

## Public Statements & Remarks

### Opening Statement of Commissioner Brian Quintenz before the CFTC Technology Advisory Committee

**July 16, 2020**

Good morning and welcome to our sixth meeting of the Technology Advisory Committee (TAC or Committee).

Before we begin, I would like to express my gratitude to all of the Committee and subcommittee members for so generously giving their time to participate today – especially in light of the additional challenges presented by preparing and holding this meeting remotely.

As usual, we have a lot of ground to cover. The TAC subcommittees have prepared very timely presentations addressing issues that are top-of-mind for the Commission and U.S. derivatives market participants, including cybersecurity lessons learned from the Covid-19 pandemic and remote work environment, a discussion of the Commission's recent proposed rule on electronic trading risk principles, an update on the resiliency and scalability of distributed ledger technology (DLT) systems and potential use-cases, an overview of central bank digital currencies and their place in the derivatives regulatory landscape, and an analysis of the volatility of Bitcoin compared to other assets.

#### *Panel One: Cybersecurity Subcommittee Presentations*

The COVID-19 pandemic and the ensuing social distancing efforts forced the transition of massive, complex businesses to 100% work-from-home environments. Yet, firms still face the same daunting challenges associated with protecting their confidential and in some cases, highly proprietary, data from cyber theft. To hear more about the important cybersecurity lessons learned from this unprecedented situation, Nina Neer, Director of Technology Operational Risk Management at Credit Suisse, and Jason Harrell, Head of Business and Government Cybersecurity Partnerships at The Depository Trust & Clearing Corporation (DTCC) will highlight some of the key differences between the operational challenges presented by Covid-19 and past cyber incidents. Relatedly from a cyber perspective, though not necessarily from a COVID-19 pandemic perspective, we will then hear from Jerry Perullo, Chief Information Security Officer at ICE, and Hunter Landrum, Senior Counsel at Two Sigma Investments, about some of the significant risks raised by the collection, concentration, and storage of highly sensitive intellectual property during regulatory examinations, including policies and practices the Commission could adopt to mitigate these risks. I am hopeful that their discussion will dovetail well with the enormously productive and thorough work of my colleague Commissioner Stump's Data Protection Initiative. I look forward to continuing to use the TAC's expertise to supplement her efforts.

At our prior TAC meeting, the full Committee voted in favor of recommending that the CFTC adopt a statement of support for the Financial Services Sector Coordinating Council (FSSCC) Cybersecurity Profile. I am very pleased to announce that, through a unanimous vote of the Commission, the CFTC has adopted language reflecting the TAC's cybersecurity recommendation. Today, the Commission is officially expressing its support for the use of standardized approaches to assessing cybersecurity preparedness, including the FSSCC Cybersecurity Profile. The statement should be released publically momentarily.

#### *Panel Two: Automated and Modern Trading Markets Subcommittee Presentation*

During our second panel, Adam Nunes, Head of Business Development at Hudson River Trading, will lead a discussion on the CFTC's recently proposed rule on electronic trading risk principles. Mr. Nunes will discuss the subcommittee's assessment of the rulemaking's scope, including what constitutes the type of "market disruption" that the proposed rule is designed to prevent, detect, and mitigate. I look forward to hearing the views of TAC members on this rulemaking as well, and I appreciate that the diverse membership of the subcommittee reached a large degree of consensus.

#### *Panel Three: Distributed Ledger Technology and Market Infrastructure Subcommittee Presentation*

During our third panel, we will hear from Shawna Hoffman, Global Cognitive Legal Leader at IBM, Marc Pryor, the Chief Executive Officer of The Seam, and Yesha Yadav, Professor of Law at Vanderbilt Law School, regarding the use of DLT systems in the derivatives markets. In particular, the panel will examine the challenges associated with developing and implementing DLT systems that are both resilient and scalable, including regulatory considerations involving permissioned versus non-permissioned systems and interoperability. The panel will also highlight the use of asset tokenization to track agricultural commodities and promote sustainable farming.

*Panel Four: Virtual Currencies Subcommittee Presentations*

Finally, we will hear two presentations from our Virtual Currencies subcommittee. First, Dr. Chris Brummer, Georgetown Law Professor and Faculty Director of the Institute of International Economic Law, will present on the design and evolution of central bank digital currency (CBDCs) concepts. The various proposals and development of CBDCs has been an area of particular interest to me, given the unique regulatory questions they present under the Commodity Exchange Act as potential fiat currencies or swaps. Dr. Brummer will also describe how widespread adoption of CBDCs could have an impact on the nature of financial intermediation in the derivatives markets. Regardless of the potential for, or lack of, official U.S. government action on its own CBDC, it is important that the CFTC, given its role as a regulator of global derivative products traded on U.S. DCMs or by U.S. customers, stays abreast of legal and regulatory questions in this space.

Second, Tom Chippas, Chief Executive Officer of ErisX, has prepared a fascinating presentation comparing the volatility of bitcoin against other assets, such as stocks, both historically and during the recent period of market volatility triggered by Covid-19. Mr. Chippas will also discuss the impact of Covid-19 on asset price correlations.

*Conclusion*

Before I conclude my remarks, I would also like to recognize Meghan Tente, Jorge Herrada, John Coughlan, Scott Sloan, and Phil Raimondi for their tireless efforts to make this meeting a success. As always, I would like to express my deep appreciation for Richard Gorelick, the TAC Chair, for his leadership and expertise.

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