

Opening Statement
Ranking Member Sherrod Brown
Senate Banking Committee Hearing on
“Oversight of the Status of the Consolidated Audit Trail”
October 22, 2019

Thank you, Chairman Crapo, and welcome to our witnesses.

We are just shy of 200 days from the 10th anniversary of the 2010 flash crash. Although there hasn't been a market disruption of that magnitude since, our markets have become faster, more sophisticated, and more fragmented. In that time, industry has spent untold billions on upgrading technology and developing faster and smarter trading systems.

Yet the SEC, who we all rely on to maintain fair, orderly, and efficient markets, still lacks a comprehensive system that would allow it to effectively oversee the securities markets to protect Americans' college savings and retirement funds.

In an industry where cutting-edge technology is the name of the game and trading firms erect competing microwave towers so that computers in Chicago can communicate with computers near Wall Street in milliseconds, the SEC still cobbles together data from multiple sources in an attempt to have a complete understanding of our markets.

This is why the SEC called on FINRA and the firms that run our nation's stock and options exchanges to build the Consolidated Audit Trail, or CAT, one system with a beginning-to-end view of how trading happens, so we can prevent insider trading, market manipulation, and other misconduct that cheats the system.

When the effort began in 2012, it was a huge undertaking. But, seven years later we are only at the first stage of data reporting, and many details need to be finalized. Under the current timeline, the system will not be fully operational until 2022.

Some take issue with the SEC, or any government agency, having this much data and call the system a target for hackers.

I refuse to accept that we can't both protect people's personal information, and go after criminals who take advantage of our markets.

I know there are dozens of technology experts, data scientists, and market veterans working on this. Just last week, the CAT operating committee submitted to the SEC its proposal to exclude Social Security Numbers and other personal information from the reported data.

That is just one of many creative solutions that balance the need for oversight with protecting sensitive information.

I trust the very capable minds at the exchanges, FINRA, and the SEC can work out access to data concerns, tracking the use of the audit trail, and how to keep information secure to allow this long overdue oversight tool to be completed.

The bottom line is—if you are smart enough to have information or strategies you think someone wants to steal, then you are smart enough to help come up with ways to protect them.

And we can't afford to wait.

Just last week, the SEC filed charges against 18 people, most of them in China, who engaged in a six-year market manipulation scheme using dozens of accounts, across many brokerage firms, that resulted in 31 million dollars of illicit profits.

While we'll never know if the new system would have made it easier to uncover those crimes, it is that kind of activity that the SEC should have the technology to uncover.

We also know that the question isn't if but when there will be another crash or major disruption. Everyone—Main Street, industry, and Congress—will look to those represented by our panelists today and the SEC to understand what happened, how it will be fixed, and who was responsible. Not having an answer, or waiting five months for one, will be unacceptable.

If another flash crash happens, or the delays or disagreements over what should be solvable questions continue, you can expect to be back before this committee. We are expecting you all to cooperate and work diligently to finish the CAT project.

There are not many things that SEC Chair Clayton and I agree on, but finishing the CAT without further delay is one of them.

Every day we wait creates more risks for our markets and more opportunities for criminals to cheat our regulatory system.

Thank you, Mr. Chairman.