



Via Electronic Delivery

September 27, 2017

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

Re: (Release No. 34-81499; File Nos. SR-BatsBZX-2017-37; SR-BatsEDGX-2017-23; SR-BOX-2017-17; SR-C2-2017-018; SR-CBOE-2017-041; SR-FINRA-2017-013; SR-ISE-2017-46; SR-IEX-2017-18; SR-MIAX-2017-20; SR-PEARL-2017-23; SR-NASDAQ-2017-055; SR-BX-2017-027; SR-Phlx-2017-43; SR-NYSE-2017-23; SR-NYSEArca-2017-57; SR-NYSEArca-2017-59; SR-NYSEMKT-2017-29; SR-NYSEMKT-2017-30: Order Instituting Proceedings to Determine Whether to Approve or Disapprove the Proposed Rule Changes, as Modified by Amendments Thereto, to Eliminate Requirements That Will Be Duplicative of CAT (“Systems Retirement Proposals”)

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 “Systems Retirement Proposals¹”). 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

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



to provide similar services with respect to CAT. As such, we are directly impacted by the CAT NMS Plan and the Systems Retirement Proposals.

As stated in our original comment letter, the approval order for the CAT NMS Plan required the SROs “to analyze the most appropriate and expeditious timeline and manner for eliminating duplicative and partially duplicative rules and systems.⁴” It also stated the Commission’s desire that the Systems Retirement Proposals would “inform the development of the Technical Specifications.⁵” Given that the current Systems Retirement Proposals lack a defined timeline for the retirement of systems and that the initial draft technical specification does not reflect the ability to retire OATS, we recommend that the Commission disapprove the System Retirement Proposals, requiring re-submission of new systems retirement proposals that are consistent with the SROs’ regulatory obligations under Rule 608(c), Rule 613, and the Plan. Specifically, we recommend that new filings address the following:

- Resolution to issues raised in comment letters to the original proposals
- Actual dates for OATS retirement based on a full analysis of the CAT Industry Member Order Specifications such that adherence to the specification would allow for retirement of OATS in conjunction with the launch of CAT.
- Actual dates for reduced uses of EBS/elimination of Large Trader based on a full analysis of the CAT Industry Member Customer Information and Order Specifications⁶

Issues Raised in Prior Comment Letters Must Be Addressed

While the SROs have amended their original System Retirement Proposals, Amendment #1 does not address the substantive concerns raised in prior comment letters. We note that the order instituting proceedings to determine whether to approve or disapprove the rule changes (“the order”) specifically requests the SROs to respond to commenters concerns, “The Commission also asks the SROs to respond to the issues raised in the four comment letters received to date, including the commenters’ cost estimates.” We believe the SRO perspective⁷ is required on the issues raised, including:

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

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

⁶ Due to the dependency on the Customer Information Specification, we believe the determination of a date for system retirement of OATS should precede a date for system retirement/reduced use of for EBS/Large Trader.

⁷ Additionally, we recommend that the SEC publish their rules on the retirement of existing systems in order to ensure that the SRO and SEC plans for reducing the use of Electronic Blue Sheets is consistent.



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- Clarifying that the scope of fields subject to error rates will match current OATS and EBS reporting
- Requiring the publication of error rate metrics on a daily basis at both the individual firm and industry level
- Addressing the need for data quality at the launch of CAT reporting by applying error thresholds to CAT before moving to production, thus reducing the compliance burden of adhering to multiple audit trail regimes
- Substantiate claims that exempting individual industry members based on industry error thresholds from OATS and EBS reporting is cost prohibitive and infeasible
- Status of filing of proposal to have small broker dealers that are OATS reporters begin reporting with large broker dealers

We recognize that the order focuses on specific aspects of the System Retirement Proposals which we address below.

Design of CAT is Significant Determinant of OATS Retirement Cost & Timing

The Commission asks several questions regarding the cost of a CAT-OATS converter (“converter”) as well as the expected timing of OATS retirement. We believe that there is a direct relationship between the comprehensiveness and quality of the CAT order specifications and the ability to retire OATS in the least amount of time, at the lowest cost. Specifically, it is worth noting that CAT could leverage existing OATS formats and fields to ease OATS retirement. Conversely, CAT could support FIX and native exchange formats to reduce the need for broker dealer interpretation of fields, allowing existing mappings to assist in retirement of OATS. The initial order specification does neither of these things.

We recognize that the current order specification is not final and believe that there is still an opportunity to minimize the cost and timing associated with OATS retirement. We believe that this would be consistent with Thesys Technologies’ prior statements to the industry regarding their CAT solution as well as the SROs guiding principles established at the approval of Rule 613.

- Thesys Technologies 2014 feedback to the Financial Information Forum including response to industry questions with an attachment of the Thesys SIFMA Bidder Summit presentation⁸:

⁸ See “[September 5, 2014 – Thesys Reponse to FIF Questions](#)” excerpted with permission from the Financial Information Forum.



“Reporters can continue to use their current infrastructure and report through the OATS format. We propose a comprehensive OATS to CAT migration plan to help large reporters make the transition from the legacy reporting systems.”

“To minimize impact on the industry, the Thesys CAT solution will continue to support submission of OATS format, for all flows that can be reported by OATS while maintaining compliance with CAT requirements.”

“Thesys CAT centralizes the normalization burden and eliminates duplicative effort as much as possible. A substantial amount of CAT-reportable information is already being created and is available in existing standard industry formats e.g. Trading Logs created by Order Management Systems, etc.”

“Thesys CAT supports over 50 existing standard industry formats. This includes all the exchange-proprietary formats, including the current OATS format, but also FIX format, SIP formats, ADF format, TRF format, and many more.”

“A key strength of our design is its compatibility with a wide array of financial protocols for submission. CAT uses an internal message format, so implementing a new protocol for submission is a matter of interpreting that protocol and translating it to our internal format. Given the number of protocols already implemented by Thesys for its businesses, and those we propose to support for CAT on day one, we don’t see a technical issue with adding support for new protocols.”

- SRO Guiding Principle Related to Cost and Existing Systems⁹

“The costs of developing, implementing, and operating the CAT should be minimized to the extent possible. To this end, existing reporting structures and technology interfaces will be utilized where practicable.”

Based on the statements above, we believe that both Thesys and the SROs, understand the impact of leveraging existing protocols specifically as it relates to the cost of CAT and retirement of OATS.

In addition to the specifications themselves, operational decisions made by Thesys CAT may have an impact on OATS retirement. For example, the trading day for CAT will end before midnight whereas OATS today ends at 4 PM. This difference may prevent firms from leveraging their OATS infrastructure in the development of CAT and impose new support requirements. Resolving these issues and their impact on broker dealers during the specification phase is critical.

⁹ Available at <http://www.catnmsplan.com/about-cat/communication/>. See also <https://www.sec.gov/rules/sro/nms/2016/34-79318-exhibit-a.pdf> at Appendix C - 108 – 109.



Thesys/SROs Best Positions to Address CAT Converter Costs/Feasibility

We believe that Thesys and the SROs are in the best position to assess the cost of a converter. In the bidder feedback provided to the FIF and SIFMA, Thesys included the converter concept in both a section on cost savings and one on tools as part of their 2014 Bidder Presentation. While we do not have access to Thesys' bid from 2014 or the Plan Processor Agreement (PPA) that was ultimately signed, the SROs can leverage this data and provide an estimate of the cost, timing and feasibility of a converter. Given the SROs original systems retirement proposals, it seems unlikely that a converter is part of the PPA which raises questions as to what extent the total cost of ownership of CAT (i.e., the implementation, operational and compliance costs to the industry) were a factor.

Additionally, FINRA discusses a number of qualitative elements that will need to be addressed prior to eliminating OATS including that "CAT includes all data necessary to allow FINRA to continue to meet its surveillance obligations." We believe further explanation is required to understand how this would be determined without comparing OATS to CAT data especially if FINRA is looking to leverage some of their existing surveillance patterns that utilize OATS data.

We would appreciate additional insight into these topics from the SROs.

Reliance on Quality Data Should Not Prevent Setting a Retirement Date

There is no disagreement that CAT needs to include quality data in order to retire OATS but we believe that sufficient data quality is also a factor in the SROs building surveillance off of CAT data and the launch of CAT itself. Just as it was possible to set dates for these milestones, it should also be possible to set milestones for the retirement of OATS. As stated in our original comment letter, we do not believe CAT should go live until the system retirement error thresholds are met for a two week period.

We believe final specifications would be necessary to set meaningful dates, not just for systems retirement but also for the launch of CAT itself. In disapproving the systems retirement proposals, the Commission should direct the SROs to ensure that OATS can be retired based on the details of the final specification. We concur with the FIF that the final specification process should be extended to February 2018 or to such time as the SROs can thoroughly review the specification and ensure it conforms to OATS technical and compliance guidance. Consistent with the Commissions discussion of final specifications¹⁰ as part of the Regulation NMS

¹⁰ See <https://www.sec.gov/rules/final/2006/34-53829.pdf>. "In addition, the specifications must be final with respect to these basic Regulation NMS functions and must remain so at least through the Completion Date. A significant alteration of the specifications prior to completion of the phase-in periods would defeat the purpose of giving the industry certainty concerning the quotations for which they will have trade-through and locking/crossing responsibilities."



Compliance Date Extension, it is the industry's expectation that a final specification will remain final through the implementation period without any significant modification. Additionally, the Approved CAT NMS plan states: "The Participants with duplicative systems have completed gap analyses for systems and rules identified for retirement in full or in part, and have confirmed that data that would need to be captured by the CAT to support retirement of these systems will be included in the CAT."

We are concerned that without actual dates based in Systems Retirements filings and contractual agreements with Thesys CAT, we will not realize our goal of eliminating duplicative systems in a timely manner.

Proposals Increase Burden on Competition and Stifle Innovation

New market entrants will face a significant barrier to entry if they are required to support duplicative systems, particularly both OATS and CAT. This is especially significant if issues like fundamental differences between OATS and CAT reporting of the same events are not resolved.

Another burden on competition that may impact smaller firms to a greater degree is the extension of the trading day to just before midnight. Currently firms without a global support model have a skeleton staff after 12 AM with some firms reducing staff before 6 PM (e.g., first shift staffing). Additional support staff would be required in order to address any errors in processing that would occur after 12 AM on a reporting day. It is important to note that this support staff would have to be experienced in CAT processing. These are costs that were not contemplated in the approval order of the CAT NMS Plan.

Even for firms that are already in the market we believe duplicative reporting with an uncertain end date will stifle innovation requiring firms to divert resources away from enhancing the investor experience in order to support duplicative systems at a high cost. We believe that cost estimates derived from the economic analysis in the approval order are a baseline given that they did not contemplate the operational and technical differences in CAT reporting for events already reported to OATS.

Conclusion

As cited in our original comment letter, we believe the approval order of the CAT NMS plan demonstrates the Commission's commitment to retiring duplicative systems: "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."¹¹ We respectfully request that the Commission disapprove the systems

¹¹ See <https://www.federalregister.gov/d/2016-27919/p-2066>



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retirement proposals and require that the SROs work closely with Thesys CAT in order to leverage current reporting from both an operational and technical perspective to the greatest extent possible in order to facilitate the retirement of OATS.

Regards,

Manisha Kimmel

Chief Regulatory Officer, Wealth Management
Thomson Reuters