



Talking Points – June 2019

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Who We Are

STA is comprised of 24 affiliate organizations covering the entire US and Canada. The STA national board of governors is comprised of past presidents and industry specific leaders. Our membership represents INDIVIDUALS from varying business models – buy-side, sell-side, hedge funds, exchange traders and market makers- dealing in equity and derivative trading.

Issues

Regulatory Capital Rule: New Standardized Approach for Calculating the Exposure Amount of Derivative Contracts:

*STA believes that Basel III Standardized Risk Weighted Assets, “RWA” calculations on capital requirements are having an unnecessary & detrimental impact on market maker liquidity. We are supportive of a new approach for calculating the exposure amount for derivative contracts.

SEC Rule 606, aka, “Order Handling Disclosure Rule”

*As with any large scale industry project, regulatory guidance prior to implementation is often needed. As the Oct 1, 2019 compliance date for data collection approaches, the industry seeks SEC guidance on a range of areas, including but not limited to options calculations.

*STA believes that any guidance – even that which is simplistic in nature – at this stage will not allow segments of the industry to meet the Oct 1st deadline. STA therefore believes it is reasonable to request that should the SEC maintain the Oct 1st deadline it consider issuing “no-action” letters.

STA letter to SEC on proliferation of strikes in options markets

*In a April 5, 2019 letter to the SEC, STA relayed its view that the proliferation of series of options for quoting and trading has overly complicated the options markets and necessitated excessive (and thus inefficient) consummations of technology.

*We noted the Options Listing Procedures Plan (“OLPP”), a national market system plan which defines procedures for introducing new options series into the marketplace, is either silent or requires additional guidance in areas instrumental to its overall effectiveness.

*We requested the SEC “expressly authorize and direct the exchanges to participate in a working group to discuss and determine if the strike listing process should be improved and if so, what recommendations should be considered.”

*STA expects to file a supplemental letter with specific recommendations on changes to the OLPP which would improve its functionality and formalize certain core actions, such as regular meetings among the administrators and a means for industry participants to provide input.

Consolidated Audit Trail – Reporting Issues Specific to Options.

*Specific areas where guidance is requested include:

- Option Market Maker quote submission to the CAT will be performed by the exchanges. What happens if an exchange fails to submit the MM quotes?
- What are the reporting obligations and exemptions in Open Outcry Markets?
- Clock drift: how much is too much & how often will firms need to resync?