

FINANCIAL INFORMATION FORUM

June 18, 2025

By electronic mail

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

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

Re: Request for postponement of planned changes to CAIS compliance error rate calculation

Dear Mr. Becker and Mr. McKenney,

On March 13 and 18, 2025, FINRA CAT, LLC (“FINRA CAT”) hosted Parts 1 and 2 of a CAIS Report Card Webinar (the “CAIS report card webinar” or “webinar”).¹ During the webinar, representatives of FINRA CAT announced planned changes to the compliance error rate calculation for the Consolidate Audit Trail (“CAT”) Customer and Account Information System (“CAIS”). With the planned changes, the CAIS system will calculate an Industry Member’s compliance error rate based on unrepaired accounts and customers “as of” the current month as opposed to unrepaired accounts and customers “submitted in” the current month (the “planned error rate calculation changes”).² As planned, this means that any unrepaired accounts and customers from and after April 26, 2022, if not resolved, will be included in an Industry Member’s compliance rate.³ The presentation for the webinar provides that the planned error rate calculation changes will take effect for the October 2025 report card published on November 15, 2025.⁴

In light of (i) the February 10, 2025 Exemptive Order published by the Commission relating to the removal of certain personally-identifiable information (“PII”) from CAT (the “PII Exemptive Order”),⁵ (ii)

¹ CAIS Report Card Webinar Part 1 – Compliance Error Rate Calculation (Mar. 13, 2025), available at [https://catnmsplan.com/sites/default/files/2025-03/03.13.25 Part-1-CAIS-Report-Card-Webinar.pdf](https://catnmsplan.com/sites/default/files/2025-03/03.13.25%20Part-1-CAIS-Report-Card-Webinar.pdf) (“CAIS Webinar Part 1”) ; CAIS Report Card Webinar – Part 2 (Mar. 18, 2025), available at [https://catnmsplan.com/sites/default/files/2025-03/03.18.25 Part-2-CAIS-Report-Card-Webinar.pdf](https://catnmsplan.com/sites/default/files/2025-03/03.18.25%20Part-2-CAIS-Report-Card-Webinar.pdf).

² CAIS Webinar Part 1, at Slides 3-4.

³ Id. at Slide 4.

⁴ Id. at Slide 2.

⁵ Securities Exchange Act Release No. 102386 (Feb. 10, 2025), 90 FR 9642 (Feb. 14, 2025).

CAT Alert 2025-02, published by FINRA CAT, LLC (“FINRA CAT”) on February 24, 2025, which provides “... guidance for how Industry Members (as defined below) may elect to discontinue reporting to CAIS names, addresses, and years of birth for Designated Natural Persons ...” (“CAT Alert 2025-02”),⁶ and (iii) the proposed amendments to the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan”) filed by the Participants in the CAT NMS Plan (the “CAT Plan Participants”) on March 7, 2025 to reduce the amount of Customer information in CAT (the “Proposed PII Amendments”),⁷ the Financial Information Forum (“FIF”), on behalf of FIF members that are Industry Members (as defined in the CAT NMS Plan), requests that the CAT Plan Participants and FINRA CAT suspend the planned error rate calculation changes pending a determination by the Commission on the Proposed PII Amendments.

As a result of the PII Amendments and CAT Alert 2025-02, certain data fields that were previously reportable to CAIS are no longer reportable.⁸ As one example, Industry Members are no longer required to report to CAIS account addresses and customer names and addresses of U.S. natural persons.⁹ If the Commission were to approve the Proposed PII Amendments, certain additional data fields that are currently reportable to CAIS would no longer be reportable. As one example, Industry Members would no longer be required to report to CAIS account addresses and customer names and addresses of non-U.S. natural persons.¹⁰ Many Industry Members have historical errors relating to CAIS reporting. Many of these historical errors relate to fields that either (i) are no longer reportable to CAIS as a result of the PII Amendments and CAT Alert 2025-02, or (ii) would no longer be reportable to CAIS if the Commission were to approve the Proposed PII Amendments. In addition, if the Commission were to approve the Proposed PII Amendments, data for these fields previously reported by Industry Members (including historical account names and customer names and addresses for all CAT Customers) would be removed from the CAIS system.¹¹

FIF members believe that if specific fields are no longer (or will no longer be) reportable to CAIS, and if historical data relating to these fields will be removed from CAIS, historical errors relating to the reporting of these fields should no longer be considered in an Industry Member’s compliance rate. FIF members are concerned that the planned error rate calculation changes would have the opposite effect because historical errors by an Industry Member in reporting these fields would now be included in the Industry Member’s compliance error rate. Accordingly, FIF members request that the CAT Plan Participants postpone the implementation of the planned error rate calculation changes pending the Commission’s decision on the Proposed PII Amendments.

⁶ CAT Alert – 2025-02, Update Regarding SEC’s CAIS Exemption Order (Feb. 24, 2025), available at <https://catnmsplan.com/sites/default/files/2025-03/03.03.25-CAT-Alert-2025-02.pdf> (“CAT Alert 2025-02”).

⁷ Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Securities and Exchange Commission (Mar. 7, 2025), available at <https://catnmsplan.com/sites/default/files/2025-03/03.07.25-Proposed-CAT-NMS-Plan-Amendment-CAIS.pdf> (“Proposed PII Amendments”). See, also, Securities Exchange Act Release No. 102665 (Mar. 13, 2025), 90 FR 12845 (Mar. 19, 2025), and Securities Exchange Act Release No. 103288 (June 17, 2025).

⁸ For purposes of this letter, we use the word “reportable” to mean that an Industry Member is no longer required to report customer or account data for the applicable field.

⁹ See, for example, CAT Alert 2025-02, at 2-3.

¹⁰ See, for example, Proposed PII Amendments, at 2.

¹¹ Ibid.

The following scenario is presented to illustrate why this proposed postponement is appropriate:

- An Industry Member had an account with CAT-reportable trading activity during 2023
- The FDID had two associated CAT Customers who were U.S. natural persons
- In the Industry Member's books and records, the Industry Member had an address on file for one of the CAT Customers but not for the other CAT Customer
- During 2023, the Industry Member submitted to CAIS an FDID record and the two associated CAT Customer records for this account
- Because of the missing address in one of the CAIS Customer records, the CAIS system rejected all three record submissions
- The customer closed the account at the end of 2023
- At this time, the Industry Member has no way to obtain the missing address information and, accordingly, can never resolve this error.

Since CAIS no longer requires Industry Members to report addresses of U.S. natural persons to CAIS, and the Proposed PII Amendments, if approved, would delete all address information previously reported to CAIS, it does not make sense to consider historical errors relating to these fields in an Industry Member's compliance error rate. FIF members further note that resolving historical errors requires significant time and work by Industry Members. FIF members do not believe that it makes sense to require Industry Members to undertake this significant work for data elements that are no longer reportable to CAIS (or would no longer be reportable to CAIS if the Proposed PII Amendments were approved). Given the current focus by the Commission on managing CAT costs,¹² FIF members do not consider it appropriate to require Industry Members to incur the costs of resolving historical errors or inconsistencies relating to data elements that will likely be removed from CAIS.

The justification for this requested postponement is similar to the justification for FINRA CAT's recent postponement of the FDID refresh requirement.¹³

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The CAIS report card webinar also provides for the creation of peer group assignments to take effect with the October 2025 report card.¹⁴ FIF members do not object to the creation of peer group assignments but understand that there could be challenges with introducing the peer group assignments without the planned error rate calculation changes. Accordingly, FIF members would not object if the CAT Plan Participants and FINRA CAT were to postpone all of the changes described in the CAIS report card webinar.

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¹² See for example, Chairman Paul S. Atkins, Prepared Remarks Before SEC Speaks (May 19, 2025), available at <https://www.sec.gov/newsroom/speeches-statements/atkins-prepared-remarks-sec-speaks-051925>.

¹³ See, for example, the updates to FAQ Q19 published by FINRA CAT on March 25, 2025, available at <https://catnmsplan.com/faq#Q19>.

¹⁴ See, for example, CAIS Webinar Part 1, at Slides 8-9.

FIF members believe it is also important to have a broader discussion about the removal of historical CAIS errors for data fields that are no longer (or will no longer be) reportable to CAIS (including associated Material Inconsistencies). As an initial step, FIF members request that the CAT Plan Participants postpone the planned error rate calculation changes.

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FIF members appreciate your consideration of this request. Please contact me at howard.meyerson@fif.com if you would like clarification about the request set forth above or would like to discuss in further detail.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

Cc: Erika Berg, Division of Trading and Markets, Securities and Exchange Commission
David Hsu, Division of Trading and Markets, Securities and Exchange Commission
Andrew Sherman, Division of Trading and Markets, Securities and Exchange Commission