

FINANCIAL INFORMATION FORUM

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New York, New York 10005

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October 22, 2019

Mr. Michael Simon
Chair, CAT NMS Plan Operating Committee

RE: *Industry Member Request for Limited Relief on Market Maker Reporting of Certain OTC Quote Activity*

Dear Mr. Simon,

On behalf of the Financial Information Forum's (FIF) Consolidated Audit Trail ("CAT") Committee, we are submitting this cover letter and attached materials in preparation for the Friday, October 25, 2019 meeting focusing upon the industry's limited OTC Equity Quote Reporting Exemption Request. In summary, industry members believe that the transparency the regulators are seeking to obtain with respect to the two-sided reporting of quotes displayed on an IDQS can be obtained from one-sided reporting by the IDQS (*i.e.* OTC Markets, FINRA Bulletin Board).

Basis for Relief

In March of 2019, industry stakeholders identified significant challenges with respect to the two-sided reporting of quotes displayed on an IDQS as prescribed in the Industry Member CAT Technical Specification ("Tech Spec"). To better determine whether the industry could achieve the two-sided reporting of quote activity, FIF formed a subgroup comprised of OTC Market Makers, OMS vendors, and a IDQS OTC Market Makers in an attempt to map OTC workflows to the Tech Spec requirements. This exercise resulted in the industry's conclusion that the two-sided reporting methodology outlined in the Tech Spec is not possible without significant changes to current workflows and trading systems.

We note that the reporting of two-sided quotes, sent and received by an IDQS, is particularly challenging given that no current Rule, including FINRA Rule 6431, requires Market Makers to record and report data for quotes sent and received by an IDQS operated by an SRO or a member of FINRA. Therefore, industry members may not have designed their systems in a manner that will allow for the capture and reporting of certain quote information to CAT. Additionally, because the concept of QuoteIDs does not exist today, there is no infrastructure in place that will allow Market Makers to generate, transmit and record QuoteIDs.

Therefore, the industry is respectfully requesting limited exemptive relief that would obviate the current requirement(s) which mandate that Market Makers generate QuoteIDs, as well as report New Quote (MENQ) and Quote Cancel (MEQC) events to CAT. In lieu of the current two-sided reporting approach, the industry is requesting the CAT Operating Committee allow for a one-sided reporting approach, which would require the IDQS to report quote details in a similar method as options Market Maker quotes are reported to CAT by exchanges today. Specifically, our recommendation will require the IDQS to report using a Quote Received (MEQR) event or (if preferred) a new event. Should this proposed

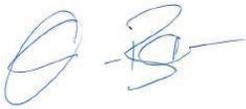
solution be accepted by the regulators, the Market Makers would Include QuoteID provided by the IDQS on Trade Events (for trades resulting from a quote). Finally, the Market Makers will also include the identification of the IDQS where the applicable quote was executed on Trade Events for CAT linkage back to the quote details.

As will be described in further detail during the October 25 meeting, the industry believes that the suggested solution favoring one-sided reporting will provide the regulators with the same transparency as is prescribed under the current two-sided reporting construct, with the added benefit of allowing the reporting of detail pertaining to quotes sent to an IDQS from the entity (*i.e.* IDQS) that possess that data. Should the regulators grant our request for limited relief, costly systems development and changes to current business flows will be significantly reduced. This should help ensure that the reporting of all currently required OTC Quote information will be achieved in CAT phase 2C.

Conclusion

We appreciate the opportunity to further present our recommendations during the Friday, October 25 in-person meeting and offer our assistance should you have any follow-up questions or concerns.

Regards,



Christopher W. Bok, Esq.
Director, Financial Information Forum

CC: Ms. Stephanie Dumont, Senior Vice President and Director of Capital Markets Policy, FINRA
Mr. David Chapman, Director, Market Regulation, FINRA
Ms. Shelly Bohlin, Chief Operating Office, FINRA CAT, LLC
Mr. Paul McKenny, Senior Director, FINRA CAT LLC
Ms. Manisha Kimmel, Senior Policy Advisor, Regulatory Reporting to Chairman Jay Clayton, SEC