SIFMA FinTech Conference
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Opening Remarks
As prepared for delivery
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Good afternoon. Welcome to SIFMA's 2017 FinTech conference. It's not hyperbole to say that technology is dramatically transforming how we live our lives. The pace of progress is staggering, the end only limited to our imagination. We see achievements which once would have been the subject of science fiction - like technology to edit the human genome or land a rocket from space on a floating platform in the ocean. These innovations are coming out of the labs and research facilities, empowering new competitors to challenge existing products and ways of doing business, and pushing established firms to plan for how they can embrace the capabilities offered by these new technologies.

All of us here today understand the that the innovations in technology occurring today don't just mean firms can add new features and functions – instead they are forcing us to rethink the fundamentals of our businesses.

- How will you use technology to leverage information to design new products?
- How will it deliver them more efficiently? Or to clients you previously could not reach?
- Will data and analytics help you better understand your risks, pulling together information from across your organization in ways not previously possible?
- Or will it help you meet your regulatory and reporting obligations more efficiently?

These are the questions leaders in our industry are grappling with as they try to understand how the innovations emerging from technology firms and their own innovation labs may reshape their businesses. Over the next two days, experts will explore some of the most transformative technologies in our industry and what they may mean for financial services.

The FinTech revolution is driven at least in part by the risk-taking venture capital that is bringing emerging technologies into our industry, looking for opportunities to improve our markets and processes. In fact, over $40 billion in venture capital has been invested in FinTech startups. Some of these firms and applications will succeed and others will not, but on the whole, they will drive improvements in efficiency and client experience and results.

Evolutions in technology are not new on Wall Street – over the last 40 years, we have seen waves of technology reshaping our industry – but the impact of emerging technologies today looks to be different from prior waves of innovation. Securities firms first looked to new technologies to help automate processes and deal with the inefficiencies of the Paperwork Crisis, with economies of scale in this technology giving new opportunities for growth.

Technology then reshaped the landscape of securities markets, with developments in algorithmic trading and derivatives creating new products and new ways to trade. Firms took advantage of the internet revolution to connect with clients directly online and build new ways of engaging with their customers.

Looking across firms, we can see some of the areas where FinTech innovations are having an impact today. Emerging technologies are democratizing the access to cutting edge services for both individual investors and firms. Roboadvisor technology provides an easily-accessible product that helps ordinary investors invest and plan for their future. In the institutional capital markets business, firms are using artificial intelligence and machine learning to quickly analyze news and historical events to develop market strategies. It's been used to simplify the process of research report development, and to help trading desks interact with their customers quickly and efficiently. Small and medium sized securities firms can use new these tools to quickly generate insights and trading strategies that once would have required large teams to research – that once may have been the province of only the largest firms.

Underlying these new technologies is the aggregation and integration of unprecedented volumes of "big data," which provides the raw materials for advanced analytics.

Firms, utilities, and technology providers are working closely together to apply the unique features of distributed ledger technology to the capital markets - taking advantage of how it can manage identities, track records, and streamline operations in new ways. With new proofs of concept and industry partnerships being announced regularly, we're quickly learning how to bring this technology into production. And as blockchain develops and is applied in the industry, SIFMA will continue to dialogue with regulators to help ensure it is integrated within existing regulatory frameworks. Financial technologies will also enhance regulatory compliance and supervision. Tools like machine learning can help firms better understand risk and meet their compliance and reporting requirements. Natural language processing can support more effective monitoring of phone calls and email to meet compliance requirements. Know-Your-Customer practices can be greatly enhanced with better data and analytics.

These new technologies can also empower regulators, as big data and machine learning can be used to carry out market supervision and surveillance more efficiently – for example, in the U.S., the Consolidated Audit Trail is designed to capture in one central database the full lifecycle of equity, options and potentially other products, from inception to execution.

SIFMA is proud to provide a forum for the industry to come together and address the best path forward to leverage these new opportunities, ensuring that regulation and business practices promote fairness and don't handcuff innovation. Our goal as an association is to help firms in their quest to improve the client experience, risk management and regulatory compliance as new technologies become a reality. Also, we know that with rapid change comes a heightened responsibility to stay ahead of any new risks that may be introduced, including a steadfast focus on cybersecurity. The industry has managed the impacts of rapid technological change over recent decades, and we'll apply the lessons of this experience to ensure that the marketplace remains resilient for clients.

Before we get started, I'd like to recognize our speakers for sharing their time and insight, and I'd like to thank our sponsors, whose support has helped to make this event possible: Accenture, Broadridge, Deloitte, and KPMG at the diamond level, and our platinum sponsor IBM.

It is now my pleasure to introduce our keynote speaker. Jeffrey Bandman is FinTech Advisor at the U.S. Commodity Futures Trading Commission. He is the CFTC's FinTech lead and chairs the CFTC staff FinTech working group.

Just a few weeks ago, we saw the CFTC plant its FinTech flag with the launch of LabCFTC here in New York. LabCFTC aims to help FinTech firms address regulations and improve the CFTC's own use of technology. It will be a forum for the CFTC to engage with FinTech innovators, and support its staff as they look to apply the potential of emerging technologies to support the CFTC's mission and regulatory responsibilities.

Jeff previously led the CFTC's Division of Clearing and Risk, which has responsibility for overseeing several of the world's largest central counterparty clearinghouses. In this capacity he led the negotiations resulting in "Clearinghouse Equivalence" concluded between the CFTC and the European Commission in 2016.

Prior to joining the CFTC, Jeff worked for many years in the financial industry, including with LCH Clearnet, LiquidityHub the Project Rainbow consortium, and Cantor Fitzgerald.

We're fortunate to have Jeff with us to share his vision for LabCFTC. We're looking forward to his unique insight on FinTech. Please join me in welcoming Jeffrey Bandman.