

Industry Update on the Consolidated Audit Trail

*Consolidated Audit Trail National Market System Plan
presented by the CAT NMS, LLC Operating Committee*



March 28, 2018

Agenda

Implementation Update

Update on CAT Cybersecurity

Update on PII

FIF Alternative Approach

Update on Industry Member Technical Specifications

Recent Working Group Activity

Accessing Interpretive FAQs on the CAT NMS Website

Accessing Tech Specs on the CAT NMS Website

Clock Synchronization Certification: Reminder

CAT NMS Plan Website Subscription

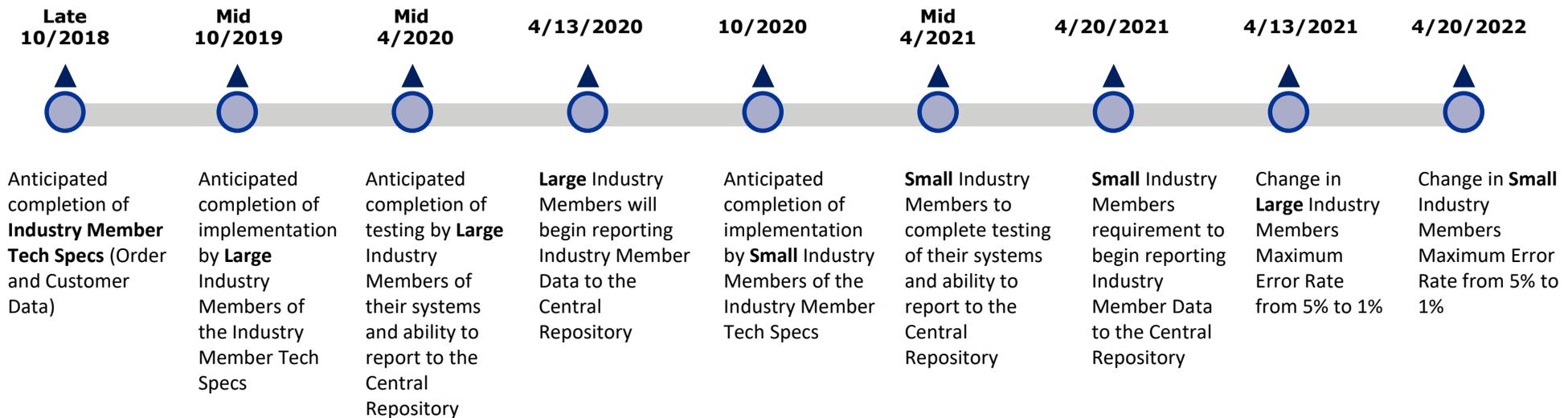
CAT Help Desk

Upcoming Events

Q&A

Implementation Update

- The SEC has not provided additional information beyond what has previously been communicated – the Participants continue to work toward the milestone dates from the Exemptive Request (the Exemptive Request was not approved by the SEC)
- The SROs recognize that this lack of clarity is not ideal and are working with the SEC to get additional guidance on milestone and implementation dates



Update on CAT Cybersecurity

- Introduction
- Thesys CAT and CAT NMS
- Current Focus - First 30 Days
- Future Updates

Update on PII

- The CAT NMS Plan currently requires that Personally Identifiable Information (PII) be reported to CAT so that customers can be uniquely identified across broker-dealers for use in cross market surveillance, market reconstruction, and investigative efforts
- In an effort to minimize the PII captured and stored in CAT, while still achieving the regulatory objectives of CAT, the SROs, in consultation with the Advisory Committee, have evaluated possible alternatives to minimize the capture of PII, and had recently sought industry feedback on two possible options under consideration by the SROs.
- Earlier this month, SIFMA, on behalf of itself, STA and FIF, has provided industry feedback on the possible alternatives to PII and discussed their feedback with the SROs.
- Taking into account industry feedback, the PII Working Group is in the process of preparing a recommendation for an alternative approach to PII to bring to the CAT LLC Operating Committee for its consideration and approval.
- If the alternative approach is approved by the Operating Committee, the SROs will begin discussions with the SEC around the consideration of the adoption of the alternative approach in lieu of the current requirements under the CAT NMS Plan.

FIF Phased Implementation Approach

Rationale – CAT is too big and complex for one deliverable. It requires extensive interpretive guidance and new rule definition for all new reporting requirements and new CAT events, resulting in more time needed for specification development, extending the current schedules

Approach – Narrow the focus of first deliverable to equities only using well-defined set of OATS events so that specification can be quickly developed and industry implementation can start. Add new equities functionality and asset classes in succeeding phases.

High-Level Description of Proposed First Deliverable

- OATS events/rules/protocols used with minimum additions (*e.g.*, FDID) and no expanded Industry Member reporting except equities Market Making activity. Participant interface remains unchanged
- NMS and OTC equities, plus options data for exchanges
- Institutional investor identification for cross market surveillance (based on PII solution adopted by OC)
- Scope includes all Large BDs, plus all OATS reporting Small BDs, for rapid OATS retirement
- Built on CAT infrastructure including web interface, report submission, error correction

Industry and Regulator Benefits

- Lower risk, more pragmatic approach to building new CAT infrastructure on known set of reporting rules
- Shorter time to market and lower CAT error rates due to reuse of known reporting rules, also allowing rapid retirement of OATS
- Earlier availability to combined and linked set of data from broker dealers and exchanges for equities and options data for exchanges in centralized CAT utility to facilitate cross-market surveillance
- Succeeding phases introduce new functionality based on regulator priority

Update on Industry Member Technical Specifications

- The approaching April 15th deadline for the industry member technical specifications [0.2] may be postponed to enable the SROs to resolve additional interpretive issues
- Thesys CAT and the Participants continue to **collaboratively work through the feedback received** on the draft Industry Member Technical Specification version 0.1 that was published on catnmsplan.com in early September 2017
- The Operating Committee has resolved to remove any requirements to report capacity from the following CAT equity order events:
 - New Order (MENO)
 - Order Accepted (MEOA)
 - Order Modified (MEOM)
 - Order Cancel/Replace (MEOM)
 - Order Restatement (MERS)
- The SROs recognize the need for **adequate implementation time** once specifications are finalized, and will continue to work with the SEC on this

Recent Working Group Activity

Interpretive Working Group

- **FAQs** regarding CAT requirements applicable to Industry Members have been **published on the CAT NMS website** regarding CAT quotes received via subscriptions to receive market data from market data vendors
- The Interpretive FAQs page will be updated as new interpretive items are resolved
- Questions regarding the FAQs should be directed to the **CAT Help Desk**

Industry Member Technical Specifications Working Group

- A number of deep dive sessions have been held with the industry around interpretive issues including manual and verbal quotes, and representative orders

Cost and Funding Working Group

- The SROs continue to discuss the Fee model and are committed to establishing **equitable Industry Member fees**

Industry Outreach Working Group

- Updated General FAQs have been published on the CAT NMS website

Accessing Interpretive FAQs on the CAT NMS Website

- The below snapshot illustrates how to access the interpretive FAQs through the CAT NMS website



Accessing Tech Specs on the CAT NMS Website

- The below snapshot illustrates how to access the Tech Specs through the CAT NMS website

Home About CAT How it Works Training News FAQ **Technical Specifications**

Technical Specifications

TECHNICAL SPECIFICATION REPOSITORY

A comprehensive list of all technical specifications developed as part of the CAT Program.

Participant Technical Specifications v1.5 📄 – new as of 01/09/18

Industry Member Technical Specifications v0.1 📄 – new as of 09/07/17

Industry Member Technical Specifications Excerpt v0.2 📄 – new as of 02/21/18

Clock Synchronization Certification: Reminder

Definition of “Business Clock”

- “Business Clock” means a clock used to record the date and time of any Reportable Event required to be reported under SEC Rule 613

Summary of Requirements

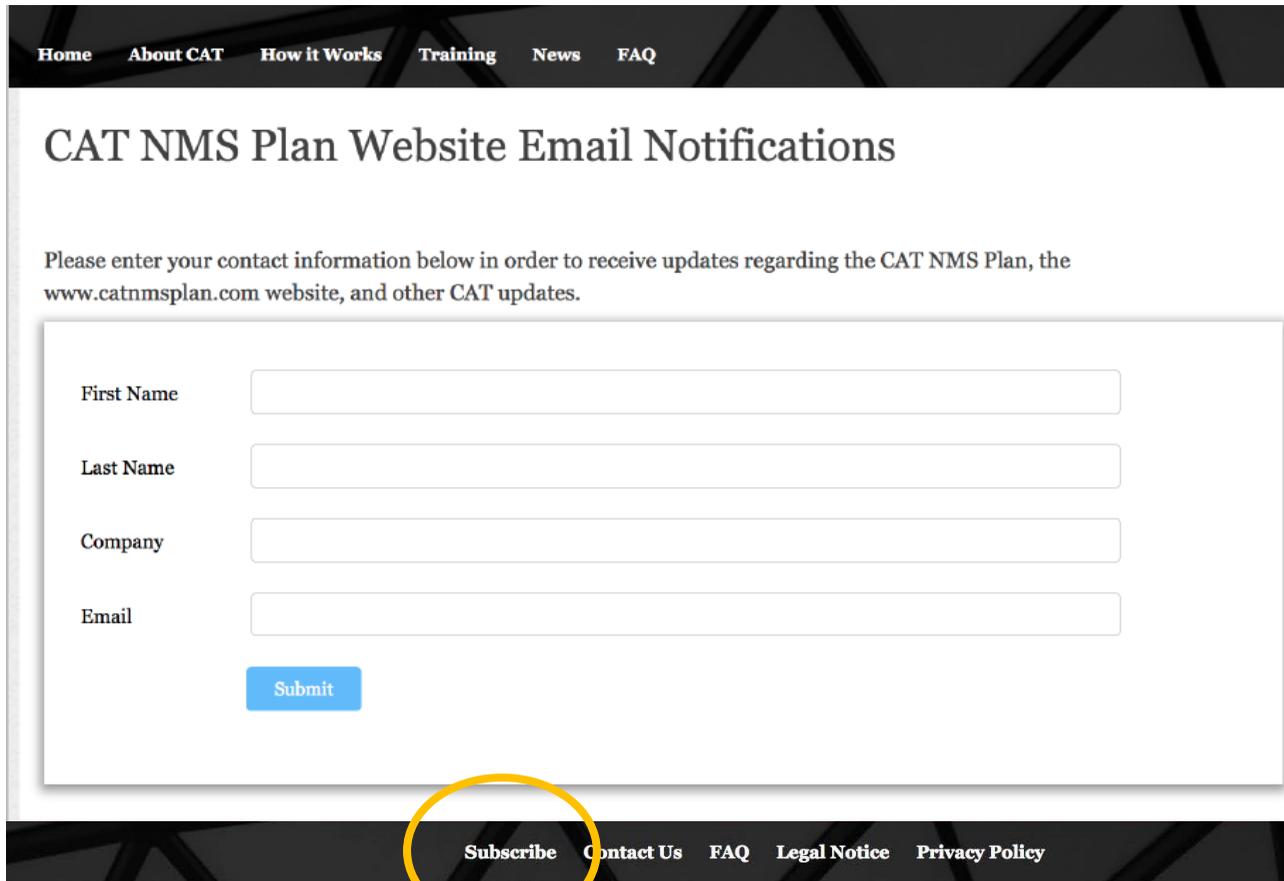
- Industry Members are to synchronize their Business Clocks **not used solely for Manual Order Events or for the time of allocation on Allocation Reports** at a minimum to **within 50 milliseconds** of the time maintained by the National Institute of Standards and Technology (NIST)
- Industry Members are to synchronize their Business Clocks **used solely for Manual Order Events** at a minimum **to within 1 second** of the time maintained by the NIST

Annual Certification

- Industry Members **should have certified** that their Business Clocks meet the requirements of the Compliance Rule **on 3/15/18**
- Certification forms were made available on the CAT NMS website on 3/9 and must be kept as part of a firm’s books and records; Industry Members are not required to submit such certifications to the exchanges or FINRA.
- Industry Members who are members of multiple Participants need only make a single clock synchronization certification

CAT NMS Plan Website Subscription

The CAT NMS website (www.catnmsplan.com) has launched a subscription feature to receive periodic updates regarding CAT implementation:



The screenshot shows the website's navigation menu at the top with links for Home, About CAT, How it Works, Training, News, and FAQ. The main heading is "CAT NMS Plan Website Email Notifications". Below this is a text prompt: "Please enter your contact information below in order to receive updates regarding the CAT NMS Plan, the www.catnmsplan.com website, and other CAT updates." The form contains four input fields: "First Name", "Last Name", "Company", and "Email". A blue "Submit" button is located below the "Email" field. At the bottom of the page, a dark navigation bar contains links for "Subscribe", "Contact Us", "FAQ", "Legal Notice", and "Privacy Policy". A yellow circle highlights the "Subscribe" link, with a yellow arrow pointing upwards to it.

CAT Help Desk

- The CAT help desk is now live and can be reached in the following ways:
 - **Email Address:** helpdesk@thesyscat.com
 - **Phone Number:** (833) CAT-SERV or (833) 228-7378
 - **Hours of Operation:** 9AM-5PM Eastern Time (Weekdays only)
- Currently, the help desk is available to address general questions relating to the following topics:
 - CAT NMS website
 - Media relations
 - Go-live dates
 - Technical Specifications (e.g., publication schedule)
 - CAT users
 - System security
 - Billing
- For additional information please visit the CAT NMS website (www.catnmsplan.com)

Upcoming Events

SIFMA Operations Conference & Exhibition

- **Date:** May 07 - May 10, 2018
- **Location:** Phoenix, AZ
- **Event Website:** <https://www.sifma.org/event/ops/>

Questions?