

FINANCIAL INFORMATION FORUM

November 22, 2023

By electronic mail

Brandon Becker
CAT NMS Plan Operating Committee Chair

Shelly Bohlin
President and Chief Operating Officer, FINRA CAT

Re: September 28, 2023 and November 7, 2023 FINRA CAT Billing Webinars; Implementation of CAT Billing

Dear Mr. Becker and Ms. Bohlin,

FIF is submitting this letter on behalf of FIF members as a follow-up to the letters that FIF submitted on October 10, 2023 and October 26, 2023 regarding the September 28, 2023 CAT billing webinar and the implementation of CAT billing. FIF members appreciate the actions taken to date by the CAT Plan Participants and FINRA CAT to support reconciliation of CAT billing by industry members. Subsequent to our October 27 letter, FIF members have reviewed the presentation from the November 7, 2023 FINRA CAT billing webinar and the documentation posted by the CAT Plan Participants and FINRA CAT on the new CAT Fees tab on the CAT NMS Plan website, including the trade details schemas. After reviewing the November 7 presentation and the documentation posted on the CAT Fees tab, FIF members have additional comments and questions relating to the implementation of CAT billing, as set forth below in this letter. FIF is submitting this letter on behalf of FIF members that are broker-dealers and vendors that support these broker-dealers.

1. Request for invoices in machine-readable format with fee rates

FIF members request that FINRA CAT provide each monthly invoice in machine-readable format and that the CAT fee rate (or fee rates) for the applicable month be included on the monthly invoice. FIF members request that the fee rate (or fee rates) be provided at the invoice level rather than the trade level. FIF members also request confirmation that a fee rate can only be added or modified as of the start of the first day of a calendar month and that a fee rate can only expire as of the end of the last day of a calendar month.

2. Ability for reporting firm to designate submitting firm to receive copy of monthly trade details file

There are many CAT reporting firms (including smaller firms) that engage vendors to report on their behalf. These vendors (which include clearing firms) act as “CAT submitting firms” (or “CAT submitters”) on behalf of these “CAT reporting firms” (or “CAT reporters”). Many smaller CAT reporting firms will not have the resources to internally process and reconcile the monthly CAT trade details files and will want to delegate all or part of the reconciliation function to their CAT submitting firms. Other CAT reporting firms might have the resources to internally process these files but will want to delegate all or part of the reconciliation function to their CAT submitting firms. FIF members understand that a CAT reporting firm will have the ability to designate personnel at one or more CAT submitting firms to receive the CAT reporter’s monthly CAT trade details files (in addition to the CAT reporter receiving these files). FIF members request confirmation on this point.

3. Record limit for trade details files

FIF members are concerned about the restriction that a trade details file cannot contain more than 1 million records. As a result of this limitation, some firms will need to process hundreds or thousands of files each month. The file size restriction will require significant additional processing by industry members and make processing of CAT invoices more complex. FIF members request that the CAT system set less restrictive limits with respect to the number of records that a trade details file can contain to minimize, to the extent possible, the number of files that firms will need to process each month.

4. Downloading trade details files from the portal

FIF members request confirmation that a reporting firm using the portal would be able to download all trade details files for a month with a single click.

5. SFTP access

FIF members request that the CAT Plan Participants and FINRA CAT provide the details for industry members to register for SFTP access, including any forms that industry members are required to complete, such that firms can register for, and be granted, SFTP access prior to the first CAT invoice being issued. FIF members also request confirmation that access to the SFTP site for CAT billing will be separate from access to the SFTP site for CAT transaction reporting. In other words, FIF members request confirmation that a firm can designate personnel to have access for CAT billing but not for CAT transaction reporting.

6. Standard documentation required by industry members for approval of vendors

Industry members require certain documentation to approve a new vendor (for example, a signed Form W-9). FIF members would like to understand the procedure, including timing, for obtaining this documentation from CAT LLC. FIF members request that the documentation requested by industry members be provided to industry members prior to the first CAT invoice being issued.

7. Partial and full cancels; other modifications

FIF members request confirmation that, for a partial or full cancel, the `executedEquivalentShares` field in the trade details file will be a negative number. FIF members further request confirmation that for a modification that increases the executed quantity, the `executedEquivalentShares` field in the trade details file will be based on the differential between the original reported trade and the modified reported trade. FIF members consider this approach necessary to enable efficient reconciliation. With this approach, the sum of the `executedEquivalentShares` for all rows in the trade details file should equal the monthly amount billed. More generally, FIF members request clarification on how the various date, time and quantity fields in the trade details files will be reported for partial and full cancels and for other modifications (including for modifications that increase the executed equivalent shares).

8. tradeID for Options

The trade details schema for on-exchange trades includes a `tradeID` field. For options trades, is this the same as Tag #1003 (`trdID`) reported by the exchanges to the Options Clearing Corporation? See page 11 of the ENCORE Data Distribution Services (DDS) Guide -- Developer Reference II -- Proprietary Transmissions -- Version 5.1 (June 2023), available at [ENCORE DDS Guide – Developer Reference II – Proprietary Transmissions \(theocc.com\)](https://www.theocc.com/resources/FAQ/Encore-DDS-Guide-Developer-Reference-II-Proprietary-Transmissions).

9. publishIndicatorCode

Since the monthly trade details file for off-exchange transactions is intended to only cover trades where a media report is submitted to the TRF, FIF members request clarification on the specific scenario or scenarios where the `publishIndicatorCode` would be N (Not Media Report Eligible). In other words, if billing for off-exchange trades is intended to apply only to media reports, how could this field be N? Are there scenarios that are an exception to this general rule?

10. Pass-through of CAT billing

In addition to the work by industry members on implementing reconciliation of CAT billing, industry members also are focused on implementing pass-through of CAT billing to customers and upstream broker-dealers. The following are some of the steps that industry members are currently taking with respect to the pass-through of CAT fees:

- Discussions with the FIX Trading Community and DTCC on approving a FIX Tag for the pass-through of CAT fees and incorporating this FIX Tag into the DTCC clearing process
- Discussions with institutional customers about the pass-through of CAT fees, which will require updates to broker-dealer and institutional back office systems
- Discussions with operations, compliance and legal personnel on updating confirmations and other disclosures to reflect the pass-through of CAT billing.

Industry members continue to work on pass-through of CAT billing and will provide additional detail as they continue to move forward on this process. FIF recommends that Securities and Exchange

Commission (“Commission”) and CAT Plan Participant representatives communicate with relevant parties, including DTCC and institutional customers, on the implementation of pass-through of CAT billing. FIF members also recommend that Commission representatives engage in discussions with industry members regarding the required disclosures on confirmations and other customer communications for the pass-through of CAT billing.

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Please note that, given the time constraints, FIF is submitting this letter on an expedited basis. FIF members continue to review and discuss the reconciliation process for CAT billing and will likely have additional comments and questions in the future.

If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at howard.meyerson@fif.com.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

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