

Joint Meeting on Harmonization Regulation  
September 2, 2009

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Thank you Chairman Schapiro and Gensler, I am happy to be here with a distinguished group of panelists. I would also like to thank the SEC and CFTC Commissioner's for inviting me to take part in this discussion.

I would like to commend the SEC and CFTC for holding these hearings and discussing such an important topic. Regulatory harmonization is a laudable goal--worthy of both the SEC's and CFTC's efforts.

I thought I would begin by providing a brief overview on my professional background and GETCO. My background is in market technology and quantitative investment strategies, having worked at some of the largest ECNs and proprietary trading firms. It is my sincere hope that amongst this esteemed panel (of legal professionals), I may answer some of the more nuts and bolts questions about how these different markets operate, and make both my own and GETCO's experience available to you. If you are already familiar with GETCO, please indulge me for a brief moment as I give a bit of background on the role we play in our capital markets.

GETCO is just over ten years old. The firm's primary business is electronic market making and liquidity provision. We have offices in Chicago, New York, London, and Singapore.

As active, bonafide market makers GETCO makes two-sided markets--by posting both bids and offers--on over 30 markets in North America, Europe and Asia.

We trade in the four major asset classes--equities, (including options), fixed income, commodities, and currencies--both in the cash and futures markets.

Even though GETCO does not have any direct retail or institutional customers per se, we are registered as a broker dealer and regulated in accordance with the SEC and SRO requirements.

In addition, GETCO operates an SEC-registered Alternative Trading System-GETCO Execution Services. As such, GETCO has significant experience operating under a rules-based regulatory framework.

GETCO also has extensive experience trading on venues that operate in a principles-based regulatory environment such as the CME and Intercontinental Exchange. We have had a very positive experience operating in this regulatory arena as well.

Over the past few years, GETCO has worked to share our global perspective with regulators through comment letters and increased engagement around critical market structure issues, such as the options penny pilot, short sale requirements and the now infamous flash order type.

Whether it be a principles or rules based regulatory regime, GETCO's core trading strategy remains constant: we engage in market making and liquidity provision to help investors efficiently transfer risk.

I would like to un-package that last statement somewhat, as the concept of "efficient risk transfer" is not something you hear every day. It is GETCO's view that one of the primary purposes of a financial market is to allocate risk to those persons or entities best able to bear it. As those entities do not always meet in time, place, size and counter preference, GETCO commits capital and assumes a variety of financial risks until a natural counterparty is found.

GETCO has invested heavily in technology and human capital to create a platform for liquidity provision at low cost. By continuously providing two sided markets, GETCO and its competitors facilitate price discovery, reduce volatility, and help maintain orderly, liquid markets for investors.

Market and regulatory structures play an important role in our ability to provide this service effectively. It is our view that regardless of the

regulatory approach (be it rules based or principles based) the overall objective should focus on several fairly simple, but essential core values and philosophies--efficiency, transparency, innovation, fairness, and competition. All principles that I think everyone here agrees make up the core underpinnings of a healthy, vibrant market.

The good news is that here in the U.S., it has been our experience that even though our market structure has dramatically changed over the last decade, the differing regulatory regimes of the SEC and CFTC have matured and adapted to foster growth, promote transparency, product innovation, and competition. They have co-existed quite effectively and given investors the ability to transfer risk--even in times of significant stress and volatility.

Last fall during the financial crisis, opaque and complex OTC derivatives caused a panic in credit markets world-wide. While it is hard to overstate what the financial crisis did in terms of harming investor confidence, it is important to highlight the fact that both our SEC-regulated cash markets and the CFTC-regulated futures markets functioned exceptionally well in times of great uncertainty, anxiety and volatility.

Securities and futures markets opened each day with firm prices and liquidity. In previous instances of market stress, communication broke down and markets stopped functioning, and it was difficult, if not impossible, to trade. By contrast, in last year's crisis asset prices may not have been what any of us liked but the markets themselves held up remarkably well.

One of the great attributes of the U.S. capital markets, however, is that we routinely scrutinize our structure and regulations for ways to improve and make them more efficient, transparent and competitive. This segue's nicely into our topic today: SEC-CFTC regulatory harmonization.

GETCO often experiences first-hand the costs and burdens associated with duplicative and inconsistent regulations. As a firm that places great value on efficiency, competition and innovation, the prospect of regulatory harmonization is something GETCO warmly welcomes. We understand, however, that harmonizing elaborate

regulatory structures covering complex and very different products (e.g. cash equities that trade on an exchange vs. OTC swaps) can be more difficult to accomplish than is probably realized.

To that end, the simple question remains: What should the SEC and CFTC do to make our regulatory structure more harmonized? In the broadest sense, the most direct thing to do is simply collaborate more because both agencies bring expertise that can complement the other.

For instance, the current environment will likely produce new, innovative products that address the many facets of risk investors face today. A good example is commodity related products. A smooth harmonization will help prepare the SEC to understand the nature of commodities products and assess their suitability for retail investors, while the SEC can help prepare the CFTC for many of the market structures pressures that come with enhanced retail participation.

GETCO has seen tremendous benefit from encouraging our own personnel to rotate between offices and asset classes. The cross-pollination of ideas and understanding has helped us holistically look at the markets and services we provide, in addition to building stronger professional relationships between our regions and groups. We expect a similar program between the SEC and CFTC would likewise help foster understanding and appreciation for the unique aspects of the markets and products both agencies are responsible for. Ultimately, both agencies would be more flexible and dynamic.

From GETCO's perspective, it seems there are reasonable solutions that can be achieved in the areas of margin and registration requirements and we look forward to debating and commenting on them both during the question and answer session here and in the rule making process going forward.

Thank you for allowing me the time to provide insight into GETCO and express our views on these issues. I look forward to your questions.