

CAT 101

1/8/20 Webinar

What is CAT?

The SEC approved Rule 613 which requires exchanges and FINRA to capture order and trade information from all broker-dealers and exchanges to create a consolidated audit trail.

Information that must be captured includes:

- ✓ Order Receipt or Origination
- ✓ Order Routing
- ✓ Order Cancellation
- ✓ Order Modification
- ✓ Order Execution
- ✓ Allocations
- ✓ Customer and account information

What is the CAT NMS Plan?

SEC Rule 613 requires the exchanges and FINRA (“the SROs”) to create a national market system plan (CAT NMS Plan).

The CAT NMS Plan filed by the SROs was approved by the SEC in November 2016.

- The CAT NMS Plan lays out the specific requirements of how order and trade information must be collected and linked to create a complete lifecycle of each order from inception through execution or cancellation.
- The CAT NMS Plan requires the selection of a Plan Processor to collect and process the required data. The CAT Plan Processor is FINRA CAT, LLC.
- Industry Members are required to comply with CAT compliance rules filed by the SROs.

How is CAT Governed?

As an NMS plan, CAT is overseen by the SROs, who are directly responsible for its implementation and operation.

Key governing committees:

Operating Committee (OpCo)

- Supervises and makes all decisions regarding the implementation and operation of CAT, including interpretive and policy decisions.

Industry Advisory Committee (AC)

- Provides OpCo with industry perspective and guidance. Comprised of 12 industry members representatives representing different areas of the industry. A list of AC members is available on catnmsplan.com.

Compliance Subcommittee

- Assists the Chief Compliance Officer in developing and implementing compliance programs to ensure all requirements of the CAT NMS Plan are met, including the timeliness, accuracy and completeness of CAT data.

Key industry related working groups:

Interpretive Working Group

- Develops rule and technical specification interpretations to recommend to the OpCo for approval.

Industry Member Technical Specifications Working Group

- Engages with industry groups to solicit feedback on Industry Member Technical Specifications and reporting requirements.

Who Must Report to CAT?

- ▶ All US registered broker-dealers handling orders in covered securities.
This includes both FINRA and non-FINRA members.
- ▶ There are no exclusions or exemptions for any broker-dealer, even small broker-dealers that were previously excluded from FINRA's OATS Rules.

Which Securities Are Included in CAT?

- Listed Equities (NMS Stocks)
- Unlisted Equities (OTC Equity Securities)
- Listed Options (NMS Options)

How is CAT different than OATS?

Increased Scope

- Options
- Quotes
- Customer and Account Data
- Market Making Orders
- Non-FINRA Members
- All options and equities exchanges report to CAT

Small Firms

- No exemptions
- No exclusions

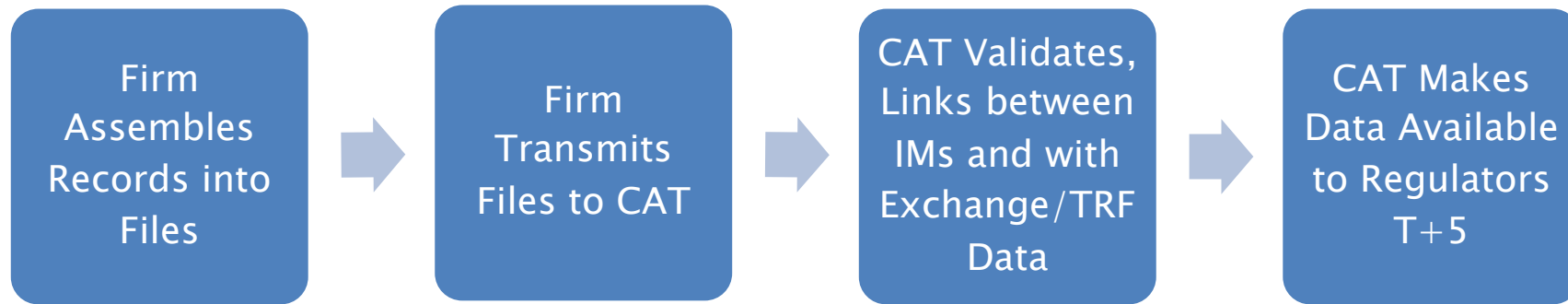
Linkages

- Routes to all exchanges linked
- Street side of riskless principal and other representative orders linked to customer orders
- Link transaction data to account information

Error Corrections

- Unlinked events must be corrected
- All corrections due by 8 AM ET on T+3

How Does CAT Reporting Work?



How are order events reported?

- ▶ There are 46 event types in v3.0.0 of the IM Technical Specifications. Below is a high level sample of these events:

CAT Record Type	Order Event
New Order	Receipt of an order from a customer (not a US BD) or foreign BD, or origination of a proprietary order
Order Accepted	Receipt of an order from a US BD
Order Route	Route of an order to another US BD, an Exchange, or to a foreign entity
Order Internal Route Accepted	Receipt of an order that was sent by another desk/department within the firm
Trade	Trade is executed and reported for public dissemination
Order Fulfillment	Fill of a customer/client order not required to be reported for public dissemination
Order Modification	Changes to the Material Terms of an order
Order Cancelled	Order is fully or partially cancelled

Use of CAT Reporting Agents

- ▶ Industry Members may submit data for themselves or may authorize a CAT Reporting Agent (“CRA”) such as a Service Bureau or Clearing Firm to report on their behalf.
- ▶ Industry Members may authorize a Third Party Reporting Agent to view and take action on data submitted on behalf of the CAT Reporter by another submitter.
- ▶ Industry Members must establish relationships with each CRA and Third Party Agent on the CAT Reporter Portal.

Establish CAT Reporting Relationships in the Test Environment

- ▶ CAT Reporting Relationships must be established to:
 - Authorize another CAT Reporting Agent to submit on a firm's behalf
 - Authorize a third party entity to have access to data submitted on a firm's behalf by another reporting Agent
- ▶ Relationships must be established in the CAT Reporter Portal
- ▶ Firms transmitting data on their own behalf are not required to establish a relationship for themselves
- ▶ Existing OATS Reporting Relationships will not be valid in CAT

Onboarding Process



*Equities production readiness certification must be completed by April 6, 2020. Firms trading options only must certify by May 4, 2020.

CAT Reporter Portal

- ▶ The CAT Reporter Portal is the web interface available to Industry Members. Features include:
 - Manual file upload
 - Feedback summaries
 - Reporting Relationships
 - ATS Order Type Registration
- ▶ Additional information can be found in previous webinars dedicated to the CAT Reporter Portal available on CATNMSPlan.com.

CAT Reporter Portal



Home



Report to CAT



Reporting Relationships



ATS Order Types

CAT Summary

Processing Date 12/6/2019



IMID ALL

[Export](#)

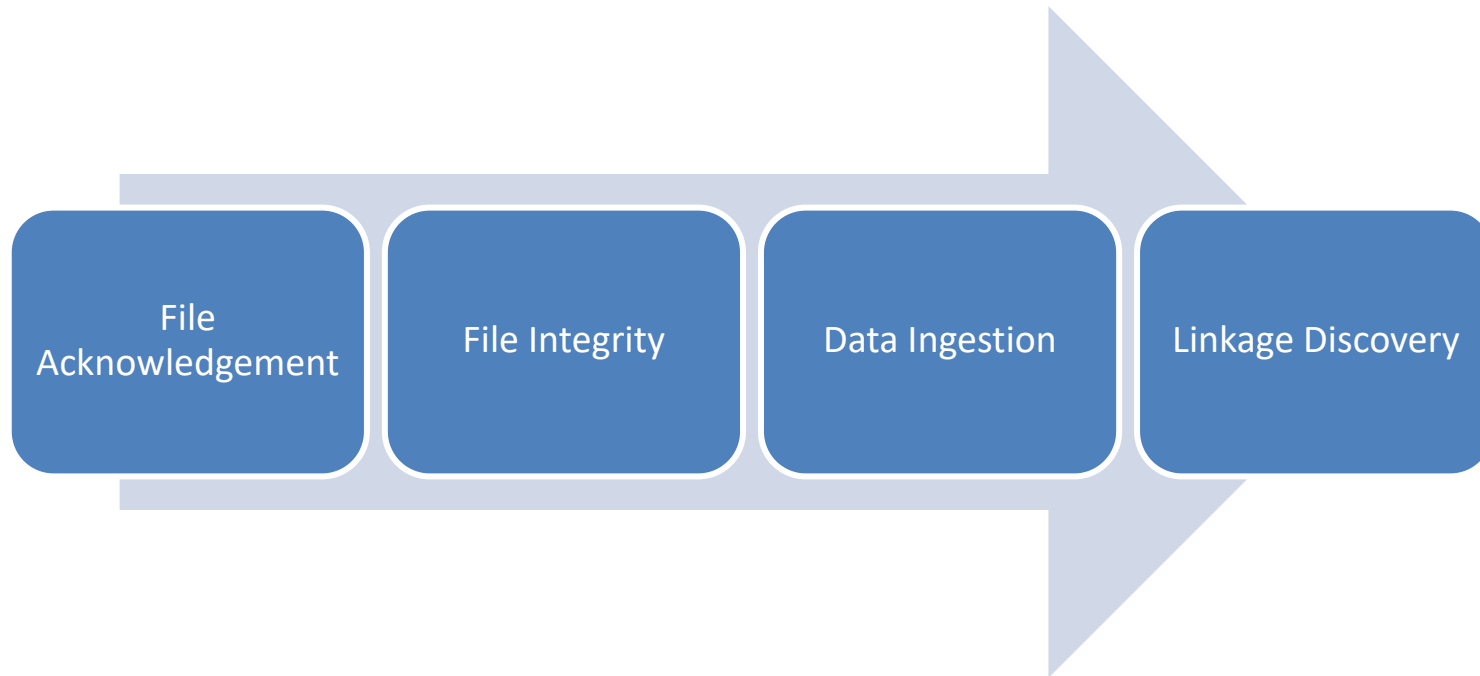
Rejection Error Rate 80.0000%

File Submissions	Received Data Files	Accepted Data Files	Rejected Data Files	Received Metadata Files	Rejected Metadata Files
	1	1	-	1	-

Event Submissions	Processed Events	Accepted Events	Rejected Events
	10	2	8

Feedback and Repair Process

- ▶ Feedback will be provided to Industry Members for files submitted to CAT. The stages of feedback provided by CAT are as follows:



- ▶ Errors identified in all stages of feedback must be repaired.

Clock Synchronization

- ▶ Industry Members are required to synchronize business clocks at a minimum to within **50 milliseconds** of the time maintained by the National Institute of Standards and Technology (NIST), and to maintain such synchronization.
- ▶ Business clocks that are solely used for manual CAT events or for the time of allocation on Allocation events must be synchronized at a minimum to within a **one second** tolerance.
- ▶ For additional information on clock sync requirements refer to Section R of the CAT FAQs available on CATNMSPlan.com.

Customer and Account Data – CCID and FDID

There are two separate and distinct concepts:

1. Customers - defined in Rule 613 and represented by the CAT Customer ID (**CCID**). The CCID is created by the Plan Processor and is known only to the Plan Processor and the Participants. The CAT assigned CCID is not provided back to Industry Members.
2. Trading Accounts - addressed in the NMS Plan and represented by the Firm Designated ID (**FDID**). This can represent **firm or customer** accounts. Each account, including firm owned or controlled accounts and sub-accounts, must have a unique and persistent FDID.

*** A customer can have more than one trading account, and a trading account can have more than one customer ***

FDID Key Concepts

- ▶ A single, unique FDID must be assigned to each trading account across the entire firm and all vendors the IM may use to report new orders to CAT and must be unique across time (with limited exceptions things such as closed accounts).
- ▶ Actual customer account numbers may not be used as the FDID when reporting to CAT and must be masked. Industry Members may decide whether they wish to mask proprietary account numbers.
- ▶ FDID is only reported on new order events (MENO and MONO). The Plan Processor associates FDID with all other order events in the lifecycle of an order, including trades, via the order lifecycle linkage process.

*** Detailed FDID guidance can be found on catnmsplan.com in FAQs M1 – M13***

Large Firm and Small OATS Reporting Firm* Implementation Dates

Phase	Final Technical Specifications Publication Date	Test Environment	Production Environment
2a	April 29, 2019	December 2019 with full implementation in September 2020	April 2020 with full implementation in October 2020*
2b	April 29, 2019	December 2019 with full implementation in September 2020	May 2020 with full implementation in December 2020
2c	January 2020	January 2021	April 2021
2d	June 2020	June 2021	December 2021
Customer and Account Information	January 2021	January 2022	July 2022

*Small OATS Reporting firms align with large firms only in Phase 2a for the purposes of expediting OATS retirement.

Small Firm* Implementation Dates

Phase	Final Technical Specifications Publication Date	Test Environment	Production Environment
2a	April 29, 2019	December 2019 with full implementation in September 2020	December 2021
2b	April 29, 2019	December 2019 with full implementation in September 2020	December 2021
2c	January 2020	January 2021	December 2021
2d	June 2020	June 2021	December 2021
Customer and Account Information	January 2021	January 2022	July 2022

*Small Firm is defined as having total capitalization of less than \$500,000

Where Can I Get Additional Information About CAT?

- ▶ Additional information about CAT can be found at www.catnmsplan.com including FAQs, technical specifications, alerts, timelines, and upcoming events.
- ▶ Questions may be directed to the FINRA CAT Helpdesk at 888-696-3348 or help@finracat.com.

Where Can I Get Additional Information About CAT?

News Page



PAST ANNOUNCEMENTS

Year of 2020

01/02/2020 **Weekly Industry Testing Checkpoint Call (12/30/2019) – Recording and Presentation**

Year of 2019

12/30/2019 **Notice Address Language for CAT Reporter Agreement & CAT Reporting Agent Agreement** 📄
 12/30/2019 **Industry Member Test Environment Known Issues List**
 12/19/2019 **CAT Tech Spec Working Group Q&A – 12/19/2019**
 12/19/2019 **Industry Webinar - Initial CAT Reporting Customer and Account Technical Specifications for Industry Members-LTID (12/18/2019) – Recording and**

Technical Specifications



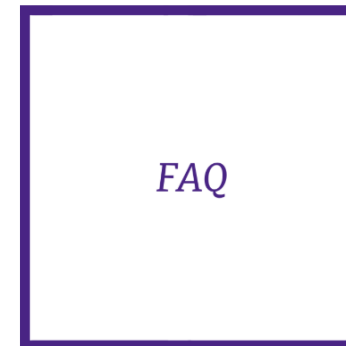
TECHNICAL SPECIFICATION REPOSITORY

A comprehensive list of all technical specifications developed as part of the CAT Program.

Options Exchange Protocols- December 2019 📄 – new as of 12/23/19
Initial CAT Reporting Customer and Account Technical Specifications for Industry Members-LTID 📄 – new as of 12/13/19
Participant Technical Specifications v3.0.0 📄 – new as of 11/19/19
Industry Member Schema v2.2.1 (JSON) 📄 – new as of 12/24/19
Industry Member Technical Specifications (2a/2b) v2.2.1 r2 📄 – new as of 12/9/19
Industry Member Technical Specifications (2a/2b) v2.2.1 r2 (Redlined) 📄 – new as of 12/9/19
Industry Member Technical Specifications (2c) v3.0 DRAFT 2 📄 – new as of 12/9/19
Industry Member Technical Specifications (2c) v3.0 DRAFT 2(Redlined) 📄 –

CAT FAQs

Last Updated: December 23, 2019



A. GENERAL

- 1. Has a legal entity been established to conduct the activities related to the CAT? **updated 9/25/19**
- 2. How is the Consolidated Audit Trail, LLC managed? **updated 8/29/19**
- 3. Does the industry have a role in the management of the CAT? **added 3/21/18**
- 4. Does the Consolidated Audit Trail, LLC have any officers? **updated 9/17/19**
- 5. When will Participants begin reporting data to the CAT? **updated 5/2/19**
- 6. When will large Industry Members begin reporting data to the CAT? **updated 5/2/19**
- 7. When will Small Industry Members begin reporting data to the CAT? **updated 5/2/19**

Timelines

CAT REPORTING TIMELINES

Phase	Firm Type	Event	Date
2a Equities	Large Industry Members and Small Industry Members that are OATS Reporters	Test Environment opens for file submission and data integrity validations	December 16, 2019
	Large Industry Members and Small Industry Members that are OATS Reporters	Production Environment Go-Live for file submission and data integrity validations	April 20, 2020
	Large Industry Members and Small Industry Members that are OATS Reporters	Test Environment opens for Intra-firm Linkage validations	April 20, 2020
	Large Industry Members and Small Industry Members that are OATS Reporters	Production Environment Go-Live for Intra-firm Linkage validations	July 27, 2020

How to Ask a Question during Today's Call

- **For participants using computer audio:**
 - Click the “Participants” button at the bottom of the app window, then 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.