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March 7, 2012

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: **File Number S7-11-10, Consolidated Audit Trail**

Dear Ms. Murphy,

The Security Traders Association (STA) would like to take this opportunity to provide comments on the proposed Consolidated Audit Trail (CAT) discussed in File Number S7-11-10 (the "Proposal"). The STA is an organization comprised of individuals who are involved in the trading of financial securities. Our members represent many of the business models in the financial services sector, including full and discount service broker dealers, agency only broker dealers, asset managers, exchanges and ATS's. Because of the diversity within our membership we are uniquely qualified to provide insight on the Proposal.

Background and Executive Summary

Following the adoption of the Large Trader Rule¹, STA, through its partnership with Financial Information Forum (FIF)², was involved in extensive business analysis delving into implementation issues not foreseen during the comment period. If such business analysis were performed during the CAT plan development process, we are confident that issues would emerge earlier in the process, leading to more efficient and cost-effective solutions. STA agrees that an enhanced audit trail system could increase the effectiveness of cross-market surveillance through better data availability and integration. To ensure that the Commission's major objectives can be met within a reasonable timeframe and in the most efficient manner possible, STA recommends the following:

1. Mandate the inclusion of broad industry participation in the form of working groups to include participation from the SEC, FINRA, exchange, broker dealers, investor and vendor communities;
2. Extend the requirements analysis and selection process periods.

Mandate the inclusion of broad industry participation in the form of working groups to include participation from the SEC, FINRA, exchange, broker dealer, investor and vendor communities.

In order for CAT to effectively meet its objectives, STA believes that extensive business analysis is needed that will require expertise in order, trade and post-trade systems and processes. Such an analysis will require many detailed discussions between SEC staff, the SROs and industry

¹ SEC Release No. 34-64976: File No. S7-10-10

² FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology 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.

participant teams. An iterative approach, involving small working groups engaging in dialogue with SEC staff, would be the most effective path. The working groups would report back to the larger industry audiences, soliciting feedback and consensus.

The STA Institutional Committee, which is comprised of investment professionals from institutional asset managers, has specific concerns with the handling of trade data pertaining to the CAT. Institutional asset managers have a due diligence to their shareholders to ensure the safety and confidentiality of their firm's trading data. Given that the raw material being collected and stored for the CAT is significantly made up of asset manager trading information, we request representation in the industry working groups. Most institutions have a due diligence to their shareholders to ensure the safety and confidentiality of trading data. Considering that there is a tremendous amount of information in the data involved in the creation of the CAT, we request that Institutional Asset Managers also be represented in the working group.

In order to ensure broad industry participation, STA believes the approved CAT filing should mandate the formation of such working groups.

Requirement Analysis

We believe that the time required to perform a requirements analysis is closer to six months than the 90 days currently identified in the proposed release. Additionally, there may be benefits to issuing an RFI during the requirements analysis to engage potential solution providers early in the process. The outcome of the requirements analysis would become the detailed blueprint for CAT which would be filed with the SEC and subject to a comment period. This stage of the Plan development could be done in parallel to the determination of the governance model for the Plan. We would expect a comment period following a proposed governance plan before final adoption.

Selection Process for CAT Processor

Given the complexity of requirements as we understand them today, we believe ongoing industry input is needed for determining the best service provider to act as the CAT Processor.

The SEC should allow six months for the CAT selection process rather than the two months currently identified in the proposed release.

We believe the final selection of which service provider will act as the CAT Processor should be the NMS Plan.

Conclusion

The development of the Consolidated Audit Trail will represent an unprecedented opportunity to improve the Commission's ability to surveil the market. It is critical to have an informed and detailed understanding of order and trade processing to design a system that is capable of achieving the objectives of CAT. STA believes that incorporating the elements discussed above into the adopted CAT filing will help achieve those goals. We believe

that an iterative, ongoing dialogue between industry participants including the regulators could result in up-front business analysis that prevents wasted costs. Specifically, we recommend that the adopted CAT filing:

- Mandate the formation of cross-market participant working groups including active involvement of the diverse memberships of FIF and STA.
- Allow six months for the cross-participant working groups to perform a requirements analysis as part of the development of the CAT NMS Plan. This work could be done in parallel to the determination of a governance model.

We appreciate the opportunity to comment on the proposed Consolidated Audit Trail. We believe with thoughtful study, an appropriate amount of time, and the involvement of a wide range of market participants, the final CAT will achieve the goals set forth to properly surveil our markets.

Respectfully submitted,



Jennifer Setzenfand
Chairman



Jim Toes
President & CEO

cc:

SEC Chairman Mary L. Schapiro
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SEC Commissioner Daniel M. Gallagher
Manisha Kimmel, Executive Director, Financial Information Forum
Thomas J. Jordan, President & CEO, Jordan & Jordan