Global Exchange and Brokerage Conference – Media Coverage

SEC chairman on cryptocurrencies and investing
SEC Chairman Jay Clayton speaks exclusively with CNBC's Bob Pisani about the state of investing, the future cryptocurrencies, the IPO market and cybersecurity.
https://www.cnbc.com/video/2018/06/06/sec-chairman-on-investing-cryptocurrencies.html?play=1

Here's what the SEC's trading and markets division director had to say about the crypto market
CNBC's Bob Pisani talks to Brett Redfearn, SEC director of division and trading, about the future of cryptocurrencies and regulation, as well as whether a crackdown is coming.
https://www.cnbc.com/video/2018/06/06/sec-trading-markets-division-crypto.html?play=1

TD Ameritrade CEO: Retail investors are getting back into the markets
"For those clients looking for advice, we tended to hand them off to our IRA business and those advisors that work with us there," said Hockey, who was in New York for the Sandler O'Neill Global Exchange and Brokerage Conference, taking place on Wednesday and Thursday
https://www.cnbc.com/2018/06/06/personalized-portfolios-one-stop-investing-with-a-personal-touch.html?__source=twitter%7Cmain

The economy got 3 more years of life from Trump tax cuts: Wall Street veteran Howard Lutnick
The economic "pop" from President Donald Trump's corporate tax cuts should head off any recession in the next few years, says Howard Lutnick.
https://www.cnbc.com/2018/06/06/economy-got-3-more-years-of-life-from-trump-tax-cuts-howard-lutnick.html

Virtu Financial CEO: Investors are taking a breather right now
Doug Cifu, Virtu Financial CEO, speaks with CNBC's Bob Pisani about the volatility in the markets this year and current risks like Trump's trade rhetoric.
https://www.cnbc.com/video/2018/06/06/virtu-financial-investors-breather.html?play=1

The SEC is taking a close look at the rise of electronic bond trading, Chairman Jay Clayton says
By Jeff Cox
CNBC.com

The Securities and Exchange Commission is taking a close look at bond trading as the market becomes increasingly electronic, Chairman Jay Clayton said Wednesday.

While online stock trading platforms have been in business for decades, the bond market has been more traditional, with most of the activity still taking place by telephone or through chat services.

However, that's changed as more venues have arisen and fixed income investors become acclimated, however slowly, to the electronic world.

"What we are seeing is increased electronification, and our job is as trading changes to make sure that trading is efficient, that it's transparent and that our markets are resilient," Clayton told CNBC's Bob Pisani in a live interview on "Squawk on the Street." "As this electronification is coming to the fixed income market, we want to make sure that our regulations are keeping up with it and that we're getting those results."

The SEC has assembled a fixed income market structure advisory committee to look into the increased presence of electronic trading, a trend that Wall Street had resisted. Traders particularly in the $8.8 trillion corporate bond market prefer to be more discrete due to price sensitivity among those securities.

Big Wall Street banks also have been protective of their roles as facilitators in bond market trading. However, since the turn of the century the surge of bond trading platforms has made a dent in the traditional fixed income business, about 80 percent of which is still done through the old means of phone calls and chat.

Leaders in the new wave include MarketAxess, Tradeweb, Trumid and Liquidnet.

Clayton said the commission will be watching the developments closely to make sure the market remains efficient and transparent.

"Today's equity market is much more efficient than the equity market of 20 years ago," he said. "Is there room for improvement? There always is, and we're looking at it. But I want to make sure the same things happen in the bond market."

TD Ameritrade launches a platform catering to those who want one-stop shop for investing
CNBC.com
By Kellie Ell

Investors can now learn the tricks of the trade directly from TD Ameritrade professionals.

The brokerage last week launched Personalized Portfolios, which gives people the opportunity to customize their portfolios by way of a one-on-one relationship with a senior financial consultant at the bank all in one place.

"TD Ameritrade [is] known for being in the self-directed space, the active trader," President and CEO Tim Hockey told Bob Pisani on CNBC's "Squawk Alley" on Wednesday.

"For those clients looking for advice, we tended to hand them off to our IRA business and those advisors that work with us there," said Hockey, who was in New York for the Sandler O'Neill Global Exchange and Brokerage Conference, taking place on Wednesday and Thursday.

"There's a wide space in between for clients who are looking for more products and services along that continuum," he said. "And [a] personalized portfolio to us is the next offering that fills in that gap."

Users will have access to a digital platform where they can log in and see investments, including retirement and checking accounts, track investment goals and performance and view account aggregation for accounts inside and outside TD Ameritrade.

"We're giving investors a compelling 'human-plus-digital' guidance experience," said Peter deSilva, president of retail distribution.

Hockey said this is part of a trend catering to younger clients. In a recent survey, the bank found that more than 40 percent of incoming clients will be millennial age or younger by 2023.

"Right now, it's well over a third of our new clients are millennials," he said.

"The sheer number of new clients and accounts for our business and for many of the new entrants in our space [is] off the charts," Hockey said. "And you do have to market to them differently."

Millennials, for example, as compared with older investors, tend to be more tech savvy and invest in things tech-heavy FANG companies, cryptocurrency and cannabis stocks, Hockey said.

"Everybody trades in what they know," he said.

SEC director 'underwhelmed' by rate of cryptocurrency exchanges self-reporting
By Kate Rooney
CNBC.com

The Securities and Exchange Commission has made it clear that ICOs are securities by its standards and that exchanges trading those assets need to register with the agency. Yet one director said he is surprised by the lack of self-reporting.

"We're underwhelmed by the enthusiasm for coming within the regulatory structure right now," Brett Redfearn, SEC Director of division of trading and markets, told CNBC at the Sandler O'Neill Global Exchange and Brokerage Conference Wednesday.

"There are a number of exchanges that are trading ICOs that I would think that we would see more registrations."

SEC Commissioner Jay Clayton made clear to CNBC earlier at the conference that tokens, or digital assets used in a fundraising process known as an initial coin offering, or ICO, are securities.

"We regulate the offering of that security and regulate the trading of that security," Clayton said.

Whether an asset is a security right now follows the "Howey Test" which comes from a 1946 U.S. Supreme Court case that classifies a security as an investment of money in a common enterprise, in which the investor expects profits primarily from others' efforts.

"We've created this pronged test, the Howey Test, where people look at the different characteristics and determine if it's a security," Redfearn said. "Quite frankly not all of them are obvious on its face exactly what it is."

The agency will "continue to try to clarify where possible," Redfearn said. There will be more statements coming from the commission on the topic, he added, but did not specify when.

Redfearn declined to say whether popular cryptocurrencies ethereum or XRP were securities. But he did say there will be statements on "at least one of those products forthcoming in the future."

Some companies tied to those cryptocurrencies, including Ripple, have argued that some should fall under a different category, in many cases because of their utility.

Clayton first said in March that allICOs constitute securities, and reiterated that Wednesday saying "if it's a security, we're regulating it."

The economy got 3 more years of life from Trump tax cuts: Wall Street veteran Howard Lutnick
CNBC.com
Michelle Fox

The economic "pop" from President Donald Trump's corporate tax cuts should head off any recession in the next few years, Howard Lutnick, chairman and CEO of BGC Partners, told CNBC on Wednesday.

In fact, he believes the Trump administration's target of 3 percent economic growth is "absolutely in the cards as a reasonable outcome."

With the corporate tax rate now at 21 percent, down from 35 percent, companies will earn more money and invest in plants and equipment, said Lutnick, also chairman and CEO of financial services firm Cantor Fitzgerald.

"That tax cut, people do not understand how strong that is for corporate America. And that creates jobs, creates growth," he told Bob Pisani on "Power Lunch."

On top of that, the government is cutting regulation and letting banks do more business, he added.

"What could have been the end of the [economic] cycle was given three more years because he just hit it with an adrenaline pop."

Lutnick is also supportive of Trump's trade policies. The administration has slapped tariffs most recently on Canada, Mexico and the European Union, angering allies. The move has prompted targeted countries to retaliate.

On Wednesday, top White House economic advisor Larry Kudlow said not to blame Trump for the troubles.

Instead, "blame the nations that have broken away" from fair trade practices, he told reporters. The global trade system "is broken and President Trump is trying to fix it. And that's the key point," Kudlow added.

Lutnick agrees that past trade practices weren't working. Meanwhile, the global economy is growing.

"If you were going to try to make changes and you were going to try to level the playing field on trade, wouldn't you pick the time when the global economy is growing?" he said. "If you're going to do it, now's the time."

Bloomberg

Shady ICO Issuers Are Taking 'Bags of Cash' to Border, U.S. Says
Bloomberg
By Matthew Leising and Nick Baker

A top financial regulator gave a strong warning Wednesday that U.S. scrutiny of initial coin offerings is just getting started.

Securities and Exchange Commission Chairman Jay Clayton, speaking at a conference in New York, said companies raising money through digital-token sales shouldn't have any illusions that the government will treat them differently than firms participating in traditional stock offerings. He added that the market deserves close attention because the SEC has already seen examples of fraudsters fleeing the country after persuading U.S. investors to back their ICOs.

"I am not going to change the way we approach the offering and trading of securities as a result of the fact that you put it in the form of a token," Clayton said at the Sandler O'Neill Global Exchange and Brokerage Conference. "I'm protecting the integrity of the market. The behavior we see in this is pretty bad. We've got guys with bags of cash headed to the border. That's not our securities market."

Despite a crackdown by the U.S., China and other countries, companies' have already raised more than $9 billion through ICOs in 2018, surpassing last year's record of less than $4 billion, according to ICO data tracker CoinSchedule. Messaging service Telegram attracted $1.7 billion while Block.one, a startup behind the EOS token, is on track to raise about $4 billion in an almost yearlong offering expected to close Friday, which would make it the largest-ever fundraising of its kind.

Clayton has been signaling to the market since last year that he views most ICOs as securities, meaning they must register with the SEC and be subject to its rules, such as a requirement that the companies trade on tightly regulated platforms.

Clayton also expressed concern about the health of the public U.S. stock market. As hot startups like Uber Technologies Inc. keep their shares off public markets, he noted that the general public is unable to invest in an increasingly large segment of companies: those awash in venture capital cash and other private funding. Instead, only the wealthy get to invest in them.

"I don't like it from a public policy perspective that we're increasing the market for the privileged and decreasing it for ordinary investors," Clayton said.

S&P GLOBAL
MARKET INTELLIGENCE

TD Ameritrade caught off guard when VIX spiked in Q1: CEO
S&P Global
By Rachel Stone

One of America's largest retail investment brokers "got caught" in risky positions when volatility spiked during the first quarter, its CEO said at the Sandler O'Neill Global Exchange and Brokerage conference on June 6.

On Feb. 5, the S&P 500 posted its largest one-day loss in six years, as a spike in volatility hit the public equity markets. On that day, the Cboe Volatility Index, a gauge of market anxiety based on the S&P 500, jumped in its largest single-day increase ever.

TD Ameritrade Holding Corp. recorded $58 million in net provision for doubtful accounts on client receivables as a result of the volatility, mostly related to clients who held concentrated positions in short sales and margin transactions, according to the company's quarterly filing.

"The short answer is that there were some positions and exposures that we had [in which] I don't think we did the right job of assessing the risk," President and CEO Timothy Hockey said at the conference. "We got caught."

But the company has seen 20 years of essentially zero losses on margin lending and derivatives trading, Hockey said. The VIX's "blowout" that day was "unbelievably extraordinary," and while the company has learned from that loss and changed some of its exposures, policies and procedures, more drastic changes are not warranted, he said.

"The worst thing I could do, frankly, would be to react to an outsized one-quarter event when we've had 20 years of making a lot of money," he said.

In an April quarterly earnings call, the chief executive said his company is also focusing on spending "the right amount of money" to improve its technology to better manage and assess risk in the future, according to a transcript.

"Let's not turn off the growth engine, and make sure we're getting better as a result," Hockey said at the conference.

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Interactive Brokers considers starting online bank, CEO says
S&P Global
By Joe Mantone

Interactive Brokers Group Inc. Chairman and CEO Thomas Peterffy said his company is looking into the possibility of starting an online bank.

Peterffy said Interactive Brokers is at the early stages of the process and was not considering buying a bank at this time. "Right now we're applying for a license, and we'll see how it goes," he said in an interview after his June 6 presentation at the Sandler O'Neill Global Exchange and Brokerage Conference in New York.

Peterffy declined to say where the company was applying for the license, but he said Interactive Brokers is looking outside the U.S. He said the U.S. allows brokers to offer many banking-type services such as loans, but that some other countries restrict those types of services.

"There are certain things we can do here that we can not do [internationally] without being a bank," Peterffy said during the presentation.

Interactive Brokers has been making a push to offer many banking-type products such as direct deposits, bill pay, credit cards and loans. Peterffy said Interactive Brokers added those offerings so its financial advisers can better serve their clients. He said the goal of the additional services is to expand the amount of funds that customers keep in their Interactive Brokers accounts.

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SEC may consider opening private placements to more investors
S&P Global
By Joe Mantone

SEC Chairman Jay Clayton said he may consider expanding the pool of investors who can take part in private placements.

Clayton said he thought it was "odd" that private placement rules only provide for "extremely limited" opportunities for ordinary investors, but accredited investors can lose all of their money in one deal. "That kind of binary approach to individual investing in private placements, maybe it makes sense, but it's certainly something we should examine," he said June 6 during the Sandler O'Neill Global Exchange and Brokerage Conference in New York.

Clayton added that the number of U.S. publicly traded companies has been shrinking while the number of private companies has been growing. He said the shift means that small investors have fewer investing opportunities since accredited investors have greater access to private companies.

"I don't like it from just a public policy point of view that we're increasing the market for the privileged and decreasing the market for the ordinary investor," he said.

Clayton has been trying to find ways to increase the number of publicly traded companies, and he wants to make the public markets more enticing to smaller companies. Clayton said some smaller companies want to put off going public until they are bigger because they view larger companies as having greater liquidity benefits.

"If we aren't improving the performance in smaller and midcap stocks, the attractiveness of the public markets continues to go down," he said.

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E*TRADE moves closing date of Capital One deal to Q4
S&P Global
By Joe Mantone

E*TRADE Financial Corp. has pushed the expected closing date of its pending acquisition for Capital One Financial Corp. retail brokerage accounts to the fourth quarter from the third quarter, CEO Karl Roessner said during an investor conference.

Roessner said the company moved the closing time range to help ensure a smooth transition for customers. He added that he wants Capital One customers to be open to communications from E*TRADE and retain as many of them as possible.

"We don't want to leave anything to chance or rush that acquisition," he said June 6 during the Sandler O'Neill Global Exchange and Brokerage Conference in New York.

Roessner also touted the merits of the $170 million deal. "It's not often that you get the opportunity to purchase a million new accounts for the price that we did," Roessner said.

He said the Capital One clients are not as active as the average E*TRADE customer. However, Roessner said E*TRADE can offer tools, education and services that can increase the engagement.

"It's a phenomenal opportunity for us," he said.