

Public Statements & Remarks

Statement of Commissioner Dawn D. Stump in Support of Final Rules Related to Electronic Trading Risk Principles

December 08, 2020

As I observed when we proposed these risk principles last summer, it is a simple fact that the markets we regulate have become increasingly electronic (much like everything else in our modern lives). The rulemaking that we are now adopting appropriately recognizes that market infrastructure providers have already implemented a host of measures pursuant to our existing regulations and their own self-regulatory responsibilities to account for the associated risks that inherently come with the development of electronic trading. I do not want our adoption of additional Commission risk principles regarding electronic trading on DCMs to be taken as an indication that adequate attention is not being paid – or that insufficient resources are being invested – by the exchanges to address the lessons that have already been learned and applied as electronic trading has become more prevalent in these markets.

I also want to stress the significance of the often-overlooked direction we have received from Congress in Section 3 of the Commodity Exchange Act (CEA).^[1] Section 3(a) sets out Congress's *finding* that the transactions subject to the CEA are affected with a national public interest. Then, in Section 3(b), Congress stated that it is the *purpose* of the CEA to serve this public interest “through a system of effective self-regulation of trading facilities, clearing systems, market participants and market professionals under the oversight of the Commission.”

I support adopting these electronic trading risk principles as an appropriate exercise of the Commission's oversight that Congress expects from us, as stated in Section 3(b) of the CEA. While, as noted, I do not question the exchanges' diligence in addressing the risks in electronic trading on their platforms, I am comfortable incorporating these principles into our existing rule set in order to make clear that DCMs must continue to monitor these risks as they evolve along with the markets, and make reasonable modifications as appropriate.

Importantly, though, I also support the principles-based approach of this rulemaking. This approach recognizes that the front-line responsibility for preventing, detecting, and mitigating material risks posed by electronic trading rests with the exchanges themselves. The exchanges are best positioned to execute this responsibility because they have the best knowledge of the trading that occurs on their own markets. At the same time, this approach serves the public interest through a system of effective self-regulation of trading facilities – precisely as Congress directed in its statement of purpose in Section 3(b) of the CEA.

I thank and commend the Staff for the time and energy they have put into the preparation of this rulemaking.

^[1] CEA Section 3, 7 U.S.C. 5.

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