

SEC Rule 613 – Consolidated Audit Trail (CAT) Revised EBS – CAT GAP Analysis

June 2015



Disclaimer

This Electronic Blue Sheets (EBS) – CAT gap analysis is based on Rule 613 requirements. The gaps identified herein may or may not be applicable to Rule 613 based on the requirements defined in the final NMS Plan.

Overview

Purpose:

This document has been prepared to compare the reporting requirements of the EBS report and the requirements of Rule 613 and identify any potential gaps.

Summary of Findings:

At this time, EBS will not be able to be immediately retired once CAT is live. Current reporting gaps exist across the following areas:

- Product classes
- Transaction reporting scenarios
- Attributes required for reporting

As a result of the findings, EBS will need to be maintained by Broker/Dealers until the following steps are taken:

- Inclusion or remediation of missing data attributes
- Support of historical investigations can be completed by CAT
- All Broker/Dealers submit their data to CAT
- All related rules and regulations related to EBS are amended by the SEC and SROs

Electronic Blue Sheets (EBS) – Reference

Applicable Rules:

In addition to SRO rules requiring members to provide information concerning regulatory matters to an SRO, the following rules pertain to EBS:

- **SEC Rule 17a-25:** Electronic Submission of Securities Transaction Information by Exchange Members, Brokers and Dealers
- **FINRA Rule 8211:** Automated Submission of Trading Data Requested by FINRA
- **FINRA Rule 8213:** Automated Submission of Trading Data for Non-Exchange-Listed Securities Requested by FINRA

Key Purpose:

Regulators use the information submitted on EBS report to:

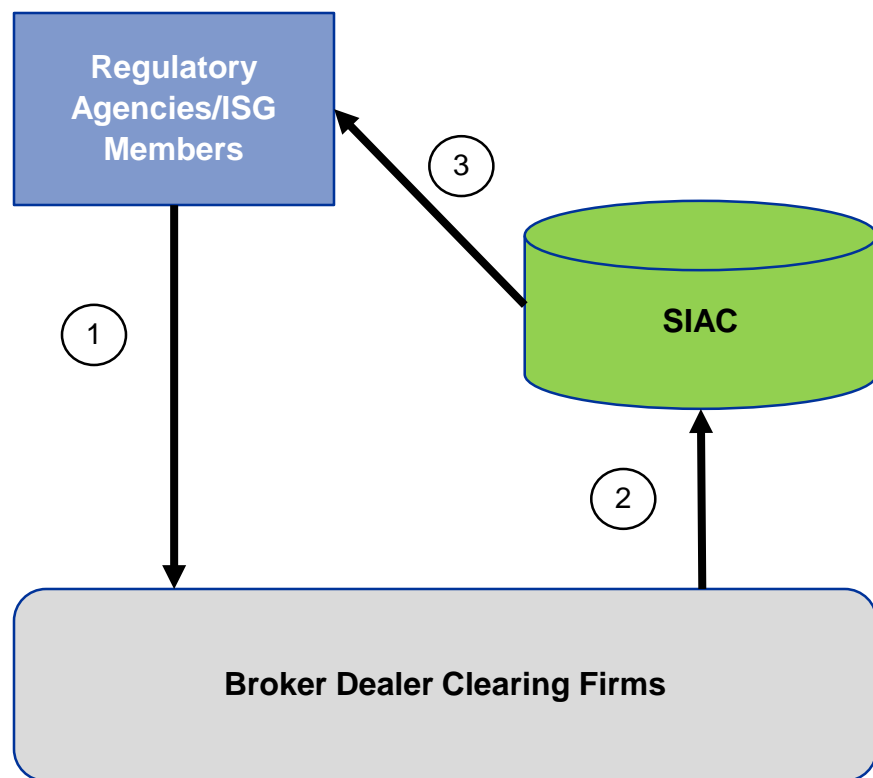
- Understand trading activities and ownership of related securities
- Identify possible securities laws violations
- Examine causes of market volatility by reconstruction of transactions over a period of time

Key Broker-Dealer (BD) Requirements for EBS submissions:

- Electronically submit transaction information upon request by no later than 10 days following receipt of a request
- Submit the transaction information in standardized format
- Provide and maintain contact information for EBS requests with SIAC

Electronic Blue Sheets (EBS) – Overview

Regulatory agencies submit EBS requests to Broker Dealer Clearing Firms, who in turn route their reports to SIAC for distribution to the originating entity.



Process Overview

1. EBS requests for information are sent to a BD / Clearing firm for specific securities during a specified review period
2. Information is submitted electronically to SIAC in a standard format within 10 business days
3. After initial validation, SIAC routes the EBS files electronically to the appropriate requesting party
4. Requesting party may make additional requests of the BD / Clearing firm or open a formal inquiry as needed depending on finding from initial request

EBS and CAT Comparison – Product Types

A comparison of product types reportable to EBS and CAT:

	Product Type	EBS	CAT
1	NMS Securities	In Scope	In Scope
2	OTC Equities	In Scope	In Scope
3	OTC Options	In Scope	Out of Scope
4	Fixed Income	In Scope	Out of Scope
5	Foreign equities	In Scope	Out of Scope
6	Financial derivative products	In Scope	Out of Scope

As required by Rule 613, the SROs are tasked with providing a document within six months after the approval of the NMS Plan outlining how they could incorporate into the CAT Central Repository information on products not covered by the original scope of Rule 613. Products for discussion may include:

- Debt Securities
- Foreign equities

EBS and CAT Scope Comparison

A scope comparison of reportable events between EBS and CAT:

Item	EBS	CAT
1 Data submission frequency	Upon request	Daily
2 Central data repository	No	Yes
3 Order Events (Receipt, Modifications, Cancellations)	Not in Scope	In Scope
4 Data linkage and error corrections	Not in Scope	In Scope
5 Order life cycle	Not in Scope	In Scope
6 Unique customer identifier	In Scope	In Scope
7 Allocations	In Scope	Partially in Scope
8 Order Execution Time	To the second	At least to the millisecond
9 Exercise / Assignment of Options	In Scope	In scope
10 Creation / Redemption of ETFs	In Scope	In Scope
11 Post Settlement Amendments	In Scope	Not in Scope
12 Post Settlement Cancellations	In Scope	Not in Scope
13 Intermediate internal trades	In Scope	Not in Scope

EBS and CAT Data Comparison

The EBS report contains 63 unique attributes. Of these 63 attributes, 26 have been identified to be required by Rule 613.

Of the remaining 37 attributes, 24 have been identified as being related to EBS-specific formatting, or can otherwise be derived based upon other attributes being captured by the CAT. Within this set of 24:

- 19 attributes are required by EBS for formatting purposes
- 1 attributes can be derived based on other data submitted to CAT
- 4 are related to Large Trader ID Reporting and are not applicable for EBS reporting

Accounting for these 24 attributes, there are 13 remaining attributes that are not directly required by Rule 613, some of which may need to be incorporated into the CAT to facilitate EBS retirement. The ultimate inclusion of some or all of these elements in the CAT will depend upon the final Bidder solution and the Plan Processor's method for creating the order lifecycle.

The 13 remaining attributes are:

- Submitting Broker Number
- Opposing Broker Number
- CUSIP Number
- Settlement Date
- Net Amount
- Broker/Dealer Code
- Solicited Code
- Branch Office / Registered Representative
- Employer Name
- Prime Broker
- Depository Institution ID
- Primary Party ID
- Contra Party ID

Key Considerations to sunset EBS

In summary, EBS has gaps against CAT across the following categories:

- Product classes in scope
- Transactions required
- Trade economic attributes required

Based on these identified gaps, the following considerations have been identified that will impact the retirement of EBS:

- Inclusion of additional data in the CAT NMS Plan to close existing gaps highlighted
- EBS reporting will need to be retained by Broker Dealers to support historical investigations requiring data 7 years prior to when data was first reported to the CAT
- EBS reporting will need to be supported until:
 - CAT includes all asset classes that are currently in scope for EBS
 - All BDs submit data to the CAT Central Repository
- All rules and regulations related to EBS are amended by the SEC and SROs