

FINANCIAL INFORMATION FORUM

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Via Electronic Delivery

June 25, 2018

Mr. Michael Simon, CAT NMS Plan Chair on behalf of the CAT NMS Plan Operating Committee
Deloitte, Touche, and Tohmatsu, LLC
30 Rockefeller Plaza
New York, NY, 10112

RE: FIF Initial Feedback on the CAT SRO Proposed Phased Implementation Approach

Dear Mr. Simon,

FIF, on behalf of our industry members, respectfully submits our initial questions and comments to the SROs for consideration as they evaluate and adjust the proposed plan.

FIF appreciates the SROs' consideration and incorporation of certain recommendations presented in FIF's Alternative Approach. The proposed SRO Master Plan includes several aspects that improve upon the current plan. FIF agrees with the 4-phased delivery of CAT functionality and generally with the content of Phases 2b through 2d. FIF does have concerns with Phase 2a:

- The introduction of two reporting interfaces (OATS-based and CAT Native) exposes both the SROs and Industry members to heightened risk. The dates recommended in FIF's Alternative Implementation Approach were based upon the underlying assumption that the first phase (Phase 2a) of Industry Member reporting would be limited to current OATS reportable events. The SRO Master Plan (as evidenced in the draft v0.3 reporting specification released to assist in Plan evaluation) includes additional reporting requirements, many of which have been raised as issues by FIF since September 2017. This fundamentally changes the definition of the first phase of CAT reporting and opens the question of the viability of the Phase 2a implementation schedule until these issues can be addressed.
- Without definition of the OATS-based file submission and error correction process and without a side-by-side mapping of related events/data fields in OATS-based to CAT-Native interfaces, it is difficult for Industry Members to compare the cost/benefit/risk of using the OATS-based interface vs. the CAT-Native interface.
- The introduction of FDID in Phase 2a without clear definition of the underlying customer and account information requirements in Phase 2a specifications is problematic because Industry Members will not know the correct account/firm designated id hierarchy to define in Phase 2a. Industry Members may be forced to make significant changes to their firm designated id structure once the Customer Information Specification is published. FIF understands that FDID will be a topic of discussion at an Industry Tech Spec WG in a few weeks.
- An extended test period of at least 6 months is required for Phase 2a and Phase 2c. This can be accomplished by making a test environment available earlier in the implementation phase, as is planned for Phases 2b and 2d in the SRO Master Plan. Vendors require a longer test period than

provided in the SRO Master Plan to first test their systems before engaging in joint testing with their clients. Additionally, an extended testing period would encourage more industry testing, resulting in improved data quality and system stability prior to CAT go-live to potentially hasten OATS retirement. FIF looks forward to discussing the challenges of the proposed 3.5 month testing period at a future Industry Member Tech Spec Working Group Meeting.

- FIF requests clarification on the scope and reporting obligations of one-to-one representative orders in Phase 2a. FIF is planning to discuss one-to-one representative orders with the Industry Tech Spec WG in a few weeks.
- The SRO Master Plan exacerbates the problem for vendors/service bureaus of the staging of small broker-dealer reporting by extending the timeframe for non-OATS reporting broker-dealers to 3 years from the current 1-year approach. Further, it is not clear if OATS reporting small broker-dealers are only obligated to report equities in Phase 2a and 2c but not options in Phases 2b and 2d.

FIF members have raised several questions (contained in Appendix A) that we believe will better inform the industry as well as the SROs on implementation considerations associated with the Master Plan. We would like the SROs and ThesysCAT to address these questions during the June 28 Industry Member Tech Spec WG call.

We look forward to further dialog with the Participants so that FIF can provide feedback on the SRO Master Plan by July 16, as requested.

Sincerely,



Christopher W. Bok, Esq.
Financial Information Forum

CC: Self-Regulatory Organizations; BATS Exchange, Inc., BATS Y-Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Inc., Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., International Securities Exchange, LLC, Miami International Securities Exchange, LLC, NASDAQ OMX BX, Inc., The Investors Exchange, NASDAQ OMX PHLX, LLC, The NASDAQ Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE Arca, Inc., NYSE MKT LLC.

Manisha Kimmel, Thomson Reuters, CAT NMS Plan Advisory Committee Chair, on behalf of the CAT NMS Plan Advisory Committee

Appendix A - Questions

Phasing:

1. Would it be possible to allow large broker dealers (*i.e.* clearing firms) and vendors to report on behalf of (non-OATS reporting) small broker-dealers earlier than 2022 on a voluntary basis? In order to allow Industry Members reporting on behalf of small brokers-dealers an opportunity to better achieve linkage validation and to simplify its processing, the CAT Submitter would flag orders originated by small broker-dealers to clarify that the small broker-dealer is not under the obligation to report CAT.

CAT vs. OATS Interface:

2. Why are the following data elements required (on either the OATS-based or CAT Native interface)? We raised similar issues regarding the September 2017 specification.
 - Adding sending desk on OATS desk route
 - TRFControlNumber (there are some challenges in providing a TRF Control Number, as has been identified when FINRA proposed adding this data element in past releases).
 - Making Connection ID mandatory. Is this information only required for ATs?
3. What other data elements or events are planned to be added to the OATS-based interface for Phase 2a? This a critical driver to the cost of using the OATS-Based interface, so the Industry is requesting clarity on this matter.
4. What does it mean that “linkage validation using CAT logic” will be used for OATS-based and CAT Native interface? Will that cause any differences between how reports submitted by the OATS-based interface are reflected in CAT versus how that report would be interpreted by FINRA?
5. Is CAT adopting the OATS methodology for repairs and corrections of files submitted via the OATS-based interface? Firms have built systems for OATS repairs and corrections. These systems would not be usable for CAT if firms choose to use the OATS interface for submission to CAT.
6. Is it feasible to expand the use of the OATS interface to Phase 2b – Electronic Options? FIF members have identified this as a critical driver in the decision-making process of selecting the OATS-based interface.
7. What is the earliest time that the OATS interface will be retired, following Phase 2c? This is also a critical component required by the Industry in their decision of whether to select the OATS-based of Native CAT protocols.

Thesys CAT Interface:

8. Can the SROs provide the industry with a list of remaining open issues with respect to the V03.1 of the Industry Member Order Information Technical Specification that will affect Phase 2a?
9. How will existing OATS guidance be applied to V03.1 of the Industry Member Order Information Tech Spec?? If it will not apply, will new guidance be provided by the August draft specification date?

Retirement of OATS

10. What metrics will be used to validate CAT data and quality?

11. Will the SROs consider shortening the duplicative reporting period to 90 days, or less?
12. Can the SROs consider a firm by firm exemption on duplicative reporting if that firm achieves the proposed quality metrics prior to the entire industry meeting the metrics? It might be more feasible now to support firm by firm exemption given that ThesysCAT is building an OATS to CAT converter.