **equities +2.9%** and **fixed income -14.6%**, which was driven by a **56.7% decline** in non-agency MBS.

Sources: Bloomberg, Dealogic, Refinitiv

FIXED INCOME MARKETS

U.S. fixed income markets **39% ($41 trillion)** of the **$106 trillion** global securities outstanding, or **1.9x** the next largest market, the EU (ex-U.K.)

U.S. fixed income outstanding breakout:
37.1% U.S. Treasuries;
22.9% mortgage-backed securities;
21.3% corporate bonds;
8.6% municipal bonds;
4.1% agency debt; &
3.7% asset-backed securities

U.S. issued **$8.2 trillion** in fixed income securities, **+10.0% Y/Y**

RETIREMENT ASSETS & SAVINGS

There are **$39 trillion** of U.S. retirement assets (+10.8% Y/Y), broken out by:

28.2% IRAs;
28.1% private retirement plans;
24.1% state and local government pensions;
10.6% federal government pensions; and
8.9% insurance company annuities

U.S. household liquid financial assets were **$50 trillion** (+16.9% Y/Y), broken out by:

41.6% equities;
22.9% deposits;
19.8% mutual funds;
5.4% U.S. Treasuries;
3.8% municipal bonds;
4.5% money market funds; and
2.0% corporate bonds

2018 U.S. household savings rate was **8.0%** (up 0.8% Y/Y, down 1.1% from the 2012 peak); both German and French households save more than the U.S., **11.0%** and **8.4%** respectively

SECURITIES INDUSTRY

There are **3.5 thousand** broker-dealers in the U.S.; this is **2.5% Y/Y decline**, down **31.1%** since 2005

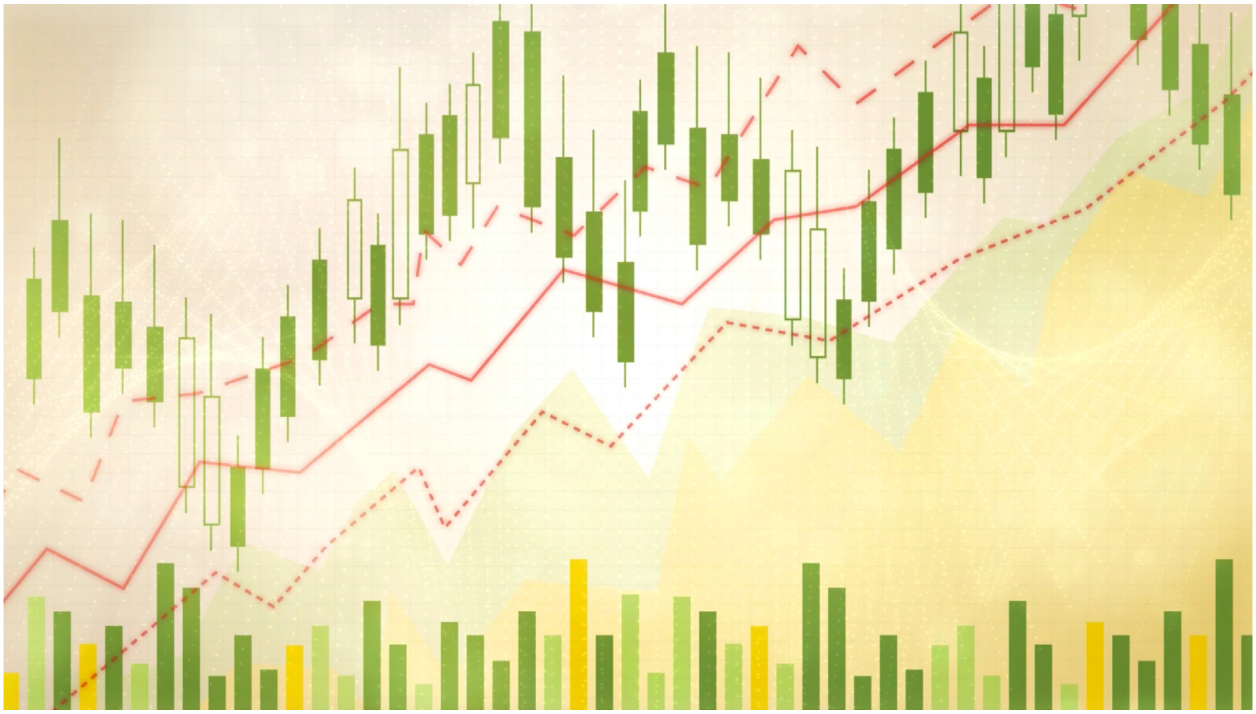
There are **971 thousand** securities industry employees in the U.S., with **21%/19%** in New York State/New York City; this is up **0.9% Y/Y**, and **+14.7%** since 2005

FINRA registered broker-dealer revenues **$388 billion**, **+7.5% Y/Y** and a **7.1%** CAGR since 2014; operating expenses **$344 billion**, **+8.1% Y/Y** and a **6.8%** CAGR since 2014

PRIMERS, BY SIFMA INSIGHTS

www.sifma.org/primers

The SIFMA Insights market structure primer series is a reference tool that goes beyond a typical 101. By illustrating important technical and regulatory nuances, SIFMA Insights primers provide a fundamental understanding of the marketplace and set the scene to address complex issues arising in today's markets.



PRIMER SERIES

Global Capital Markets & Financial Institutions Primer
Let's start at the beginning: what is the function of the capital markets? How is a financial institution structured? Why do capital markets matter?

Electronic Trading Market Structure Primer
Technology is now part of market DNA but defining electronic trading is not black and white. Here, we attempt to do so by providing an overview of the types of platforms and strategies utilizing a form of electronic trading.

US Equity Capital Formation & Listings Exchanges Primer
Initial public offerings (IPOs) are an important way for businesses to grow, innovate and better serve their customers. Yet, the number of public companies has declined 46% since its peak in 1996. Why might that be? What can be done?

US Equity Market Structure Primer
Efficient and resilient market structure is key to sustaining investor confidence and participation underpinning the equity markets.

US Multi-Listed Options Market Structure Primer
An option is a contract to buy or sell an underlying asset or security at a specified price on or before a given date.

US ETF Market Structure Primer
Exchange-traded funds (ETFs) are pooled investment vehicles that have experienced significant growth since 2000.

US Fixed Income Market Structure Primer
Fixed income markets are an integral component to economic growth, providing efficient, long term and cost-effective funding.

SOFR Primer: The Transition from LIBOR
With an estimated $200 trillion of financial contracts referencing USD LIBOR, much work lies ahead in order to implement a successful reference rate change - and time is of the essence.

The Evolution of the Fintech Narrative
Capital markets have been impacted by the post-crisis transformation of financial institution business models – driven not just by regulations, but also by new financial technologies. In this report, SIFMA Insights assesses how the narrative around analyzing and deploying fintech opportunities has evolved throughout the past decade and changed the world in which we operate.

MARKET STRUCTURE: CAPITAL MARKETS AT-A-GLANCE

Capital, raised through equity and debt, can be used to grow businesses, finance investments in new plant, equipment and technology and fund infrastructure projects. This creates jobs and flows money into the economy. Additionally, businesses and individuals can invest in securities to generate wealth.

The capital markets can be broken into:

Primary Markets

- Issuers create new securities and sell them to investors
- Sales of new issuances carried out through discrete transactions
- Securities issued at a single price

Secondary Markets

- Investors trade securities, (typically) no issuer involvement
- Trading of securities can occur continuously
- Securities traded at market prices, fluctuating

PRIMARY MARKETS

ISSUANCE

Equity

- Stocks and other equity-related products
- Owned capital for the issuer
- Buyer receives ownership in the company
- Buyer's return is dividends, more variable and potentially irregular

Fixed Income

- Government bonds, munis, corporate bonds, MBS, ABS, agency, etc.
- Borrowed capital for the issuer
- Buyer does not receive ownership; issuer obligated to repay debt
- Buyer's return on bonds is from interest payments, fixed and regular (varies for securitized products)

SECONDARY MARKETS

TRADING

Exchange-Traded

- Traded on a registered securities exchange or alternative trading system
- More agency based
- Frequent, continuous trading
- Homogeneous products
- High number of market participants

Over-the-Counter (OTC)

- Off-exchange trading between counterparties
- More principal based
- Infrequent, less continuous trading
- Less homogeneous products, more CUSIPs – ex: large financial institution may have 1,500 bond CUSIPs vs. 1 stock
- Dealer-to-Dealer (D2D) – dealers trade amongst each other
- Dealer-to-Client (D2C) – dealers trade with institutional clients

Electronification

- Increasing trend of trading on electronic trading platforms
- May match counterparties in the negotiation or execution stages
- Forms differ by trade protocols and types of end users

MARKETS

Cash/Spot

- Market for the immediate settlement of transactions (settled on the spot)
- Exchange traded: equities
- OTC: currencies, bonds, etc.

Futures

- Auction market where standardized contracts are bought and sold for delivery on a specified future date
- Price is marked-to-market daily, value fluctuates until the contract ends
- Exchange traded: multiple asset classes

Forward

- Market setting the price of an asset for delivery on a set date in the future
- Price is fixed, contract settles on the date of the end of the contract
- OTC: currencies, etc.

PRODUCTS

Financial Instruments

- Equities (exchange traded)
- Listed options (exchange traded)
- Bonds (OTC)

Derivatives

- Security whose price is directly dependent upon (derived) from the value of an underlying asset(s) or pricing index
- Predominantly used for hedging
- Exchange traded or OTC

Structured Products

- Replace payment features and returns of a traditional security with payments derived from the performance of an underlying security(ies)
- Facilitates customized risk-return objectives
- OTC traded

Securitization

- The process of designing a new financial instrument by packaging underlying assets with similar characteristics, supported by cashflows from those assets
- Transforms illiquid assets into tradable securities
- OTC traded

2021 HOLIDAY SCHEDULE

www.sifma.org/holiday-schedule

On behalf of financial market participants, SIFMA recommends a holiday schedule in the U.S., U.K. and Japan. All SIFMA holiday recommendations apply to the trading of U.S. dollar-denominated government securities, mortgage- and asset-backed securities, over-the-counter investment-grade and high-yield corporate bonds, municipal bonds and secondary money market trading in bankers' acceptances, commercial paper and Yankee and Euro certificates of deposit. Previously scheduled SIFMA early close recommendations do not affect the closing time for settlements.

Holiday	Recommended Early Close (2:00 p.m. Eastern Time)	Recommended Close
New Year's Day 2021	Thursday, December 31, 2020	Friday, January 1, 2021
Martin Luther King Day	None	Monday, January 18, 2021
Presidents Day	None	Monday, February 15, 2021
Good Friday	Friday, April 2, 2021	
Memorial Day	Friday, May 28, 2021	Monday, May 31, 2021
U.S. Independence Day	Friday, July 2, 2021	Monday, July 5, 2021
Labor Day	None	Monday, September 6, 2021
Columbus Day	None	Monday, October 11, 2021
Veterans Day	None	Thursday, November 11, 2021
Thanksgiving Day	Friday, November 26, 2021	Thursday, November 25, 2021
Christmas Day	Thursday, December 23, 2021	Friday, December 24, 2021
New Year's Day 2020	Friday, December 31, 2021	Friday, January 1, 2022

BUSINESS CONTINUITY PLANNING AND CYBERSECURITY

www.sifma.org/bcp | www.sifma.org/cybersecurity

SIFMA leads a number of projects and services on behalf of the financial industry to help members secure, maintain and recover business operations against disruptions and threats, thereby promoting a safer and more resilient marketplace.

Cybersecurity Resources
www.sifma.org/cybersecurity

Quantum Dawn 6 Cybersecurity Exercise
Fall 2021

Business Continuity Planning (BCP) Resources
www.sifma.org/bcp

Industry-Wide Business Continuity Test
Saturday, October 23, 2021

Emergency Crisis Management Command Center
www.sifma.org/emergency

In the event of an industry-wide emergency, SIFMA convenes market participants; issues market close recommendations; and coordinates with market infrastructures, regulators and emergency personnel including the U.S. Treasury, New York City Office of Emergency Management and more.

2021 CONFERENCES AND EVENTS

www.sifma.org/events

SIFMA conferences, events and webinars foster meaningful conversations about the capital markets and offer valuable professional development opportunities. Our offerings pivot quickly based on the current environment; visit us online to view our full calendar of timely, upcoming events.

Signature Events

Securities Industry Institute (SII)
January 25 – April 16

Operations Conference & Exhibition
October 4–7

SIFMA C&L Annual Seminar
October 13–15

SIFMA Annual Meeting
November 1–2

SIFMA On Demand

SIFMA On Demand offers a library of our content from our webinars and events – available at your fingertips and on your schedule. Watch now at www.sifma.org/on-demand.

Terms to Know

CFTC	Commodity Futures Trading Commission
Fed	Federal Reserve System
FINRA	Financial Industry Regulatory Authority
SEC	Securities and Exchange Commission
CAGR	Compound Annual Growth Rate
FTT	Financial Transaction Tax
Reg BI	Regulation Best Interest
Fintech	Financial Technology
AI	Artificial Intelligence
Cloud	Cloud Computing
Cyber	Cyber Security
DLT	Distributed Ledger Technology*
PII	Personally Identifiable Information
Regtech	Regulatory Technology
RPA	Robotic Process Automation
CCAR	Comprehensive Capital Analysis and Review
CET1	Common Equity Tier 1
G-SIB	Global Systemically Important Bank
TLAC	Total Loss-Absorbing Capacity
SA-CCR	Standardized Approach for Counterparty Credit Risk
SLR	Supplemental Leverage Ratio
eSLR	Enhanced Supplemental Leverage Ratio
SCB	Stress Capital Buffer
FRTB	Fundamental Review of the Trading Book
GMS	Global Market Shock
LCD	Large Counterparty Default

EMS	Equity Market Structure
ADV	Average Daily Trading Volume
AUM	Assets Under Management
CAT	Consolidated Audit Trail
ECM	Equity Capital Markets
ETF	Exchange-Traded Fund
IPO	Initial Public Offering
Reg NMS	Regulation National Market System
SIP	Security Information Processor
SRO	Self Regulatory Organization
FIMS	Fixed Income Market Structure
FICC	Fixed Income, Currencies and Commodities
DCM	Debt Capital Markets
ABS	Asset-Backed Securities
Agency	Federal Agency Securities
ARRC	Alternative Reference Rates Committee
Corporates	Corporate Bonds
GCF Repo	General Collateral Financing Repo
LIBOR	London Interbank Offered Rate
MBS	Mortgage-Backed Security
MM	Money Markets
Munis	Municipal Securities
Repo	Repurchase Agreement
SOFR	Secured Overnight Financing Rate
TMPG	Treasury Market Practices Group
UST	U.S. Treasury Securities

** Blockchain is one type of DLT*

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