



PRINCIPAL TRADERS
GROUP



MANAGED FUNDS
ASSOCIATION



asset management group

FOR IMMEDIATE RELEASE
28 June 2016

Industry Groups Urge Focus on Risk Controls in CFTC's Proposed Rule on Automated Trading

Washington, D.C. – The [FIA](#), [FIA Principal Traders Group](#) (FIA PTG), [International Swaps and Derivatives Association, Inc.](#) (ISDA), [Managed Funds Association](#) (MFA), and [SIFMA's Asset Management Group](#) (SIFMA AMG) sent a [joint letter](#) to the Commodity Futures Trading Commission (CFTC) in response to the reopened comment period on their [proposed rule on regulation automated trading \(Reg AT\)](#).

The Associations emphasized industry consensus on the importance of risk controls and principles-based rulemaking. The letter urges the CFTC to separate the rulemaking into phases and to first address pre-trade risk controls, which have been proven to be the most effective safeguard for markets.

The letter primarily focuses on two topics that have caused significant debate since the CFTC first released the proposed rule: registration and source code access.

On registration, the letter notes that, “history has shown that any market participant, regardless of registration status or type of trader, has the potential to cause marketplace disruptions.” Therefore, the Associations believe that the rule would be more effective if it focused on ensuring that all electronic orders are subject to pre-trade risk controls, rather than centering on the scope of the registration requirement. The letter explains that if the CFTC believes it needs to establish a new registration requirement, it should do so separately from Reg AT.

However, should the CFTC decide that it must tie registration to risk controls, the Associations propose an alternative framework that would ensure that all electronic market activity is subject to appropriate risk controls by requiring that all electronic trading must pass through the pre-trade risk controls of a CFTC registrant.

-more-

With respect to the issue of source code, the Associations remain strongly opposed to the level of access proposed by the CFTC. This issue has proved controversial since the release of the proposed rule, as it allows for unfettered access to a firm's intellectual property. As the letter notes, this requirement "is unprecedented among regulators and threatens commercially valuable intellectual property and proprietary trading strategies."

While the Associations do not support access to source code without a subpoena, they are proposing an objective definition to help the CFTC clearly define what constitutes source code. Furthermore, the Associations propose a framework for a principles-based retention policy that would ensure regulators, after obtaining a subpoena, have access to consistent records in the event of a market disruption.

[The letter can be found online here and on the associations' websites.](#)

###

For FIA and FIA PTG media inquiries, please contact: [Heather Vaughan](#)

For ISDA media inquiries, please contact: [Lauren Dobbs](#)

For MFA media inquiries, please contact: [Nick Simpson](#)

For SIFMA AMG media inquiries, please contact: [Liz Pierce](#)

About FIA

[FIA](#) is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry. FIA's mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA's member firms play a critical role in the reduction of systemic risk in global financial markets.

About FIA PTG

[FIA PTG](#) is an association of more than 20 firms that trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated, and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. FIA PTG advocates for open access to markets, transparency, and data-driven policy.

-more-

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

ISDA® is a registered trademark of the International Swaps and Derivatives Association, Inc.

About Managed Funds Association

Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA Members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns. MFA has cultivated a global Membership and actively engages with regulators and policy makers in Asia, Europe, the Americas, Australia and all other regions where MFA Members are market participants. For more information, please visit: www.managedfunds.org.

About SIFMA AMG

SIFMA's Asset Management Group members represent U.S. asset management firms whose combined assets under management exceed \$30 trillion. The clients of AMG member firms include, among others, registered investment companies, endowments, state and local government pension funds, private sector Employee Retirement Income Security Act of 1974 ("ERISA") pension funds, and private funds such as hedge funds and private equity funds. For more information, visit <http://www.sifma.org/amg>. SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$20 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.