

# Refresh of Bidders Conference Questions

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*Updated as of September 11, 2013*

Please note that the written responses provided here may differ from the verbal responses given at the Bidders Conference on March 8, 2013. Bidders should consider the written responses to supersede the verbal responses from the event.

**1. Who will pay for the CAT?**

The Cost and Funding Subcommittee is currently considering this and that information will be made available at a later date.

**2. Is there a cost recovery model? Would a billing module be necessary to allocate out to SROs?**

The billing process will have to be presented as part of the RFP response. The cost recovery model is being considered by the SROs and information will be made available at a later date.

**3. Since the funding mechanism has yet to be determined, do you believe there is a scenario whereby Congressional approval will be required with respect to the project getting funded?**

No, it is very unlikely that the SROs would seek any government funding for the CAT.

**4. Will any information from the Cost and Funding Subcommittee be released before bids are due to be submitted?**

It is unlikely that any information will be released from the Cost and Funding Subcommittee before bids are due to be submitted.

**5. When would the winning Bidder start getting paid?**

Payment flow to the winning Bidder will be dependent on the contractual terms and agreements.

**6. Question 194 of the RFP reads, "Provide a description of the financial terms of the proposed penalty clause." Can you clarify to what penalty clause you are referring?**

The penalty clause would pertain to either partial or full termination of the contract between the winning Bidder and the SROs. The SROs will provide further clarity on this question.

**7. Question 153 of the RFP reads, "Describe which legal agreement/framework is recommended"? Can you clarify what is meant by this question?**

The Bidder must address how the contract that memorializes the relationship between the CAT reporting entity and the CAT will be established. The Bidder should also describe the legal department (or legal facilities) that the Bidder envisions needing in order to support the CAT. The Bidder should describe the arrangement of the legal department, including identifying expertise of the in-house staff (i.e., contracts, licensing agreements) and identifying areas where the staff would seek outside counsel (i.e., litigation).

8. **On the paragraph before question 195 of the RFP, the first sentence states that "[t]he SROs expect to retain ownership of all IP contributed by them to the CAT processor." Can you describe or provide examples of the type of IP meant by this?**

One example pertains to proprietary rights to market data the SROs submit to the CAT.

9. **If some of the IP is preexisting and used by a Bidder for other purposes, to what extent is it expected that the IP would then transfer to the SROs? Is it anticipated that IP that gets contributed could be used by SROs to build products outside of the CAT?**

The SROs expect a Bidder to address in its RFP response the use of any proprietary IP. The SROs expect to receive a royalty-free license to use, modify and sublicense (in connection with the CAT) any pre-existing IP that the CAT Plan Processor uses to provide the services. Alternative IP ownership and licensing proposals may be considered, with consideration given to costs, benefits and risks of such alternate proposals. It is not anticipated that the proprietary IP would be used by any SRO to build products outside of the CAT.

10. **How are you planning on managing or mitigating conflicts where an SRO is both an evaluator and a Bidder?**

The Governance Subcommittee is addressing this issue. There will be full transparency. The SROs are drafting a framework for appropriate information sharing barriers to be put in place for the bid evaluation process (including independence criteria for bidding SROs).

11. **Have you given some consideration to handling the protests of firms that do not win?**

The SROs will make the process transparent and the NMS Plan will be made available for public comment.

12. **How definitive is the Intent to Bid? Is it possible through some mechanism for another firm to enter the RFP process at this stage other than those that have submitted an Intent to Bid form? And if a firm that submitted an Intent to Bid form is acquired by another firm, would the acquiring firm inherit that firm's Intent to Bid?**

Firms that have not submitted an Intent to Bid form will not be allowed to participate in the RFP process as a primary Bidder. If a firm were acquired, it is likely that the firm's Intent to Bid would become the property of the acquiring firm and the acquiring firm would be entitled to enter the RFP process, but that would have to be reviewed by the Governance Subcommittee.

13. **If two Bidders find that they have complementary skills and are better off bidding as a team, would that be considered? With regard to firms partnering together to submit a bid, you said you wanted to know sooner rather than later. Can you provide a timeframe for that? [Updated as of May 9, 2013]**

Yes, Bidders may combine in order to bid as a team. The SROs expect to contract with a single entity and therefore one party should be designated as the primary Bidder. The partnering relationship, as well as any subcontracting relationships, should be fully explained in the primary bidder's RFP response.

14. **Would the SROs allow a Bidder to offer a proof of concept prior to the selection process? [Updated as of September 11, 2013]**

The selection process submitted to the SEC states that each qualified Bidder shall be given the opportunity to present its bid to the Selection Committee.

**15. How are you going to evaluate a bid without a proof of concept? And does the deadline provide sufficient time for Bidders? [Updated as of September 11, 2013]**

The timelines are driven by Rule 613. The SROs have made information available through the CAT NMS Plan website and the various industry events. The evaluation process includes qualitative and quantitative assessments of RFP responses. The selection process submitted to the SEC states that each qualified Bidder shall be given the opportunity to present its bid to the Selection Committee.

**16. Will all Bidders be invited to present? [Updated as of September 11, 2013]**

The selection process submitted to the SEC states that each qualified Bidder shall be given the opportunity to present its bid to the Selection Committee.

**17. Can you provide an indicator as to the size of the shortlist? [Updated as of September 11, 2013]**

The selection process submitted to the SEC states that if there are six or fewer qualified bids, all such qualified bids shall be shortlisted bids. If there are more than six qualified bids but fewer than eleven qualified bids, the Selection Committee shall select five qualified bids as shortlisted bids. If there are eleven or more qualified bids, the Selection Committee shall select fifty percent of the qualified bids as shortlisted bids.

**18. Can you mention anything about the weights used for evaluating bids? Is any area more important than the others?**

The Governance and Technical Subcommittees are considering this topic. Having a viable technical solution will be the most important criterion.

**19. Will the individual proposals be published, or will they be kept confidential? What elements of the bid have to go to the SEC for approval and public comment? [Updated as of September 11, 2013]**

Bids will be kept confidential, but information about the proposed solutions will be a part of the NMS Plan. The SROs have to file an NMS Plan with the SEC that includes a description of the technical solution. The proposals themselves will not need to be filed, but the operational details will need to be filed.

**20. With whom will the winning Bidder be contracting? What is the contract term for the winning bid?**

The contract will be with the SRO consortium. A single legal entity may be created for contracting purposes. The contract term will be five years with a three year renewal clause.

**21. Would Bidders submitting a joint response be expected to form a legal entity for contracting purposes?**

The SROs expect and intend to contract with one entity, but how this is arranged from a Bidder's perspective is for the Bidder to decide.

**22. When is the CAT expected to begin operating?**

The CAT will start to receive SRO data 12 months after the effective date of the NMS Plan.

**23. What rules (e.g., SSA, FISMA) will govern the platform in terms of operational maturity, which will dictate what SLAs you need to have in terms of operational readiness, security, etc.?**

It has not been determined yet. The SROs are interested in the methodologies the Bidders will propose.

**24. How closely will the SROs follow the Federal Acquisition Regulation?**

The SROs are not a government agency and are not bound by the Federal Acquisition Regulation.

**25. Will the CAT processor be able to take action against CAT Reporters that are not compliant with reporting requirements?**

The Rule requires the appointment of a Chief Compliance Officer and that person will monitor compliance of the CAT Reporters with the NMS Plan requirements. Also, the SROs have a responsibility to file a proposed rule change to require its members to comply with the requirements of the CAT and the NMS Plan approved by the SEC, to agree to enforce compliance by its members with the provisions of any approved NMS Plan, and to develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the CAT (Rule 613(f)-(g)), but these responsibilities are beyond the scope of the RFP.

**26. Will the CAT utility staff require any securities industry certifications? [Updated as of September 11, 2013]**

Certifications are not required; however, Bidders responding to the RFP must have knowledge of securities and market data, order routing, order events (e.g., cancelation and modification), the lifecycle of the order and the data elements associated with the order. Refer to Sections 1.6 and 1.9 of the RFP for additional information.

**27. Will the SEC's standards for data security apply to the CAT? Are there any other security standards Bidders will need to follow? [Updated as of September 11, 2013]**

The SROs have not specified security standards, but, as described in Section 2.7 of the RFP, Bidders' responses should include a detailed description of the security standards Bidders expect to follow. The standards should be robust enough to maintain a high level of security, especially for PII.

**28. Where will the data need to be retained geographically?**

The SROs require the data to reside in the United States.

**29. Who will ultimately own the platform: the SROs or the SEC?**

The CAT will be a facility of the SROs and will be jointly owned and operated by the SROs. The SEC and SROs will have access to, and use of, the data reported to and consolidated by the central repository for the purpose of performing their respective regulatory and oversight responsibilities pursuant to the federal securities laws, rules and regulations.

**30. Do the SROs expect that the CAT provider will ingest all market data, or will any work currently done by third-party providers be leveraged through API?**

As previously stated in the FAQs on the [www.catnmsplan.com](http://www.catnmsplan.com) website, the CAT will allow third parties to submit information on behalf of CAT Reporters. In regards to SIP data, obtaining third-party data is allowable, however it is the Bidder's responsibility to ensure the data is made available to the SROs and the SEC using the same tools for other CAT data. Bidders can reference Rule 613(e)(7) for additional information. The third party must be a qualified data vendor. Additionally, Bidders should identify any potential licensing agreements.

**31. Is the CAT expected to source or buy reference data externally?**

Bidders should provide in their solutions what sources will be used and any associated costs that will be passed on to the CAT.

**32. Is there an expectation that data from retired systems will be migrated for archival purposes? If this data is not being migrated, is it correct that there will only be one day of data when the system is turned on?**

It is not the expectation that historical data will be migrated into the CAT. Data in the CAT will be from day one forward – there will be no historical data at the CAT's onset.

**33. How long will uncorrected data need to be stored?**

The CAT processor will be required to keep both corrected and uncorrected data in the central repository online for a rolling five year period. At a minimum, the system must accommodate an additional two years of data to be archived.

**34. If both corrected and uncorrected data is being stored for five years, does this effectively mean a doubling of the data?**

All corrected and uncorrected data must be stored for five years per Rule 613. At a minimum, the system must accommodate an additional two years of data to be archived.

**35. Will the CAT receive daily full downloads/submissions of customer account information. If so, is it the responsibility of the CAT or the submitting party to ensure cleanliness and consolidation of the data that is received daily?**

The RFP does not require Bidders' solutions to receive daily full downloads/submissions of customer account information. As provided in Section 2.2.2.1 of the RFP, Bidders should assume that full account lists will be periodically submitted in addition to the daily updates to ensure the completeness and accuracy of the account database. CAT Reporters would be responsible for the accuracy and completeness of the data submitted to the CAT. However, it will be the Bidder's obligation, among others, to collect data, perform data validation checks, handle data rejections and resubmissions, consolidate data and monitor for compliance with reporting obligations.

**36. What interval of data recovery is considered acceptable in case of disaster?**

A secondary processing site must be capable of recovery and restoration of services at the secondary site within 48 hours of a disaster event.

**37. Will the online queries be defined in such a way that a combination of data fields would need to be used (e.g., issuer or CAT-Reporter-ID must be stated prior to selecting other filters)?**

Online queries will require a minimum set of criteria, including date or datetime (as warranted) as well as one or more other fields as prescribed in Section 2.8.1 of the RFP.

**38. When referencing the Customer ID in the use case examples, what ID is it?**

This Customer ID referenced in the use cases represents the Customer ID assigned by the CAT, as described in Section 2.2.2.2 of the RFP.

**39. Are the SROs planning to use the LEI, the UTI or some other identifier for Customer ID?**

**Would the SROs consider mandating that non-retail originators have an LEI?**

Bidders should refer to Sections 2.2.2.1 and 2.2.3.1 of the RFP for information on the Customer ID and LEI for purposes of their RFP submission.

- 40. Page 17 of the RFP mentions that most of the common order scenarios will be handled by the daisy chain approach. Do the SROs have any details about what percentage of order scenarios would be considered more complex and not handled through the daisy chain approach?**

The SROs do not have statistics available on how many complex order scenarios may not be handled through the daisy chain approach.

- 41. There is a large disparity between the average volumes and peak volumes that have been provided in the RFP. Is the expectation that Bidders should consider multiples of the peak volume in order to size the infrastructure?**

The SROs provided past average volumes to give Bidders some perspective on capacity and past peak volumes to assess how quickly a Bidder can increase capacity if needed. The SROs expect an RFP response to provide the excess processing capacity a Bidder's solution would have based on peak volumes. Bidders should leverage the average volumes when sizing the database in their solution. Note that the number of records is expected to grow approximately 25% annually.

- 42. Is it possible to get statistics from existing regulatory systems such as OATS that provide a breakdown of the number of firms submitting various ranges of record volumes?**

Please refer to the below table.

January 2013 OATS Reporting Statistics – Number of Firms by Record Volume

Total number of firms reporting in January 2013	1,051
Number of firms reporting 100 million or more records	33
Number of firms reporting between 3 million and 99,999,999 records	52
Number of firms reporting between 100,000 and 2,999,999 records	89
Number of firms reporting between 10,000 and 99,999 records	169
Number of firms reporting 9,999 or less records	708

- 43. One objective of the CAT's consolidation of the data is to be able to reconstruct the market quickly. Without a market reconstruction module integrated into the CAT how do the SROs expect to reconstruct the market?**

The requirements of the CAT are to provide the data to facilitate market reconstruction. The data will be made available in multiple ways (e.g., bulk data extraction), and SROs and the SEC will use their own tools for market reconstruction.

- 44. To the extent that the ability to reconstruct the market at any given point is part of a Bidder's proposal, would it be considered superfluous or is it going to be included in the RFP response evaluation?**

The Bidder may include it in its RFP response, though it is not part of the SROs' evaluation criteria.

- 45. There is a pretty clear distinction between the collection of the data and the analysis of the data (which is out of scope), but previous questions were asked about market reconstruction and data cleaning (which can both be viewed as analytical functions), so is there some level of analytical functionality that is desirable? Is it possible to ask the consortium to consider the wisdom of divorcing the data collection and data analysis?**

Data is required to be validated as it is being processed. Over time, there is a requirement to improve data quality and a Bidder's solution should address that. Regulation and surveillance functions are handled by the SROs in order to comply with federal securities laws, as well as by the SEC. Rule 613 does not contemplate a change to these responsibilities.