

FINANCIAL INFORMATION FORUM

April 9, 2025

By electronic mail to rule-comments@sec.gov

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attn: Secretary

Re: File Number 4-698: Joint Industry Plan; Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail Regarding the Proposed Customer and Account Information System Amendment

Dear Secretary,

The Financial Information Forum (“FIF”)¹ appreciates the opportunity to comment on the above-referenced Notice of Filing published by the Securities and Exchange Commission (the “Commission”) on March 13, 2025 (the “Notice of Filing”).² The Notice of Filing relates to a filing by the Participants (the “CAT Plan Participants”) in the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan”) on March 7, 2025 proposing amendments to the CAT NMS Plan (the “proposed amendments”).³ In the proposed amendments, the CAT Plan Participants propose to reduce the amount of information of Customers (as defined in the CAT NMS Plan) in the CAT Customer and Account

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 broker-dealers, exchanges, back office service bureaus, and market data, regulatory reporting and other technology vendors in the securities industry. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes. This is a [list of FIF members](#).

² Securities Exchange Act Release No. 102665 (Mar. 13, 2025), 90 FR 12845 (Mar. 19, 2025) (Joint Industry Plan; Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail Regarding the Proposed Customer and Account Information System Amendment).

³ CAT NNS Plan Participants, File Number 4-698 Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail Regarding the Customer and Account Information System (Mar. 7, 2025), available at <https://catnmsplan.com/sites/default/files/2025-03/03.07.25-Proposed-CAT-NMS-Plan-Amendment-CAIS.pdf> (“Proposed Amendments”).

Information System (“CAIS”).⁴ The proposed amendments are more specifically focused on removing all personally-identifiable information (“PII”) from CAIS.

On March 5, 2025 FIF submitted a letter to the Commission, the CAT Plan Participants and FINRA CAT, LLC (“FINRA CAT”) relating to the removal of PII from CAT.⁵ FIF included as an attachment to the March 5 letter a document that outlines the CAIS file format structure (“Attachment 1”).⁶ This letter restates many of the points set forth in the March 5 FIF letter.

A. FIF members support the proposed amendments

FIF members support the proposed amendments. More specifically:

- FIF members support the deletion of previously reported PII already in the Consolidated Audit Trail (“CAT”).⁷
- FIF members support excluding PII for all natural persons, including foreign natural persons who are not reported with transformed SSNs or ITINs.⁸
- FIF members support permanently eliminating and prohibiting the reporting of PII to CAT (subject to a phased implementation, as discussed below).⁹
- FIF members support excluding PII for all legal entity customers, since, as discussed in the March 5 FIF letter, PII of natural persons (including names, addresses and dates of birth) is often included in CAIS records for legal entities.¹⁰
- FIF members support eliminating requirements relating to the handling of inconsistencies.¹¹

B. Implementation steps

As discussed in the March 5 FIF letter, FIF members recommend the following steps for implementing the removal of PII from CAT:¹²

- In the first phase, industry members could continue to report fields that contain PII. During this phase, the CAIS system would accept submissions from industry members that contain these PII

⁴ The current version of the CAT NMS Plan (without the proposed amendments) is available at [https://catnmsplan.com/sites/default/files/2025-01/LLC Agreement of Consolidated Audit Trail LLC-as-of-12.12.24.pdf](https://catnmsplan.com/sites/default/files/2025-01/LLC%20Agreement%20of%20Consolidated%20Audit%20Trail%20LLC-as-of-12.12.24.pdf).

⁵ Available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=3205:fif-letter-to-the-sec-the-cat-plan-participants-and-finra-cat-relating-to-the-removal-of-pii-from-cat&view=category> (“March 5 FIF Letter”).

⁶ Available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=3206:attachment-to-fif-letter-relating-to-the-removal-of-pii-from-cat&view=category>.

⁷ See, for example, Proposed Amendments, at 6-7.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ See, for example, Proposed Amendments, at 12-13.

¹² FIF members also request further clarification on how the deletion of existing CAIS data would be coordinated with changes to CAIS to prevent the reporting of new PII.

fields, but the CAIS system would not record or store these PII fields. These fields would be optional for reporting.

- In the second phase, all industry members would be prohibited from reporting PII fields to CAIS, and the CAIS system would reject submissions that contain these fields.

FIF members recommend this two-phased approach for the following reason:

- Industry members will require time to update their systems to cease reporting PII to CAIS. Some industry members will require more time than others.
- Firms that can update their systems more quickly can cease reporting PII to CAIS more quickly.
- Firms that require more time to report PII to CAIS will have more time to update their systems.

C. Fields to be removed from CAIS

In the March 5 FIF letter, FIF members recommended the removal of the following fields and lists from CAIS (for additional detail, please see (A) the Technical Specifications for CAIS,¹³ and (B) Attachment 1, which illustrates how these fields are organized in the CAIS file structure):

- FDID Record: accountName; addressList; and authTraderNamesList
- Natural Person Customer Record: firstName; middleName; lastName; nameSuffix; doingBusinessAs; yearOfBirth; and addressList
- Legal Entity Customer Record: legalName; and addressList.

After further discussion, FIF members believe that additional fields and lists can be removed from CAIS, including the following:

FDID Record

- ***largeTraderList***. Since CAT enables the Commission to track activity based on CCID, FIF members believe that large trader reporting is no longer necessary.

Natural Person Customer Record

- ***updateNotification***. Since this field is related to the Material Inconsistencies process, and the proposed amendments propose eliminating requirements relating to the handling of inconsistencies, this field can be removed.

¹³ CAT Reporting Customer & Account Technical Specifications for Industry Members, Version 2.2.0 r2 (Feb. 20, 2025), available at https://catnmsplan.com/sites/default/files/2025-02/2.20.25_Full_CAIS_Technical_Specifications_2.2.0_r2-Clean.pdf ("CAIS Technical Specifications").

Legal Entity Customer Record

- **lei.** The new proposed structure of CAIS involves a two-step process. In Step 1, surveillance personnel seek to identify patterns of trading conduct associated to one or more specific FDIDs and/or CCIDs that require further analysis. In Step 2, surveillance personnel, through a request and response approach, request PII for these FDIDs and the associated CCIDs (through identification of the FDID). Given this redesign of CAIS, inclusion of the lei plaintext field in CAIS is no longer appropriate (for certain CAT Customers that are Legal Entities, industry members could still report a hashed lei to CAT).
- **updateNotification.** Please see discussion above.

D. Additional cost savings opportunities

The CAT Plan Participants estimate that the proposed amendments will achieve \$12 million in annual cost savings.¹⁴ Given prior filings by the CAT Plan Participants,¹⁵ FIF members anticipate that the CAT Plan Participants will be proposing additional cost savings opportunities to the Commission.

FIF members request that the Commission and the CAT Plan Participants consider whether additional cost savings could be achieved in connection with the removal of PII from CAT. For example, if the above-noted fields are also removed from CAIS, the remaining descriptive customer and account data in CAIS should be evaluated to determine if such information is particularly sensitive, since it would not contain any account-specific PII.

To the extent that none of the remaining CAIS data is sensitive, it may be possible that such information can be promulgated to the CAT Transaction Reporting (or other system outside the CAIS system) and made available to regulators through association to appropriate transaction records (for example, through association to FDIDs). FIF members understand that a process may already exist to facilitate the use of CCIDs outside the CAIS system, as implied by a recent FINRA news blog post¹⁶ and the Commission's recent Exemptive Order relating to PII (the "PII Exemptive Order").¹⁷

¹⁴ Proposed Amendments, at 2.

¹⁵ See, for example, 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).

¹⁶ FINRA News Blog, Robert Cook, President and CEO of FINRA, 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-cess-collecting-personal-information-on-retail-investors> ("Similarly, regulators could still determine from the transaction database, and without accessing any investor-identifying information, whether trading spread across multiple accounts and broker-dealers is being conducted by the same party.").

¹⁷ 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"), at 90 FR 9643-9644 ("In the first transformation phase, a CAT Reporter transforms the SSN/ITIN into an interim transformed value. This transformed value, and not

If this process can be applied to the remaining non-sensitive data in CAIS, it may provide the SROs with an opportunity to transform CAIS from a regulatory database with many regulatory users to an internal FINRA CAT process dedicated to creating CCIDs and promulgating those CCIDs, and any non-sensitive customer and account fields, to the CAT Transaction Reporting database. This could potentially yield very substantive cost savings as well as significantly simplify the footprint and design of CAT without any degradation in regulatory use. The exemption request states that the CAT operating budget for 2025 includes approximately \$35.5 million in CAIS-related costs.¹⁸ FIF members would like to understand whether this type of reorganization of CAT could provide cost savings beyond the \$12 million in cost savings projected from the proposed amendments.

In order to more fully explore this idea, FIF requests that the CAT Plan Participants provide further information about any linkages between the current CAIS database and the CAT Transaction Reporting database, and to clarify what information, if any, is re-populated from CAIS to the Transaction Reporting system. Providing such information will allow FIF members, market participants, and the Commission itself the opportunity to consider, and comment on, the potential for these additional cost savings.

E. Electronic Blue Sheets¹⁹

EBS contains large amounts of PII, including plaintext SSNs

While the PII Exemptive Order and the proposed amendments are 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 and the proposed amendments 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

the SSN/ITIN, is submitted to a separate system within the CAT (“CCID Subsystem”). The transformed value is sent to the CAT “separate and apart from the other customer and account information.” The CCID Subsystem then performs a second transformation to create the globally unique CCID for each Customer that is unknown to, and not shared with, the original CAT Reporter. The CCID is then sent to the customer and account information system (“CAIS”) of the CAT, where it is linked with the other customer and account information.”).

¹⁸ Proposed Amendments, at 13-14.

¹⁹ This section is for the most part a restatement of the points relating to EBS made in the March 5 FIF Letter. March 5 FIF Letter, at 4-6.

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, that this gap must be addressed.²⁰ FIF members further agree with Mr. Cook that a “request and response” approach is the appropriate approach to fill this gap.²¹

For the following reasons, EBS is not the appropriate 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,²² while the CAIS record format allows multiple customers to be associated to an account.²³

Potential alternative to EBS

The goal should be the cessation of all EBS requests for equities and options by the Commission and the SROs as soon as possible. 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 or legal entities. 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.²⁴

²⁰ 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>.

²¹ Ibid.

²² 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.

²³ See, for example, CAIS Technical Specifications, at 41-44.

²⁴ PII Exemptive Order, at 90 FR 9645.

FIF members agree with the Commission's focus on the importance of automating any request and response approach. FIF members also appreciate that the PII Exemptive Order and the plan amendments do not discuss EBS as a model for the request and response process.

One of multiple approaches that should 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. For any request and response system, the Commission should consider the potential role of reporting agents (including clearing firms that act as reporting agents) and whether the system would implement validations (and, if so, which validations would be applied).

FIF members request that the SROs provide written clarification that industry members should continue to record and internally maintain the PII data that they currently report to CAIS (even though this data would no longer be reportable to CAIS). As discussed above, 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.²⁵

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, 2023,²⁶ 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."²⁷ 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

²⁵ In the past, FIF members have communicated to the Commission their position that the current CAIS reporting requirements exceed the scope of reporting authorized under Commission Rule 613 because the current CAIS reporting requirements include various data elements that industry members are not required to record and retain in their books and records. FIF members continue to hold this view. However, given that industry members have adapted their books and records systems to meet these requirements, FIF members believe that it would make sense to consider, as one option, designing a request and response approach based on the current CAIS data structure. In the longer term, discrepancies between CAIS reporting requirements and the books and records rules could be addressed.

²⁶ 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>.

²⁷ 17 CFR §242.613(a)(1)(ix).

of CAT.”²⁸ For the reasons discussed in this paragraph and the sections above, FIF members request that the Commission and the SROs retire EBS as soon as possible.

F. Other reporting systems that include PII²⁹

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.³⁰ 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.³¹

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FIF appreciates the opportunity to comment on the Notice of Filing. 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.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

²⁸ 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.

²⁹ This section is for the most part a restatement of the points made in the March 5 FIF Letter. March 5 FIF Letter, at 6.

³⁰ 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.

³¹ See, for example, FINRA Regulatory Notice 20-19, at 9.