

FINANCIAL INFORMATION FORUM

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Via Electronic Delivery

August 20, 2018

CAT Leadership Team:

Ms. Cindy Retterer, Vice President, Nasdaq
Ms. Soniya Shrivastav, Managing Director, NYSE
Ms. Shelly Bohlin, Vice President, FINRA
Mr. Tom Busch, Director, CBOE Global Markets

RE: FIF Initial Feedback on the CAT SRO Proposed Industry Member Reporting Approach – August 1

Dear CAT Leadership Team,

The Financial Information Forum (“FIF”¹), on behalf of our industry member firms (“Members”), respectfully submits our feedback to the Participants (“SROs”) on the Industry Member Reporting Approach (“Plan”), presented during the August 1st Industry Member Tech Spec Working Group meeting. The comments raised herein are intended to supplement FIF’s previous [comments](#) concerning the July 10th Industry Member Reporting Approach submitted on July 17, 2018.

FIF Feedback on the SRO Industry Member Reporting Approach – August 1

FIF remains supportive of the phased implementation model and the direction towards greater OATS compatibility in Phase 2a. The mappings of FINRA’s OATS guidance to the CAT Technical Specification (published on August 15) and the OATS technical specification to the CAT technical specification will be especially helpful in both understanding the CAT interface and planning the necessary changes to implement CAT at each firm. Furthermore, FIF supports the proposed Regulatory Conformance Period, which should allow Members the necessary 6-month test period to test their systems, work to reduce reporting errors and perform additional data validation checks prior to regulatory scrutiny while meeting the Industry Member CAT Reporting implementation dates.

However, FIF members reiterate that the aggressive CAT implementation milestones outlined in the August 1st Industry Member Reporting Approach impose a degree of risk upon the industry, the regulators, and the Plan Processor. Specifically, FIF notes the following areas of greatest concern for the industry:

- limited opportunity for the Industry to review the Technical Specification;
- limited availability of a test environment prior to CAT go-live. In FIF’s view, the Regulatory Conformance Period alleviates much of this concern; and
- the aggressive delivery timelines of each phase

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities 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.

FIF requests that the SROs take the following into consideration during the finalization of the CAT implementation plan:

- The August 1st plan allows approximately 3 weeks for detailed review of the first draft of the Industry Member Reporting Technical Specification. Due to the complex nature of the Technical Specification, combined with the fact that not all sections of prior iterations of the Technical Specification have been published, FIF has substantial concerns that the proposed 3-week review period is substantially inadequate for a fulsome review of the Technical Specification.² This problem is compounded since the August 1st plan contemplates only one round of industry member review; therefore, it will be imperative that the September 5th specification be complete and of the highest quality (*i.e.*, production quality). If the September 5th Technical Specification requires anything other than nominal changes, FIF believes that the proposed timeline specified in the plan will be jeopardized.
- FIF emphasizes that a minimum 6-month test period is required to allow for an adequate opportunity for CAT Reporters to test their CAT reporting infrastructures, perform necessary data validations/matching, and test error reconciliation processes prior to regulatory penalties (provided Industry Members make a good-faith effort to reconcile errors). A 6-month test period is especially necessary for vendors and service bureaus, who will be required to 1) first test their systems/products with the Plan Processor and; 2) perform necessary testing with their clients following client onboarding. In FIF's view, the Regulatory Conformance Period balances the goal of meeting a November 2019 CAT deliverable with the Industry's requirement of an adequate test period. Furthermore, the proposed Regulatory Conformance period provides CAT Reporters the very distinct advantage of validating actual production scenarios.
- FIF notes that the phased implementation approach, while representing a marked improvement from the SRO proposed November 2017 CAT Plan, continues to represent a highly aggressive implementation schedule. Currently, only 3 months are allotted between the end of the Phase 2a regulatory conformance period and Phase 2b and between go-live of Phases 2b and 2c. These aggressive milestones will require additional staff dedicated to CAT implementation as members firms will be unable to work on each phase of CAT implementation sequentially, causing significant stress upon scarce industry resources. Furthermore, several highly complex CAT reporting mechanisms required in Phases 2c and 2d need to be fully vetted, developed and implemented (*i.e.* full scope of linkages between various representative order scenarios, complex options, electronic and manual paired options).
- The viability of the implementation schedules proposed by the SROs are dependent upon the final definition of the new CAT reporting requirements which have been under discussion with the SROs and the industry throughout 2018. These definitions will drive the timeline, and ultimately the cost, required by the industry to implement these requirements.

² FIF has previously engaged in three reviews of the CAT Industry Member Technical Specifications. Each review requires Industry Members to: 1) review the published specification; 2) engage in a series of meetings with industry stakeholders to draw out all issues and develop recommendations; 3) analyze and consolidate feedback received by industry members; 4) vet and review the issues, questions, and recommendations with industry members; 5) complete the comment letter review process. This substantial undertaking is estimated to take at least a month in order for the industry to provide a complete and fulsome review of the Technical Specification.

Summary

FIF appreciates the SROs' consideration of Industry Member feedback as the CAT implementation timeline and milestones continue to undergo review and refinement. With the phased approach and closer adherence in Phase 2a to OATS guidance and interface, FIF views the August 1st Industry Member Reporting Approach as a significant improvement over the plan proposed by the SROs in November 2017 and remains committed to working with the SROs to achieve a viable and high-quality Consolidated Audit Trail.

We look forward to further dialog with the Participants as you solidify the CAT Implementation Plan.

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.

Mr. Michael Simon, Deloitte, CAT NMS Plan Operating Committee Chair, on behalf of the CAT NMS Plan Operating Committee

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