

SPEECHES & TESTIMONY

Opening Statement of Chairman J. Christopher Giancarlo before the Technology Advisory Committee Meeting

February 14, 2018

Thank you, Commissioner Quintenz. I want to thank all of the participants. Good morning.

I know that some of you are here because of interest in the topic of virtual currencies. But, we will also examine the impact and implications of other uses of technology in financial markets and trade, including blockchain and distributed ledger technology, data analytics, artificial intelligence, automated trading technologies, cybersecurity, and so much more.

There is a common theme: technology is quickly taking us into new territory with vast ripple effects. What was once science fiction is becoming technological reality. Financial technology, or “FinTech” is having a transformative impact on US derivatives markets. The landscape is changing for trading, markets and the entire financial structure, domestic and global, with far ranging implications for capital formation and risk transfer.

Last week, I had the honor to testify before the US Senate Banking Committee. I said that the first element in the CFTC’s engagement with virtual currencies, as with all technology innovations, was to learn everything we can about the emerging technology and its potential applications. Good public policy and regulation can only be built on a foundation of thorough understanding of the subject matter.

In May of last year, our agency was pleased to announce the launch of its LabCFTC initiative, and soon after the appointment of our Director of LabCFTC and Chief Innovation Officer, Daniel Gorfine. In creating LabCFTC, we outlined an agenda designed to ensure that the CFTC would have the ability to keep pace with technological innovation in support of America’s vital national interest in maintaining the world’s deepest and most durable, competitive, and vibrant capital and risk transfer markets in the algorithmic, digital world of the 21st century.

LabCFTC is the focal point of the CFTC’s efforts to facilitate market-enhancing innovation and fair competition for the benefit of the American public. It also helps to ensure that we can keep pace with changes in our markets, and proactively identify emerging regulatory opportunities, challenges, and risks. We have situated LabCFTC within the CFTC’s Office of the General Counsel. It allows LabCFTC to leverage the expertise of the CFTC’s legal team to manage the interface between technological innovation, regulatory modernization, and existing rules and regulations.

Since its launch, LabCFTC has held over 150 meetings with entities ranging from established financial service firms to start-up companies. It has conducted these meetings through ‘office hour’ sessions in New York, Chicago, Washington D.C., and earlier this year, the San Francisco Bay Area. LabCFTC also published its first primer last October on the topic of virtual currencies, which will be the subject of discussions today. And soon it will be seeking to crowdsource topics for potential innovation competitions.

In selecting Daniel to serve as the Designated Federal Officer and Acting Chair of the TAC, Commissioner Quintenz and I sought to ensure that the efforts of the TAC and LabCFTC were mutually reinforcing and that each could help to inform the other. It is this type of cross-pollination and breaking down of siloes in our organization that can enhance our regulatory efforts as we modernize our approach to engaging with rapidly digitizing markets.

So, this meeting is timely. We see what is on the horizon. We must be prepared and responsible. The present is prelude to the future. As we confront the challenges ahead, we will rely on the wisdom of advisory groups like TAC.

I look forward to your deliberations. Thank you.

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