

## SPEECHES & TESTIMONY

### Remarks of Chairman Heath P. Tarbert at Fintech Forward 2019: Exploring the Unwritten Future

**October 24, 2019**

*As Prepared for Delivery*

Good morning everyone, and thank you, Brian, for the introduction. It's my pleasure to welcome all of you to the CFTC's second annual Fintech Forward conference. After last year's success, we're excited for this to be a recurring event that brings innovators and regulators together.

I want to thank the entire team at LabCFTC as well as the Office of Customer Education and Outreach, the Office of Data and Technology, and our Logistics and Operations team for their hard work in pulling together this great event. In particular, I want to give a special thanks to Brian Trackman, Shivon Kershaw, and Meredith Scialabba. Putting on this event has been a true team effort, and these individuals really stepped up. So thank you.

Today's conference not only coincides with DC Fintech Week, which I spoke at on Monday. It also overlaps with our 27th annual international regulators symposium. So today, we have nearly 100 representatives from 49 international jurisdictions in attendance. Welcome to all of you. Let's give them a big round of applause.

The U.S. derivatives markets are a key part of the global financial system. While the CFTC is the primary regulator of these markets, we can't do this work alone. We collaborate at the federal and state level as well as internationally. Coordinating with our international partners helps reduce systemic risk, avoid market fragmentation, protect customers, and promote basic international standards. It can also help us as regulators keep up with the rapid pace of technological change in our markets. That's why today I'm pleased to announce the CFTC has joined the Global Financial Innovation Network also known as GFIN. Also joining us together in this partnership are the SEC, the Comptroller of the Currency, and the FDIC.

GFIN grew from a 2018 proposal by the UK Financial Conduct Authority to create a global fintech sandbox. The idea was to provide a more efficient way for firms to interact with regulators as they seek to develop, execute, and distribute new technologies. GFIN has also created a new framework for cooperation between financial services regulators on innovation-related topics so they can share different experiences and approaches. It's an absolute necessity that we work together to plan for the ever changing world of technology. So it makes perfect sense for the CFTC to join this important effort.

For this exciting announcement, we're joined by Laura Navaratnam from the UK's FCA. Laura is the manager of the FCA's Innovation Hub. We're honored for you to be here representing the FCA. The FCA has done a tremendous job organizing and leading GFIN. We are proud to now be a part of it. In recognition of your organization's leadership, I'd like to present the FCA with the Chairman's Award for Regulatory Excellence.

Cross-border efforts like this are another step forward to help regulators plan for the ever changing world of technology. They also help advance our mission, which is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation.

Of course, nurturing fintech innovation doesn't just mean more international cooperation. It also means making it more of a priority within the four corners of this building. To seize the unwritten future, we need to look inward as well as outward. As I'm sure many of you saw, two

weeks ago I brought on Melissa Netram from Silicon Valley-based Intuit to lead LabCFTC. We're really excited to have her.

LabCFTC may be relatively new, but fintech innovation isn't. Technological innovation has been happening in our markets for years. For example, Globex started in 1987 enhancing mainframes and data technology; farmers now use data and technology including integrating satellite imagery to forecast and make decisions on production; and combining patterns and trends in AI helps traders and investment advisors.

History has shown that progress depends on how regulators respond to innovation. As famed economist Ludwig von Mises said, "Progress is precisely that which rules and regulations did not foresee." So, bringing together regulators and innovators is essential for the responsible development of these cutting-edge products. Ultimately, the long-term success of our economy is in the balance. We must get it right.

The CFTC started LabCFTC to help meet that challenge. It's the agency's focal point to engage with fintech innovation and promote fair competition. It also serves as our in-house think tank to help us be a 21st century regulator. Because of its importance, I'm pleased to announce that I will be making LabCFTC its own operating office, reporting directly to the Chairman.

Until this announcement, LabCFTC had been housed within the Office of General Counsel. I want to thank Dan Davis, the CFTC's general counsel, for overseeing this initiative these last two years. I also want to thank my predecessor, Chairman Giancarlo, as well as Daniel Gorfine for their vision and leadership in support of LabCFTC.

In its new capacity, LabCFTC will continue to be focused on innovation by serving as a point of entry for innovators interested in the CFTC's regulations, ensuring our employees stay current about the latest technology, and enhancing technology that could help CFTC processes, including enforcement and fighting market manipulation.

Our agency's vision is to be the global standard for sound derivatives regulation. I want the agency to be the resource for you to help identify ways those technologies could fit into the current regulatory structure. Now that LabCFTC's success has been demonstrated, we want to solidify its position within the agency. Now it will take on an even bigger role here at the CFTC and be a critical link to innovators for years, and perhaps decades, to come.

All of these announcements underscore the strong commitment this agency will have to innovation on my watch. From blockchain to digital assets to cybersecurity, the CFTC has an important role to play in shaping the unwritten future. Steve Jobs said that "innovation distinguishes between a leader and a follower." I couldn't agree more. I am fully committed to taking steps so we don't miss out on the benefits of innovation. And we must do so while strengthening our derivatives markets. This requires that the CFTC thoughtfully balance these two objectives. So how do we do that? The best way to strike that balance is through a principles-based approach to regulation. This is a hallmark and unique feature of the CFTC's regulatory heritage. I'll be talking more about this issue tonight at a lecture at Harvard's Kennedy School of Government. But here it is in a nutshell.

Principles-based regulation essentially means we set the destination but leave it to our registrants to find the best path to get there. This approach allows flexibility for our markets to take advantage of new technology and other advances. Yet it still retains fundamental regulatory mandates so everyone knows what is expected of them. Technology moves much faster than regulation – we need to set the parameters so innovation and technology can thrive responsibly. If we the regulator better understand the innovations in our markets, we can make

sure we have the right mix of principles and rules to strike that balance. That's why coming together to discuss these issues like we are today is so important.

The stakes can't be any higher for regulators to get this chapter right. My hope is that conferences such as Fintech Forward can be a positive contribution toward a brighter, more prosperous future. Your agenda today will take you through the intersection of our markets and artificial intelligence, digitization and custody, big data and cloud computing, and global perspectives on these issues and more. I'm excited for you to be here to explore the unwritten future together. It's an honor to be here this morning. Thank you and enjoy the program.