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## Change of Transformed Identifier for a CAT Customer in Full CAIS

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October 18, 2022

# Agenda

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- ▶ *roleEndReason* and Industry Feedback
- ▶ CAT NMS Plan Requirements and Implementation of CCID
- ▶ Input Identifiers and the Transformed Identifier
- ▶ Current Reporting Requirements
  - Replacement of TID - *roleEndReason* of 'REPLACED'
  - Erroneous TID and Correction - *roleEndReason* of 'CORRECTION'
- ▶ Updates to FAQ Q12
  - Change of TID Reasons Unknown - *roleEndReason* of 'OTHER'
- ▶ Q&A

# Disclaimer

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Note: All CRD numbers, names, addresses, and identifiers data used for examples in the Customer and Account information reports are purely fictional for illustrative purposes only. Any resemblance to actual persons, organizations, or locations is purely coincidental. All Transformed Identifiers (“TIDs”) included in the examples for Social Security Numbers, Individual Taxpayer Identification Numbers, or Employer Identification Numbers (collectively, ‘SSN/ITIN’ and ‘EIN’), are generated from values that are outside of the acceptable range of assignment by the assigning body and would fail CAT data validations if reported to CAIS.

# *roleEndReason* and Industry Feedback

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- ▶ On August 16, 2022, the [CAT CAIS Technical Specification Working Group](#) outlined, among other things, populating the *roleEndReason* field on Customer Records, the allowable values for this field and various use-cases.
- ▶ The Full CAIS Technical Specifications and Scenarios Document provide reporting guidance on when a CAT Customer's *tidValue* is updated. There are currently two ways to replace the Customer's Input Identifier and associated TID in CAIS, and the manner by which the change must be reported to CAIS depends on why the TID is being updated.
  - *roleEndReason* value of 'REPLACED' when a Customer Input Identifier was replaced with another Input Identifier.
  - *roleEndReason* value of 'CORRECTION' when a Customer role on FDID was erroneously reported.
- ▶ Industry Members have provided feedback that systems may not always distinguish why an update is occurring on a Customer record. While there are backend business processes that trigger values to be updated in systems, from a system- perspective it is a Tax ID or Identification number for a Customer being changed from one value to another value (e.g., 999-99-9999 to 888-88-8888). The reason behind the change and if it was related to a replacement or a correction is not always captured in systems.

# CAT NMS Plan Requirements

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- ▶ For purposes of SEC Rule 613, ‘Customer-ID’ means, ‘with respect to a customer, a code that uniquely identifies such customer for purposes of providing data to the central repository.’

--Appendix C of the CAT NMS Plan

- ▶ The Plan Processor must maintain information of sufficient detail to uniquely and consistently identify each Customer across all CAT Reporters, and associated accounts from each CAT Reporter.

--Appendix C of the CAT NMS Plan

# Implementation of Plan Requirements with CAT Customer ID

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- ▶ The Customer ID, also known as CAT Customer ID or CCID, is a globally unique identifier generated for each unique TID value generated from a well-formatted and valid Input Identifier, in a way that is not reversible to the TID or textual Input Identifier value.
  - Section 2.2.7 of the Full CAIS Technical Specifications

# Input Identifiers

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- ▶ Input Identifiers is a generic term for the types of identifiers used to identify unique Customer Records. These identifiers include:
  - Social Security Number (SSN)
  - Individual Taxpayer Identification Number (ITIN)
  - Employer Identification Number (EIN)
  - Foreign Identifiers (FOREIGN)
- ▶ If an SSN, ITIN, or EIN is available for the Customer, it must always be used as the Input Identifier.
- ▶ Input Identifiers are always translated to Transformed Identifier (TID) values.
  - Section 2.2.5 of the Full CAIS Technical Specifications

# Transformed Identifier (TID)

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- ▶ The Transformed Identifier (TID) is a hashed version of the Input Identifier, submitted by the CAT Reporter to CAT in place of the Input Identifier, in accordance with the exemptive relief granted by the SEC on March 17, 2020.
  - Section 2.2.6 of the Full CAIS Technical Specifications
- ▶ CAIS uses the Transformed Identifier (TID) information to generate the unique CAT Customer ID (CCID) for a Natural Person or Legal Entity CAT Customer.

# Reporting Replacement of TID

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- ▶ Certain scenarios may require a change in the reporting of the underlying Input Identifier value for a CAT Customer. Examples include:
  - Naturalized citizen converting from an ITIN to an SSN identifier
  - Foreign Customer later obtains a US-issued Tax ID (e.g., Legal Entity establishes US presence)
  - Legal entity corporate action – such as merger or reincorporation – resulting in the issuance of a new EIN
  - Passport expiring and a new one being issued with new numbers
  - Customer originally being established using a Driver License, but Industry Member later obtains a National Registration or Tax ID for the Customer
- ▶ Must be reported to CAIS by:
  1. Including in the Transformed Identifiers file:
    - ❑ A record for the Customer’s previous TID noting the *replacedByTID*, *replacedByTIDType* and the Customer’s new Transformed Identifier (TID); and
    - ❑ A record for the Customer’s new TID; and
  2. Including in the Data File:
    - ❑ A record for the Customer being replaced including a *roleEndReason* of ‘REPLACED’ and a *roleEndDate*. The Customer-to-FDID association must be explicitly ended in the submission file. It is not permissible to end the Customer-to-FDID association by omitting the *roleEndReason* and *roleEndDate* attributes.
    - ❑ A new record for the Customer with an active *role* and *roleStartDate*. The *roleStartDate* must represent the date on which the Customer entered into the specified *role*; not the date that the *tidValue* was replaced
- ▶ See Section 3.2 of the Full CAIS Technical Specifications. Also, see Full CAIS Scenarios 3.4.1 – Change in a Customer’s Input Identifier – Same TID Type and 3.4.2 – Change in Customer’s Input Identifier – Differing TID Type.

# Example – Replacement of TID

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On January 1, 2022, a Customer was associated with an FDID Record. The Customer's *tidValue* was a hashed version of an LEI. On October 12, 2022, the Customer's TID was updated after the Industry Member obtained a US-issued EIN of 99-9999999 for the same Customer. The Updating Submission to CAIS would require:

## Transformed Identifiers File

<i>customerRecordID</i>	<i>tidType</i>	<i>foreignTIDType</i>	<i>tidValue</i>	<i>replacedByTID</i>	<i>replacedByTIDType</i>
1	FOREIGN	LEI	e3b42...	3b2a38...	EIN
2	EIN		3b2a38...		

## Data File

<i>customerRecordID</i>	<i>role</i>	<i>roleStartDate</i>	<i>roleEndDate</i>	<i>roleEndReason</i>
1	TRDHOLDER	20220101	20221012	REPLACED
2	TRDHOLDER	20220101		

Note: this does not represent all required customer and account information or specific format and is *for illustration purposes only*.

# Reporting Erroneous TID and Correction

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- ▶ In other scenarios, the Input Identifier used to generate the TID was initially submitted to and accepted by CAIS based on an Input Identifier value that was later determined to be incorrect and was never intended to be associated with the Customer. This correction results in a changed TID. Examples include:
  - Transcription error (e.g., fat-finger) of 999-99-9999<sup>9</sup> as 999-99-9998<sup>8</sup> when systematizing records, which is later discovered.
  - During the due diligence process associated with opening an account, Industry Member determines that a CAT Customer inadvertently provided the incorrect SSN value. Upon obtaining the correct SSN, the value is updated in the system.
- ▶ Must be reported to CAIS by:
  1. Including in the Transformed Identifiers file:
    - A record for the Customer's previous, incorrect *tidValue*.
    - A record for the Customer's new *tidValue* that was generated from the correct Input Identifier value for the Customer;
  2. Including in the Data File:
    - A record for the Customer associated with the *tidValue* generated from the incorrect Input Identifier value, with a *roleEndReason* of 'CORRECTION' and a *roleEndDate* populated with the same date as the *roleStartDate* to indicate that the Customer Record should not have been associated to the FDID. The Customer-to-FDID association must be explicitly ended in the submission file and cannot be omitted.
    - A new record for the Customer associated with the *tidValue* generated from the correct Input Identifier value, with a *roleStartDate* reflecting the date the Customer originally entered into the specified *role* and not the date that the new *tidValue* was generated based on the correct Input Identifier.
- ▶ See Section 3.2 of the Full CAIS Technical Specifications. Also, see Full CAIS Scenario 5.4.1 – Correcting an Erroneous TID Value.

# Example – Erroneous TID

On September 30, 2022, a Customer was associated with an FDID Record. The Customer's *tidValue* was a hashed version of an SSN value of 000-00-0000. The Industry Member later determines that, due to a transcription error, 000-00-0000 was *not* the correct SSN and it was never intended to be associated with the Customer. The Customer's correct SSN is 999-99-9999. The Correcting Submission to CAIS would require

## Input Identifier Values - Not Reported to CAIS

Description	SSN	Associated customerRecordID
Transcription Error	000-00-0000	1
Customer's Correct SSN	999-99-9999	2

## Transformed Identifiers File

<i>customerRecordID</i>	<i>tidType</i>	<i>tidValue</i>
1	SSN/ITIN	5fb0d...
2	SSN/ITIN	143887c...

## Data File

<i>customerRecordID</i>	<i>role</i>	<i>roleStartDate</i>	<i>roleEndDate</i>	<i>roleEndReason</i>
1	TRDHOLDER	20220930	20220930	CORRECTION
2	TRDHOLDER	20220930		

Note: this does not represent all required customer and account information or specific format and is *for illustration purposes only*.

# Recent Updates to FAQ Q12

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FAQ Q12 was recently updated in light of Industry feedback that that systems may not distinguish *why* an update is occurring on a Customer record, and if it is related to a replacement or a correction in the identifier used for the customer.

Q12. Are regulators expecting complete accuracy with respect to the *ltidEndReason* and *roleEndReason*?

Updated: 10/04/2022

Industry Members should make a ~~an~~ reasonable effort to obtain an accurate reason as to why the LTID, ~~or~~ ULTID or Customer is no longer associated to the FDID. Starting with the implementation of Full CAIS, if the facts and circumstances regarding why an association was ended cannot be reasonably ascertained, then the *ltidEndReason* or *roleEndReason* value of 'OTHER' may be used.

# Reporting Change of TID Reasons Unknown

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- ▶ Industry Members have provided feedback that systems may not always distinguish why an update is occurring on a Customer record. Per FAQ Q12, if the facts and circumstances regarding why an association was ended cannot be reasonably ascertained, then the *roleEndReason* value of 'OTHER' may be used.
  
- ▶ Must be reported to CAIS by:
  1. Including in the Transformed Identifiers file:
    - ❑ A record for the Customer's *tidValue* that generated from the initial Input Identifier;
    - ❑ A record for the Customer's *tidValue* that was generated from the subsequent Input Identifier
  
  2. Including in the Data File:
    - ❑ A record for the Customer associated with the *tidValue* generated from the initial Input Identifier value, with a *roleEndReason* of 'OTHER' and a *roleEndDate* populated with date the Input Identifier was changed and was no longer associated with the Customer.
    - ❑ A new record for the Customer associated with the *tidValue* generated from the subsequent Input Identifier value, with a *role* and *roleStartDate* reflecting the date the new *tidValue* was generated and associated with the FDID based on the subsequent Input Identifier.

# Example – Change of TID Reasons Unknown

On April 30, 2022, a Customer was associated with an FDID Record. The Customer’s *tidValue* was a hashed version of an LEI value of ZYXWVUTSRQP987654321. The Customer’s LEI was updated in the system to LMNOPQRSTUUV123456789 on October 10, 2022. The Industry Member could not reasonably obtain an accurate reason on the facts and circumstances surrounding why the LEI was updated, and if it was associated with a replacement or correction. In accordance with FAQ Q12, the Updating Submission to CAIS may be reported as:

## Input Identifier Values - Not Reported to CAIS

Description	LEI	Associated customerRecordID
Initial LEI for Customer	ZYXWVUTSRQP987654321	1
Subsequent LEI for Customer	LMNOPQRSTUUV123456789	2

## Transformed Identifiers File

<i>customerRecordID</i>	<i>tidType</i>	<i>foreignTIDType</i>	<i>tidValue</i>
1	FOREIGN	LEI	9a578...
2	FOREIGN	LEI	ca48f9...

## Data File

<i>customerRecordID</i>	<i>role</i>	<i>roleStartDate</i>	<i>roleEndDate</i>	<i>roleEndReason</i>
1	TRDHOLDER	20220430	20221010	OTHER
2	TRDHOLDER	20221010		

Note: this does not represent all required customer and account information or specific format and is *for illustration purposes only*.

# FINRA CAT Helpdesk

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Questions may be directed to the FINRA CAT Helpdesk at 888-696-3348 or [help@finracat.com](mailto:help@finracat.com)

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**Q&A**

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# How to Ask a Question during Today's Call

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- **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.