

# LONG PLANNED SEC CONSOLIDATED AUDIT TRAIL BECOMES A REALITY

*Security firms need to quickly assess the impact these changes will have on their operations as well as client onboarding and customer master files*

In response to the increasingly automated nature of securities markets and trading activity being widely dispersed across many trading centers, the SEC in 2010 proposed a rule that would require the stock exchanges and national securities associations (SROs) to develop a consolidated audit trail (CAT).\*

On July 11, 2012, the SEC approved a final rule which requires that the securities exchanges and FINRA submit to the SEC a plan to create a CAT system that will collect and accurately identify every order, cancellation modification, and execution for all exchange-listed equities and equity options across all U.S. markets. CAT will create a single comprehensive set of orders and executions and allow regulators to conduct cross-market analysis without obtaining and merging together large volumes of disparate data from different entities. Rule 613 requires that the CAT system developed by the SROs meet certain requirements, including:

- All exchanges, FINRA and broker-dealers report quote and order information in Reg NMS Securities to a newly created data repository;
- Data must be reported by 8 a.m. ET the following trading day;
- Reported data must be tagged and stored by the repository in a linked manner so that regulators can track the life cycle of an order.
- Each broker-dealer and securities exchange must be assigned a unique identifier that must be reported to the repository along with all reported data; and
- Each customer (including any adviser to a customer who has trading discretion) must be assigned a unique customer identifier to be reported to the repository for every order originated by the customer.

## WHAT IMPACT WILL THE CONSOLIDATED AUDIT TRAIL HAVE ON USERS?

- Changes to Equities and Options trade reporting systems
- Capture of reporting attributes not currently reported
- Operational changes in front, middle and back offices
- Changes to client on-boarding and customer master information and processes
- Impact to trade data retention and repositories

\* Reference SIFMA Consolidated Audit Trail Overview

## CAT IMPLEMENTATION TIMELINE

The below is a snapshot of the implementation table for the CAT.

Date	Event
May 26, 2010	Proposing Release published by the SEC.
July 18, 2012	Adopting Release issued by the SEC
Feb. 26, 2013	CAT Request For Proposal ("RFP") Published
Mar. 5, 2013	RFP Intent to Bid Submission
Apr. 25, 2013	RFP Responses Due
APR. 28, 2013	A FINAL NMS PLAN CREATING THE CAT MUST BE FILED WITH THE SEC. THE NMS PLAN WILL NOT BE EFFECTIVE UNTIL IT IS APPROVED BY THE SEC. THE SROS FILED THE NMS PLAN GOVERNING THE PROCESS OF SELECTING A PLAN PROCESSOR AND DEVELOPING A PLAN FOR THE CONSOLIDATED AUDIT TRAIL
DECEMBER 6, 2013	CAT NMS PLAN DEADLINE TO FILE WITH SEC (DATE WAS EXTENDED FROM APRIL 28, 2013)
FEBRUARY 21, 2014	THE SELECTION PLAN RECEIVES SEC APPROVAL
SEPTEMBER 30, 2014	CAT NMS PLAN DEADLINE TO FILE WITH THE SEC (DATE WAS EXTENDED FROM DECEMBER 6, 2013)
SEPTEMBER 30, 2014	PROPOSED NMS PLAN FILED WITH THE SEC
DECEMBER 12, 2014	SROS SUBMIT AN AMENDMENT TO THE SELECTION PLAN WITH THE SEC.
JANUARY 30, 2015	EXEMPTIVE RELIEF REQUEST FILED WITH THE SEC.
FEBRUARY 27, 2015	SROS SUBMIT AN AMENDED NMS PLAN THAT REPLACES THE INITIAL PLAN (FILED 9/30/14) IN ITS ENTIRETY.
JULY 14, 2015	ISSUE BID REVISION REQUIREMENTS TO SHORTLISTED BIDDERS
NOVEMBER 16, 2015	FURTHER NARROW BIDDERS FROM 6 TO 3
DECEMBER 23, 2015	FILED TECHNICAL AMENDMENT TO CAT NMS PLAN WITH THE SEC
APRIL 27, 2016	CAT PROCESSOR SELECTED BY NMS PLAN PARTICIPANTS
<b>WITHIN TWO MONTHS AFTER EFFECTIVENESS OF THE APPROVED NMS PLAN -</b>	<b>CAT PROCESSOR SELECTED BY NMS PLAN PARTICIPANTS</b>
<b>WITHIN FOUR MONTHS AFTER EFFECTIVENESS OF THE APPROVED NMS PLAN -</b>	<b>BUSINESS CLOCK SYNCHRONIZATION FOR SROS AND BROKER-DEALERS</b>

Date	Event
WITHIN ONE YEAR AFTER EFFECTIVENESS OF THE APPROVED NMS PLAN -	SROS BEGIN SUBMITTING DATA TO THE CENTRAL REPOSITORY
WITHIN 14 MONTHS AFTER EFFECTIVENESS OF THE APPROVED NMS PLAN -	SROS MUST IMPLEMENT ENHANCED SURVEILLANCE USING CAT DATA
WITHIN TWO YEARS AFTER EFFECTIVENESS OF THE APPROVED NMS PLAN -	SRO MEMBERS, EXCEPT SMALL MEMBERS, MUST BEGIN SUBMITTING DATA TO THE CENTRAL REPOSITORY
WITHIN THREE YEARS AFTER EFFECTIVENESS OF THE APPROVED NMS PLAN -	SMALL SRO MEMBERS MUST BEGIN SUBMITTING DATA TO THE CENTRAL REPOSITORY

## REFERENCES

Consolidated Audit Trail (CAT) Resource Center:

[http://www.sifma.org/issues/legal,-compliance-and-administration/consolidated-audit-trail-\(cat\)/overview/](http://www.sifma.org/issues/legal,-compliance-and-administration/consolidated-audit-trail-(cat)/overview/)

SEC Rule 613: Consolidated Audit Trail (CAT)

<http://www.catnmsplan.com/>



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