



Via Electronic Delivery

December 18, 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 provide additional feedback on FINRA’s and the other SRO’s responses to comments on SR-FINRA-2017-013 (“Response to Comments”) 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

¹ It is our understanding that all the SRO filings and response to comments related to retirement of existing systems made duplicative by CAT are substantially similar. For ease of reference, we refer to FINRA’s response to comments on their systems retirement proposal, SR-FINRA-2017-013.

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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 Systems Retirement Proposals.

While we appreciate FINRA's response to comments on several issues, we do not believe that substantive issues raised by commenters have been sufficiently addressed. As such, we recommend that the SEC disapprove the current System Retirement Proposals and direct the SROs to draft a viable system retirement proposal that demonstrates the CAT's ability to replace and retire OATS within a specified timeframe.

Address Divergence of Initial Draft CAT Specification from Current OATS Processing

We agree with FINRA's analysis that the initial draft CAT specification for industry member reporting diverges significantly from current OATS processing in a way that would make an OATS/CAT converter difficult to implement. Further, we believe that the many issues FINRA cited including the definition of trading day, the inclusion of free form text fields and the reporting of key material terms differently from OATS are all issues for the retirement of OATS itself. The next version of the specification should address these shortcomings and expressly facilitate the retirement of OATS. Not only should the OATS specification be considered but also OATS guidance which directs firms in the application of the specification. Ensuring that CAT is a viable alternative to OATS is a requirement of the CAT NMS Plan which expressly states: "The Participants have confirmed that the data needed to support the retirement of these key systems will be included in the CAT."⁴ It is important to recognize that the content of the CAT specification is under the complete control of FINRA and the other SROs. Necessary changes should be made to the CAT specification to facilitate OATS retirement.

Introduce Pilot Period/Mandatory Testing to Address Data Quality Concerns

In the Response to Comments, FINRA argues that mandatory participation in CAT reporting is required in order to determine data quality but does not address why a pilot period or mandatory test period would not yield the same results as going live. With this approach, the industry and SROs benefit from maintaining the focus on improving CAT data quality without being distracted by enforcement action on two sets of audit trail rules with overlapping coverage. We believe the industry and the SROs will both have an incentive to see CAT go-live with the required data quality standards in order to eliminate the significant expenses of operating duplicative systems.

Set Date for OATS Retirement based on CAT Go-Live

If CAT is designed to facilitate the retirement of OATS and the completed technical specifications demonstrate CAT's ability to do just that, we do not understand why a date

⁴ [81 FR 84774](#)



for OATS retirement cannot be set that coincides with the go-live date of CAT. Incremental approaches to the launch of CAT should be considered to make the retirement of OATS a priority. Additionally, a pilot period or mandatory testing as described above should be robust enough to address data quality issues. Every other major regulatory reporting change where a new system took over the functionality provided by an old system had a defined retirement date of the duplicative system including:

- LOPR: Functionality provided by SIAC migrated to the OCC. Significant changes were made to the LOPR specification as part of the migration including a new messaging format, reporting windows and data fields.
- OATS for NMS: Reporting required by NYSE OTS rules migrated to FINRA OATS. Substantial changes to requirements and expansion of firms with reporting obligations.
- ORF Migration: Functionality provided by Nasdaq migrated to FINRA for trade reporting of OTC Equities.

Additionally, other enhancements to FINRA reporting systems involved a mandatory cut-over to new specifications including:

- OATS Phase 3
- OATS for OTC Equities
- OATS functionality for Tick Size Pilot
- TRACE for Treasuries
- TRACE for Asset Backed Securities

Every single one of these initiatives required that the system changes implemented meet stringent data quality standards when the new reporting system went live. CAT is no different.

Conclusion

We concur with FINRA that data quality is absolutely essential in order for CAT to replace OATS. Given the importance of data quality to the viability of CAT, we should hold the SROs, Thesys CAT and the industry to an actual date by which CAT meets that standard such that OATS can be retired. We believe that date should be set based on a data-driven approach which considers a review of the final specifications and the need for mandatory testing. We recognize that dates for the release of the final technical specifications and reporting itself are currently in flux. As the SROs and the Commission work to identify new dates for broker dealer



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reporting milestones, there is an opportunity to ensure timely OATS retirement and mandatory testing.

We respectfully request that the Commission disapprove the System Retirement Proposals and direct the SROs to work with Thesys CAT on a viable specification and testing methodology such that new System Retirement Proposals define the retirement of OATS as a milestone concurrent with the go-live of CAT upon the completion of a robust pilot/mandatory testing period.

Regards,

Manisha Kimmel

Chief Regulatory Officer, Wealth Management
Thomson Reuters