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Subject: Feedback on CAT
Date: Tuesday, December 04, 2012 1:22:11 PM

I am writing on behalf of Vanguard Marketing Corporation (Vanguard) related to the work FINRA and the exchanges (SROs) are performing to submit an NMS plan (Plan) to the SEC related to the creation, implementation and maintenance of a consolidated audit trail (CAT).

Vanguard is a self-clearing firm that offers retail brokerage services for self-directed client accounts. Vanguard has reviewed the rule and identified some initial concerns related to certain aspects of the proposed requirements of CAT. Specifically, Vanguard has identified certain pieces of customer information proposed to be included in the CAT which could involve significant costs if ultimately required to be gathered and provided under the final Plan. Vanguard hopes this information will assist the SROs in quantifying the costs and benefits of CAT as it works towards submitting the Plan to the SEC.

"Customer Information for Certain Types of Entity Accounts"

CAT contemplates the submission of certain types of customer demographic information (name, address, and SSN). Importantly, CAT also contemplates that the definition of customer includes "any person from whom the broker dealer is authorized to accept trading instructions for such account." For certain types of accounts such as organizational, corporate, or limited partnerships accounts, broker-dealers obtain the identity of the officers and employees of the organization who are authorized to act on behalf of the entity owning the referenced account. Presumably, these individuals would be considered "customers" for reporting purposes under existing CAT requirements. However, broker-dealers do not necessarily collect the addresses and social security numbers from these individuals (just the organization itself). Vanguard believes that the costs of obtaining this demographic information for all individuals authorized to act on behalf of "entity" accounts will be significant. We encourage the SROs to analyze the costs of such an exercise and explore alternatives for such accounts. Among other things, the SROs could explore a "grandfathering" exception for such accounts with an obligation on broker-dealers to obtain and report "customer" demographic information for authorized officers and/or employees only for accounts opened after a specified date. This would reduce the significant costs associated with having to contact and receive responses from all existing entity clients and their respective authorized officers/employees. Likewise, such an exemption would alleviate the need for firms to implement penalties on accounts, such as denying trading privileges, when responsive information has not been received.

"Customer Information for Agents/Authorized Persons"

Similarly, for many retail accounts, clients execute documentation authorizing agents (e.g. powers of attorney) to execute trades on their behalf. Such agents would be included in the definition of "customer" under CAT. While Vanguard and many broker-dealers gather demographic information, including address and SSN, from agents, the information is not updated as regularly as that of the account owner. For example, if a client continues to receive statements and notices related to their account directly, and not through their agent, the fact that an agent changes his/her address is immaterial to the firm's servicing of the account. Therefore, there is a risk that firms will not be in a position to supply accurate demographic information to CAT for agents. Again, Vanguard encourages the SROs to explore the costs/benefits of the proposed reporting requirements for certain types of demographic information and Vanguard believes there would be significant costs associated

with gathering and updating certain pieces of demographic information from agents on existing accounts. Specifically, Vanguard believes the SROs should consider excepting address information from the CAT customer reporting obligations for agents.

"Customer Reporting for Agents"

More broadly, in addition to the costs associated with gathering the information discussed above which may not currently be in possession of firms, Vanguard believes the technology costs associated with reporting any agent demographic information will be significant. The systems used by many firms for trade reporting purposes, including Vanguard, contain the requested demographic information *as it relates to the account owner*. However, agent demographic information is not inputted into those same systems. Because agent demographic information has historically been used by firms solely for purposes of ensuring that individuals have the authority to act on behalf of an account and not for any other downstream purpose (i.e., taxes, statements or trade reporting), there has been no need to have agent demographic information inputted into certain trading systems. These are the systems that will likely be leveraged for reporting purposes under CAT. Vanguard encourages SROs to explore the costs and alternatives to the reporting of "customer" information as it relates to individuals who are not the owners of an account. Because there may be significant technology costs with inputting such information into existing trade reporting systems, the SROs should explore a "grandfathering" exception for agents by only imposing reporting obligations for agents added to an account after a specified date.

Vanguard welcomes the opportunity to discuss these concerns in more details as the SROs continue to partner with the industry in developing the Plan.

Thank you.

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