

FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York
10004

Ms. Heather Seidel
Acting Director, Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE,
Washington, DC 20549-1090

Re: Large Trader Rule (Rule 13h-1) Exemptive Relief Request

Dear Ms. Seidel,

The Financial Information Forum¹ (“FIF”) FIF respectfully requests permanent relief with respect to the current November 1, 2017 compliance date for Phase Three of the Rule (“Phase 3 Request”) of Rule 13h-1 (“the Rule”). This request is discussed in more detail below.

Make Permanent the Phase 3 Temporary Relief

On October 30, 2015, the Commission temporarily exempted broker-dealers until November 1, 2017 from “the recordkeeping and reporting requirements of Rule 13h-1(d) and (e), except for (1) clearing broker-dealers for large traders with respect to (a) proprietary transactions by a large trader broker-dealer, (b) transactions effected pursuant to a “sponsored access” arrangement, and (c) transactions effected pursuant to a “direct market access” arrangement; and, for other types of transactions, (2) broker-dealers that carry an account for a large trader for Transaction Data other than the execution time.”² At that time, the SEC noted that providing a temporary exemption until November, 2017 would provide the Commission enough time to evaluate future developments, including any investment in or progress on the Consolidated Audit Trail.

With the approval of the CAT NMS Plan by the Commission on November 15, 2016 and the subsequent selection of Thesys as the Plan Processor on January 17, 2017, the implementation phase of the Consolidated Audit Trail has commenced, with Large Industry Member reporting to begin in November, 2018. As specified in the CAT NMS Plan, broker-dealer large trader reporting and recordkeeping requirements under SEC Rule 13h-1 could be eliminated via CAT.³ Rather than continue to incur implementation costs associated with Phase 3 of the Rule, FIF believes it would be a

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² SEC (Release No. 34-76322), October 30, 2015, Order exempting Certain Large Traders from Self-Identification Requirements of Rule 13h-1 Under the Securities Exchange Act of 1934, and Exempting Certain Broker-Dealers from the Recordkeeping, Reporting, and Monitoring Responsibilities Under the Rule.

³ CAT NMS Plan, November 15, 2016, Appendix C, Section 9, p.98

better use of resources to allow firms to focus on the development of the Consolidated Audit Trail. Also, the intention stated in CAT NMS Plan to “minimize changes to duplicative systems”⁴ would seem to apply in this case; to reduce or eliminate unnecessary duplication or overlap of regulatory reporting obligations, allowing singular focus on the Consolidated Audit Trail as the vehicle for these reporting obligations.

If it is not possible to eliminate Phase 3 of the Rule, FIF recommends postponing the compliance date for five years to allow for the full implementation of CAT. Extending the compliance date of Phase 3 of the Rule, will allow firms to focus on CAT and give the Commission time to ensure that Rule requirements are satisfied by CAT.

We look forward to continued discussions on this topic and urge swift action in light of the November, 2017 compliance date.

Regards,



William H. Hebert
Managing Director
Financial Information Forum

cc: The Honorable Michael S. Piwowar, Acting Chair, SEC
The Honorable Kara M. Stein, Commissioner, SEC

Gary Goldsholle, Deputy Director, Division of Trading and Markets, SEC
David S. Shillman, Associate Director, Division of Trading and Markets, SEC
Richard Holley III, Assistant Director, Division of Trading and Markets, SEC

⁴ “Between the Effective Date and the retirement of the Participants’ duplicative systems, each Participant, to the extent practicable, will attempt to minimize changes to those duplicative systems.”, CAT NMS Plan, November 15, 2016, Appendix C, Section 9, p.99