



Via Electronic Delivery

March 2, 2017

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

Re: SR-FINRA-2017-003: Proposed Rule Change to Adopt the FINRA Rule 6800 Series (Consolidated Audit Trail Compliance Rule) and related SRO filings (“SRO CAT filings”); File Number 4-698: Consolidated Audit Trail NMS Plan

Dear Mr. Fields:

Thomson Reuters appreciates the opportunity to comment on SR-FINRA-2017-003 and the related SRO filings associated with the Consolidated Audit Trail (the “SRO CAT filings¹”). Thomson Reuters² through our Financial & Risk business unit provides buy-side, sell-side and corporate customers with information, analytics, workflow, transaction and technology solutions and services that enable effective price discovery and support efficiency, liquidity and compliance. In particular, our wealth management offerings³ include a complete suite of products that enable retail and institutional brokers to manage the daily tasks of their front, middle and back office operations. We support our clients in meeting current audit trail requirements and intend to provide similar services with respect to CAT. As such, we are directly impacted by the CAT NMS Plan.

Thomson Reuters supports the FIF letter related to the SRO CAT filings including their comments on clock synchronization issues and the Firm-Designated ID process. We are particularly concerned with any requirements around synchronization of time on Allocation Reports for March 15, 2017 given that the Approved CAT NMS Plan states: “...the Participants have not yet determined how “time of the allocation” will be defined, but indicated that they would address this in the Technical Specifications.”

¹ It is our understanding that all the SRO filings related to CAT are substantially similar. For ease of reference, citations will refer to the FINRA CAT filing, SR-FINRA-2017-003.

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Given that this term is not yet defined, it is not possible to ensure clock synchronization requirements on Allocation Reports at this time.

Additionally, we believe there is a lack of consistency and/or clarity in the discussion and definition of the Firm Designated ID in the SRO CAT filings and other CAT-related filings. The following sections of this document elaborate on the Firm-Designated ID issue which we respectfully request be addressed in a manner consistent with achieving the benefits cited in the SRO exemptive relief order.⁴

Fundamentally, the Customer Information Approach and the use of the Firm-Designated ID allow CAT Reporters to provide customer information to the Processor in a manner consistent with how customer data is stored today. Specifically, firms use either a unique account number or some other entity identifier to track trading activity. An account number or entity identifier may be associated with multiple customers as is the case with a jointly held account, an investment club account, or an account where an investment adviser has trading authority over the account of a retail investor. The use of an account number or entity identifier allows firms to use existing IDs when communicating with the CAT processor. While it is true that these identifiers will be unique across the firm for each business date, the uniqueness is at the firm level not at the customer level (i.e., a single firm may not re-use a firm-designated identifier on the same business day).

Central to the Customer Information Approach is the differentiation between individual customer information that will be provided as part of customer information reporting and information at the firm-designated ID level (i.e., account or entity ID level) which will be provided both with the customer information and on order origination and allocation reports. Including the Firm-Designated ID (as opposed to an ID that is unique to a single customer) on order origination reports is consistent with Rule 613(c)(7)(i) that “does not require the reporting of the specific individual originating an order (i.e., all customers associated with an account would be reported for new orders, but not the specific customer that placed the order.)”⁵

The following is an example from the FIF Firm-Designated ID Walkthrough document from August 2014⁶.

⁴ See January 2015 Exemptive Relief Supplement Letter available at www.catnmsplan.com

⁵ See SRO discussion of the Customer Information Approach at p. 12 of January 2015 Exemptive Relief Letter.

⁶ See <http://www.catnmsplan.com/industryfeedback/p601300.pdf>



CAT Reporter

- Retail Customer Firm, Firm A, defines a new account for the account holder, Jane Doe to the CAT.
- InvAdv, Inc. is the investment advisor for Jane Doe so this role must also be defined during the CAT customer definition process.

Identifies Account	Reporter-ID	Firm A	
	Firm-designated ID	C1111111	
	Firm-designated ID type	Account Number	
	Effective date	Feb. 6, 2013	
Identifies Customers		Customer 1	Customer 2
	Name	Jane Doe	InvAdv, Inc.
	Address	Main St., Acton, Oh	35 5 th Ave., NY
	Role	Beneficial Owner	Investment Advisor
	SSN / Tax-ID	731-08-4343	53472-5890
	Large Trader ID	N/A	N/A
	LEI	N/A	N/A

In the example above, multiple customers are being identified by a single Firm-Designated ID and only customer identifying information is being provided for each customer.

We believe that the SRO’s understand the Customer Information Approach supported by the industry because of statements in the January 2015 Exemptive Relief request like the following:

- “Under the Customer Information Approach, the CAT NMS Plan will require each broker-dealer reporting to the Central Repository to assign a unique firm-designated identifier to each trading account.”⁷
- “Another issue to consider related to the requirement to provide a unique Customer-ID for each customer is that there are many instances in which multiple customers may be stakeholders in an order. For example, if an investment club has twenty members with each member being an owner of a single account and where each member is authorized to provide the broker-dealer with trading instructions for the club account, and the club places an order for that account with a broker-dealer, under the Rule the broker-dealer would have an obligation to provide a unique Customer-ID on the related order report for each member of the investment club. The multiple Customer-IDs would significantly increase the data footprint and, in turn, the data storage costs. However, under the Customer Information approach, the broker-dealer would simply provide on its order report a firm-designated identifier for the account held by the investment club which the CAT Plan Processor would use to identify each Customer with an ownership interest in that account.”

⁷ Note that this statement does not mention the use of an entity identifier instead of a trading account, although the Entity ID is discussed in the January 2015 Exemptive Relief at p. 11 “For example, a circumstance in which an account opening date is not available is a situation where an entity ID is used as the firm-designated identifier for institutional brokerage firms’ clients. Entity IDs do not generally include an explicit account opening date, and in such cases, the effective date of the entity ID would be used instead.



Additionally, the SRO's used the cost-benefit analysis prepared by FIF⁸ as the basis for their own analysis. It is important to recognize that the \$195 million savings was based on FIF member's understanding of the Firm-Designated ID process as outlined in the walkthrough document referenced earlier.

However, we believe the following statement in the January 2015 Exemptive Relief may have been misunderstood and propagated in the SRO CAT filings:

"For the firm-designated identifier, broker-dealers would be permitted to use an account number or any other identifier defined by the firm, provided each identifier is unique across the firm for each business date (i.e., a single firm may not have multiple separate customers with the same identifier on any given date)."

We believe the above statement means that for a single firm-designated identifier different sets of customer information will not be permitted. This understanding would be consistent with other statements in the exemptive relief that specifically call for linking two customers to a single firm-designated identifier of a new account.⁹

We note that the same language is also in the SEC Exemptive Approval order which states:

"Under the Customer Information Approach, instead of requiring a universal Customer-ID for each Customer to be used for all orders, the CAT NMS Plan would require each broker dealer to assign a unique firm-designated identifier ("FDI") to **each trading account**. Broker-dealers would be permitted to use an account number or any other identifier defined by the firm as the FDI, provided each identifier is unique across the firm for each business date (i.e., a single firm may not have multiple separate customers with the same identifier on any given date)."

However, this same concept is inaccurately stated in the Approved CAT NMS Plan and the SRO CAT filings:

"Under the Customer Information Approach, the CAT NMS Plan requires each Industry Member to assign a unique Firm Designated ID **to each Customer**. As the Firm Designated ID, Industry Members are permitted to use an account number or any other identifier defined by the firm, provided each identifier is unique across the firm for each business date (i.e., a single firm may not have multiple separate customers with the same identifier on any given date)."

⁸ See <http://www.catnmsplan.com/industryfeedback/p602494.pdf>

⁹ See Example 2 in Appendix B of the January 2015 Exemptive Relief Request.



This is inconsistent with the definition of Firm-Designated ID which is stated in the approved CAT NMS Plan, Article 1, Section 1.1 Definitions as:

“Firm Designated ID” means a unique identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, where each such identifier is unique among all identifiers from any given Industry Member for each business date.

While we do believe the definition above needs to be expanded to include the concept of Entity ID as discussed in footnote 6, it demonstrates that firm-designated is not intended to be unique to each customer but to each account.

Conclusion

Adhering to the Customer Information Approach as it was discussed in industry discussions is required to minimize costs and achieve the benefits described in the exemptive relief order. It is worth noting that industry estimates of savings associated with the Customer Information Approach were estimated at \$195 million.¹⁰ This is a substantial savings that was based on FIF member’s understanding of the Firm-Designated ID process as outlined in the walkthrough document referenced earlier.

We respectfully request that the Commission clarify that our understanding of the Firm-Designated ID as being unique to the firm is accurate and request that the SROs amend their CAT filings accordingly. We believe corresponding changes to the Approved CAT NMS Plan to incorporate the concept of Entity ID may also be required.

We recognize that these are fairly technical concepts and would welcome the opportunity for further discussion.

Regards,

Manisha Kimmel

Chief Regulatory Officer, Wealth Management
Thomson Reuters

¹⁰ See Analysis of Exemptive Relief Request for Customer Information Approach section of [Rule 613 Exemptive Relief Justification](#) prepared by FIF, December 15, 2014