
Phase 2d Industry Webinar

June 24, 2021

Agenda

- Phase 2d Test Release and Compliance Dates
- Overview of the Phase 2d Coordinated Industry Test
- Overview of Key Scope
 - Options Specific Scope
 - OTC Link ATS
 - Route Modifications and Cancellations
 - Cancel/Modification Requests
 - Handling Instruction Changes
 - New Fields
 - Paired Orders
 - Multi-Leg Orders
- Upcoming Deep Dive Webinars
- Q&A

IM Tech Specs

- ▶ A subsequent version of the IM Technical Specifications is scheduled for publication on 8/2/2021. This publication will include changes to support 2d production go-live.

Phase 2d Test Environment and Coordinated Industry Test

Industry Member Phase 2d Release Rollout

| Test Environment As of 6/28/2021 | Test Environment As of 7/19/2021 | Test Environment As of 8/2/2021 | Test Environment As of 8/23/2021 | Phase 2d Go-live Production Environment As of 12/13/2021 |
|---|---|---|--|--|
| <p>Ingestion Industry Test Open for Machine-to-Machine File & Data Integrity Validations & Feedback</p> <ul style="list-style-type: none"> • Syntax Validations • Conditional Validations <p>CAT Reporter Portal</p> <ul style="list-style-type: none"> • Manual File Upload • Reporting Summary Statistics | <p>Intrafirm Linkage Industry Test Open for Machine-to-Machine Intrafirm Linkage Validations & Feedback</p> <ul style="list-style-type: none"> • Reference Data Validations on <i>senderIMID, receiverIMID, destination</i> and <i>legDetails OptionID/Symbol</i> <p>CAT Reporter Portal</p> <ul style="list-style-type: none"> • Linkage File feedback • Linkage Statistics • Error Summary and Error Search including Error Correction • Direct Data Entry | <p>Interfirm Linkage Industry Test Open for Machine-to-Machine Interfirm/Exchange Linkage Validations & Feedback</p> <ul style="list-style-type: none"> • Interfirm Quote Linkage • Interfirm/Exchange linkage for Route Modification Events including Unlinked feedback for Routed Order ID Mismatch <p>CAT Reporter Portal</p> <ul style="list-style-type: none"> • Support Clearing Firm View of Correspondent Reporting Feedback submitted by Third-Party Vendor | <p>Multi-leg Linkage Industry Test Open for Machine-to-Machine Multi-leg Linkage Validations & Feedback</p> <ul style="list-style-type: none"> • Interfirm & Exchange for Multi-leg Events • Firm to Exchange Trade Linkage for MOOT Events <ul style="list-style-type: none"> • Simple and Multi-leg options <p>CAT Reporter Portal</p> <ul style="list-style-type: none"> • Reconciliation Statistics | <p>Ingestion & All Linkage Production Open for Machine-to-Machine File, Data Integrity and All Linkage Validations & Feedback</p> <p>CAT Reporter Portal</p> <ul style="list-style-type: none"> • Manual File Upload • Reporting Summary Statistics including reconciliation • Linkage File Feedback • Error Summary and Error Search including Error Correction • Direct Data Entry • Support Clearing Firm View of Correspondent Reporting Feedback submitted by Third-Party Vendor |

Phase 2d Compliance Date – 12/13/2021

Phase 2d Coordinated Industry Test

- ▶ FINRA CAT, LLC will facilitate six coordinated industry tests with the first test commencing with CAT Trading Day September 10, 2021.
- ▶ Industry Members are encouraged to submit a full day of production data to the Test Environment by 8 am on September 13, 2021.
- ▶ FINRA CAT will perform intrafirm, interfirm and exchange linkage on Phase 2d reporting requirements and provide feedback.
- ▶ By no later than 9 am on September 15, 2021, FINRA CAT will post a list of participating CAT Reporter IMIDs to the Reference Data page of www.catnmsplan.com.
 - Industry Members and CAT Reporting Agents should use this IMID list to determine if any interfirm unlinked errors were caused by breaks in the linkage key or contra party non-participation.
- ▶ The next round of testing will start on CAT Trading Day October 1, 2021 and continue every other Monday until CAT Trading Day November 29, 2021.

Phase 2d Coordinated Industry Test – Key Dates

| Test Number | CAT Trading Day of the Coordinated Industry Test | Data Due to the Industry Test Environment | List of Participating IMIDs Posted as Reference Data on the CAT Website |
|-------------|--|---|---|
| 1 | 9/10/21 | By 8 am ET on 9/13/21 | By 9 am ET on 9/15/21 |
| 2 | 10/1/21 | By 8 am ET on 10/4/21 | By 9 am ET on 10/6/21 |
| 3 | 10/15/21 | By 8 am ET on 10/18/21 | By 9 am ET on 10/20/21 |
| 4 | 10/29/21 | By 8 am ET on 11/1/21 | By 9 am ET on 11/3/21 |
| 5 | 11/12/21 | By 8 am ET on 11/15/21 | By 9 am ET on 11/17/21 |
| 6 | 11/26/21 | By 8 am ET on 11/29/21 | By 9 am ET on 12/1/21 |

See [CAT Alert 2021-03](#) for more information on the Phase 2d Coordinated Industry Test
A separate [Phase 2d Cutover Webinar](#) will be held on September 14, 2021

Manual Options Orders

- ▶ Beginning in Phase 2d, all manual options order activity is required to be reported (except certain Market Maker open outcry activity subject to Verbal Quote Relief)
- ▶ NEW Manual Option Trade Event – MOOT
 - Applicable only to manual trades executed in open outcry
 - Refer to [Phase 2d CAT Reporting Requirements for Open Outcry Trades](#) for more information

Retired Options Fields

- ▶ *priorUnlinked* and *nextUnlinked* fields will be retired in Phase 2d.
 - These fields were used to indicate when an immediately preceding or following event (e.g., manual, complex or paired order) was not present for linkage.
 - Manual, Complex and Paired Orders are required to be reported in Phase 2d so these fields are no longer required.

New Event: Option Order Effective event

- ▶ The Option Order Effective event indicates that an order, or an underlying condition of an order, has become effective.
 - This event should not be used in instances when an order can become active and inactivate multiple times throughout the day. See [FAQ B66](#) for more information.
- ▶ Applicable to orders such as conditional (refer to [FAQ D26](#)), Stop, Stop Limit, Trailing Stop, Stop on Quote, and Stop Limit on Quote orders.
 - NOT applicable to Stop Stock transactions.
- ▶ Reported by the party that was holding the order at the time the order or condition became effective.

Options Rejected Routes

- ▶ Rejected option routes were not required to be reported in Phase 2b, but these events are required to be reported to CAT in Phase 2d with the *routeRejectedFlag* field populated as 'true'.
- ▶ Linkage is attempted on all Option Order Route events that contain a *routeRejectedFlag* as 'true', however, if no link is found, the firm will not receive an unlinked error if the *routeRejectedFlag* is populated as 'true'.
 - Refer to Section 2.6.3.5 of the IM Tech Spec for additional information on when the *routeRejectedFlag* must be populated as 'true'
- ▶ An Option Order Route Supplement Event may be used to populate the *routeRejectedFlag* if the route rejection is not known at the time when the Option Order Route event is originally submitted.

Options Changes – RFQ/Solicitation Responses

- ▶ All Options Responses to RFQs/Solicitation will become reportable in Phase 2d
- ▶ For more information, please see:
 - The *Responses to RFQs and Solicitation* section of the Technical Specifications
 - The *RFQ and Solicitation Response Scenarios* sections of the Reporting Scenarios
 - FAQ [B45](#)
 - March 4, 2021 Industry Webinar, [Requests for Quotes \(RFQs\) and Other Forms of Solicitation](#)

Combined Options Orders– Linkage

- ▶ Linkage is required between options combined orders and the original customer orders beginning in Phase 2d.
- ▶ Explicit linkage is achieved at the order level through the *aggregatedOrders* field and at the fill level through the *fulfillmentLinkType*.
- ▶ New Events for Phase 2d:
 - Option Order Fulfillment Supplement (MOOFS) - Used as a supplement of the Options Order Fulfillment event when more than one options order is associated with the fill of a customer order.
 - Option Order Modified Supplement (MOOMS) - Serves as a supplement to the Option Order Modified Event when more than one options order is associated with the fill of a customer order.
- ▶ Please see the August 13, 2019 Industry Webinar, [Equity Representative Orders Deep Dive](#) for more information on reporting and linkages.
 - Reporting and linkage of options combined events with a *representativeInd* or *fulfillmentLinkType* value of 'O' or 'OS' would be reported the same as an equity event with a *representativeInd* or *fulfillmentLinkType* value of 'Y' or 'YS'.

Combined Options Orders– Linkage (cont.)

- ▶ Starting in Phase 2d, new *representativeInd* value of 'OS' is required on a New Order event when:
 - Number of combined orders included in the *aggregatedOrders* field causes the New Order event to exceed the maximum allowed message length; or
 - Orders being represented are not captured in the New Order Event.
- ▶ Starting in Phase 2d, new *fulfillmentLinkType* value of 'OS' is required on the Option Order Fulfillment event when:
 - Details of a Combined Options Order are provided in an Option Order Fulfillment Supplement or Option Order Modified Supplement event.
- ▶ Appendix C of the IM Tech Spec includes detailed information regarding representative order linkage requirements including:
 - Linkage Fields
 - *representativeInd* and *FulfillmentLinkType* values
 - Requirements for linkage

Options Allocations Events

- ▶ Option Allocations will become reportable in Phase 2d
- ▶ The definition of allocation includes:
 - Placement of shares/contracts into the same account for which an order was originally placed
 - Placement of shares/contracts into an account based on allocation instructions (e.g., subaccount allocations)
- ▶ The reporting obligation for Allocation events belongs to the firm performing the allocation. This will generally be the clearing firm or self-clearing firm processing the allocation
- ▶ Allocation events must be reported to CAT for all allocations to a client account (for both equities and options activity)
- ▶ Allocations to accounts other than a client account (e.g., proprietary accounts, CMTA) may be optionally reported to CAT
- ▶ For more information, please see the February 19, 2020 Industry Webinar, [FDID Refresher and Introduction to Allocation Reporting](#)

OTC Link ATS

- All OTC Link ATS messages that meet the definition of an order under the Plan, including those sent via OTC Dealer (“GUI”) will be reportable as orders. These messages will no longer be reported as negotiated trades and OTC Link ATS subscribers must report a route to/receipt from OTC Link ATS rather than the other subscriber.
 - Market Maker quotes sent to OTC Link ATS by Market Makers.
- ▶ Refer to [Phase 2d CAT Reporting Requirements for OTC Link ATS Subscribers \(March 10, 2021\)](#) and [Phase 2d OTC Link ATS Scenarios Deep Dive \(March 24, 2021\)](#) for more information.

Modification/Cancellation Request

- ▶ Industry Members are required to capture and report the time a modification or cancel request was received
- ▶ Accomplished by:
 - Populating the *requestTimestamp* on modification/cancellation events
 - OR reporting separate modification/cancellation request events
- ▶ Not required in instances where an order is terminal in the Industry Member's system at the time of the request. (i.e., fully executed or cancelled)
- ▶ Required in instances where the request is received while the order is "in-flight"
- ▶ Example of Required Reporting for "in-flight" scenario
 - Industry Member receives a request from a customer to cancel an order previously routed to an exchange (MEOCR)
 - Industry Member submits a request to the exchange to cancel the customer's order, and exchange rejects the request due to the order being fully executed (MECR with *routeRejectedFlag* as 'true')

Route Modified/Cancelled

- ▶ Industry Members must report a Route Modified event to CAT when the Material Terms of a route have been changed (e.g., price, quantity), or when a route is cancel/replaced.
- ▶ Industry Members must report a Route Cancelled event to CAT when a route has been fully or partially cancelled.
- ▶ Partial cancellations of a route may be reported to CAT using a Route Cancelled event or a Route Modified event.
 - When routing between Industry Members, both parties must communicate and use the same method to report to CAT.
- ▶ If a route modification/cancellation request is rejected by the destination venue, the Route Modified/Cancelled event must be reported with a *routeRejectedFlag* of true.

New and Updated Handling Instructions

Beginning in Phase 2d, the following *handlingInstructions* will become effective:

| New Value | Description |
|-----------|-------------------------|
| OFF | Price included offset |
| TTU | Tied to unlisted option |

Beginning in Phase 2d, the following *handlingInstructions* have been updated:

| New Value | Updated Description |
|-----------|--|
| CAC | Customer Accommodation Correction. 'COR' event was submitted to CAT as the result of a customer accommodation. Not to be used if the 'COR' event was submitted to correct an error by the Industry Member. |
| CMPX | Electronic message representing an individual simple option or equity leg of a complex option order that was optionally reported to CAT. |
| DISP | Display Price. The display price at the time the order is received, originated, or routed. Requires a numeric value representing the display price (e.g., DISP=10.00). Data Type: Price. |
| DISQ | Display Quantity. The display quantity at the time the order is received, originated, or routed. Requires a numeric value representing the display quantity (e.g., DISQ=1000). Data Type: Real Quantity |
| ND | Delivery Instructions: Next Day – equity trade settles on next trade date. Not applicable to options. |
| QCC | Route was related to an order that was sent as a Qualified Contingent Cross. |

Other Handling Instructions Changes

Beginning in Phase 2d, the following *handlingInstructions* are being replaced:

| Old Value | New Value | Description |
|-----------|-----------|--|
| CNH | CASH | Cash Order. Instructs the Trader to buy or sell as much stock as possible, over the course of the trading day, for a specified amount. |
| GVWAP | GP | Guaranteed Price. Order was received or originated with instructions to execute at a guaranteed price. |

Also beginning in Phase 2d:

- 'SMT' *handlingInstructions* value is being retired
- The definition of Trading Algorithm has also been updated in the Phase 2d spec

New Fields

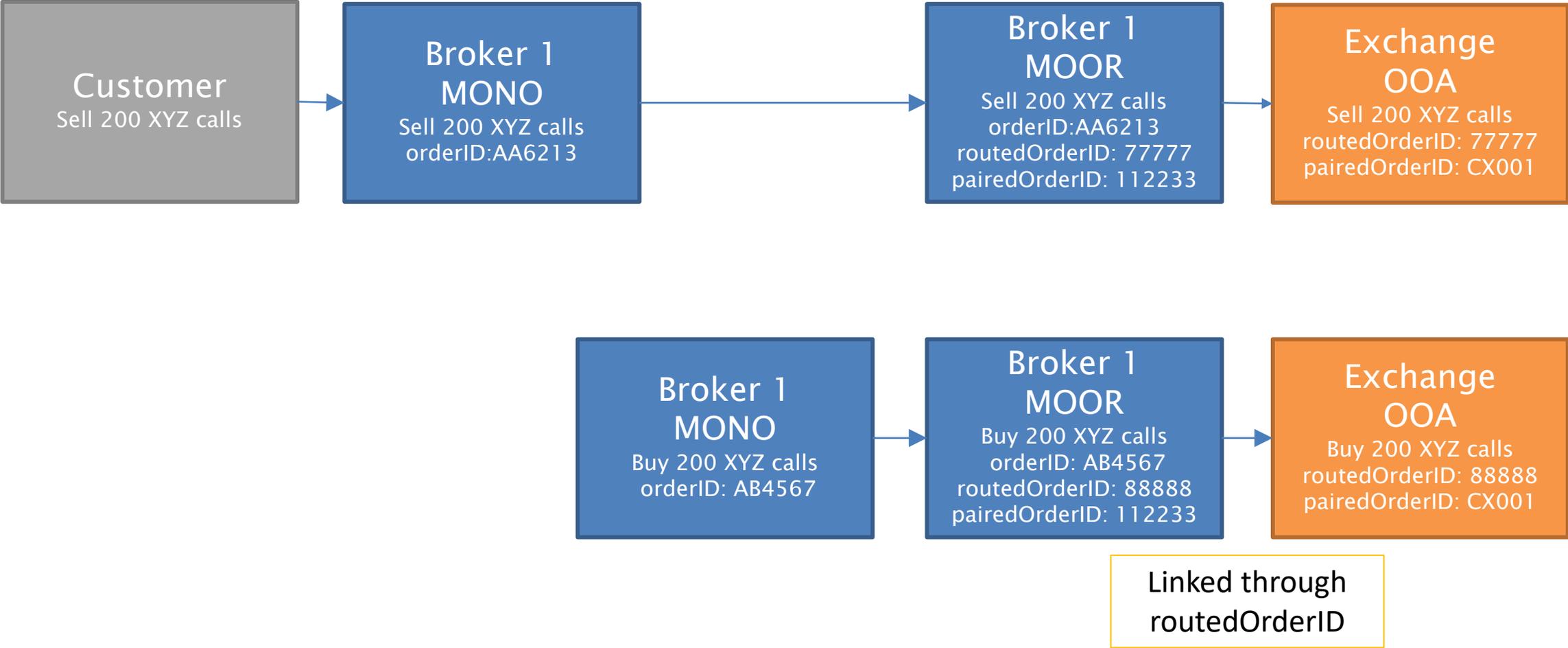
- ▶ *pairedOrderID* field for paired orders
 - *pairedOrderID* is the internal identifier assigned to all orders included in the paired
 - Paired equity orders are currently reportable, however, starting in Phase 2d, they must be reported with a *pairedOrderID*
 - Paired options orders are *not* currently reportable, but will be required in Phase 2d
- ▶ *netPrice field* added to equity and option events
 - Populated on equity or simple option order events when the order is tied stock, tied to fixed income, tied to futures, tied to a non-CAT reportable product, or part of another trading strategy in which the order is traded at a net price
 - When populated, the *price* field must be left blank or populated with a value of zero
 - Refer to FAQ B71 for more information

Paired Orders

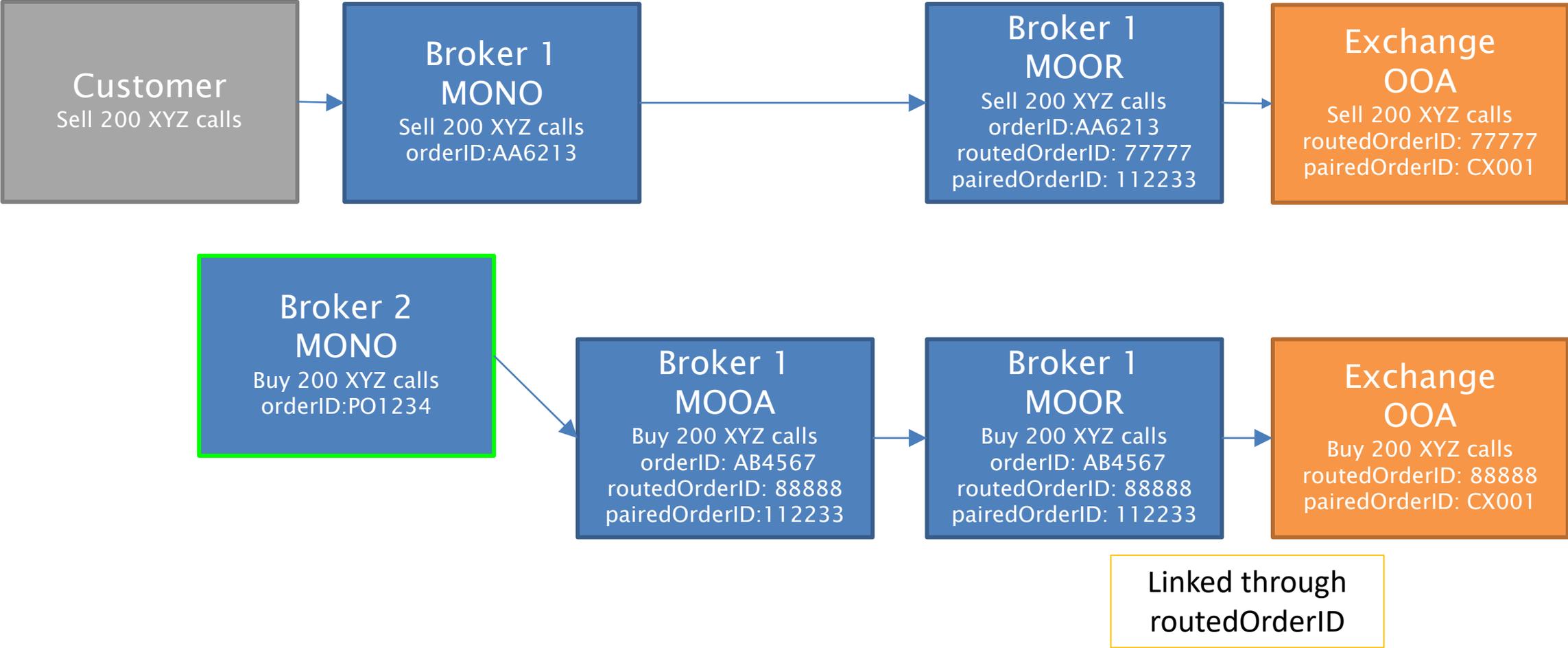
For CAT reporting purposes, Paired Orders are orders which contain both the 'buy' and 'sell' side and are routed to another Industry Member or Exchange for crossing and/or price improvement.

- Beginning in Phase 2d, option orders routed or received as a pair are required to be reported to CAT, and all associated Option Order Route and Multi-Leg Order Route events must be identified using a *pairedOrderID*.
- Order Route events associated with each paired order must be identified using a *pairedOrderID* starting in Phase 2d.
- Paired Orders Do Not Include:
 - Order that are not treated as a paired order by the recipient such as "post and wait"
 - Preferenced or directed order that does not contain both 'buy' and 'sell' side
- *pairedOrderID* is NOT used in intravenue or intervene linkage.
- **Paired Orders** are separate and distinct from **Pairs Trading**.

Basic Paired Order Workflow



Basic Paired Order Workflow



Multi-Leg Option Orders

- ▶ Beginning in Phase 2d, multi-leg/complex orders will become reportable to CAT
- ▶ The following events are reportable to CAT as a multi-leg/complex order:
 - A multi-leg order that meets the definition of an exchange-defined complex order and is routed to an options exchange as a complex order. The definition of complex order in this context is not dependent on any NMS or options linkage plan trade through exemption provision embedded within an exchange's definition of a complex order.
 - A multi-leg order involving at least one option leg received by a broker-dealer as a single instruction where all legs of the order are linked and such linkage affects the price of any individual leg of the order. A typical example of this type of order would be a Buy/Write.
- ▶ Orders **not** reportable to CAT as a multi-leg/complex order:
 - Baskets
 - Complex/multi-leg order with out an option component

Multi-Leg Option Orders (cont.)

- ▶ Events include both strategy and leg level details that are represented as a multi-dimensional array.
- ▶ Number of CAT reportable legs must be identified in the *numberOfLegs* field.
- ▶ If the strategy contains any legs which are non-CAT reportable (e.g., Futures, Fixed Income) the relevant *handingInstructions* value must be populated.
- ▶ A Multi-leg Order Supplement (MLOS) event must be used when more legs exist than can be supported due to record size limits.
- ▶ A separate [Multi-leg/Complex Option Order Webinar](#) will be held on July 21, 2021

FINRA CAT Helpdesk

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

Q&A

How to Ask a Question during Today's Call

- **For participants using computer audio:**
 - Click the “Raise Hand” button at the bottom of the participants 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.