OTC Link ATS
Phase 2d CAT Reporting

March 10, 2021

Agenda

- ▸ Reporting Scope and Framework
- ▸ Phase 2d Technical Specification Updates Related to OTC Link ATS
- ▸ Quote Scenarios
- ▸ Order Scenarios
- ▸ Q&A

Phase 2d Reporting Scope

The following will be required to be reported beginning in Phase 2d:

▸ All OTC Link ATS messages that meet the definition of an order under the Plan, including those sent via OTC Dealer ("GUI").

▸ Market Maker quotes sent to OTC Link ATS by Market Makers.

▸ Linkage of OTC Link ATS quote events to the associated trade.
  ◦ Linkage occurs between the *quoteID* field on OTC Link ATS's Order Route and OTC Link ATS's Quote Received event
  ◦ Linkage to the associated trade will occur through the lifecycle

Reporting Framework

▸ Beginning in Phase 2d, all trade messages sent and received via the OTC Link ATS platform are required to be reported to CAT as orders and routes
- This is a change from Phase 2a CAT reporting requirements where they may be treated as negotiated trades.
- Executed and unexecuted trades must be reported to CAT.
- Messages must be reported regardless if they can or cannot be countered.
- Both OTC Link ATS and its broker-dealer subscribers have CAT reporting obligations.

▸ Existing CAT Industry Member event types (*e.g.*, MENO, MEOA, MEOR) will be used but clearly marked/distinguished as OTC Link ATS messages.

▸ OTC Dealer/GUI entries will be treated as manual order events and therefore no routed order ID is required for the route event.
- Further handling from OTC Link ATS to the market maker are electronic and will require a routed order ID for linkage.

▸ Nothing precludes OTC Link ATS from acting as a third-party reporting agent on behalf of its subscribers.
- Subscribing Industry Members would be required to add OTC Link ATS as its CAT Reporting Agent via the CAT Reporter Portal.

Phase 2d Technical Specification Updates Related to OTC Link ATS

▸ New *handlingInstructions* values:

  ◦ 'DLVT'- On an Order Route event reflecting the route of an OTC Link Message to OTC Link ATS or an Order Accepted event reflecting the receipt of an OTC Link Message by OTC Link ATS, reflects the IMID of the Industry Member that the OTC Link Message was delivered to (e.g., DLVT:IMID)

  ◦ 'DLVF'- On an Order Accepted event reflecting the receipt of an OTC Link Message from OTC Link ATS or an Order Route event reflecting the route of an OTC Link Message by OTC Link ATS, reflects the IMID of the Industry Member that the OTC Link Message was delivered from (e.g., DLVF:IMID)

  ◦ 'NCTR'- Indicates if an OTC Link ATS message cannot be countered with an inferior price

  ◦ 'CTR'- Indicates that a New Order event, Order Route event or Order Accepted event represents the origination, route or receipt of a counter message through OTC Link ATS

  ◦ 'OCP'- OTC Link ATS instruction to cancel after partial execution

▸ New *timeInForce* value: 'GFD'- OTC Link ATS message Good for Duration. Requires the duration in the number of whole seconds.

▸ 'DAY' orders are assumed to automatically expire at 5:00 PM ET

▸ Decline time reflected as *eventTimestamp* in MEOC.

Quote Scenarios

Phase 2d Quote Events

Message Type	Event	Description
MENQ	New Quote	Reported when quotations in equity Eligible Securities are originated that are ultimately sent to a quote display facility or quote driven ATS.
MERQ	Routed Quote	Reported when quotations in equity Eligible Securities are sent to a quote display facility or quote driven ATS.
MEQR	Quote Received	Reported when a quote is received by an Industry Member.
MEQC	Quote Cancelled	Reported when a quote is cancelled.
MEQS	Quote Status	Reported when the status of a quote is changed to opened or closed.

Linkage– Quote Key and Quote Route Key

Quote Key - Links new quote events reported by the Industry Member to other related quote events reported by that Industry Member.

- ◦ For Example – links New Quote (MENQ) to related Routed Quote (MERQ)

Quote Linkage Key Fields
quoteKeyDate
CATReporterIMID
symbol
quoteID

Quote Route Key– Links a Routed Quote event reported by an Industry Member to the Quote Received event reported by the IDQS

MERQ (Market Maker)	MEQR (OTC Link ATS)
Event Date portion of *eventTimestamp*	Event Date portion of *eventTimestamp*
senderIMID	senderIMID
destination	receiverIMID
symbol	symbol
routedQuoteID	receivedQuoteID

Scenario 1: New Quote Sent to OTC Link ATS

Market Maker originates a new quote and sends it to OTC Link ATS.

#	Industry Member	Reported Event	quoteID	routedQuoteID/ receivedQuoteID
1	Market Maker	MENQ	MQ386	
2	Market Maker	MERQ	MQ386	Q1234
3	OTC Link ATS	MEQR	IDQS11234	Q1234

▸ **Note**
  ◦ **Both MM and OTC Link ATS may assign their own quoteIDs.**
  ◦ **MM subscriber is not required to capture the quoteID assigned by OTC Link ATS.**

Scenario 2: New Quote Sent to OTC Link ATS is Cancelled

Market Maker originates a new quote and sends it to OTC Link ATS. Market Maker later cancels its quote.

#	Industry Member	Reported Event	quoteID	routedQuoteID/ receivedQuoteID
1	Market Maker	MENQ	MQ386	
2	Market Maker	MERQ	MQ386	Q1234
3	OTC Link ATS	MEQR	IDQS11234	Q1234
4	Market Maker	MEQC	MQ386	
5	OTC Link ATS	MEQC	IDQS11234	

Note that both the Market Maker and OTC Link ATS must report a Quote Cancelled event.

Reporting Quote Modifications

▸ OTC Link ATS allows Industry Members to publish only one quote at a time, and the *onlyOneQuoteFlag* field on the New Quote and Quote Received events must be populated as 'true' for all quotes on the platform.

▸ Since the field *onlyOneQuoteFlag* is populated as 'true', any new quote event reported by the same *CATReporterIMID* in the same *symbol* will be considered cancelled and replaced by CAT.

▸ Modifications where the *onlyOneQuoteFlag* field is 'true' may maintain the same quote ID. However, if a quote is cancelled and a new quote is reported to CAT, the New Quote event must not maintain the same quote ID as the quote that was cancelled.

Scenario 3: New Quote Sent to OTC Link ATS is Modified Using the onlyOneQuoteFlag Field

Market Maker originates a new quote and sends it to OTC Link ATS. Market Maker later modifies its quote.

#	Industry Member	Reported Event	quoteID	routedQuoteID/ receivedQuoteID	onlyOneQuoteFlag
1	Market Maker	MENQ	MQ386		true
2	Market Maker	MERQ	MQ386	Q1234	
3	OTC Link ATS	MEQR	IDQS11234	Q1234	true
4	Market Maker	MENQ	MQ386		true
5	Market Maker	MERQ	MQ386	Q21234	
6	OTC Link ATS	MEQR	IDQS11234	Q21234	true

Note that Market Maker and OTC Link ATS have the option to assign a new Quote ID or use the same Quote ID.

Quote Status Events

▸ Quote Status events are required when an existing quote is opened or closed

▸ If the MM Subscriber opens/closes, both the MM Subscriber and OTC Link ATS are required to report a Quote Status event

▸ If the quote is automatically updated by OTC Link ATS, only OTC Link ATS has to report the Quote Status event

  ◦ The MM Subscriber does not have to report a Quote Status event

Scenario 4a: Quote is Automatically Closed for the Day by OTC Link ATS and is Reopened the Following Day by the Market Maker

Market Maker originates a new quote and sends it to OTC Link ATS. At the close of the day, OTC Link ATS closes the quote. Market Maker reopens it the following day.

#	Industry Member	Reported Event	quoteID	routedQuoteID/ receivedQuoteID	mpStatusCode
	Reporting- Day 1				
1	Market Maker	MENQ	MQ386		
2	Market Maker	MERQ	MQ386	Q1234	
3	OTC Link ATS	MEQR	IDQS11234	Q1234	
4	OTC Link ATS	MEQS	IDQS11234		C (Close)

#	Industry Member	Reported Event	quoteID	routedQuoteID/ receivedQuoteID	mpStatusCode
	Reporting- Day 2				
1	Market Maker	MEQS	MQ386		O (Open)
2	OTC Link ATS	MEQS	IDQS11234		O (Open)

Note- Since the quote was automatically closed for the day by OTC Link ATS, only OTC Link ATS must report the "Close" status update.

Scenario 4b: New Quote Sent to OTC Link ATS is Closed mid-day by the Market Maker and is Reopened the Following Day

Market Maker originates a new quote and sends it to OTC Link ATS. Market Maker closes its quote for the day and reopens it the following day.

				Reporting- Day 1	
#	Industry Member	Reported Event	quoteID	routedQuoteID/ receivedQuoteID	mpStatusCode
1	Market Maker	MENQ	MQ386		
2	Market Maker	MERQ	MQ386	Q1234	
3	OTC Link ATS	MEQR	IDQS11234	Q1234	
4	Market Maker	MEQS	MQ386		C (Close)
5	OTC Link ATS	MEQS	IDQS11234		C (Close)

				Reporting- Day 2	
#	Industry Member	Reported Event	quoteID	routedQuoteID/ receivedQuoteID	mpStatusCode
1	Market Maker	MEQS	MQ386		O (Open)
2	OTC Link ATS	MEQS	IDQS11234		O (Open)

Note- Since Market Maker is closing its quote and reopening it the next day, both Market Maker and OTC Link ATS must report the status updates.

Order Scenarios

Intrafirm Linkage

IDQS Linkage Key– Links an Order Route event reported by OTC Link ATS that is directed to a Market Maker Quote to the related Quote Received event reported by OTC Link ATS.

▸ This linkage is <u>in addition to</u> interfirm route linkage and other intrafirm linkage described above.

MEOR (OTC Link ATS)	MEQR (OTC Link ATS)
CATReporterIMID	CATReporterIMID
destination	senderIMID
Event Date portion of *eventTimestamp*	Event Date portion of *eventTimestamp*
symbol	symbol
quoteID	quoteID

Scenario 1a: FIX
Prop Interest and Executed Order

The Industry Member ("IM1") sends a trade message to trade for its proprietary account to a Market Maker ("MM") with a posted quote. The message is marked as non-negotiable. The MM executes the trade message.

#	Industry Member	Reported Event	quoteID	orderID	routedQuoteID/ receivedQuoteID/ routedOrderID	handlingInstructions		Comments
1	Market Maker	MENQ	MQ386					
2	Market Maker	MERQ	MQ386		Q1234			
3	OTC Link ATS	MEQR	IDQS11234		Q1234			
4	IM1	MENO		O2345				FDID of IM1's prop account
5	IM1	MEOR		O2345	123	DLVT:MM1	NCTR	
6	OTC Link ATS	MEOA		O3456	123	DLVT:MM1	NCTR	
7	OTC Link ATS	MEOR	IDQS11234	O3456	456	DLVF:IM1	NCTR	quoteID links to MEQR event
8	Market Maker	MEOA		O4567	456	DLVF:IM1	NCTR	
9	Market Maker	MEOT						buyDetails: FDID of MM's prop account sellDetails: orderID O4567 received from OTC Link ATS ORF trade report will show MM against IM1

Order Reporting– GUI

▸ OTC Dealer/GUI entries will be treated as manual order events and therefore no routed order ID is required for the route event.

▸ Further handling from OTC Link ATS to the market maker are electronic and will require a routed order ID for linkage.

Scenario 1b: GUI Prop Interest and Executed Order

The Industry Member ("IM1") sends a trade message to trade for its proprietary account to a Market Maker ("MM") with a posted quote. The message is marked as non-negotiable. The MM executes the trade message.

#	Industry Member	Reported Event	quoteID	orderID	manualFlag	routedQuoteID/ receivedQuoteID/ routedOrderID	handlingInstructions		Comments
1	Market Maker	MENQ	MQ386						
2	Market Maker	MERQ	MQ386			Q1234			
3	OTC Link ATS	MEQR	IDQS11234			Q1234			
4	IM1	MENO		O2345					FDID of IM1's prop account
5	IM1	MEOR		O2345	true		DLVT:MM1	NCTR	routedOrderID is not required
6	OTC Link ATS	MEOA		O3456	true		DLVT:MM1	NCTR	routedOrderID is not required
7	OTC Link ATS	MEOR	IDQS11234	O3456	false	456	DLVF:IM1	NCTR	
8	Market Maker	MEOA		O4567	false	456	DLVF:IM1	NCTR	
9	Market Maker	MEOT							buyDetails: FDID of MM's prop account sellDetails: orderID O4567 received from OTC Link ATS ORF trade report will show MM against IM1

OTC Link ATS may report the MENO and MEOR for IM1 as a third- party vendor.

Scenario 2a: FIX Countered Order

The Industry Member ("IM1") creates a proprietary order and sends a trade message that is marked as "negotiable" to a Market Maker ("MM") with a posted quote. MM counters back and then IM1 counters back. MM does not agree to an execution and lets the message expire.

Note that the Quote ID is not required on counter messages.

#	Industry Member	Reported Event	quoteID	orderID	routedQuoteID/ receivedQuoteID/ routedOrderID	handling Instructions	timeIn Force	Comments
1	Market Maker	MENQ	MQ386					
2	Market Maker	MERQ	MQ386		Q1234			
3	OTC Link ATS	MEQR	IDQS11234		Q1234			
4	IM1	MENO		O2345				FDID represents IM1's prop account
5	IM1	MEOR		O2345	123	DLVT:MM1		
6	OTC Link ATS	MEOA		O3456	123	DLVT:MM1		
7	OTC Link ATS	MEOR	IDQS11234	O3456	456	DLVF:IM1		
8	Market Maker	MEOA		O4567	456	DLVF:IM1		
9	Market Maker	MEOC		O4567				
10	Market Maker	MENO		O9876			CTR	FDID represents MM's prop account
11	Market Maker	MEOR		O9876	789	DLVT:IM1	CTR	
12	OTC Link ATS	MEOA		O4321	789	DLVT:IM1	CTR	
13	OTC Link ATS	MEOR		O4321	234	DLVF:MM1	CTR	
14	IM1	MEOA		O6543	234	DLVF:MM1	CTR	
15	IM1	MEOC		O6543				
16	IM1	MENO		O7890			CTR	GFD:10	FDID represents IM1's prop account
17	IM1	MEOR		O7890	498	DLVT:MM1	CTR	GFD:10	
18	OTC Link ATS	MEOA		O5678	498	DLVT:MM1	CTR	GFD:10	
19	OTC Link ATS	MEOR		O5678	987	DLVF:IM1	CTR	GFD:10	
20	Market Maker	MEOA		O8901	987	DLVF:IM1	CTR	GFD:10	

Scenario 2b: GUI Countered Order

The Industry Member ("IM1") creates a proprietary order and sends a trade message that is marked as "negotiable" to a Market Maker ("MM") with a posted quote. MM counters back and then IM1 counters back. MM does not agree to an execution and lets the message expire.

Note that the Quote ID is not required on counter messages.

#	Industry Member	Reported Event	quoteID	orderID	manualFlag	routedQuoteID/ receivedQuoteID/ routedOrderID	handling Instructions	timeIn Force	Comments
1	Market Maker	MENQ	MQ386						
2	Market Maker	MERQ	MQ386			Q1234			
3	OTC Link ATS	MEQR	IDQS11234			Q1234			
4	IM1	MENO		O2345					FDID represents IM1's prop account
5	IM1	MEOR		O2345	true		DLVT:MM1		
6	OTC Link ATS	MEOA		O3456	true		DLVT:MM1		
7	OTC Link ATS	MEOR	IDQS11234	O3456	false	456	DLVF:IM1		
8	Market Maker	MEOA		O4567	false	456	DLVF:IM1		
9	Market Maker	MEOC		O4567					
10	Market Maker	MENO		O9876				CTR	FDID represents MM's prop account
11	Market Maker	MEOR		O9876	false	789	DLVT:IM1	CTR	
12	OTC Link ATS	MEOA		O4321	false	789	DLVT:IM1	CTR	
13	OTC Link ATS	MEOR		O4321	false	234	DLVF:MM1	CTR	
14	IM1	MEOA		O6543	false	234	DLVF:MM1	CTR	
15	IM1	MEOC		O6543					
16	IM1	MENO		O7890				CTR	GFD:10	FDID represents IM1's prop account
17	IM1	MEOR		O7890	true		DLVT:MM1	CTR	GFD:10	
18	OTC Link ATS	MEOA		O5678	true		DLVT:MM1	CTR	GFD:10	
19	OTC Link ATS	MEOR		O5678	false	987	DLVF:IM1	CTR	GFD:10	
20	Market Maker	MEOA		O8901	false	987	DLVF:IM1	CTR	GFD:10	

OTC Link ATS Scenarios– Deep Dive

▸ On Wednesday, March 24, 2021 at 4:15 pm ET, Consolidated Audit Trail, LLC and FINRA CAT, LLC will host an industry webinar focused on additional OTC Link ATS reporting scenarios. This session will be a follow-up to today's industry webinar.

How to Ask a Question during Today's Call

- **For participants using computer audio:**
  - Click the "Raise Hand" button at the bottom of the participant's window.
  - A visual prompt will indicate that your line has been unmuted.

- **For participants using phone audio:**
  - Enter *9 on your phone keypad.
  - An audio prompt will indicate that your line has been unmuted.

FINRA CAT Helpdesk

Questions may be directed to the FINRA CAT Helpdesk at 888-696-3348 or help@finracat.com