
Correspondents and Clearing Firms with Correspondents: Use of the *correspondentCRD* field

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Introduction

- ▶ Correspondents/Introducing Broker-Dealers (“IBDs”) and clearing firms have their own separate and distinct CAIS obligations.
 - See the [March 1, 2022 Full Customer & Account Reporting 101](#) industry webinar for illustrations and examples.
- ▶ An Industry Member’s CAIS reporting obligation derives from its Transaction reporting obligation.
- ▶ In a typical correspondent/clearing firm scenario, the correspondent has the obligation to report the new order event (for example, the MENO) and the clearing firm has the obligation to report the allocation event (for example, the MEPA).
- ▶ In this scenario:
 - The correspondent also has an obligation to report to CAIS the *firmDesignatedID* populated on the new order event.
 - The clearing firm also has an obligation to report to CAIS the *firmDesignatedID* populated on the allocation event.

Which Industry Members Must Populate the *correspondentCRD* field

- ▶ When reporting a *firmDesignatedID* to CAIS:
 - The *correspondentCRD* field is only populated by clearing firms with correspondents/IBDs and only when reporting accounts that are custodied for their correspondents/IBDs, including DVP/RVP accounts.
 - Clearing firms without correspondents/IBDs must not populate the *correspondentCRD* field.
 - Clearing firms reporting *firmDesignatedIDs* that are not associated with a correspondent/IBD (such as a proprietary account) must not populate the *correspondentCRD* field.
 - Correspondents/IBDs must not populate the *correspondentCRD* field.

Use of the *correspondentCRD* Field: Who and When

Table 1:

If You Are A: Correspondent/IBD	
CAIS Submitter Is:	<i>correspondentCRD</i> field is:
Self-Reporting	Not populated
Clearing Firm	Not populated
Third Party CRA*	Not populated

Table 2:

If You Are A: Clearing Firm Reporting Accounts Custodied for a Correspondent/IBD	
CAIS Submitter Is:	<i>correspondentCRD</i> field is:
Self-Reporting	Always Populated
Third Party CRA*	Always Populated

Table 3:

If You Are A: Clearing Firm Reporting Accounts <u>Not</u> Associated With a Correspondent/IBD	
CAIS Submitter Is:	<i>correspondentCRD</i> field is:
Self-Reporting	Not populated
Third Party CRA*	Not populated

*For purposes of this presentation, “Third Party CRA” is a non-Industry Member CAT Reporting Agent.

Use of the *correspondentCRD* Field– Other Highlights

- ▶ Clearing firms reporting accounts that are custodied for their correspondents/IBDs must populate the *correspondentCRD* field with the CRD number of the related IBD or correspondent firm.
- ▶ The *correspondentCRD* field is at the main level within the JSON structure of the CAIS Data File, and as such will apply to all records within the file.
- ▶ All FDID and Customer data included in the file will be associated to the *catReporterCRD* and *correspondentCRD* pairing.
- ▶ If the clearing firm custodies Accounts for multiple correspondents/IBDs, Accounts for each individual correspondent/IBD must be grouped into a separate file.
- ▶ The *correspondentCRD* field is separate and distinct from the *clearingBrokerID* field, which refers to the NSCC Clearing ID of the Industry Member that clears the Account.

Illustrating Use of the *correspondentCRD* Field

- ▶ The following slides will illustrate how the *catReporterCRD*, *catSubmitterID* and *correspondentCRD* fields must be populated in five sample scenarios:
 1. When a correspondent/IBD has a CAIS reporting obligation
 2. When a clearing firm has a CAIS reporting obligation for an account it custodies for a correspondent/IBD
 3. When a clearing firm has a CAIS reporting obligation for an account that is not associated with a correspondent/IBD
 4. When a clearing firm populates an erroneous CRD number in the *correspondentCRD* field
 5. When a clearing firm erroneously leaves the *correspondentCRD* field blank.
- Sample file header:

```
"version": "2.0.0",  
"catReporterCRD": 8888,  
"catSubmitterID": 7777,  
"correspondentCRD": 9999,  
"fdidRecordCount": 3,  
"naturalPersonCustomerRecordCount": 3,  
"legalEntityCustomerRecordCount": 1,  
"fdidRecordList": [
```
- ▶ The final example will illustrate that a clearing firm reporting accounts that it custodies for multiple correspondents/IBDs must be submitted to CAIS in separate files.

Illustrating Use of the *correspondentCRD* Field– The Identifiers

Party	Identifier
Correspondent/IBD	9999
Clearing Firm	8888
Third Party CRA	7777

Disclaimer

Note: All names, addresses, and identifiers data used for examples in the customer and Account information reports are purely fictional for illustrative purposes only. Any resemblance to actual persons, organizations, or locations is purely coincidental. All Transformed Identifiers (“TIDs”) included in the examples for Social Security Numbers, Individual Taxpayer Identification Numbers, or Employer Identification Numbers (collectively, ‘SSN/ITIN’ and ‘EIN’), are generated from values that are outside of the acceptable range of assignment by the assigning body, and would fail CAT data validations if actually reported to CAIS.

Example– Typical Correspondent/Clearing Firm Relationship

- ▶ A customer originates an order at an introducing broker-dealer (IBFA).
- ▶ IBFA automatically routes all orders to its clearing firm (CLFA) who further routes all orders to an exchange for execution and allocates shares to customers' accounts.
- ▶ The customer places an order with IBFA and IBFA routes the order to CLFA. CLFA then routes the order to an exchange for execution. CLFA later allocates the shares to the customer's account.
- ▶ IBFA and CLFA maintain separate FDIDs for the customer's account.
- ▶ IBFA's CRD number is 9999 and CLFA's CRD number is 8888.

Example– Transaction Reporting Requirements

CAT IM Order Data												
CAT Reporter IMID	CAT Event	Order ID	Event Timestamp	Symbol	B/S	Quantity	Price	Account Holder Type	Order FDID	Dest.	Sender IMID	Routed Order ID
IBFA	MENO	A12345	20190708T101830.52	ABC	B	200	10.00	I	50955			
IBFA	MEOR	A12345	20190708T101930.24	ABC	B	200	10.00			CLFA		85296
CLFA	MEOA	C85236	20190708T101930.26	ABC	B	200	10.00				IBFA	85296
CLFA	MEOR	C85236	20190708T101930.28	ABC	B	200	10.00			EXO		EX1234

CAT Exchange Data											
Exchange ID	CAT Event	Order ID	Event Timestamp	Symbol	B/S	Quantity	Price	Capacity	Clearing Firm	Routing Party	ROID
Exch O	EOA	E12345	20190708T101930.47	ABC	B	200	10.00		CLFA	CLFA	EX1234
Exch O	EOT	E12345	20190708T101935.31	ABC		200	10.00	A	CLFA		

CAT IM Allocation Data															
CAT Reporter IMID	CAT Event	Sym.	Trade Date	Settle Date	IB/Corr CRD#	Allocation FDID	New Order FDID	Price	B/S	Qty.	Alloc. Time	Inst - [FINRA 4512(c)]	Alloc. Type	PB/ Cust	Allocation Instruction Time
CLFA	MEPA	ABC	7/8/19	7/11/19	9999	21098	[Not available]	10.00	Buy	200	101830	N	Custody		

Example – CAIS Reporting Requirements

- ▶ IBFA and CLFA each have their own separate and distinct CAIS reporting obligations.
 - IBFA must report to CAIS the *firmDesignatedID* populated on the MENO.
 - CLFA must report to CAIS the *firmDesignatedID* populated on the MEPA.

Correspondent/IBD CAIS Data File Header

- ▶ These illustrations show how the file header must be populated when the correspondent/IBD has the CAIS reporting obligation.
- ▶ No matter if the correspondent/IBD is self-reporting or using a CAT Reporting Agent, the *correspondentCRD* field must not be populated.

Party	Identifier
Correspondent/IBD	9999
Clearing Firm	8888
Third Party CRA	7777

Self-Submitting Correspondent/IBD
version: 2.0.0
fdidRecordCount: 1
naturalPersonCustomerRecordCount: 2
legalEntityCustomerRecordCount: 0
catSubmitterID: 9999
catReporterCRD: 9999
correspondentCRD:

Clearing Firm As CAT Reporting Agent
version: 2.0.0
fdidRecordCount: 1
naturalPersonCustomerRecordCount: 2
legalEntityCustomerRecordCount: 0
catSubmitterID: 8888
catReporterCRD: 9999
correspondentCRD:

Third Party CRA
version: 2.0.0
fdidRecordCount: 1
naturalPersonCustomerRecordCount: 2
legalEntityCustomerRecordCount: 0
catSubmitterID: 7777
catReporterCRD: 9999
correspondentCRD:

Clearing Firm CAIS Data File Header

- ▶ These illustrations show how the file header must be populated when the clearing firm has the CAIS reporting obligation for accounts it custodies for a correspondent/IBD.
- ▶ No matter if the clearing firm is self-reporting or using a CAT Reporting Agent, the *correspondentCRD* field must always be populated.

Party	Identifier
Correspondent/IBD	9999
Clearing Firm	8888
Third Party CRA	7777

Self-Submitting Clearing Firm

version: 2.0.0

fdidRecordCount: 1

naturalPersonCustomerRecordCount: 2

legalEntityCustomerRecordCount: 0

catSubmitterID: 8888

catReporterCRD: 8888

correspondentCRD: 9999

Third Party CRA

version: 2.0.0

fdidRecordCount: 1

naturalPersonCustomerRecordCount: 2

legalEntityCustomerRecordCount: 0

catSubmitterID: 7777

catReporterCRD: 8888

correspondentCRD: 9999

Clearing Firm Reporting for its Own Accounts

- ▶ Suppose that the clearing firm has accounts that are not associated with its IBDs (proprietary accounts or direct customer accounts):
 - No matter if the clearing firm is self-reporting or using a CAT Reporting Agent, the *correspondentCRD* field must not be populated.

Party	Identifier
Correspondent/IBD	9999
Clearing Firm	8888
Third Party CRA	7777

Self-Submitting Clearing Firm

version: 2.0.0

fdidRecordCount: 1

naturalPersonCustomerRecordCount: 2

legalEntityCustomerRecordCount: 0

catSubmitterID: 8888

catReporterCRD: 8888

correspondentCRD:

Third Party CRA

version: 2.0.0

fdidRecordCount: 1

naturalPersonCustomerRecordCount: 2

legalEntityCustomerRecordCount: 0

catSubmitterID: 7777

catReporterCRD: 8888

correspondentCRD:

Clearing Firm: Erroneous CRD in the *correspondentCRD* Field

- ▶ Suppose the clearing firm populated an erroneous CRD number in the *correspondentCRD* field:
 - The clearing firm must follow the Corrections process as described in the Full CAIS Technical Specifications
 - Corrections and updates are made by submitting the same FDID Record (with all current Customer and LTID associations), with corrected or updated data.
 - The new data provided on the corrected record will update the record currently stored in CAIS.

Party	Identifier
Correspondent/IBD 1	9999
Correspondent/IBD 2	555
Clearing Firm	8888

Erroneous Record Header:

version: 2.0.0
fdidRecordCount: 1
naturalPersonCustomerRecordCount: 2
legalEntityCustomerRecordCount: 0
catSubmitterID: 8888
catReporterCRD: 8888
correspondentCRD: 9999

Correcting Record Header:

version: 2.0.0
fdidRecordCount: 1
naturalPersonCustomerRecordCount: 2
legalEntityCustomerRecordCount: 0
catSubmitterID: 8888
catReporterCRD: 8888
correspondentCRD: 555

Clearing Firm: *correspondentCRD* Field Erroneously Blank

- ▶ Suppose the clearing firm erroneously left the *correspondentCRD* field blank:
 - The clearing firm must follow the Corrections process as described in the Full CAIS Technical Specifications
 - Corrections and updates are made by submitting the same FDID Record (with all current Customer and LTID associations), with corrected or updated data.
 - The new data provided on the corrected record will update the record currently stored in CAIS.

Party	Identifier
Correspondent/IBD 1	9999
Clearing Firm	8888

Erroneous Record Header:

version: 2.0.0
fdidRecordCount: 1
naturalPersonCustomerRecordCount: 2
legalEntityCustomerRecordCount: 0
catSubmitterID: 8888
catReporterCRD: 8888
correspondentCRD:

Correcting Record Header:

version: 2.0.0
fdidRecordCount: 1
naturalPersonCustomerRecordCount: 2
legalEntityCustomerRecordCount: 0
catSubmitterID: 8888
catReporterCRD: 8888
correspondentCRD: 9999

Clearing Firm: Reporting Multiple Correspondents/IBDs

- ▶ Suppose the clearing firm custodies accounts for multiple correspondents/IBDs:
 - It must submit the records in separate files- it cannot comingle the records for different correspondents/IBDs in a single file.
 - No matter if the clearing firm is self-reporting or using a CAT Reporting Agent, the *correspondentCRD* field must always be populated.

Party	Identifier
Correspondent/IBD 1	9999
Correspondent/IBD 2	555
Clearing Firm	8888

File 1 for Self-Submitting Clearing Firm

version: 2.0.0

fdidRecordCount: 1

naturalPersonCustomerRecordCount: 2

legalEntityCustomerRecordCount: 0

catSubmitterID: 8888

catReporterCRD: 8888

correspondentCRD: 9999

File 2 for Self-Submitting Clearing Firm

version: 2.0.0

fdidRecordCount: 17

naturalPersonCustomerRecordCount: 6

legalEntityCustomerRecordCount: 15

catSubmitterID: 8888

catReporterCRD: 8888

correspondentCRD: 555

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 - A visual prompt will indicate that your line has been unmuted.
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 - An audio prompt will indicate that your line has been unmuted.