

FINANCIAL INFORMATION FORUM

March 5, 2025

By electronic mail

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-0213
Attn: David Saltiel, Acting Director, Division of Trading and Markets

CAT NMS Plan Operating Committee
Attn: Brandon Becker, CAT Operating Committee Chair

FINRA CAT, LLC
9509 Key West Avenue
Rockville, MD 20850
Attn: Shelly Bohlin, President and Chief Operating Officer

Re: Commission Order Granting Exemptive Relief Relating to PII in CAT

Dear Mr. Saltiel, Mr. Becker and Ms. Bohlin,

The Financial Information Forum (“FIF”) is submitting this letter on behalf of FIF members in response to the Order published by the Securities and Exchange Commission on February 10, 2025 (the “PII Exemptive Order”) granting exemptive relief from various provisions of the CAT NMS Plan that require the reporting of certain personally identifiable information (“PII”) to the consolidated audit trail (“CAT”).¹ FIF members support the Commission’s issuance of the PII Exemptive Order.

The participants of the CAT NMS Plan (the “CAT Plan Participants”) have the responsibility to implement changes to the CAT system (and, more specifically, to the CAT Customer and Account Information System, referred to as “CAIS”) to conform to the PII Exemptive Order. As firms that collectively submit billions of CAT records every day and continue to report significant amounts of PII to CAIS, FIF members have a significant interest in how these changes to the CAIS system are implemented. FIF members

¹ Securities Exchange Act Release No. 102386 (Feb. 10, 2025), 90 FR 9642 (Feb. 14, 2025) (Order Granting Exemptive Relief, Pursuant to Section 36(a)(1) and Rule 608(e) of the Securities Exchange Act of 1934, from Certain Provisions of Section 6.4(d)(ii)(C) and Appendix D, Sections 9.1, 9.2 and 9.4 of the National Market System Plan Governing the Consolidated Audit Trail) (“PII Exemptive Order”).

would like to schedule a call with representatives for the Commission, the CAT Plan Participants and FINRA CAT, LLC (“FINRA CAT”) to discuss the implementation of these changes.

We are attaching with this letter a document that illustrates the layout of the CAIS file format. This attachment is intended to help illustrate various recommendations set forth in this letter.

A. Recommended steps for the removal of PII from CAT

FIF members recommend that the Commission, the CAT Plan Participants and FINRA CAT take the steps set forth in this section to achieve the removal of PII from CAT. These recommendations are intended to achieve the objectives of the PII Exemptive Order.

Implementation steps

CAT Alert 2025-02 published by FINRA CAT on February 24, 2025 (“CAT Alert 2025-02”) removes the requirement for industry members to report certain PII to CAT. CAT Alert 2025-02 provides for the optional reporting of this PII by industry members, with FINRA CAT continuing to record and maintain this optionally-reported PII.² FINRA CAT makes clear that CAT Alert 2025-02 is an interim step and writes that “CAT LLC is continuing to evaluate the Exemption Order and will be communicating future updates related to the effects of the Exemption Order on CAIS reporting as necessary.”³

FIF members recommend that, at some future date, FINRA CAT should remove from CAIS all fields that contain PII. Industry members will need a reasonable amount of time to adapt their reporting so that they no longer report these fields to CAIS. In the meantime, FIF members recommend, as an interim step, that FINRA CAT allow industry members to continue to report fields that contain PII. During this interim period, the CAIS system should accept submissions from industry members that contain these PII fields, but the CAIS system should not record or store these PII fields.

Recommendations relating to the scope of the PII Exemptive Order

In this section FIF members provide recommendations relating to the scope of the PII Exemptive Order. FIF members request that the Commission consider whether it is necessary to modify the PII Exemptive Order to address the recommendations set forth in this section.

- ***Natural Persons with transformed Foreign Identifiers.*** The PII Exemptive Order references PII of natural persons reported with transformed SSNs or ITINs.⁴ FIF members request that the Commission clarify that the exemption from reporting PII also applies to natural persons

² FINRA CAT, LLC, CAT Alert 2025-02, Update Regarding SEC’s CAIS Exemptive Order, Version 1.0 (Feb. 24, 2025), available at <https://catnmsplan.com/sites/default/files/2025-02/02.24.25-CAT-Alert-2025-02.pdf> (“CAT Alert 2025-02”).

³ Id. at 1.

⁴ PII Exemptive Order, at 12-13.

reported with transformed Foreign identifiers.⁵ This clarification is necessary to protect the PII of foreign natural persons who do not have an SSN or ITIN. CAT Alert 2025-02 identifies this same issue.⁶

- **Addresses associated to an FDID.** FIF members understand that the PII Exemptive Order covers addresses in CAIS that are associated to a natural person CAT customer record. CAIS also has addresses that are associated to an FDID (i.e., an account). In many cases, the address (or addresses) associated to an FDID are the addresses of a natural person CAT customer that is associated with the account. Accordingly, FIF members request that the Commission clarify that FDID-level addresses should be removed from CAIS. Consistent with this request, CAT Alert 2025-02 provides that industry members can submit replacement values designated by FINRA CAT for certain fields in the FDID Address Record in place of reporting PII.⁷
- **Addresses associated to a legal entity CAT customer record.** In many cases, the address of a legal entity will be a residential address. For example, in CAIS trusts are often reported as legal entities. In many cases, the address of a trust will be a residential address. Accordingly, FIF members request that the Commission clarify that legal entity addresses should be removed from CAIS.
- **Address fields.** CAT Alert 2025-02 provides that PII data for certain fields in the Natural Person and FDID Address Records must still be reported to CAT.⁸ FIF members assume this requirement is based on an interpretation by the CAT Plan Participants as to the scope of the PII Exemptive Order. FIF members request that the Commission clarify that all address fields should be removed from CAIS.
- **Other free text fields in CAIS that can include PII of a natural person.** FIF members have identified other free text fields in CAIS, such as `accountName`, `doingBusinessAs` and `legalName`,⁹ that could include the name or other PII of a natural person customer. In many cases, an account name can include the name or date of birth for a natural person. As one example, trusts often include in the account name the name and date of birth of a natural person (for example, “Jane Smith DOB 2/1/1985”). The `doingBusinessAs` field similarly can include PII of a natural person (for example, “John Smith’s 24-Hour Plumbing”). The legal name for a trust also can include the name of a natural person. FIF members request that the Commission clarify that these free text fields also should be removed from CAIS.¹⁰

⁵ See, CAT Reporting Customer & Account Technical Specifications for Industry Members, Version 2.2.0 r1 (Dec. 17, 2024), available at https://catnmsplan.com/sites/default/files/2024-12/12.17.24_Full_CAIS_Technical_Specifications_2.2-r1-Clean.pdf (“CAIS Technical Specifications”), at 53-54.

⁶ CAT Alert 2025-02, at 1-2.

⁷ Id. at 3.

⁸ Ibid.

⁹ CAIS Technical Specifications, at 35-36, 45-46 and 49.

¹⁰ As a summary, FIF members request that the Commission clarify that the following data elements (or lists of data elements, as applicable) should be removed from CAIS: (1) FDID Record: `accountName`; `addressList`; and `authTraderNamesList`; (2) Natural Person Customer Record: `firstName`; `middleName`; `lastName`; `nameSuffix`;

- **Existing PII in CAT.** FIF members request that the Commission clarify that all existing and historical PII must be removed from: (i) all CAT systems (including (A) the production, parallel production, testing and disaster recovery environments; and (B) off-line back-ups); (ii) all systems of any third-party (if any) to which FINRA CAT has provided PII; and (iii) all systems of the Commission and the CAT Plan Participants (to the extent obtained from CAIS). FIF members note that industry members cannot remove their own PII from CAIS.
- **CAIS validations, Material Inconsistencies, annual refresh process and report card data relating to PII.** FIF members request that the Commission clarify that the current CAIS validations, Material Inconsistencies, annual refresh process and report card data relating to PII should be ended. This issue is addressed in CAT Alert 2025-02.¹¹

B. Electronic Blue Sheets

EBS contains large amounts of PII, including plaintext SSNs

While the PII Exemptive Order is rightfully focused on addressing the risks of PII in CAT, the electronic blue sheets (“EBS”) system similarly contains large amounts of PII. The response to a single EBS request could contain tens or hundreds of thousands of plaintext SSNs. FIF members are concerned that the transmission of personal data through EBS in plaintext risks the leakage of personal data. FIF members also are not aware of any EBS controls to require the encrypted storage of SSNs and other PII. In addition, in contrast to CAT, which provides for separate reporting of transaction and customer data, the EBS system provides for the reporting of SSNs and other PII in association to specific transactions. The EBS system is also currently fully duplicative of CAT for equity and options events occurring after May 31, 2024 (the compliance date for Full CAIS reporting).

EBS is not the right solution to address the gap for associating CCIDs to natural persons and legal entities

The removal of personal data from CAIS as a result of the PII Exemptive Order will create a gap for the Commission and the self-regulatory organizations (“SROs”) in associating CAT CCIDs (the common identifier for a natural person or legal entity across broker-dealers and across accounts in the same broker-dealer) to specific natural persons and legal entities. FIF members agree with Robert Cook, the President and CEO of the Financial Industry Regulatory Authority (“FINRA”), that this gap must be addressed.¹² FIF members further agree with Mr. Cook that a “request and response” approach is the appropriate approach to fill this gap.¹³

doingBusinessAs; yearOfBirth; and addressList; and (3) Legal Entity Customer Record: legalName; and addressList. These lists and fields are included in the attached CAIS file format document.

¹¹ CAT Alert 2025-02, at 2-3.

¹² Robert Cook, News Blog titled “CAT Should Be Modified to Cease Collecting Personal Information on Retail Investors (Jan. 17, 2025), available at <https://www.finra.org/media-center/blog/cat-should-be-modified-to-cease-collecting-personal-information-on-retail-investors>.

¹³ Ibid.

For the following reasons, EBS is not the appropriate long-term solution to fill this gap:

- EBS is intended to be a transaction reporting system; EBS includes PII but is not intended to function as a database for customer information
- EBS provides for the plaintext transmission of SSNs and other PII, as discussed above
- The PII transmitted to EBS in plaintext is associated to specific transactions
- FIF members are not aware of any controls for EBS to require the encrypted storage of SSNs and other PII
- EBS involves the reporting of transaction data, which is duplicative of CAT
- EBS queries are unstructured (i.e., sent by email); as a result, responding to EBS queries is manually intensive
- EBS does not take advantage of the structured PII data that industry members now generate to comply with their CAIS reporting obligations
- The record format of EBS is inferior to the CAIS record format in many respects; for example, EBS only allows one customer (i.e., natural person or legal entity) to be associated to an account,¹⁴ while the CAIS record format allows multiple customers to be associated to an account.¹⁵

The medium to long-term goal should be the cessation of all EBS requests for equities and options by the Commission and the SROs. The Commission, the SROs and industry members should discuss the best “request and response” approach to enable regulators to link CCIDs to specific natural persons. The Commission writes in the PII Exemption Order that:

... technological advances such as more efficient computing and networking, could result in the development of an automated or partially automated system for requesting information from broker-dealers and for responding to regulator requests for information held by broker-dealers.¹⁶

FIF members agree with the Commission’s focus on the importance of automating any request and response approach. One of multiple approaches that could be considered would be to maintain the current data structure of CAIS and implement a system whereby the Commission and the SROs could obtain, through a request and response approach, the data fields containing PII that are no longer reported to CAIS. These requests could be based on one or more FDIDs specified by the Commission or an SRO, as applicable. Appropriate PII protections should be implemented for any such request and response system, and the system should be designed to maximize automation and minimize manual steps.

¹⁴ See, for example, FINRA Regulatory Notice 20-19, Electronic Blue Sheet Submissions (June 23, 2020), available at <https://www.finra.org/sites/default/files/2020-06/Regulatory-Notice-20-19.pdf> (“FINRA Regulatory Notice 20-19”), at 9-10.

¹⁵ See, for example, CAIS Technical Specifications, at 41-44.

¹⁶ PII Exemptive Order, at 90 FR 9645.

FIF members request that the CAT Plan Participants provide written clarification that industry members are required to continue to record and internally maintain the PII data that they currently report to CAIS (even though this data is no longer reportable to CAIS). As discussed in the preceding paragraph, one potential approach for a request and response system would be to use the current CAIS record format, and the successful implementation of such a system would require that industry members continue to maintain internally the PII data that they current report to CAIS.

The Commission has previously committed to retiring EBS

As discussed in a letter that FIF submitted to the Commission and the CAT Plan Participants on June 15, 2023,¹⁷ Commission Rule 613(a)(1)(ix) requires the national market system plan governing CAT to include “... A plan to eliminate existing rules and systems (or components thereof) that will be rendered duplicative by the consolidated audit trail.”¹⁸ Consistent with this requirement from Rule 613, the Commission wrote in its November 2016 Approval Order for the CAT NMS Plan that “... Commission Staff is directed to develop a proposal for Commission consideration, within six months of the Effective Date [i.e., by May 15, 2017], to ... amend Rule 17a-25 to eliminate the components of EBS that are redundant of CAT.”¹⁹

C. Other reporting systems that include PII

The Commission should also direct the removal of PII from other reporting systems that include PII. This includes the Large Options Positions Reporting System, which requires the plaintext reporting of SSNs and other PII.²⁰ The previous section discusses the risks of EBS for equities and options. EBS is also used for fixed income inquiries, and the issue of PII in EBS should also be addressed for fixed income.²¹

D. Implementation issues and questions

In addition to the issues set forth above, FIF members would like to discuss the following questions relating to implementation of the PII Exemptive Order. The CAT Plan Participants have addressed many of these questions on an interim basis in CAT Alert 2025-02, and the questions below are focused on the longer-term changes to remove PII from CAIS.

Timing

- What is the expected timing for removing PII data from CAIS?

¹⁷ Available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=3078:fif-letter-to-the-sec-relating-to-the-retirement-of-electronic-blue-sheets-and-other-legacy-systems&start=60&view=category>.

¹⁸ 17 CFR §242.613(a)(1)(ix).

¹⁹ Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (Order Approving the National Market System Plan Governing the Consolidated Audit Trail), at 81 FR 84777.

²⁰ See, for example, The Options Clearing Corporation, Large Options Positions Reporting (LOPR) Reference Guide for LOPR Firms, Version 2.6 (Dec. 2022), available at https://www.theocc.com/getmedia/af42a906-aa27-48a3-8529-8dee47ed4f7f/lopr_ref_guide.pdf, at 19-20.

²¹ See, for example, FINRA Regulatory Notice 20-19, at 9.

- What is the expected timing for the CAT Plan Participants to publish Technical Specifications for removing PII data from CAIS?
- How much time will be provided to industry members to conform to the planned changes to CAIS?
- Will there be an interim period, as recommended above, during which industry members would be permitted, but not required, to report PII data to CAIS, and the CAT system would delete the PII data reported to CAIS (as opposed to rejecting the file submission)?

Existing PII in CAIS

- What is the timing for deletion of all existing PII from the CAT system?

Current CAIS validations and requirements

- What is the scope and timing of any plan to end the current CAIS validations, Material Inconsistencies, annual refresh process and report card data relating to PII?
- How will CAIS address outstanding rejections and Material Inconsistencies that are associated to the PII data elements that are (or will) no longer be reportable?

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Please contact me at howard.meyerson@fif.com after you and your colleagues have had an opportunity to review the recommendations set forth above.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
 Managing Director, Financial Information Forum

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