

UnaVista

Via electronic submission

July 18, 2016

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Joint Industry Plan; Notice of Filing of the National Market System Plan Governing the Consolidated Audit Trail; File Number 4-698; Release No. 34-77724

Dear Mr. Fields:

UnaVista, a London Stock Exchange Group business, welcomes the opportunity to respond to this proposed rulemaking¹ published by the Securities and Exchange Commission (“SEC” or “Commission”). We commend the Commission and Self Regulatory Organizations² (“SROs”) on this initiative to update national market system (“NMS”) recordkeeping through implementation of the proposed Consolidated Audit Trail (“CAT,” collectively “CAT NMS Plan”).³

UnaVista has provided post-trade services to the financial industry for over a decade, currently servicing 3,000 firms globally.⁴ We assist firms in successfully meeting their regulatory reporting obligations in many jurisdictions and have been integral to the development and implementation of similar reporting regimes in the EU.

We believe the proposed CAT NMS Plan will result in firms improving the way they capture, store, and analyze trade data and account information. These improvements will create greater transparency across the industry and reduce the risks that stem from inadequate data quality.

¹ SEC Release No. 34-77724; File No. 4-698; 81 Fed. Reg. 95 at 30614.
<https://www.gpo.gov/fdsys/pkg/FR-2016-05-17/pdf/2016-10461.pdf>.

² BATS Exchange, Inc., BATS-Y Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., International Securities Exchange, LLC, ISE Gemini, LLC, Miami International Securities Exchange LLC, NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The NASDAQ Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc.

³ 17 C.F.R. 240.613.

⁴ UnaVista is the largest EU Approved Reporting Mechanism (“ARM”) and third largest Trade Repository (“TR”) by volume consumption.

The Commission must balance these potential benefits against the significant initial and ongoing costs that will be imposed on the industry to implement this framework. We believe there are areas where existing tools and processes can be leveraged to ensure that high quality data is captured in the most efficient and cost effective manner.

Our responses to the proposed specifications of the CAT NMS Plan are below.

Reporting Procedures

We support the direction of the proposed guidelines, reporting obligations, and communication plan.⁵ However, in order to successfully implement the CAT NMS Plan, there must be clearly defined technical guidelines for field specifications under different trading scenarios. Technical guidelines provide best practices to ensure efficiency and clarity for all market participants.

There are many mechanisms that can be used to improve communication and knowledge transfer including CAT certification courses, webinars, user groups, and a forum for FAQs. We have found these communication methods to be of great benefit to our clients and the wider marketplace in implementing other reporting regimes globally.

Timeliness of Data Reporting

We support the proposed 08:00am Eastern Time reporting deadline and simultaneous reporting requirements. Although this allows for more time than the current Order Audit Trail System (“OATS”), it is difficult to fully assess the feasibility of this deadline without more detailed technical specifications and validation rules. More information is necessary regarding the new data requirements, such as knowing whether collation and formatting of the required data fields are achievable within the specified time frames.

Connecting 1,800 CAT reporters simultaneously will require a great deal of coordination and sufficient documentation detailing the testing requirements. Simultaneous testing could present a significant burden and should be planned for appropriately to ensure consistent and timely implementation.

Non-Uniform Format

The Commission seeks comment on whether utilizing a non-uniform format for reporting data could be reliable and efficient for purposes of the CAT NMS Plan.⁶ As we have seen in other reporting regimes, data reported in a non-uniform format can be reliably and accurately converted to a uniform electronic format without affecting the quality of data.

However, there are benefits to using a uniform format, such as:

- Reduction of data integrity issues within the Plan Processor;
- Reduction of data processing times;
- Lower error corrections rates between T+1 and T+3;
- Reductions of time and resources needed to on-board participants; and
- Improvement in data accuracy and consistency across participating firms.

⁵ 81 Fed. Reg. 95 at 30635-36.

⁶ *Id.* at 30636-36.

If implemented in an efficient and cost effective manner, we believe the use of a uniform standard electronic format to report data could measurably improve data completeness by defining the exact fields and standards that are required to ensure complete transparency to the regulatory community. This will contribute to the long term success of the CAT NMS Plan.

In order to ensure the efficiency and cost effectiveness of using a uniform format, technical specifications would need to be published and a range of uniform formats and connectivity options would be required to accommodate the varying needs and business models of different market participants.

CAT-Reporter-ID

The proposed CAT NMS Plan requires reporting parties to utilize a unique identifier in order to organize incoming reported data. The Commission proposes the use of either a Central Registration Depository (“CRD”) number or a Legal Entity Identifier (“LEI”).⁷

We believe that the use of LEIs should be utilized. LEIs will:

- Allow market participants to be easily identified and assists in the linking of data sets/records;
- Enhance the ability for regulators to monitor, analyze and where required, share data in a harmonized fashion;
- Encourage and support data specification/standard harmonization across multiple reporting obligations;
- Reduce the cost of implementation and the need to maintain additional static/reference data sources;
- Support better data analysis, as the LEI format can define specific attributes about the reporting firm; and
- Promote consistency and harmonization, as LEIs are used in reporting regimes in the U.S., EU, and other jurisdictions.

Customer-ID

Similar to the CAT-Reporter-ID, the proposed CAT NMS Plan requires customers to also have a unique identifier to be utilized by the CAT Reporter when submitting data to the CAT Processor. The proposal requires the firm to designate such an ID for the customer.⁸

We believe the use of LEIs in conjunction with other recognized personal identifiers should be used to identify customers. The accuracy of the CAT data collected and maintained will be dependent on the single use of a Customer ID throughout a firm’s functioning lifetime. As stated above, utilizing LEIs would also promote harmonization across different reporting regimes in the U.S. and other jurisdictions.

Error Rates

The proposed initial maximum error rate provides the appropriate level flexibility while ensuring the data will be capable of being used to conduct market reconstruction.⁹ For the initial

⁷ *Id.* at 30639-40.

⁸ *Id.* at 30640-44.

implementation of the CAT NMS Plan, we believe a 5% tolerance is appropriate in year one, particularly where non-uniform data formats are permitted. We do not believe this initial tolerance will have any direct impact on the decision to retire redundant audit trail systems.

A subsequent threshold of 1% is acceptable given the error rates of OATS and our own experience under other reporting regimes.

Error rate monitoring is an effective way of ensuring firms put in place pre-validation checks when providing data to the CAT Processor. Pre-validation reviews prior to submission of data to the CAT Processor can be an effective method of protecting the integrity and accuracy of data being reported, particularly in the absence of uniform data formatting.

To provide certainty to the industry, the Commission should clarify 1) when the error rates will be analyzed, 2) whether there will be a minimum value of reports submitted before error rate calculations take place, and 3) whether all submission data types should be covered. Furthermore, error rates should be reviewed when significant updates to the regulation are implemented following an appropriate grace period for compliance.

Regulatory Access

We believe the proposed model and timeframe for regulatory access to the reported data is consistent with the Commission's broader regulatory objectives.¹⁰

The proposed CAT Processor should provide a variety of data analysis and extraction methods to support requirements from different regulatory functions. There should be the ability to analyze data within the CAT Processor along with flexibility in search/filtering capabilities. To support scalability and reduce costs while allowing for exchange of data between both national and global regulators, we recommend the use of pre-defined extract templates and uniform global formats such as ISO 20022.

Access to data by regulators within the T+5 timeframe is feasible. Reduction of this time could potentially occur under a uniform reporting format or with pre-validation checks prior to submission to the CAT Processor.

Security, Confidentiality, and Use of Data

We support the proposed framework to ensure security, confidentiality, and use of data by both the CAT Processor and the Plan Participants.¹¹ UnaVista encourages incorporation of preventative requirements with regard to accessibility of data and confidentiality provisions.

Possible provisions include:

- The establishment of processes, which prevent access of sensitive data by individuals who have not attended compliance training and who have not signed contract addendums regarding data access;
- Utilizing hierarchical role-based access controls;

⁹ This will decrease to 1% one year after the CAT Reporter is required to report data. *Id.* at 30645-47.

¹⁰ *Id.* at 30647-49.

¹¹ *Id.* at 30649-51.

- Strict security and confidentiality processes with regular training on data security for all employees supporting the reporting application; and
- The designation of an information security officer who would be responsible for regular updates of the documents and processes, breach identification, and management and processes for periodic penetration tests of all applications.

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We appreciate the opportunity to comment on the proposed CAT NMS Plan. Please do not hesitate to contact us regarding any questions raised by this submission or to discuss our comments in greater detail.

Yours sincerely,



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