

SPEECHES & TESTIMONY

Opening Statement of Commissioner Rostin Behnam before the Technology Advisory Committee Meeting

I'd like to begin by wishing Commissioner Quintenz a Happy Valentine's Day; and equally important, thanking him for convening today's meeting, and for his sponsorship and leadership of the Technology Advisory Committee (TAC).

You have proposed a comprehensive agenda, and I look forward to exploring these issues of far-reaching consequence with you, Chairman Giancarlo, and the TAC today and throughout 2018.

I'd also like to thank Daniel Gorfine, CFTC Chief Innovation Officer, Director of LabCFTC, and the TAC's Designated Federal Officer for planning today's thoughtful and timely agenda.

Finally, I would like to thank the panelists for sharing their time and insight. It is nice to see many familiar faces, and I look forward to meeting members who I have not yet met.

Committees like the TAC, and also the Market Risk Advisory Committee (MRAC) and Agricultural Advisory Committees (AAC), both of which I am sponsoring, contribute to the overall mission of the Commission by providing a diversity of views and a high-level of expertise on matters that evolve rapidly and carry widespread and sometimes systemic consequences. These advisory committees ensure that the Commission remains abreast of market issues on the horizon that could revolutionize our markets in terms of stability, transparency, and competition; or potentially disrupt markets with shock-triggering liquidity events, increased systemic risk, and susceptibility to fraud and manipulation.

Turning to today's agenda and the year to come, I commend the Committee for identifying and endeavoring to tackle a wide range of complex, novel, and interconnected issues. Twice-awarded Nobel Prize winner Linus Pauling once said, "The best way to have a good idea is to have a lot of ideas." With that in mind, and the combined knowledge in this room, I anticipate that the TAC is going to have a great year.

Leading off today's meeting are virtual currencies and their underlying blockchain or distributed ledger technologies (DLTs). Given the events of the last several months, which included the historic listing of the first bitcoin futures contracts, the price of bitcoin skyrocketing to over \$19,000, the filing of multiple CFTC enforcement actions related to bitcoin fraud, and my personal education in bitcoin, DLT, digital wallets, Ether, Ripple, proof of stake, and something called a CryptoKitty—which I understand is a blockchain collectible – it is no surprise that the TAC will be exploring these important regulatory developments.

As the CFTC continues to aggressively dive into these topics, educating ourselves, engaging with market participants, and ultimately shaping regulatory themes and oversight, we must remain vigilant to transparency and accountability to ensure that stakeholders, customers, and the general public may engage and have an opportunity to contribute to these sea change discussions.

Pivoting to the future of data analytics, machine learning, and artificial intelligence, as the agenda suggests, we need to encourage dialogue between the Commission, the industry, and all other stakeholders to ensure that we provide appropriately tailored oversight and customer protections, while ensuring accountability. Our regulations need to keep pace with technology. Our approach to oversight should reflect current technologies and demonstrate our capacity to participate meaningfully in the adoption of new technologies.

In regard to automated trading technologies, I am pleased that the TAC plans to resuscitate at least some of Regulation AT (Reg AT). As I discussed in prepared remarks last week, the Commission issued proposals in both 2015 and 2016 to establish pre-trade risk controls in an effort to mitigate the potential dangers of an unchecked automated trading system. I am happy to see that this issue will be discussed today, as I think it is vitally important that the Commission take immediate action on Reg AT before an automated trading system run amok causes harm to market participants. As I said last week, the question of a market event, flash crash or otherwise, is not if, but when.

I look forward to the discussion today, and to future discussions with industry participants regarding thoughtful, appropriate regulation of automated trading. Inaction in regard to automated trading simply is not an option.

Lastly, I am pleased that the meeting will close with a discussion of cybersecurity emerging trends and best practices. As I have also said before, although each entity, private institution, or government regulator must prioritize the protection and safety of its own organization, cyber defense is an all hands on deck exercise that demands both financial and human resources to protect our institutions, data, identity, and – in many cases – sovereignty. To that end, cyber risk cannot be viewed as a territorial exercise, where we only seek to protect our own. Any attack on our government or private institutions presents broad market risk, and we must view it as such in order to address and eliminate any symptoms in a systematic manner.

With all these interesting and challenging issues in mind, I would like to briefly acknowledge my support for the President's FY2019 budget request; specifically its level setting of, at least in part, the CFTC's funding mechanism with other U.S. financial regulators. Since Dodd-Frank was signed into law by President Obama nearly eight years ago, the CFTC and its staff have done an amazing job in meeting new statutory responsibilities and duties – with limited resources.

Combining the CFTC's new Dodd-Frank responsibilities, with existing responsibilities, and the continuous advent and development of new technologies, including those discussed today, mean the CFTC's overall duties will continue to grow. I am hopeful that these challenges will be recognized, and consequently supported with funding that at the least matches the President's request. Too much is at stake, and the risks to the financial system are too great.

I look forward to hearing from the panels on all of these important subjects.

Thank you again to Commission Quintenz, Daniel Gorfine, our panelists and the entire TAC. I look forward to today's discussion.

Last Updated: February 14, 2018