



Via Electronic Delivery

June 22, 2017

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

Re: SR-FINRA-2017-013: Proposed Rule Change Relating to Elimination and Modification of Duplicative Rules after Implementation of the Consolidated Audit Trail

Dear Mr. Fields:

Thomson Reuters appreciates the opportunity to comment on SR-FINRA-2017-013 and the related SRO filings associated with the elimination and modification of existing systems after the implementation of the Consolidated Audit Trail (the “SRO Existing Systems 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 and the SRO Existing Systems filings.

We would like to thank the Commission for amending the CAT NMS Plan to include a six-month milestone following the approval of the CAT NMS Plan that required the SROs to file these proposals. The Approved CAT NMS Plan also required the SROs “to analyze the most appropriate and expeditious timeline and manner for eliminating duplicative and partially duplicative rules and systems.⁴” Given the Commission’s

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 Existing System filing, SR-FINRA-2017-013.

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³ For more information on Thomson Reuters Wealth Management offerings, see [here](#).

⁴ See <https://www.federalregister.gov/d/2016-27919/p-748>



desire that these filings “inform the development of the Technical Specifications,⁵” we would like to make the following recommendations.

Enable Retirement of OATS at the Earliest Date

The SRO Existing Systems filings identify an error rate for uncorrected data of 95% and an error rate for corrected data of 98% (measured T+5) that would need to be in place for at least 180 days as a condition for the retirement of OATS. Additionally, the SRO Existing Systems filings state that the Participants will seek to amend the CAT NMS Plan to require those small industry members that are OATS reporters to report with other industry members. We commend the SROs for identifying reasonable error rates and their willingness to move all OATS reporters to the same timeline.

We believe there are additional opportunities to ensure that firms are equipped to meet these standards as soon as possible. As such, Thomson Reuters recommends the following modifications to the SRO Existing Systems filings.

- Clearly identify that the scope of the error rates will be based on the scope of OATS, e.g., only equity order and execution events are in scope and any errors associated with a firm-designated ID on the new order event are out of scope.⁶
- Provide daily OATS retirement metrics at the individual firm and industry level detailing the error rates that are associated with the retirement of OATS including rejection rates and data validation, intra-firm linkages, inter-firm linkages, order linkage rates, and exchange and TRF/ORF matching. These daily metrics should be issued during the planned testing phase that begins no later than three months before reporting. It is important to recognize that while the SRO Existing Systems filings identify a 180 day period for retiring OATS, the actual date when OATS is retired will remain uncertain without access to these metrics.
- Clarify that OATS will remain the audit trail of record until error rates are achieved. We are concerned that during the 180 day rolling period firms will be subject to inquiries based on data from both systems. Until CAT data meets data quality metrics, OATS should remain the audit trail of record.
- Add error rate thresholds for moving out of the testing phase both in terms of testing within the test environment and testing in a production environment. The SRO Existing System filings focus on error rate thresholds that would commence upon the go-live of CAT reporting. We recommend also establishing thresholds that would need to be met during testing to allow CAT to go-live. We recommend that CAT not go-live until the 95%

⁵ See <https://www.federalregister.gov/d/2016-27919/p-2070>

⁶ Similarly, we seek clarification that the options error rate that is being calculated separately will not impact the error rate thresholds since OATS does not currently cover options.



uncorrected and 98% post-correction thresholds have been met for two weeks during the testing period.

- Perform a more comprehensive analysis with respect to the possibility of an individual industry member exemption. We recognize that offering an individual firm exemption may introduce additional complexity. However, the cost associated with maintaining duplicative systems warrants further analysis.

There is not a substantive discussion of the technical and compliance issues associated with an individual industry member exemption in the SRO Existing Systems filings. We recommend that the SROs include a cost-benefit analysis that discusses the costs to the Processor of providing a CAT-to-OATS converter that would allow firms that meet the error rates to cease sending data to OATS directly. The benefit of Thesys providing this service is that development of a CAT-to-OATS converter would be centralized and firms could retire their OATS submission processes as soon as they meet the error rate.

In this model, we believe Thesys could act as an OATS Order Sending Organization (OSO) converting a firm's CAT submissions into OATS submissions for FINRA surveillance purposes. Additionally, Thesys would need to provide firms with the OATS data that they submit to FINRA in order to give firms access to their OATS data for compliance and surveillance purposes. We would expect OATS would remain the audit trail of record until the whole industry meets the error rates. Based on comments made by Thesys during the CAT Processor bidding process, we believe this is technically possible and that the CAT Industry Member specifications could incorporate this concept.

Enable Reduced Use of EBS Reduction at Earliest Date

The SRO filings recommend similar error rates and timeframes for the reduced use of EBS as it relates to CAT-covered securities. We believe there are opportunities to accelerate the reduced use of Electronic Blue Sheets. Please consider the following recommendations:

- Clearly identify that the scope of the error rates will be based on data currently submitted to EBS. EBS is based on post-trade data and includes execution and allocation information. CAT has an expanded set of customer information based on the CAT definition of a customer and the inclusion of the Firm-Designated ID on the new order. We request that the SRO Existing Systems Filings clarify that only information currently reported to Blue Sheets will be included in error rates. Unlike the discussion around OATS retirement, the SRO Existing System filings do not detail what data will be considered. We respectfully request that those details be provided.



- Ensure that prime brokerage activity is included in the CAT Industry Member specifications to allow for the reduced use of EBS for those firms that offer prime brokerage services.
- Provide daily EBS reduction in use metrics tailored specifically to errors monitored to allow for the reduced use of EBS. These daily metrics should be issued during the planned testing phase that begins no later than three months before reporting. It is important to recognize that while the SRO Existing Systems filings identify a 180 day period, the actual date by which EBS requests will no longer be made for CAT covered securities will remain uncertain without access to these metrics.
- Consider an individual industry member exemption for EBS requests. There was no discussion of why the SROs would be unable to use CAT data once an individual industry member met the EBS error rate criteria. Given that EBS is a request-based system without linkages, we recommend further consideration of this option. Extraction of EBS data should be incorporated into the technical specifications for regulator use of CAT data such that individual firms could cut over to CAT and no longer receive EBS requests in CAT-covered securities.
- Eliminate Large Trader Rule reporting requirements via EBS. While we understand that Commission action is required to modify the Large Trader rule, we respectfully request that the SEC publish their proposal to eliminate Large Trader reporting via EBS in order to allow for the reduced use of EBS. Please note that the scope of Large Trader is NMS securities so all Large Trader requests via EBS would be eliminated as a result of CAT.

Require SROs to Initiate Data Quality Analysis Sooner

In the SRO Existing System Filings, the SROs indicate that upon the start of CAT Industry Member reporting and during the 180 day period during which error rates need to be met, they will also be reviewing the use of CAT data in order to ensure “(i) usage over that time period has not revealed material issues that have not been corrected, (ii) the CAT includes all data necessary to allow FINRA to continue to meet its surveillance obligations, and (iii) the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan.”⁷ This period begins after CAT goes live. We suggest that CAT not move out of testing in production until the SROs are satisfied that the Plan Processor can satisfy these obligations. It is concerning that CAT would move into full production without these conditions already being met. We recommend that the SRO Existing Filings require that these conditions are met prior to the go-live of CAT. Additionally, the SRO Existing System filings should

⁷ See <https://www.federalregister.gov/d/2017-11359/p-52>



acknowledge that evaluation of all of these issues will begin with CAT Participant Reporting.⁸

Conclusion

As stated in the approval order for the CAT NMS plan, “The Commission acknowledges that a protracted period of duplicative reporting would impose significant costs on broker-dealers and recognizes the importance of retiring duplicative rules and systems as soon as possible and of setting forth an appropriate schedule to achieve such retirement in the CAT NMS Plan.⁹” We respectfully request consideration of the recommendations above in order to limit the period of duplicative reporting to existing systems.

Regards,

Manisha Kimmel

Chief Regulatory Officer, Wealth Management
Thomson Reuters

⁸ We recognize that it will not be possible to fully evaluate these conditions until CAT Reporter data and linkages are submitted to the Processor. However, Participant Data (including options quotes) represents a significant portion of CAT data that can be evaluated at the inception of CAT Participant Reporting.

⁹ See <https://www.federalregister.gov/d/2016-27919/p-2066>