

**MEMORANDUM**

**TO:** File No. 4-698, Notice of Filing of the National Market System Plan Governing the Consolidated Audit Trail

**FROM:** Ted Uliassi  
Division of Trading and Markets

**DATE:** September 13, 2016

**RE:** Staff meeting with Thomson Reuters and clients

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On September 13, 2016, Commission staff met with representatives of Thomson Reuters and its clients regarding the proposed National Market System Plan Governing the Consolidated Audit Trail.

Commission staff in attendance included: from the Division of Trading and Markets, David Shillman, Associate Director, Jennifer Colihan, Special Counsel, Rebekah Liu, Special Counsel, Leigh Duffy, Special Counsel, John Lee, Special Counsel, Ted Uliassi, Special Counsel, and Steven Samson, CAT Program Manager; and from the Division of Economic and Risk Analysis, Claire O'Sullivan, Attorney-Adviser. Amy Edwards, Assistant Director from the Division of Economic and Risk Analysis, participated telephonically.

Thomson Reuters representatives in attendance included: David Akellian, Managing Director, North American Wealth Management and Manisha Kimmel, Chief Regulatory Officer, Wealth Management. Thomson Reuters' clients in attendance included: Mike Conley, Vice President, Regulatory Implementation, Wells Fargo Advisors and Gina Hyde, Chief Compliance Officer, Equities, Stifel, Nicolaus & Co. Also in attendance were: Mitchell Feuer, principal, Rich Feuer Anderson and Peter Rich, principal, Rich Feuer Anderson.

Thomson Reuters submitted the attached document.

Attachment

## Thomson Reuters/SEC Discussion – Consolidated Audit Trail (CAT)

The Commission should address implementation issues with respect to CAT in order to minimize the cost and complexity of this large-scale technology project.

Current CAT NMS Plan/SRO Response to Comments	TR Proposed Amendments to CAT NMS Plan/Rule 613
<p>Duplicative Reporting for Extended Period</p> <ul style="list-style-type: none"> <li>• Duplicative Reporting for Large Broker Dealers for a period of 3 – 3.5 years</li> <li>• Phased implementation based on small broker dealer definition tied to net capital</li> <li>• Short 3 month testing period likely to prolong duplicative reporting</li> </ul>	<p>Minimize Duplicative Reporting to 6 months by Accelerating Retirement of Existing Systems Timeline</p> <ul style="list-style-type: none"> <li>• Analysis of retiring existing systems upon plan approval provided to winning bidder once chosen</li> <li>• Rule-making initiated once final tech spec published</li> <li>• Change small broker dealers definition or allow firm-level cutover to CAT</li> <li>• Establish a 6 month Trial Period at which time OATS, EBS and Large Trader are retired</li> <li>• Ensure robust testing period of 12 months</li> </ul>
<p>Implementation Milestones Not Data Driven</p> <ul style="list-style-type: none"> <li>• Four month specification review process for submission of order data</li> <li>• No specification review process for customer data</li> <li>• Input of Plan processor not included</li> </ul>	<p>Set implementation milestones based on past experience and review of tech specs</p> <ul style="list-style-type: none"> <li>• Nine month specification review process for both order and customer data (OATS for NMS took 4 months, Recent EBS changes took 10 months from initial to final spec)</li> <li>• Plan processor should be involved in setting milestones</li> <li>• Establish a specifications date; drive future dates from specs</li> </ul>
<p>Bulk Data Access for CAT Reporters</p> <ul style="list-style-type: none"> <li>• Not in Plan. Will be considered after CAT is operational</li> </ul>	<p>Incorporate Bulk Data Access in Initial Design of CAT</p> <ul style="list-style-type: none"> <li>• Assist with error correction and regulator inquiries</li> </ul>
<p>Specific Issues with CAT Data Elements</p> <ul style="list-style-type: none"> <li>• Undefined attributes – account type, customer type, allocation time</li> <li>• Role in the account (e.g., power of attorney)</li> <li>• Market Open/Close for Equities</li> </ul>	<p>Clarify these data elements:</p> <ul style="list-style-type: none"> <li>• Lack of clarity on definitions further supports need for specification date</li> <li>• Allocation time based on when CAT reporting system processes allocation</li> <li>• Exemptive relief acknowledged that data not required before CAT should not be required until CAT, same logic applies to “role in the account” field</li> <li>• Require Market Open/Close on Options Only</li> </ul>