

# FINANCIAL INFORMATION FORUM

October 10, 2023

## **By electronic mail**

Brandon Becker  
CAT NMS Plan Operating Committee Chair

Shelly Bohlin  
President and Chief Operating Officer, FINRA CAT

**Re: September 28, 2023 FINRA CAT Billing Webinar**

Dear Mr. Becker and Ms. Bohlin,

FIF members would like to thank the CAT Plan Participants and FINRA CAT for the CAT Billing Webinar hosted by FINRA CAT on September 28, 2023. FIF members request that the CAT Plan Participants and FINRA CAT provide certain additional information relating to CAT billing, as discussed below. This letter is not intended to be a comprehensive list of FIF member questions, as FIF members continue to review and discuss the September 28 CAT Billing Webinar presentation.

## **Trade identifiers for reconciliation**

Slide 43 of the presentation provides that “Underlying Trade Details will be available to CAT Executing Brokers via SFTP and the CAT Reporter Portal.” Slide 43 further provides that “The Underlying Trade Details schema will be published at a future date.” These underlying trade details are necessary for industry members to reconcile the fees that they will be charged as CAT Executing Brokers. It is important that the underlying trade details for each trade include a trade identifier that the Executing Broker can match to a trade identifier that the Executing Broker has associated to the trade.

For example, a firm that reports a trade to the FINRA/Nasdaq TRF would have the BranchSeqNbr (FIX Tag 9861) that the firm reports to that TRF.<sup>1</sup> Similarly, a firm that reports a trade to the FINRA/NYSE TRF would have the ComplianceID (FIX Tag 376) that it reports to that TRF,<sup>2</sup> and a firm that reports a trade to

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<sup>1</sup> See, Nasdaq FIX for Trade Reporting (T+1) Programming Specification, Version 2023-02 (Aug. 2023), <https://nasdaqtrader.com/content/technicalsupport/specifications/TradingProducts/fixactspec.pdf>, at 49.

<sup>2</sup> See, FINRA/NYSE Trade Reporting Facility (TRF) Messaging Specification, V5.6 (July 20, 2022), [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_TRF\\_Messaging\\_Spec.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_TRF_Messaging_Spec.pdf), at 7.

the ORF would have the ComplianceID that it reports to the ORF.<sup>3</sup> This identifier could be provided as part of the underlying trade details. One significant challenge is that a contra firm (i.e., a firm that does not have the TRF or ORF reporting obligation but is identified as the contra firm on the TRF or ORF report) typically would not have this identifier. One potential solution would be to invoice the TRF/ORF reporting firm for both the buy and sell side fees for each trade, but this presumably would require a change to the CAT NMS Plan. It is also not clear which trade identifier could be used for on-exchange executions. FIF members recommend further discussion among the CAT Plan Participants, FINRA CAT and industry members relating to this issue, as the trade identifier would be necessary for an industry member to effectively reconcile its CAT invoices.

### Exchange execution scenarios

Slide 5 of the CAT Billing Webinar presentation provides:

“CAT Executing Broker” is defined as:

- For on-exchange trades: the buyer and seller identified by the exchange on the trade event submitted to CAT as the party responsible for the underlying order....

FIF members request that the CAT Operating Committee and FINRA CAT publish a specification or other documentation that identifies the CAT Executing Broker for each billing scenario that is unique to each exchange. Industry members require this to reconcile bills and to build their own accounting and billing systems. This could be provided through a table where each column represents a billing scenario and each row represents an exchange. The following are some of the scenarios where FIF members request clarification:<sup>4</sup>

- **Route to floor broker through exchange gateway/system.** Broker 1 routes to a Floor Broker through an exchange gateway/system. FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution through Floor Broker. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker
- **Route to floor broker through off-exchange system.** Broker 1 routes to a Floor Broker through an off-exchange system (e.g. the new Polaris system used by NYSE brokers). FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution through Floor Broker. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker.
- **Route to floor broker for closing auction.** Broker 1 routes to a Floor Broker via a non-exchange vendor system (e.g. Polaris). Broker 1 directs Floor Broker to execute the order in the closing auction on Exchange A. FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution through Floor Broker. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker.

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<sup>3</sup> FIX Specifications for the Over the Counter Trade Reporting Facility, Version 1.10 (June 6, 2022), <https://www.finra.org/sites/default/files/2022-06/FIX-Specs-ORF-Trade-Rptg-Nanos.pdf>, at 21.

<sup>4</sup> FIF members also request that the CAT Plan Participants and FINRA CAT identify and provide guidance on any scenarios not included in this letter where a specific billing approach would apply.

- **Route by Exchange A to Exchange B.** Broker 1 routes to Exchange A, and Exchange A (through its routing broker) routes the order to Exchange B (due to Reg NMS). FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution on Exchange B. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker.
- **Directed order to exchange.** Broker 1 routes a directed order to Exchange A, telling Exchange A to use Exchange A's router to access Exchange B. FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution on Exchange B. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker.
- **Route to an exchange through another broker.** Broker 1 routes to Exchange A through Broker 2 (i.e., Broker 1 reports an Order Route to Broker 2, and Broker 2 reports an Order Route to Exchange A). FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution on Exchange A. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker.
- **Give Up and CMTA.** Broker 1 routes to Exchange A with Give Up of Broker 2 (exchange member) and CMTA of Broker 3 (non-exchange member). FIF members assume that Brokers 2 and 3 would not be the Executing Broker for any resulting execution on Exchange A. Please confirm if this assumption is correct or identify any scenario where Broker 2 or 3 would be the Executing Broker.
- **Route to exchange directed to floor broker.** Broker 1 routes to Exchange A and directs the order to Floor Broker. Floor Broker executes the trade on the floor of Exchange A. FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution on Exchange A. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker.
- **Route to exchange directed to a floor broker; floor broker sweeps other exchanges.** Broker 1 routes to Exchange A and directs the order to Floor Broker. Floor Broker sweeps three other exchanges and executes the remaining portion on the floor of Exchange A. FIF members assume that Broker 1 would not be an Executing Broker for any resulting execution by Floor Broker. Please confirm if this assumption is correct or identify any scenario where Broker 1 would be the Executing Broker.

For each scenario above, please identify any exception on an exchange-by-exchange basis.

### **CAT Reporting Scenarios**

In reviewing the CAT Reporting Scenarios, FIF members note that there are certain scenarios where a single trade is associated to two exchange trade events (see, for example, Section 8.4 of the Participant Technical Specifications) and certain scenarios where a single trade is not associated to any exchange trade event (see, for example, Industry Member Reporting Scenario 8.2.5). It is unclear how the principle set forth on Slide 5 would apply in these scenarios because the principle set forth on Slide 5 would appear to assume that there is one exchange trade event for every execution. FIF members request clarification on this point.

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If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at [howard.meyerson@fif.com](mailto:howard.meyerson@fif.com).

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson  
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