

# FINANCIAL INFORMATION FORUM

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New York, New York 10004

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## Via Electronic Delivery

April 12, 2017

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE,  
Washington, DC 20549-1090

Re: Milestone for Participants' rule change filings to eliminate/modify duplicative rules

Dear Mr. Fields,

The Financial Information Forum ("FIF")<sup>1</sup> on behalf of our Consolidated Audit Trail ("CAT") Working Group ("FIF CAT WG") would like to take this opportunity to reiterate our views on the retirement plans for SEC regulatory reporting systems which are duplicative of CAT, given that the Commission Staff must develop a proposal to address duplicative components of EBS and Large Trader Rule by May 15, 2017<sup>2</sup>.

### ***Retirement Plans for Duplicative Reporting Systems***

Elimination of duplicative reporting is the highest priority for the FIF CAT WG given the estimated costs by both the industry and the Commission<sup>3</sup> of duplicative reporting.

FIF CAT WG continues to request that exemption from reporting to duplicative regulatory systems be granted to those firms that meet a Retirement Error Rate<sup>4</sup> as defined by the regulator owning the

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<sup>1</sup> FIF ([www.fif.com](http://www.fif.com)) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

<sup>2</sup> SEC (Release No. 34-79318; File No. 4-698) November 15, 2016, Joint Industry Plan; Order Approving the National Market System Plan Governing the Consolidated Audit Trail, p.332, "... Commission Staff is directed to develop a proposal for Commission consideration, within six months of the Effective Date, to: (i) amend Rule 17a-25 to eliminate the components of EBS that are redundant of CAT, and (ii) amend Rule 13h-1."

<sup>3</sup> SEC (Release No. 34-79318; File No. 4-698) November 15, 2016, Joint Industry Plan; Order Approving the National Market System Plan Governing the Consolidated Audit Trail, Section IV.F.2.b. System Retirement and Duplicative Reporting Costs, "... as its {SEC} estimate of duplicative reporting costs of \$1.7 billion per year is in line with the projected industry costs of ongoing CAT reporting of \$1.7 billion per year."

<sup>4</sup> [Letter](#) to Brent Fields, Secretary, SEC from Mary Lou Von Kaenel, Managing Director Financial Information Forum (July 18, 2016). "The Retirement Error Rate would be defined as the acceptable error rate for discontinuing reporting

duplicative system. We have also shared this and other recommendations with the Participants<sup>5</sup> in anticipation of their May 2017 rule filings on retirement plans for duplicative systems.

### ***Electronic Blue Sheets***

The EBS-CAT Gap Analysis<sup>6</sup> noted that CAT Phase 1 is missing 13 data elements, 4 transaction types, and inclusion of prime brokerage so that EBS reporting obligations for equities and options in CAT could not be satisfied. FIF CAT WG requests that this functionality be included in CAT Phase 1 to satisfy equities and options EBS reporting requirements and that the Commission allow CAT Phase 1 to become the source for these regulator data inquiries (except for history) once a broker dealer meets the Retirement Error Rate established by the SEC for EBS retirement. The Participants' proposals for expansion of CAT reporting for debt securities and other asset classes<sup>7</sup>, to be submitted to the Commission in May, 2017, should, at a minimum, define a plan such that the enhanced CAT NMS Plan expansion to support these new asset classes would be complete enough to replace the EBS reporting obligations for these asset classes.

### ***Large Trader Rule***

FIF CAT WG submitted an exemptive relief request<sup>8</sup> asking for permanent exemptive relief from Large Trader Rule Phase 3 broker dealer reporting and recordkeeping obligations because the data would be contained within CAT reporting and would be immediately available to the Commission for inquiry and review. In addition, as discussed with the Commission<sup>9</sup>, there are opportunities if CAT were enabled to solve a number of technical challenges with current LTR reporting, as well as providing a more effective, and efficient monitoring agent to detect Unidentified Large Traders. FIF CAT WG respectfully requests that the Commission grant the permanent exemptive relief for Phase 3 of Large Trader, and consider incorporation of other aspects of Large Trader Rule into CAT processing.

### ***Use of CAT to satisfy Current and Future Regulatory Reporting Obligations***

FIF CAT WG requests the Commission continue evaluation of other SEC regulatory reporting systems, with the goal to incorporate additional current and future planned reporting obligations into CAT. This analysis should allow existing regulatory systems to be modified and incorporated into CAT (e.g., existing Rule 605/606) or focus future reporting obligations (e.g., potential expansion of Rule 600/606 to include institutional trade execution), to the CAT data warehouse, where complete audit trails would be accessible immediately to the regulators for inquiry and analysis. This would serve both an underlying regulatory objective of more immediate and accurate access to data as well as an industry objective of reduced costs and burdens of regulatory reporting and oversight.

### ***Summary***

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to a duplicative system. The Retirement Error Rate calculation should be based only on "comparable" data in CAT. For example, OATS equivalent data reported to CAT should meet the reporting and quality criteria required by FINRA specifically for OATS reporting."

<sup>5</sup> Letter from William H. Hebert, Managing Director, Financial Information Forum to "CAT NMS Plan Participants", April 12, 2017.

<sup>6</sup> [SEC Rule 613 – Consolidated Audit Trail \(CAT\) Revised EBS-CAT Gap Analysis, June 2015](#)

<sup>7</sup> CAT NMS Plan, November 15, 2016 Section 6.11, Debt Securities and Primary Market Transactions

<sup>8</sup> [Letter](#) from William H. Hebert's letter to Ms. Heather Seidel, Acting Director, Division of Trading and Markets, SEC (February 3, 2017).

<sup>9</sup> FIF-SEC CAT/Large Trader Phase 3 Discussion, March 20, 2014

FIF CAT WG supports a thoughtful and methodical adoption of CAT as the regulatory reporting system of record, while providing aggressive relief to the industry from the burden and cost of duplicative reporting. We thank the Commission for the opportunity to present our suggestions, and respectfully request that the practical approaches we have presented will be thoughtfully considered and incorporated into the Commission's adoption of the Participants' rule filings and the Commission's retirement or modification plans for EBS and Large Trader Rule.

Sincerely,



William H. Hebert  
Managing Director  
Financial Information Forum

cc: The Honorable Michael S. Piwowar, Acting Chair, SEC  
The Honorable Kara M. Stein, Commissioner, SEC

Heather Seidel, Acting Director, Division of Trading and Markets, SEC  
Gary Goldsholle, Deputy Director, Division of Trading and Markets, SEC  
David S. Shillman, Associate Director, Division of Trading and Markets, SEC

Peter Santori, Chicago Stock Exchange for "CAT NMS Plan Participants": Bats BYX Exchange, Inc., Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., Financial Industry Regulatory Authority, Inc., International Securities Exchange, LLC, Investors' Exchange, LLC, ISE Gemini, LLC, ISE Mercury, LLC, Miami International Securities Exchange, LLC, MIAX PEARL Exchange, NASDAQ BX, Inc., NASDAQ PHLX, LLC, The NASDAQ Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE, Arca, Inc., NYSE MKT LLC